

Rental, Hiring and Real Estate Services • L6720

Real Estate Services in Australia

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IExpert

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At a Glance

Revenue	'20-'25 ↓1.4%	Employees	'20-'25 ↑4.5%	Businesses	'20-'25 ↑2.5%
\$30.4bn	'25-'30 ↑1.4%	168k	'25-'30 ↑3.6%	46,520	'25-'30 ↓1.3%
Profit	'20-'25 ↓4.4%	Profit Margin	'20-'25 ↓1.9 pp	Wages	'20-'25 ↑3.6%
\$3.4bn		11.3%		\$11.3bn	'25-'30 ↑5.3%

Five-year growth rates display historic and forecast CAGRs

→ Major Players

Company	Revenue	Market Share
Ray White	\$1.9bn	6.4%
Jones Lang LaSalle	\$1.7bn	5.7%
CBRE	\$1.2bn	3.8%
Colliers International	\$578.5m	1.9%
Other Companies	\$25.0bn	82.2%

⊕ Products and Services

Item	Revenue	Market Share
Property sales	\$18.4bn	60.6%
Property leasing	\$4.4bn	14.4%
Property management	\$3.6bn	11.7%
Other services	\$4.0bn	13.3%

🗉 Key External Drivers

Key External Drivers	Impact
Number of housing transfers	Positive
Residential housing loan rates	Negative
Mortgage affordability	Positive
Residential housing prices	Positive
Consumer sentiment index	Positive
Business confidence index	Positive

Key Takeaways

Performance

- Interest rate increases in 2023 led to falling mortgage affordability and fewer dwelling transfers, negatively impacting the Real Estate Services industry. However, demand has since rebounded as buyers look to purchase before anticipated rises in housing prices.
- Housing prices have buoyed revenue for real estate agents. Despite rising interest rates, property prices continued to increase, supporting real estate agents' commissions and industry performance.
- Working from home trends have cut office real estate revenue as vacancy rates rise and prices fall. More businesses have adapted to working online and many employees now expect remote working options, suggesting this trend isn't going to change soon.

External Environment

- The number of housing transfers directly impacts real estate revenue. Real estate agencies generate income through commissions on property sales, so climbs in housing transfers provide more opportunities for revenue growth.
- Interest rates and housing prices play crucial roles in industry dynamics. Lower loan rates boost property affordability, enhancing demand and supporting revenue growth. Higher housing prices expand commission earnings and can benefit agents, although they may cause demand to fall.

SWOT

Strengths	<ul style="list-style-type: none"> Low & Increasing Level of Assistance Low Imports Low Capital Requirements
Weaknesses	<ul style="list-style-type: none"> High Competition High Volatility Low Profit vs. Sector Average High Customer Class Concentration High Product/Service Concentration Low Revenue per Employee
Opportunities	<ul style="list-style-type: none"> High Revenue Growth (2020-2025) High Revenue Growth (2025-2030) High Performance Drivers
Threats	<ul style="list-style-type: none"> Residential housing loan rates

Industry Structure

Characteristic	Level	Trend
Concentration	Low	
Barriers To Entry	Moderate	Increasing
Regulation and Policy	High	Increasing
Life Cycle	Mature	
Revenue Volatility	High	
Assistance	Low	Increasing
Competition	High	Increasing
Innovation	Moderate	

Executive Summary

Out of office: Higher housing prices and rental demand have supported residential revenue, but remote working trends have left offices vacant

The Real Estate Services industry's performance has fluctuated in recent years, influenced by rising house prices, climbing interest rates and volatility in the number of dwelling transfers. Interest rate increases after the pandemic significantly dampened the number of dwelling transfers, reducing demand for real estate services. However, there has since been a resurgence in housing transfers as buyers fear missing out on anticipated price increases. Property prices have elevated because of housing supply issues, global material shortages and increased migration, boosting agent commissions. The remote working trends have negatively impacted office real estate, with cities like Melbourne experiencing high office vacancy rates and reduced office building prices. A post-pandemic surge in migration has spurred the rental market, decreasing vacancy rates in major cities. Profit margins expanded after the pandemic because of increased housing prices before tightening in 2022-23 following interest rate hikes. Industrywide revenue is anticipated to have fallen at an annualised 1.4% over the past five years and is expected to total \$30.4 billion in 2024-25, when revenue will increase by an estimated 0.9%.

The Real Estate Services Industry exhibits low market share concentration, comprising many small, independent operators. The largest provider is Ray White, which operates under a franchise model with over 700 locations. Geographically, the industry is concentrated in the populous eastern states of New South Wales, Queensland and Victoria. Areas like the Northern Territory and Tasmania have fewer agencies because of their lower house prices and populations.

Australia's real estate sector is poised for steady growth. Increases in population will sustain high demand for both purchasing and renting housing. The significant number of Australians in their prime house-buying years supports a positive outlook for real estate demand, although housing unaffordability is forecast to reduce homeownership, prompting agencies to pivot towards servicing an expanding rental market. Rising urban living costs and the acceptance of remote work will make regional areas more attractive, encouraging real estate providers to offer tailored services in these areas. Industry revenue is projected to rise at an annualised 1.4% through 2029-30 to total \$32.6 billion.

Call Preparation Questions

Call Prep Questions

Sales & Marketing

What local events does your brand sponsor?

- Sponsoring local events generates goodwill and brand awareness,

and can attract local consumers' attention.

What online advertising does your company undertake?

- Advertising online allows for more direct competition against alternative online platforms.

Strategy & Operations

What steps has your business taken to remain competitive against online property portals?

- A strong reputation for expert advice and consistent sales can provide significant competition against online marketplaces.
- Experienced and well-trained staff are essential to providing a positive experience for customers.

Where are your firm's offices located?

- Establishing offices in key locations can increase the number of consumers that sell through an agency.

Technology

How does your business use data analytics to help determine market price movements?

- Larger real estate agencies are increasing their use of data analytics to assist in determining market price movements.
- Monitoring market price movements can reduce negotiation times for sales and limit market volatility's effects on sales revenue.

What online services does your business provide?

- Consumers are increasingly demanding online services' convenience to facilitate real estate sales.
- Real estate agents now commonly use social media to drive traffic to online services.

External Impacts

Number of housing transfers

How does your firm reduce losses when housing transfer numbers fall?

- Having a portfolio of property management contracts can aid performance when housing transfer numbers are lower.
- Having a strong reputation in both residential and commercial real

Compliance

How does your business ensure it complies with relevant state fair trading acts and federal consumer law?

- Fair trading laws are different in each state and can affect businesses differently, depending on their operational locations.
- Failure to comply with relevant state fair trading acts and federal consumer law can lead to fines, legal action and a damage a real estate agent's reputation.

How does your company ensure that it meets its licensing requirements?

- Practising as an unlicensed real estate agent in Australia is illegal and can result in heavy fines and jail time.
- Real estate agencies must perform thorough background checks on new staff to comply with requirements.

Finance

How do exchange rate movements affect your business?

- Foreign investment in property exposes the industry to exchange rate movements.
- Restrictions on foreign investment in property limit the risk of exchange rate volatility on the industry.

How has price competition affected your firm's profitability?

- Price competition has resulted in agents lowering their commissions to improve competitiveness, constraining profitability.

estate allows agents to focus on commercial sales during periods of low residential sales.

Residential housing prices

How does your firm manage volatility in the property market?

- Having a mixture of property sales, management and leases minimises the effect of property market volatility.
- Operations in multiple locations and markets can also protect against localised property price volatility.

Consumer sentiment index

How can your business benefit from positive consumer sentiment?

- Positive consumer sentiment indicates households feel optimistic about their finances, making them more likely to buy residential property.
- Promotional activities are more likely to be effective when consumer sentiment is high.

Internal Issues

Access to highly skilled workforce

How does your firm ensure that its employees are highly skilled?

- Highly skilled employees can provide an advantage when marketing, as their expertise can encourage consumers to use real estate services.
- Offering expert services reduces the threat of industry substitutes, like online listings.

Market research and understanding

How does your firm protect against property market volatility?

- Real estate agents must ensure that portfolios are managed efficiently and weighted appropriately to reduce market volatility risk.
- A split of property types (e.g. house, unit), values and locations helps diversify revenue sources and insulate against shocks to any one type of property market.

Aggressive marketing/franchising - given the high level of competition

How does your firm protect its local market share?

- Undertaking advertising and promotional activities in the local area is essential to ensuring that potential customers are familiar with an agency's brand.
- Campaigns that encourage word-of-mouth referrals are more likely to be effective.

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