

A photograph of three people, two women and one man, in a modern home setting. They are gathered around a tablet held by one of the women, looking at the screen with interest and smiles. The background shows a contemporary interior with a wooden ceiling and a fireplace.

Optus Business **Real Estate Industry Pulse 2022**

Edition 2 - February 2023

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Overview

Welcome to the *Optus Business Real Estate Industry Pulse 2022*, part of an annual series that provides insight into business sentiments and perspectives. This report reveals how the real estate industry views the business climate and the year ahead.

This year's report is based on research conducted by an independent partner, ACA Research. It provides insights into how real estate companies are adopting technology, where investments are being made, and levels of business confidence.

Since the initial post-pandemic rebound, economic conditions have moved against the industry. Whilst the real estate industry averaged 1.5% growth per year between 2017 and 2022,¹ the first increases in interest rates in 12 years by the Reserve Bank of Australia have had an immediate negative effect on house prices and sales.

Yet optimism overall remains high amongst those surveyed. Many are planning for growth over the next 12 months, and consideration for advances in virtual technology and artificial intelligence (AI) is on the rise.

Optus' Enterprise and Business team work closely with business owners to uncover new ways to use technology to better connect to new generations of network infrastructure and services, improve customer experiences, and create new ways to differentiate from competitors.



Sean Casey
Vice President, Customer Care
Enterprise and Business
Optus

February 2023

¹[IBIS World | Real Estate Services in Australia - Market Size 2007–2028](#)

²[The Australian Financial Review | Office occupancy rates go backwards for the first time in six months to 2020-21](#)

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About the Optus Business Real Estate Industry Pulse 2022 Research

This report is based on a survey of over 400 respondents in the Australian real estate industry, completed in June & July 2022. All businesses had between 1 to 300 employees (the data has been weighted by location and number of employees to provide a true reflection of the Australian real estate industry). Of those surveyed, 77% were either business owners, CEOs or CFOs.

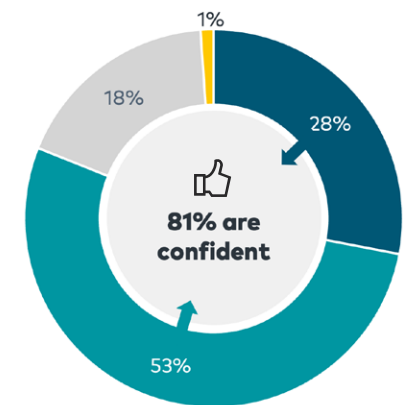




Business confidence masking differences across the industry

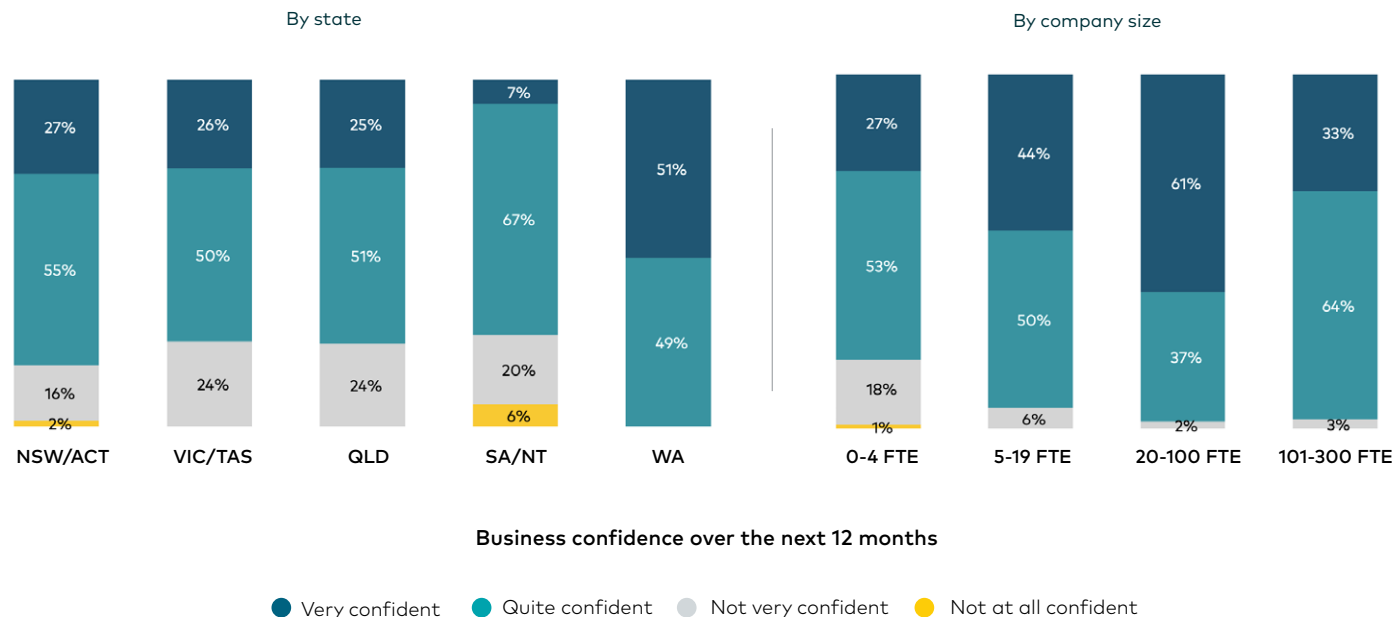
This survey was conducted as the Reserve Bank of Australia increased its base interest rate by a total of 275 basis points across eight months (from 0.35% in June 2022 to 3.10% as of January 2023).

Despite this very direct challenge to the real estate sector, business confidence overall remains high. Of those surveyed, 28% are very confident about the business outlook and 53% are quite confident.



Real estate business confidence over the next 12 months (at June and July 2022)

● Very confident
 ● Quite confident
 ● Not very confident
 ● Not at all confident

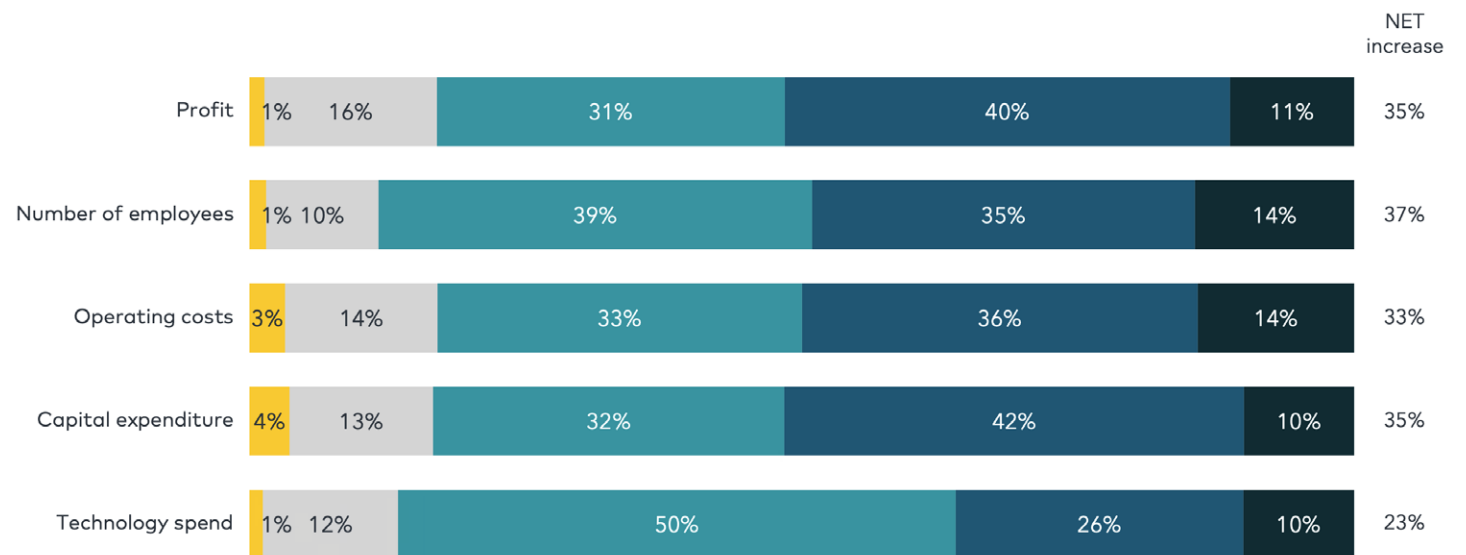


There are, however, important differences in the detail. For example, confidence is very high in Western Australia, and it seems that it is amongst buyers too³. At the same time, 6% of those surveyed in South Australia and the Northern Territory were not at all confident of the prospects for the industry in their region.

The size of the business also influenced opinion and confidence. Of the largest companies surveyed, 97% are very confident or quite confident. These numbers change for the small real estate businesses surveyed (with between 1 and 4 employees): 80% were confident about their prospects in the year ahead, and 1% were not at all confident.

The potential impact of interest rate rises on the market and on business activity were key challenges for between 16% and 18% of those surveyed. But by far the biggest challenges to achieving business objectives were time management (25%), economic uncertainty affecting demand (24%), and perhaps unsurprisingly post-pandemic, mental health (24%). Interestingly, mid to large businesses noted that it was hard to find the right technology to suit them.

It's clear that the economic effects of more expensive home loans and the wider effects of inflation are being factored into the thinking and planning of real estate businesses, but not at the level of priority that might have been expected. Over one-third (36%) of those surveyed plan to grow their businesses over the next 12 months. What's more, growth is less of a focus for companies employing up to four people (35%) but is much more important to the larger companies (between 61% and 67%).



Real estate business expectations over the next 12 months

● Significant decrease
 ● Slight decrease
 ● About the same
 ● Slight increase
 ● Significant increase

Half of all those surveyed expect to invest and grow employee numbers as well as grow revenues. For example, 52% expect to increase capital expenditure, and 49% expect to add employees to their businesses. At the same time, 50% expect to see operating costs increase: real estate businesses are prepared to invest to grow, and appear to be comfortable in absorbing the necessary increases in costs and investment.

We discuss technology spending later in this report.

Business take-outs



If your business plan has revenue growth as a focus, ensure you have all the technology, employee support, skills and security you need to maximise success



Ensure that financial systems are tuned to the needs of the business so that cash flow and revenue are properly managed



Invest in development and differentiation as well as services

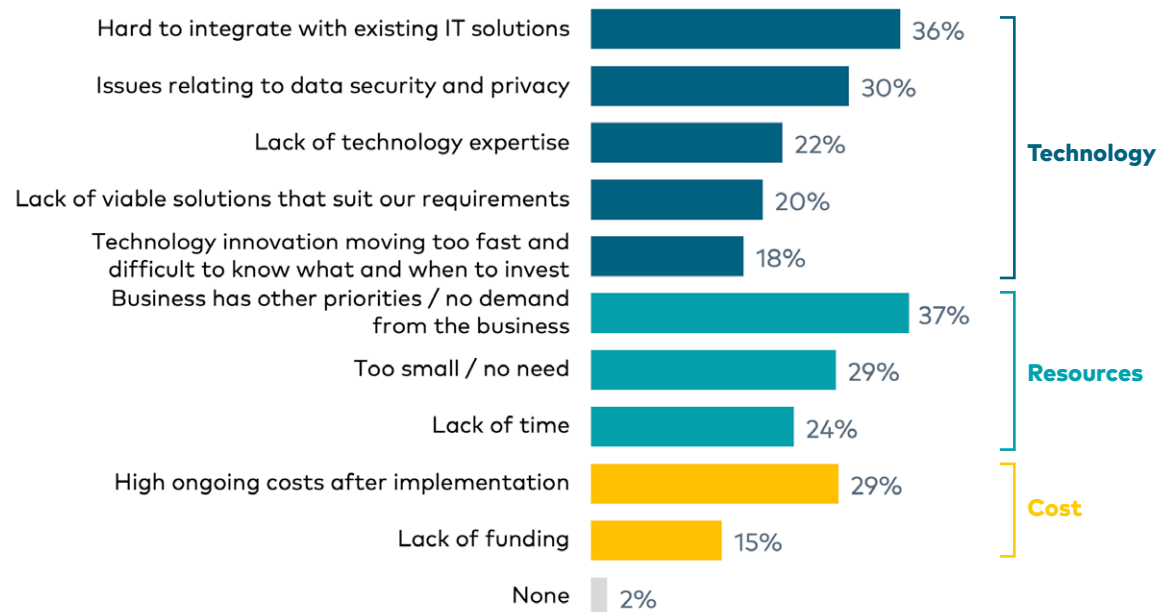


Technology: core to the success of the real estate industry

Technology has become a core focus for the real estate businesses surveyed, and adoption has been forced to accelerate over the last few years due to the restrictions imposed by the pandemic. More than one-third of all those surveyed (39%) now regard technology as extremely important, and regard it as imperative to their business plans and strategies, whilst 89% regard it as important overall. Technology is recognised as an enabler of efficiency, cost control and business growth leading to improved revenue.

What's more, technology is increasingly regarded as being strategic, going beyond immediate savings in time and improvements in efficiency. As one example, virtual technology is the biggest focus for investment across the businesses surveyed. This is almost as important for companies employing up to four people (30%) as for those employing up to 300 people (35%).

"Technology usage is core to our business strategy. Implementing correct processes saves work time, reduces costs and accelerates our growth." - Business decision maker



Barriers to implementing new technologies

Having come through two years of such disruption, real estate businesses have concluded that they need to take steps to mitigate these risks in the future, and 76% accelerated their technology investment during Covid. Virtual technology solutions, as one example, provide real estate businesses with flexibility and options that complement and extend the relationship-based foundations of the sector. Whilst the possibility of future disruptions remains uncertain, real estate businesses can invest in technology that will allow them to nurture their client relationships remotely if they need to, and to stay connected to colleagues and clients.

In the industry as a whole, proptech is growing, with the creation of industry bodies acting as catalysts and marketplaces for specialist real estate technology solutions.⁴ Yet 12% of those surveyed were not convinced about the benefits of technology, or were not planning to invest in new technology. In today's tech-focused environment, it is unlikely that will be sustainable over the long term.

Barriers remain, however. Lack of expertise (22%), lack of solutions that meet requirements (20%), concerns about security and privacy (30%) and keeping up with continued and rapid change (18%) all impeded the implementation of technology. The biggest barrier of all - for 36% of those surveyed - is the difficulty of integration with existing IT solutions. It is possible that it is hard to get the correct tech stack, or combinations of software and technologies, to meet the needs of innovative real estate businesses, which is why partnering with an expert is so important.

Businesses are tackling these issues: 51% are investing in training designed to streamline the transition to new technology, 42% are forming strategic relationships with trusted technology partners, and 34% are completing training for their employees regularly. Inevitably, larger businesses adopt new technology sooner than smaller companies, with over two-thirds of all medium and larger businesses considering themselves leaders when it comes to adopting new technology.

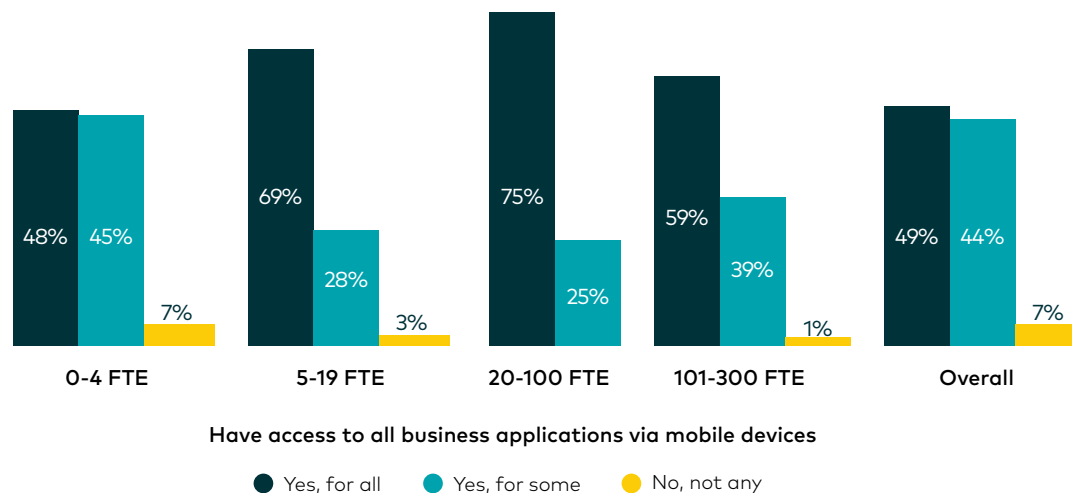
Larger companies generally have more resources and larger budgets. Nonetheless, 41% of companies surveyed employing up to four people regard themselves as early adopters of technology. Smaller companies have a benefit in their ability to pivot more quickly, with less processes or approvals needed to purchase or use new solutions. Larger companies manage their technology internally, compared to smaller ones, likely because they have the resources to employ the expertise to sit in-house. Smaller companies should ensure they have the right expertise as their business grows.

Connectivity and being able to access business applications from mobile devices varies across size of company - with some apparent surprises. The proportion of companies accessing all of their business apps from mobile devices ranges from 49% for the smallest companies, to 75% for those employing between 20 and 100 full-time employees. Interestingly, of the largest companies surveyed, 59% have access to all of their business applications from mobile devices - fewer than slightly-smaller businesses. One explanation is that larger businesses still have offices hosting support applications, whereas slightly smaller companies are more-agile, either with fewer applications, or possibly with teams now based entirely from homes.

This perspective changes when viewed through the lens of growth. Of those companies surveyed that declared a primary focus on growth, 64% access all of their business applications on mobile devices, 60% more than companies with a focus on maintaining revenue, and 33% higher than those seeking to downsize or not of leave the market.

	0-4 FTE	5-19 FTE	20-100 FTE	101-300 FTE
Leaders	41%	71%	71%	67%
Followers	53%	28%	26%	31%
Laggards	6%	1%	3%	1%

Rate of technology adoption in businesses



When it comes to upgrades, 89% declared that they need to upgrade at least one application in the coming 12 months. The acceleration in IT investment has exposed shortcomings in the applications and business tools being used. Across those surveyed, 54% plan to update their financial software, 42% their project management software and 44% their communications and collaboration software. And as noted previously, of particular interest is new investment in virtual technology.

In addition to virtual technology, real estate businesses are also using or considering a number of advanced technologies. Whilst drone usage appears to have skyrocketed in popularity in this industry, only two thirds of businesses say they already use, or will use drones in the next 5 years.

In addition, some companies may outsource some of this technology to partners, rather than it being owned by the real estate business themselves. Another two thirds of companies are considering the Internet of Things (IoT).

Artificial Intelligence (AI) in real estate continues to grow, with applications helping real estate agents better understand what buyers might want to look at, to understand and match market dynamics with buyers' and vendors' needs, and to identify perfect mortgages refined for particular individuals.⁵

As businesses further invest in emerging technology and innovation, the threat of cyber attack grows. Optus works with world-leading partners such as McAfee® Multi Access to help mitigate this threat.



As to the strategic benefits from technology, many of those surveyed have already delivered improvement in areas such as employee engagement and satisfaction (42%) and differentiation (38%), and now seek to make improvements in areas such as productivity (85%), improved customer experiences and engagement (84%) and in the areas of sustainability and reduced environmental impact (85%).

Technology take-outs

-  Plan system updates to ensure applications are current and secure
-  Consider a technology partner if integration is increasingly complex
-  Consider how mobile technology can support your employees and clients in creating great experiences
-  If right for your business, research and consider advanced AI or machine learning applications that help you differentiate yourself from your competitors





The challenges and criticality of cyber awareness

The complex cyber landscape in Australia has significantly evolved of late. During 2021-22, Australia saw an increase in the number and sophistication of cyber attacks, to the population, to businesses and to public infrastructure. Cyber security is an increasingly important conversation for all Australians to have.* A staggering majority of those businesses surveyed - 78% - continue to be concerned by the threat of cyber attacks. Real estate companies of all sizes have suffered attacks over the past 12 months.

Although larger companies suffered on average 3.1 attacks (ever) compared to 2.1 attacks for companies with the fewest employees, the spread of risk is in reality reasonably consistent across companies of all sizes. The challenge for all real estate businesses is managing even just one attack, and having the appropriate levels of cyber-protection in place to mitigate them.













Amongst other sophisticated methods, the increased use of personal devices for work use represents a new, everyday level of risk, for larger companies especially. Only 22% of those surveyed believe their business to be very secure, and on the other end of the spectrum, 17% say they are not very secure.

In FY21 an average of \$33,442 was lost by medium businesses that reported cyber attacks⁶



⁶ACSC Annual Cyber Threat Report 2020-21

*Optus is committed to be better as a company, for our customers and for the communities we call home. Find out more here at optus.com.au/about/cyber-security

0-4 FTE	5-19 FTE	20-100 FTE	101-300 FTE
 Outdated/unpatched software	 Malicious behaviour by employees	 Outdated/unpatched software	 Outdated hardware/network
 Outdated hardware/network	 Outdated hardware/network	 Outdated hardware/network	 Social engineering of employees
 Malicious behaviour by hackers	 Employees working remotely	 Social engineering of employees	 Employees using personal devices


Top causes of cyber security attacks by size of business

● Most common attack ● 2nd most common attack ● 3rd most common attack

Correlating these attacks to investment in technology, equipment upgrades that are more secure, as well as creating new working environments are clear priorities for real estate businesses. Because larger businesses are at more risk and have more resources (and have suffered, on average, more attacks), their spend on regular updating of systems and software is higher: 60% do so regularly, with between 31% and 34% of smaller companies doing so.

Half of larger companies also train their employees regularly. Real estate businesses know they are responsible for large amounts of customer information, in particular personal details and financial details. The onus remains with these businesses to protect this information, and to be hyper-aware of their risk profiles.

Cyber security take-outs

-  Ensure that networks, devices and software are updated as required
-  Review the [Small Business Cyber Security Guide](#) from the Australian Federal Government's Australian Cyber Security Centre for guidance on protection and best practice
-  Stay up to date with cyber security best practice by reading '[A small business guide to effective cyber security](#)'



Tackling a sensitive problem: mental well-being





Despite the broader level of business confidence expressed by those surveyed, 67% have employees who experienced issues with mental health and well-being during the pandemic.

With economic conditions creating new challenges in the near-term, it's heartening to see that nearly the same proportion of companies - 63% - have programs in place to support employees in this area. Over half allow employees to take mental health days, and one third conduct regular surveys with their employees to check their wellbeing.

Approximately three-quarters of decision makers are concerned about their own mental health. Of these, 25% are very concerned. Vendor relationships, managing finances, staff and clients are noted as the leading contributors to this. And this figure increases at the largest companies: more than 90% of business decision makers have some concerns about their mental health.

As to the nature of these concerns, three areas - managing finances, managing people and managing clients are experienced by between 30% and 34% of those surveyed. The task contributing most to worry, stress and anxiety is dealing with third party vendors, potentially a consequence of suppliers' own challenges in sourcing products and manufacturing items.

Mental well-being take-outs

-  Provide easy access to a library of resources about mental health and wellbeing
-  Consider providing mental health days when required
-  Consider providing access to appropriate wellness programs for all staff
-  Consider courses to educate leaders and employees on the benefits of staying healthy, and how technology can help



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