Mergers and consolidation as property agent firms boost expenses on tech

Eleven of the firms in Singapore Business Review’s 2017 list of largest real estate agencies no longer exist.

The slowing property market has claimed 11 casualties over the last two years amongst the 55 real estate agencies ranked in 2017. Some big names have merged, including Edmund Tie & Company and OrangeTee into OrangeTee & Tie and Scotia and SLP Realty into SLP Scotia. Other firms simply closed down, including Venture International Properties, CBRE Realty Associates, Vestor Realty OneHomeProperty, HSR International, SMP Realty, House & Home Property, Alister & Lee Properties, and TEHO Property Network.

Surprisingly, even as the number of agencies has fallen, the total number of agents has risen, a sign that consolidation is happening in a once fragmented industry. As a result, the number of agents per agency has increased from 415 in 2017 to 667 in 2019.

At the top of the leaderboard is PropNex Realty which retained the top spot with 7,949 salespersons as of end-June, up 18.24% from its 2017 figure of 6,732. The boost in agent numbers was aided by its absorption of 400 agents from Century 21 Global Alliance Property (GAP).

Second was ERA Realty Network, whose agent count climbed 11.06% to 6,861 salespersons from 6,178 in 2017. OrangeTee & Tie came at third place with a 4,249 figure, showing a 56.39% surge from its 2017 number. Overall, the 40 firms in the 2019 list have about 26,671 salespersons. This number rose 16.81% from 22,832 in 2017.

Industry foreclosures
The most recent casualty was Century21’s GAP who in February announced that 400 of their agents would be absorbed by Propnex. The firm had 623 agents in the 2017 Rankings.

“The market is challenging for agencies and salespersons and with tech disruption and more regulation going on, it’s natural to see the market consolidating. For how long we’ll not know,” said Hector Tan, head of marketing and communications at Huttons.

“Many would think the larger agencies will be the only ones left but surprisingly, there are still many smaller agencies that are still around.”

The existence of smaller agencies comes as surprising, as Tan said that the agent is supposed to become irrelevant as the market contracts and the middlemen get replaced by technology. However, he argued that in reality, even one-man sales agencies can exist, handle the administration on their own, and thrive without partnering with any big player.

“The nature of the agent’s function is that he/she can...
survive purely on referrals and bootstrap marketing. Regardless of proptech or not, it's really hard to replace a knowledgeable agent's role in the sale and purchase process of a property,” Tan said.

The big property agencies recognise the role of agents and are still upising their workforce. The largest merger was between the 1,000 associates that Edmund Tie & Company had and 3,000 agents from OrangeTee. Ong Choon Fah, CEO of Edmund Tie, said it made sense to form a single platform for their respective associates. Edmund Tie's residential team currently secures project appointments which are marketed in collaboration with their associates from their joint company with OrangeTee & Tie.

However, she added the decision to merge behind the move came from tightening competition amongst platforms and ecosystems, which demands a significant investment in technology from firms in order to survive. These investments involve partnerships, which are increasingly getting prominent in the real estate space as developers seek to scale up. “With the high development costs and with projects getting larger, partnerships are a good way to manage risks whilst tapping on each other’s strengths,” Ong said.

For one of its partnerships, OrangeTee & Tie tied up with blockchain-based ride-hailing app TADA in February to allow their agents to access the company’s 28,000-strong vehicle fleet. Vehicles can be booked for the agents themselves or their clients for meetings through their in-house app.

March marked the beginning of the agency’s other partnership with global home service platform Helpling. Through OrangeTee & Tie’s app, agents can book professional housekeepers through the Helpling platform via OrangeTee's Agent App - making it even more convenient to get their properties cleaned before presenting them to potential home buyers or tenants.

Big data helm
Eugene Lim, key executive officer of ERA Realty, recognises that agents who have access to and use data analytics and market intelligence have an edge over their peers that do not use these tools. In August, it added a set of tools to its i-ERA mobile app, including a lead generator, a tagger on-demand, and a price predictor with UrbanZoom.

ERA's lead generator pulls statistics from multiple data points which can yield lists of past profitable transactions that can be filtered based on set criteria such as dates, districts, types of development, profitable transaction count, and minimum profit percentage. With this lead generator, salespersons are able to generate business leads for their target groups such as owners of resale condominiums, build-to-order (BTO), and executive condominium (EC) projects nearing Minimum Occupation Period (MOP).

Another in-app tool called Tagger On-Demand also allows salespersons to request for the presence of project specialists at respective showflats with just the click of a button. The third tool, developed with proptech startup UrbanZoom, uses AI to predict the value of a home and its price history.

Huttons also went down the route of analytics with Huttons iPortal (HiP), which is available on both mobile and desktop. HiP allows salespersons to access real-time info on units transacted and new units coming out on the market, and even source and identify valued-buy units, which are not expected to stay long in the market, for clients on a real-time basis.

HiP also has widgets that can generate personalised marketing materials to network and conduct lead generation. Submission and coordination of paperwork, home approval process, and tracking of sales performance can also be fast-tracked through HiP.

Tan said that Huttons is placing premium on marketing in its online portal. He added, “Storytellers and data specialists be in higher demand as the industry continues to consolidate in the face of tech. These means more positions in content and digital marketing, and data analytics will open up.”

Lim concurred with Tan and said, “We train our agents to become trusted advisors; and you can only achieve this if you can combine your marketing and people skills with analytics and solid market intelligence that is tailored to the real estate needs of the client.”

The costs of operations go beyond training as new compliance requirements for agents arise, Ong said. To address malpractices in the industry, the Estate Agents Act requires agents to attend courses with approved providers, pass mandatory examinations administered by the Council for Estate Agencies (CEA), and attend a minimum of six hours of professional development courses a year. Fees for an individual Real Estate Salesperson Course and CEA's exam can go over $500 in a full sitting.

Higher compliance costs
New rules are present not only in agent training but also in developer offerings. URA now requires developers to provide a mix of unit sizes, including larger dwelling units (DUs), that cater to the needs of larger families and facilitate multigenerational living. According to Tan, the size of new developments must meet a minimum of 100sqm in the areas of Marine Parade, Joo Chiat-Mountbatten, Telok Kurau-Jalan Eunos, Balestier, Stevens-Chancery, Pasir Panjang, Kovan-How Sun, Shelford and Loyang, Telok Kurau, Kovan, Joo Chiat and Jalan Eunos.

"Developers building projects in these areas may be forced to price their units at higher quantum in light of the smaller inventories they can work with, when planning the development of their land parcels,” Tan said.

Even with smaller inventories, developers are still hard-pressed for time to build and sell their projects. "The Additional Buyer's Stamp Duty (ABSD) rules introduced in 2011 stipulates that developers are to build and sell all new units within five years of a site’s contract purchase date or pay a 10% levy — later raised to 15% for sites bought from 12 January 2013," Tan said. “With the current increased supply in the market, developers' burden for unsold units are set to soar.”

To deal with unsold properties, the government has put ageing HDB housing estates under the Selective Enbloc Redevelopment Scheme (SERS) scheme. Tan stated that the demand for Voluntary Early Retirement Scheme (VERS) could rise as it may be seen as a means to tap into the remaining value of these ageing HDBs.