

Proptech

\$33.7 billion was invested into the Proptech Sector in 2017

- What key property sectors have been most disrupted by the rise of Proptech?
- What does it mean for the property sector in the long term?
- Who are the winners and losers?

Proptech

Global real estate: more valuable than all stocks, shares and securitised debt combined. Its history, scale and reach affects us all. It plays a part in the lives of those who live in a house, work in an office and buy from a shop.

It is perhaps its size, heterogeneous nature and the fact that it is traded in a largely private market that has rendered it slow to adapt to shifts in socio-economic and cultural trends. In the UK especially, the property industry has until now been seen as something of a dinosaur compared to other industries in adapting to the changes in the wider world. Take Gender Diversity and Equality in the workplace. Shockingly the Royal Institution of Chartered Surveyors (RICS)'s membership comprises only 12% female members and the average male salary within the UK property sector is 30% higher than his female counterpart.

There is however one part of industry that appears to be moving with the times and may well bring the entire property sector kicking and screaming into the modern day whether it likes it or not – Proptech. Globally, the

number of Proptech startups rose from 176 in 2008 to 1,274 by 2017. In the same period, cumulative investments in these startups soared from \$2.4 billion to \$33.7 billion.

First coined by Professor Andrew Baum of Said Business School, PropTech describes “a movement driving a mentality change with the real estate industry and its consumers regarding technology-driven innovation in the data assembly, transaction, and design of buildings and cities”.

As it has evolved over time, I believe there are three main areas of the property sector that have been most influenced by Proptech – a) buying and selling of property, b) financing of property transactions, c) owning and management of property.

Our first article in this Proptech series – “Death of a Salesman” will explore how Proptech is rapidly changing the buying and selling of property and what this means for these sellers, buyers and those who work in this part of the industry.



Article 1: Death of a Salesman

From domestic property portals such as Zoopla and Rightmove and international sites such as Property Finder and Propertyguru in the UAE and Singapore respectively, to online only agents such as Purple Bricks, buyers and sellers are increasingly looking to cheaper and easier alternatives to property agents. Countrywide, the UK's largest estate agent with over 850 branches employing over 10,000 people and incorporating brands such as Hamptons, John D Wood and even commercial agents Lambert Smith Hampton, at the time of writing has a market cap of circa £175m. Purplebricks, the online only agent has no branches, employs around 650 people and has market cap of circa £550m. It was incorporated in 2012.

So what does this mean for the industry? Bluntly, we believe the lower and mid-market agents' days are numbered. Post GFC to 2017 saw exceptional growth in the UK property market and this growth helped cover up the reality that the traditional agency model is doomed. Now the market is declining, cracks are showing.

What does this mean for employers or employees in the sector? In our view, agents at the very top end of the market will continue to flourish but must offer unique selling points and exceptional service to do so. To do this, agencies must hire the very best candidates with exceptional market knowledge, language skills to service foreign buyers and excellent client facing skills.

As for the online portals and agencies. We anticipate that they go from strength to strength. However, the very recent and public demise of Emoov has highlighted that size and funding are paramount to these businesses' success. The cost reduction in having little to no physical presence combined with the technical ability to reach a far larger market is compelling. In terms of hiring, whilst these companies need some basic understanding of property markets and the agency model, the talent they are after is far more from the technology space and they are predominantly hiring Chief Product Officers/Chief Technology Officers, Chief

“

It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.

– Charles Darwin

”

Data Officers and Digital Customer Strategists.

Commercial agencies in the near and mid-term should be fine. The complexities, ticket size and comparative lack of volume means qualified and experienced individuals are still required to execute a successful deal. They seem to be aware of the threats and are now hiring in key areas to adapt and embrace the challenges facing them. JLL recently hired Sanjay Rishi from IBM and the ex-Googler Vinay Goel as Chief Digital Product Officer and last year launched JLL Spark, a global division dedicated to identifying and delivering new technology-driven real estate service offerings. There are of course a number of other ways that Proptech has begun to disrupt commercial that shall be explored later in this series when we look at Proptech's influence on the financing and operating of real estate.

Real Estate and Digital & Technology are two keys sectors covered globally by HIEC.

About H.I. Executive Consulting

H.I. Executive Consulting was designed to challenge the established order of executive search - after all, discovering a new wave of leadership takes a new kind of consultancy. We are a business that is determined to find the brilliant minds of tomorrow, without low entry costs and fragmented trading practices.

We are high-level matchmakers, aligning the potential of dynamic executives with the strategic needs of our clients, and using our skills and experience to forge a lasting, impactful relationship between the two.

Operating across 12 offices in nine key markets, we have cultivated a professional paradigm that challenges the competitors in our field. Our agile, borderless approach enables us to operate a specialised global search from a centralised base - gaining close knowledge of localised talent and resulting in a search that is both extensive and highly relevant.



LONDON

Piers Edgar
Principal

M: +44 (0)7850 916 217
T: +44 (0)207 042 5040
E: pedgar@hiec.com



LONDON

Kristyna Smetanova
Principal

M: +44 (0)7824 380 867
T: +44 (0)207 042 5040
E: ksmetanova@hiec.com

www.hiec.com

San Francisco | Silicon Valley | New York | London | Paris | Zurich | Zug | Munich | Dubai | Hong Kong | Shanghai | Tokyo