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than
money



NAB Professional Services

Next Gen Real Estate

**The Data and Trends Shaping
Tomorrow's Real Estate Businesses**





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About the report

Along with one-on-one interviews with NAB leaders and NAB professional service customers, we surveyed NAB customer real estate business owners around Australia, asking them a series of questions on performance, challenges and plans for the future. Number of firms in the survey: 32.

Introduction

Real estate looks to 2024 with optimism

With challenging conditions hopefully in the rear-view mirror, real estate business owners are looking to grow their revenue and their operations.

It's blue skies ahead for real estate business owners, with the vast majority optimistic about 2024 and looking to capitalise on growth opportunities.

NAB's Real Estate Industry Insights survey canvassed real estate business owners from around Australia, with 93% of respondents anticipating positive revenue growth in the next year after weathering an uncertain period of inflation and steep rate rises.

An impressive 80% still reported revenue growth over the past year, and 86% are now looking at harnessing improving conditions over the year ahead to grow their businesses.

NAB Head of Professional Services Donald Jamieson believes positivity is the natural state of being for real estate business owners.

"They're incredibly optimistic people," he says. "It doesn't matter what's going on in the market, they're always looking to grow, expand and achieve new goals. That's just the nature of the sector.

"Add that natural optimism to an environment where some certainty is returning after a very large spike in interest rates, and people are feeling good times may be coming again."

The top ways in which respondents plan to grow their businesses are by recruiting and retaining staff (59%), embracing new technology (28%) and acquiring assets (19%).

Many of these businesses will be supported by their property management assets, with rents predicted to grow again this year.

93% of survey respondents anticipate positive revenue growth in the next year.

There will still be challenges ahead, however, with business owners identifying a tough environment for staff recruitment and retention, plus a shortage of property listings and lingering economic volatility as hurdles to overcome.



The numbers driving next gen real estate

People, acquisitions and technology are evolving as the key tools to business evolution.

Growth in owners' sights

The overwhelming majority are looking to grow their business in the next 12 months - and are also expecting to see revenue growth.

86%

of respondents are looking to grow their business

93%

of respondents anticipate positive revenue growth in the next year

Paths to growth revealed

Investing in people and technology, and looking at acquisitions, are the three key strategies agency owners will employ to achieve growth.

59%

Recruiting and retaining staff

28%

Embracing new technology

19%

Acquiring assets

People a pivotal element

Whether it's as a vehicle to grow or a hurdle to that growth, people are at the heart of real estate businesses.

No.1 way firms are looking to grow their business

No.1 challenge they face in running their business

Hiring, retaining and training staff

Pathways to acquisition

1 in 4 real estate business owners are spending to grow, via acquiring rent rolls, equity or full ownership of other firms.

25%

have created revenue over the past two years by purchasing fees, equities or entire businesses

27%

plan to do the same in the next two years

Rent rolls a solid performer

Leasing and property management are proving mainstays for the majority of real estate agencies.

~75%

offer residential leasing and property management services, in both residential and commercial

01. Market forces

Property's strength preparing to show its mettle

As good news emerges, market watchers are positive better times are close.



The state of the buying, selling and rental markets has a significant impact on real estate businesses, and it has been a turbulent time recently. While property values have remained strong, the uncertainty around inflation and where interest rates might peak has led to fewer listings and transactions.

Buyers, already facing steep cost of living increases, have watched their borrowing power decrease with every rate rise. Sellers, meanwhile, have been hesitant to list in case they can't find their next home.

Accordingly, two areas identified as major challenges by our survey respondents were the economic environment and stock availability. So what lies ahead?

The good news is that interest rates seem at, or close to, their peak and inflation has slowed.

NAB Group Economics recently predicted inflation will continue to moderate through 2024, returning to just over 3% by the end of the year, then easing to around 2.6% by the end of 2025.

In terms of interest rates, the economics team sees the RBA holding at 4.35% until November this year, before easing rates towards 3% through 2025.¹

NAB Head of Property Services Mark Browning says positivity has returned to the market as a result.

The return of some certainty to the market will empower buyers, sellers and investors to make decisions they have been putting off.

"We've already seen early signs of improved listing activity and stronger clearance rates. The latest consumer sentiment surveys show an uptick.

"The market is increasingly thinking we're at peak rates. Some are wanting to get in and not sit on the sidelines, with a view that property prices could increase later this year as momentum builds with rates easing."



Jamieson says the return of some certainty to the market will empower buyers, sellers and investors to make decisions they have been putting off, meaning more activity and opportunity for businesses to grow.

"Real estate agents are good at reading people," he says. "They can tell when the market calms down and they're very positive about what's coming. The demand is still very strong for both sales and rentals around the country."

Jamieson adds that one of property's strengths as an investment class is that it deals with the evergreen human need for a place to live.

"While we can talk about interest rates and inflation, people still have to move house. People still have families and need to upgrade their home, or get a job in a different town and need to sell and buy. There are a lot of factors going on in the market all the time, but I think that positive outlook remains and I don't see that changing anytime soon."

1. The Forward View – Australia, February 2024. <https://business.nab.com.au/the-forward-view-australia-february-2024/>



How a determined Fox chose a different path to success

WHITEFOX founder and CEO Marty Fox is a prime case study in how to grow a real estate business in any market, and part of his achievement has been down to thinking differently.

“Agents are obsessed with geography because they’re sold a territory,” Fox says. “But we want our business to come from referrals. We’re specialists in connection, communication and networking. It’s all down to marketing, engagement and negotiation.”

Launching WHITEFOX, Fox wanted to turn traditional real estate upside down.

“I wanted to be the luxury agency that wasn’t antiquated,” he says. “We dropped the suits and wore smart-casual attire, used black and white in our hero imagery and engaged a creative agency to work on a clear tone of voice.”

WHITEFOX quickly expanded, turning one Melbourne office into four, followed by three in New Zealand and one in Perth. In all, Fox has worked with NAB on 14 projects, and still has the same banking team, a partnership that has supported his success. In the coming years, he plans to open offices in Brisbane, the Gold Coast, Dubai and London.

Today, as the latest judge on home renovation show *The Block*, Fox juggles his TV responsibilities with his business by maintaining authenticity and consistency.

“The advice I give someone on *The Block* is the same I give to WHITEFOX clients, family and friends,” he says. “It’s all about maximising the value of the asset.”

Marty Fox
Founder and CEO,
WHITEFOX

02. People power

Good people needed for growth

Attracting the right staff and investing in their potential are vital components when it comes to the strength of any agency.



The hiring, training and retaining of staff have been major challenges for 50% of survey respondents, but it's also the main area businesses (59%) are aiming to leverage to grow.

"Having fully qualified staff in any business has been very tough over the last few years and that will flow through the real estate sector because there's demand for people in all sorts of roles and strong competition for people who can perform," Jamieson says.

Jamieson adds that his real estate customers tell him listings is one area for success and people the other – "If we can get the good stock it will sell, but if we can get the good people they will get the good stock" is their mantra.

"They do link together," he explains.

Attracting the right people has been a key pillar in the growth of NSW agency MMJ Real Estate (see case study, page 12).



“

We never lose sight of how a family business does things, even as we're getting up to that corporate level in size.”

"We never lose sight of how a family business does things, even as we're getting up to that corporate level in size," says Tim Jones, Managing Director of MMJ Real Estate Wollongong, now the largest agency in the Illawarra region. "We want to be big enough to service all of our clients' needs but small enough to care. And we really care about our people.

"To be an employer of choice, you've got to create a culture your staff rave about. We focus on social events; last year we rolled out a nine-day fortnight; we have volunteering leave, birthday leave; we're always thinking of different ways to be flexible."

Starting as Managing Director as Covid-19 took hold was a steep learning curve for Jones.

"Keeping our staff as calm and happy as possible was most challenging at that time, but we had to rely on our culture and back ourselves to retain our staff," he says. "When things happen outside of your control and staff leave, the first thing we always do is look inwards. We have a very good track record of promoting through the ranks. Having the diversity to be able to offer different career paths to people who we don't want to lose has been really good for us. It's saved us a lot of time and money on recruiting."

And the result, according to Jones?

"We've got the best team of people here that we've ever had and so much young talent.

"Someone once said to me, you have two eyes, two ears and one mouth for a reason – to watch and listen twice as much as you talk. I find it a lot easier to keep people happy and a lot easier to succeed in business when I do that."



Tim Jones
Managing Director,
MMJ Wollongong

Thinking big and playing it smart deliver a winning team

Diversification has been a key to success for MMJ Real Estate Wollongong, Managing Director Tim Jones says.

Since launching in 1960, the family company has grown its business to include commercial and residential property management, leasing and sales; business sales; project marketing; property advisory and even town planning.

“A lot of credit goes to my father and my grandfather,” Jones says. “We have historically done a lot of work with the Shell company and, many years ago, my grandfather Allan was asked by one of their executives, ‘Can you do all of our town planning and valuation work too?’

“At the time he had no town planner or valuer, but he said, ‘Yes, we absolutely can!’ He backed himself and went and hired a town planner and a valuer.”

Those hires paid off. Both areas of the business became long-term growth avenues. MMJ now dominates the Illawarra market and has expanded into Sydney, Melbourne, Perth and Canberra.

“The diversification happened a bit by accident back in the day, but my dad Geoff and his board of directors have been very calculated about which areas to move forward in over the years. Since I took over as Managing Director, we’ve also added business sales as a service line, so I guess all of us have had a hand in expanding in a calculated way.”





03. Investing to grow

Investing is the key to expansion

There are different ways to grow a business, but whatever route you take, the benefits of scale are many.

Investing in the business is a key strategy for firms looking to expand. By purchasing fees, equities or entire businesses, 25% of survey respondents have looked to create revenue over the past two years.

Another 27% plan to do the same in the next two years, as they aim to grow, diversify, increase their geographic footprint and potentially buy out their competition.

Many also believe increasing scale can help attract and retain staff, by offering career pathways and room for personal development.

“For real estate businesses, if you’re not going forward, you’re going backwards, so you’re planning all the time,” Jamieson says. “Staying stable is not an option.”

After Xceed Real Estate COO Daisy Campbell was settled in Perth (see case study, page 15), she saw a need for specialised property management companies. With that point of difference, she was able to grow, acquiring rental assets from sales-focused agencies.

“They often had little property management expertise and treated their rent roll as a parking station for listings, rather than a core focus,” she says. “We receive a lot of managements from those agencies.



“We’ve acquired 24 rent rolls in the past seven years, nearly all from selling principals who have bought a rent roll then decided, ‘I don’t want to manage this but I’ve built up an asset. I want to sell the asset and keep selling property because that’s what I’m good at.’”

Campbell has built the business to a point where it has 4,000 properties under management.

“The goal has always been to get to a size that negates the need to keep acquiring, because the organic growth from thousands of properties is massive just from existing landlord-tenant and staff referrals,” she says. Although, she adds, organic growth has been made harder recently by a large number of landlords selling their assets and exiting the market.

Campbell has built the business to a point where it has 4,000 properties under management.

“We have grown from one to four BDMs who are working on prospecting and making sure they are converting leads, but because rents have increased so significantly, we’ve actually never been more profitable.”

The Xceed Real Estate brand has a sister sales company too, which is headed by a separate, sales-focused licensee so Campbell can focus on property management. She will refer potential sales to that team, but only when landlords are actively looking to sell.

“If we want to work with long-term investors, we’re not going to market to them to try and sell their property. We want to help people maximise their cash flow through maintaining a tenancy.”



Building resilience through adversity

Sometimes the first step on the path to growth is the most important.

Daisy Campbell, COO of WA-based Xceed Real Estate, endured her toughest test at age 23, after moving from Victoria to run a Perth property management company.

"I'd done my real estate course and by chance found an opportunity to move to WA and take over a small office with about 260 managements as the licensee," Campbell says. "I didn't have the experience, but I wanted to seize the opportunity and figure out the rest later."

There was plenty to figure out.

"It was an incredible challenge," she says. "There was money being stolen from the trust account, there were all kinds of things going wrong and I had no experience in that area.

"But I stuck it out because the fear I felt about having to go back to my small town and say, 'I failed' was greater than the pain of trying to push through."

That persistence set Campbell up for the career that's followed.

"That challenge gave me my greatest strength. No matter how difficult a situation is now, I'm able to pause and flip my mindset to feel grateful for the lesson of strength I know I'll get out of it."

Daisy Campbell
Chief Operating Officer,
Xceed Real Estate

04. Technology upgrades

Agencies are leaning into tech

New technology is already making its presence felt in real estate – how it helps customers as well as workflow is a vital consideration as advances continue.

Advancements in technology have changed how businesses operate and think, and the real estate sector is on board.

Of the 86% of survey respondents looking to grow their businesses, 28% nominated technology as the key factor in doing so.

The industry is already used to drone photography, virtual reality home inspections, smart home devices, marketing automation and apps that allow users to access property data and market insights in real time.

Now, the emergence of 'proptech' innovation is allowing real estate and property businesses to link cloud computing, mobile solutions and the Internet of Things to improve operational efficiency, while artificial intelligence is taking care of administration tasks, analysing markets and predicting buyer behaviour in a way that frees businesses to focus on the human aspect of their work.

Jones says technology is of the utmost importance in the industry.

"Advancements are taking place weekly, even daily, potentially," he says. "If you don't stay tuned in, you're going to fall behind very quickly."

Jones monitors technology very closely, but looks specifically for innovations that will improve his business.

"For us, it's about the analogy that the British rowing team used: 'Okay, this sounds great, but will it make the boat go faster?' If we think technology will make us go faster, and improve the business, we are all over it."

While technology can improve business workflow, it should also benefit customers, says Jamieson.

"Technology is important for everyone. If you can save costs and time, that's more time your staff have to spend with customers, listing and selling properties, looking after rental portfolios and generating revenue. Technology and AI will present opportunities to save costs in those areas.

"But also ask, 'Will this deliver a better experience for customers?' These days, you can get your phone and look up any property you want. When you walk past a front door you can see how many bedrooms it has, the land size and what it last sold for. It's absolutely about making the experience better for customers and taking costs and time out of the business. That's what NAB is doing by introducing our new NAB Portal Pay payment solution for real estate agents and their clients."

Of the 86% of survey respondents looking to grow their businesses, 28% nominated technology as the key factor in doing so.



NAB Portal Pay makes the business of real estate easier

NAB's new payment solution for real estate professionals, NAB Portal Pay, simplifies and streamlines property payments while also delivering a more integrated customer experience through market-leading features.

Real estate agents say they want to balance human connection with automation when dealing with tenants, landlords and property managers. NAB Portal Pay answers this need through easy automation for rent roll reconciliations and seamless integration with existing software.

The efficiency and support it provides frees agents to connect personally with customers when they need to, in a more meaningful way.

NAB Portal Pay enables deposit-taking for property sales in real time,² benefiting both agents and buyers.

Its Tenant Portal provides a safe and secure way for tenants to pay rent, giving them control of how and when they pay and providing reminders when a payment is due through timely email notifications.

NAB Portal Pay offers secure access through NAB Connect and expert support from day one, leveraging lending and finance tools designed specifically for real estate and backed by the strength and expertise of the NAB network.

For more information, speak to your banker or visit nab.com.au/nabportalpay

2. Real-time payments are only available where the payer's bank supports real-time payments and does not impose any holds or delays in respect to the payment (e.g. such as where some banks delay a payment for up to 24 hours when a payment is being made to a new payee for the first time). Some financial institutions may also impose payment limits.

NAB Portal Pay is subject to the NAB Portal Pay Terms and Conditions and only works with payments made into NAB Statutory Trust Accounts. Any advice in this report has been prepared without considering your objectives, financial situation or needs. Before acting on any advice, consider whether it is appropriate for your circumstances and view the Terms and Conditions available online or by contacting us. NAB Portal Pay is issued by NAB and is accessed via NAB Connect.

05. Rental revenue

Rent rolls play major role in agency viability

Growing rental revenue can take the sting out of sales volatility and give lenders a reason to back your business.

Rents have increased sharply across Australia in recent years, driven by historically low vacancy rates, inadequate construction and a rise in immigration.

The growth in rental return has helped real estate businesses with property management arms offset the more mixed performances of selling markets.

CoreLogic's latest Rental Market Report³ showed rents were up 8.3% nationally in 2023, after growing 9.5% in 2022 and 9.6% in 2021.

CoreLogic Head of Research Tim Lawless wrote: "Considering we are yet to see any material response in rental supply, growth in rents is likely to remain above average in 2024."

Indeed, Finder research⁴ has forecast rents to grow in all capitals this year, led by Perth (9.5%), Melbourne (6.8%), Sydney and Brisbane (both 6.5%).

Meanwhile, Colliers forecasts⁵ commercial rents to have a strong year, led by the industrial sector.

NAB survey respondents indicated they were well invested in leasing and property management in residential (75%) and commercial (72%) classes.

The rental performance shows property management is important for business success, according to Jamieson.

"The rent roll is the underpinning or the vanilla part of the business," he says. "It has cash coming in on a regular basis and takes the volatility out from the sales side.

"There are agencies I've seen in the past that have just focused on their sales and sold off their rent roll because they were in a really strong sales cycle. That cycle turned and those agencies didn't survive, because they had no revenue source.

"I think the smarter and more successful agents understand that there are two major parts of their business and they want to grow both. Growing sales can sometimes be a function of the market and economic conditions, and rent rolls less so. But you do have to grow your rent roll all the time because properties will be sold, or owners might move into their properties.

“

The rent roll is the underpinning of the business.”

"So there is a business development aspect in the property management part of the business every bit as much as on the sales side. The rent roll gives you an asset over the longer term that you own, that you can sell and that you can borrow against. If we're looking at lending into the sector, that's what we're looking at lending against."

3. CoreLogic Rental Market Report, Property Update, January 2024. <https://propertyupdate.com.au/latest-rental-market-update-corelogic/>

4. Finder's RBA survey: Cash rate holds but rents could rise as much as 9.5% in 2024, Finder, December 2023. <https://www.finder.com.au/news/rba-survey-6-december-2023>

5. 2024 Commercial property frontrunner, The Industrialist, February 2024. <https://www.theindustrialist.com.au/news/2024/02/16/2024-commercial-property-frontrunner-industrial%E2%80%99s-performance-anchored-structural> and Colliers Australian 2024 Market Outlook, Commo, January 2024. <https://www.commo.com.au/news/2024/01/08/colliers-australian-2024-market-outlook%C2%A0/1704672417>



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Portal Pay

Your perfect real estate payment partner

With NAB Portal Pay, you can spend less time managing payments and more time building profitable relationships.

It's the digital payment solution for real estate agents and your clients. You can take deposits for property sales securely, in real time, while rent payments are made easy for both agents and tenants. What's more, NAB Portal Pay is backed by the strength, expertise and security of the NAB network.



Find out more

Speak to your NAB banker today or visit nab.com.au/nabportalpay



Take buyer deposits in real time¹

Thanks to PayTo technology, you can request and receive payments at the time of a property sale and receive instant confirmation - with no need for Statutory Trust Account (STA) details.



Manage payments efficiently

Because every tenant gets a unique payer reference number, reconciliation is easy. Simply download an all-in-one statement and feed data straight to your software provider.



Help whenever you need it

You'll receive onboarding support from day one. Your locally based experts understand the demands of real estate and will ensure you're properly set up with easy-access training and migration support.

1. Real-time payments are only available where the payer's bank supports real-time payments and does not impose any holds or delays in respect to the payment (e.g. such as where some banks delay a payment for up to 24 hours when a payment is being made to a new payee for the first time). Some financial institutions may also impose payment limits.

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