

# Angel investing grows almost 11% in 2006

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The angel investor market saw total investments of \$25.6 billion last year, up 10.8 percent from 2005, according to the 2006 Angel Market Analysis released Monday by the Center for Venture Research at the University of New Hampshire.

A total of 51,000 entrepreneurial ventures received angel funding in 2006, up 3 percent from 2005.

The sharp increase in total investment dollars and the more modest increase in total deals reflects an increase in the average deal size of 7.5 percent, compared to 2005.

The Bay Area is among the most active regions for angel investing, with several well established angel groups including Band of Angels, Angels' Forum and Keiretsu Forum.

But the health of angel investing will require more participation by wealthy individuals.

"While the number of angel organizations, and individuals that are members of organized angel groups, is increasing, there is a larger percentage of latent angels -- individuals that have the necessary net worth, but have not made an investment," said Jeffrey Sohl, director of the UNH Center for Venture Research at the Wittemore School of Business and Economics.

He found that in 2006, 57 percent of the membership in angel groups was latent angels (as compared to 62 percent in 2005 and 55 percent latent investors in 2004).

This larger percentage of latent investors over time indicates that while many rich people may be attracted to angel groups, they have not converted this interest into direct participation. When the age of the angel group is taken into consideration, the percentage of latent angels remains unchanged, except for those angel groups that are less than one year old.

Many angel groups are beginning to recognize the more basic need for educational programs and research to turn latent angels into active investors, in addition to high quality deal flow.

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