



This document provides a snapshot of skills demand for the real estate services sector in Victoria. For the purposes of this snapshot, the real estate services sector includes businesses who sell, lease and manage both residential and non-residential properties on the behalf of others.

Foreword

This document provides a snapshot of skills demand for the real estate services sector in Victoria. For the purposes of this snapshot, the real estate services sector includes businesses who sell, lease and manage both residential and non-residential properties on the behalf of others. This excludes landlords who own and lease property without third party involvement. This snapshot provides a genuine understanding of the current and future (1-3 year horizon) skills and training requirements of the sector, with a focus on the element of the workforce using VET courses and their career pathways. It also considers the impact of the COVID-19 pandemic on the future jobs and skilling needs of the sector.

The success of this work relied on insights from experienced employers within this sector to provide a sector-wide view of skills requirements and workforce challenges. A small representative group of employers, spanning a range of services and market segments, were engaged in an employer roundtable to develop this sector snapshot. Insights from public data on the Real Estate sector were presented and validated with participants.

The roundtable provided the opportunity for real estate employers to input their view of priorities and requirements from the VET system in addressing sector skills issues. As such, this presents a picture of the demand side of the training market. This snapshot can be used by TAFE and training providers to better understand the real estate sector's priorities in terms of occupation and skill demand to ensure the supply side responds appropriately to VET opportunities.

The Victorian VET system aims to deliver 'real training for real jobs' by providing up to date training for new challenges in the sector. This report is part of a series of sector snapshots which are being developed by the Office of the Victorian Skills Commissioner (OVSC). The set of sector demand snapshots complements the Commissioner's Regional Skills Demand Profiles to provide a richer picture of the skills needs of Victorian employers. Insights from consultations will inform Government decisions around funding for accredited training. A collaborative effort between Government, employers and training providers is required to address these challenges.

This snapshot represents a summary of the views of consulted employers and sector representatives on the foreseeable current and future skilling needs of the real estate sector. As such, the OVSC has prepared the report with care and diligence, based on information provided through consultations. Information in the snapshot has not subsequently been independently verified or audited.

Acknowledgements

The OVSC would like to acknowledge the time, contribution and insights of participating employers and the Real Estate Institute of Victoria (REIV) in supporting this process. The findings in this report would not be possible without their shared knowledge, openness, generosity, expertise and commitment.

Table 1: Participating Employers

Member	Organisation
Adam Docking	M J Docking & Associates
Andrew Reid	Sold By Auctions
Andrew Meehan	Nicholas Lynch Rentals Pty Ltd
Bill Di Donna	Gorman and Kelly Commercial Real Estate Pty Ltd
Cameron Way	Woodard Blackburn
Courtney Thursfield	JPP Buyer Advocates
Garry Nash	Garry Nash & Co
Gloria Ammerlaan	Connect Business Agents Pty Ltd
Ian Wollermann	Wollermann and Associates
Kate Yeowart	Strata Equity Management Pty Ltd
Luke Piccolo	Woodards
Megan Kimpton	Caine Real Estate
Neville Sanders	Neville A Sanders
Tim Mitchell	Miles Real Estate

SUMMARY

VICTORIA'S REAL ESTATE SECTOR

Approximately 37,000 workers across Victoria

Substantial impact of COVID-19 on the workforce

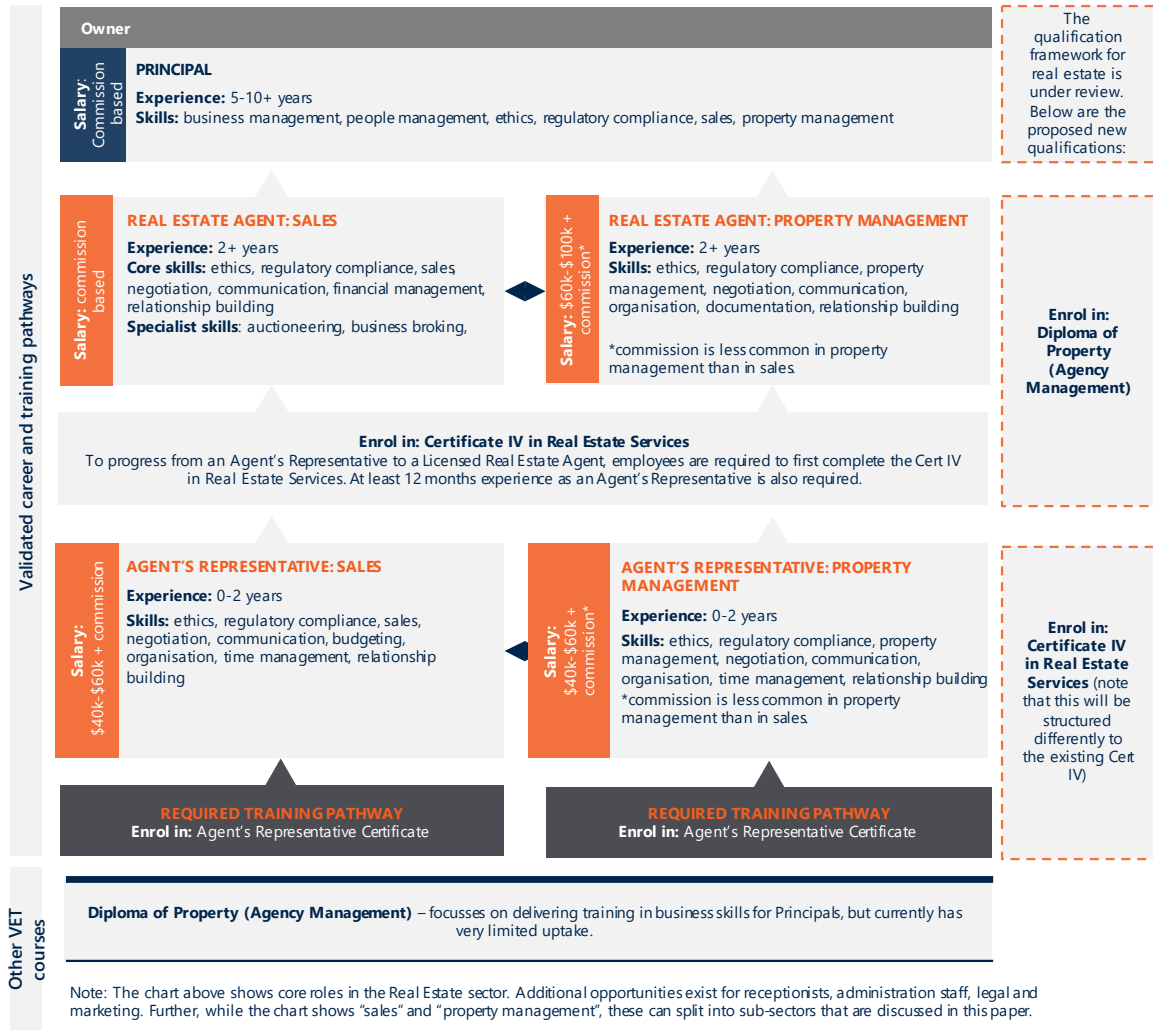
Adequate workforce in place to meet post COVID-19 demand

One mandatory pathway to employment, with a review of qualifications underway

Potential for high earnings for talented workers

Low job turnover among licensed estate agents

CAREER PATHWAYS AND TRAINING



SECTOR WORKFORCE PRIORITIES

- ▶ Support workers to understand changes to Residential Tenancies Act. This may be in collaboration with the Department of Education and Training and Consumer Affairs Victoria
- ▶ Test demand for short modular courses drawing from units from the Certificate IV to upskill existing workers in new legislative requirements and key areas of specialisation e.g. Auctioneering.
- ▶ Build awareness of traineeships as an alternative training model that allows individuals to concurrently undertake a Certificate IV in Real Estate Practice while working as an agent's representative once new regulations are adopted.
- ▶ Explore available options for improving business management skills of Principals, either through a specialised short course or existing small business qualifications, such as the Certificate IV in New Small Business.

1 Sector Overview

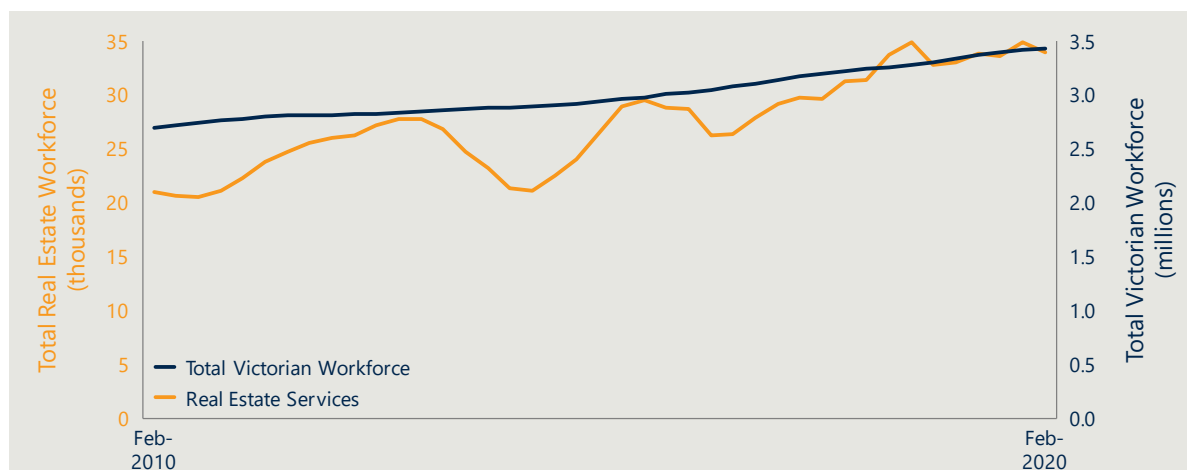
The real estate sector has grown over the last 10 years

The real estate sector is comprised of businesses who sell, lease and manage both residential and non-residential properties on the behalf of others. This excludes landlords who own and lease property without third party involvement. There are four main segments in the real estate sector: industrial, such as factory and warehousing space; commercial, such as office space; retail, such as for shopfronts; and residential¹. These businesses provide a range of services, such as property marketing and sales, auctioneering, insurance, financing, settlements and conveyancing, maintenance and rental property management, business broking, owners corporation management, valuation and buyer advocacy.

The growth of this sector has been strong relative to the broader Victorian workforce, with a pre-COVID² average annual growth of 4.87% for Real Estate Services, compared to 2.39% per annum for the overall Victorian workforce (2010-2020). Despite robust overall growth, real estate is a volatile market that contracts and expands based on demand, as shown in Figure 1. The estimated annual turnover of the real estate services sector is approximately \$7.6b, 1.7% of the Victorian economy³.

Figure 1 | Total Victorian Real Estate workforce, February 2010 - 2020 (12-month moving average)

Source: ABS Labour Force Survey, Detailed, August 2020



While sector-wide performance has been strong, the drivers of growth in each segment are different. Residential prices are driven by broad macroeconomic factors such as employment and population growth, which in turn is partly caused by immigration. Growth in commercial real estate such as office space is, historically, linked to increases in white-collar employment. Industrial real estate sits across many sectors, so demand for space is dependent on the overall performance of individual industrial sectors. Demand for retail space is linked to overall economic performance such as household income as well as sector-specific factors such as retail spending and demand for online retail¹.

Business typically adopt flat organisational structures

In June 2019, there were 8,926 Victorian businesses supplying real estate services. The sector contains several large franchised chains of real estate services, but most providers of real estate services are small

¹ Deloitte Access Economics, 2018 Real Estate Outlook – The Australian Perspective, February 2018

² Pre-COVID growth rates were calculated as the CAGR between February 2011 and February 2020

³ Parliament of Victoria, Victorian Economic Snapshot, 2018-19. Estimate is based on the number of businesses in each ABS turnover size range.

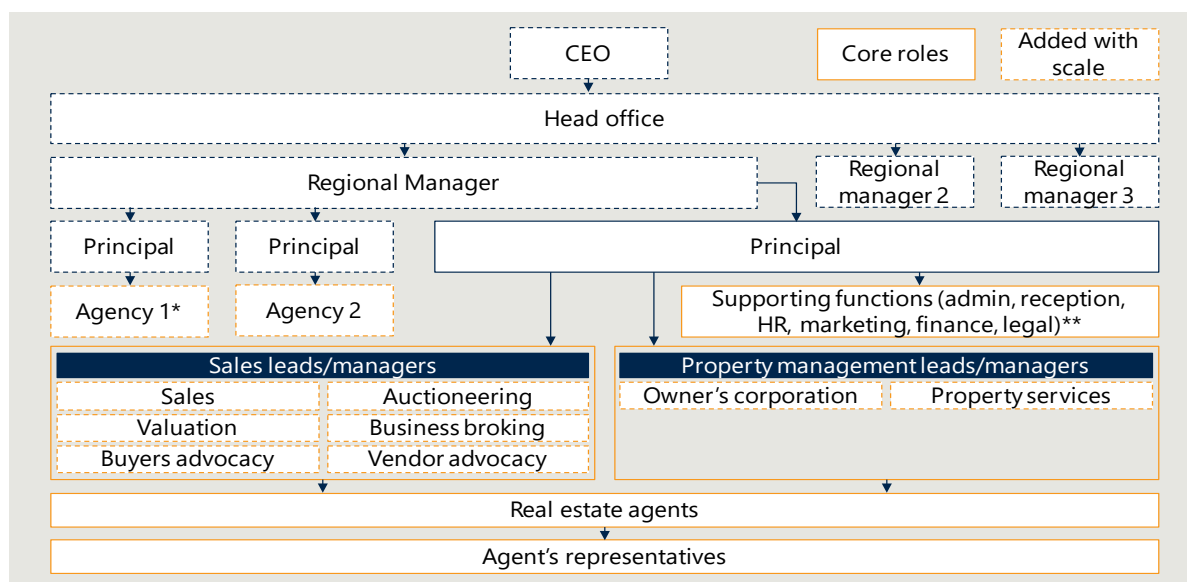
to medium sized, with 91% of real estate business generating turnover of less than \$2m in 2019⁴. Smaller organisations are typically geographically focussed, with individual offices responsible for managing, selling and operating nearby properties. Large chains employ a similar model, with each office responsible for a defined area. These large organisations can have a broad reach, with many comprising hundreds of offices around Australia. A small number of the largest agencies also have international presence in countries such as Hong Kong, New Zealand and Indonesia.

Organisations are led by a Principal, who is responsible for a team of agents. The specific role of a real estate agent depends on the business and the agent’s standing in the organisation. An agency could provide a range of services or be focussed specifically on managing rentals or selling properties. As a business grows, agents might join specialist divisions within the organisation. These divisions can include an owner’s corporation division, a property division (for managing rentals), a sales department and an auctioneering division. A business may have one or more of these specialist divisions within its structure, with each led by a manager. Depending on the size of the organisation, responsibility for managing rental properties or owner’s corporations can be allocated to agents either by managers or by the Principal. Sales agents may be allocated work this way but can also generate their own sales business and have their own public profile. Agents can then allocate work to a team of agent’s representatives, who undertake tasks on behalf of licensed agents such as property inspections or open houses.

Most businesses will also contain other internal functions, such as administrative staff and finance teams. Larger agencies may have one or more in-house lawyers, who ensure the organisation meets its legal obligations. When agencies grow to the point where they include multiple offices, the organisation may employ regional managers.

Most office staff are employed either on a full-time or part-time contract, while sales agents are usually paid a base salary plus commission and most property managers are paid a salary, while some also earn commission for business development activities. Additionally, smaller companies are not likely to employ an in-house auctioneer but instead hire a consultant auctioneer who works across multiple businesses.

Figure 2 | Indicative real estate organisational structure



*agency 1 and 2 represent similar agencies that the regional manager would also oversee

**the breadth of supporting functions will change as the organisation scales

⁴ ABS Counts of Australian Businesses, February 2020

The workforce is young and concentrated in Melbourne

The real estate sector employs approximately 37,000 Victorians. The workforce is largely made up of sales representatives and agents (56%), with a further 9% of the sector in HR or marketing and 6% in receptionist roles. Just 4% of the workforce are in specialist managerial roles, due to the flat organisational structure. The sector also has a relatively young workforce, with a higher proportion of workers aged 20-30 than the Victorian average (see Figure 3). Further, the real estate sector is centred mostly around metropolitan areas, especially inner Melbourne – the Melbourne Local Government Area accounts for 17.8% of the real estate workforce alone. Coastal areas south east and south west of Melbourne also share a large proportion of the workforce (see Figure 4)⁵.

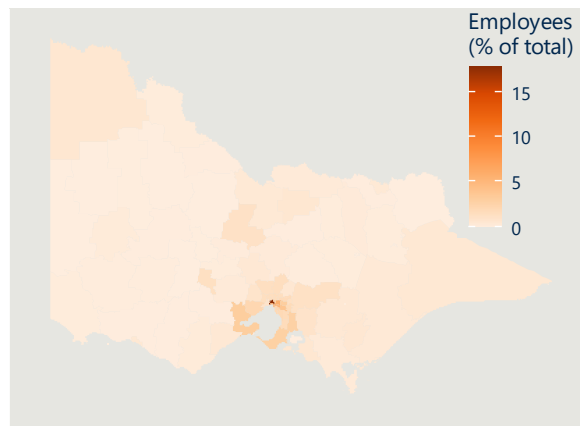
Figure 3 | Victorian Workforce age profile

Source: ABS Census, 2016



Figure 4 | Geographical workforce distribution

Source: ABS Census, 2016



⁵ ABS Census 2016

2 Sector outlook and workforce implications

There is currently an adequate supply of real estate workers and COVID-19 has substantially impacted the sector

While the sector has grown over recent years, there has been adequate supply of workers as little formal training is currently required for entry level staff with individuals able to enter the sector relatively quickly and easily. Workforce numbers in the sector tend to be highly volatile with large numbers of Agent's Representatives recruited to meet demand at key points in the year and the workforce shrinking rapidly following these periods.

The real estate workforce in Victoria fell sharply after the first COVID-19 lockdown but also recovered sharply, as seen in Figure 5. The fluctuation is likely made up of agent's representatives leaving or joining the sector in response to changing demand. Job advertisements also fell following the first lockdown and again after the second lockdown as seen in Figure 6.

Figure 5 | 12-month moving average workforce

Source: ABS Labour Force Survey, August 2020

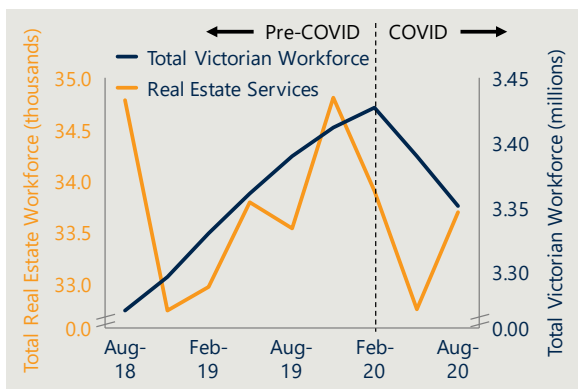
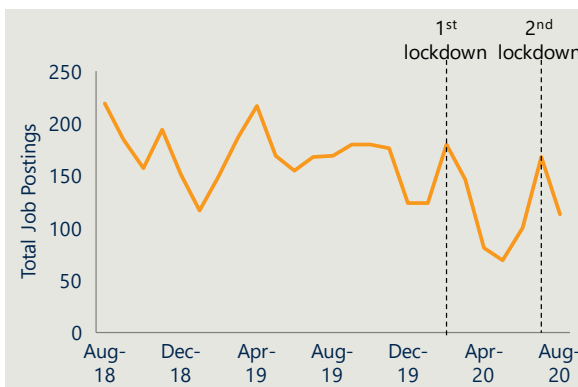


Figure 6 | Monthly real estate job ads

Source: Burning Glass Technologies



Some parts of the industry have been impacted more than others. While owner's corporation employers reported minimal impact throughout the lockdown periods, downturns in sales and rentals have caused a decrease in fees for agencies, as both models operate at least partially on a commission basis.

Melbourne's residential vacancy rate reached 3.8% in August, 2.2% higher than the same time in 2019⁶. This is due to short term factors, such as limits on in-person inspections, as well as financial hardship of renters and limited immigration that might stretch into the long term. In addition, the residential rental sector experienced adverse financial impacts from rent reductions and high vacancies, while limits on VCAT attendance means many disputes remain unresolved. Impacts of the COVID-19 pandemic have also been felt by the commercial real estate sector, as a transition to working from home has encouraged many organisations to re-think their use of rented commercial office space and some businesses have been forced to close as a result of restrictions.

The residential sales market has stagnated throughout the lockdown period. Auctions and inspections almost completely ceased during Melbourne's stage 4 restrictions, and the median house price in Melbourne dropped by 3.5% between the March and June quarters⁷. Smaller subsectors such as business broking have been detrimentally impacted, in large part because of uncertainty around the future outlook for businesses being sold.

The workforce is expected to remain stable in the coming years as some parts of the sector recover better than others

Demand for new workers within the sector is expected to be minimal during the COVID-19 recovery period. Overall workforce numbers have already recovered substantially and are at an equivalent level to the same time last year, but this is potentially distorted by the JobKeeper subsidy. The full consequences of the COVID-19 pandemic may not be obvious until the last quarter of FY21, when many agencies typically budget much of their profit. The reduction of JobKeeper and JobSeeker payments may have a two-fold impact on the sector: directly, by reducing agency revenue; and indirectly, by forcing commercial and residential tenants to exit leases. The latter could have a substantial financial effect on the sector, as it would cause a reduction in future revenue and in current and past revenue from defaulting on rent payments that were deferred throughout the lockdown periods.

The specific nature and severity of the impacts the sector will experience in 2021 are unclear and depend on many uncertain economic factors such as employment, wage growth and immigration. Regardless, early indications are that it is possible that there will be ongoing effects in some subsectors, such as commercial real estate due to business closures and increased working from home, while others such as residential sales have latent demand and could rebound. Every large residential building (i.e. with two or more residences) requires an owner's corporation, suggesting there will be continued growth in this segment of the market as buildings are completed. Residential property management may recover more slowly than sales, given some of the worst impacts of COVID have been on young people and low-middle income earners^{8,9}, who are major consumers in the rental market. Low immigration may also limit demand for sales and rental properties but may recover slightly through the latter half of 2021.

While workforce numbers have traditionally been highly dynamic in response to seasonal and economic factors, current proposed changes to training requirements will create higher barriers to workforce entry and are likely to drive a more stable sector-wide workforce, with some redistribution between sub-sectors. Further, the REIV see these changes as a means to improve quality and professionalism across the workforce. Employers and industry anticipate that the sales workforce will largely be stable and there is unlikely to be immediate demand for new sales agents until late 2021. However, some new sales agents will still be needed to fill gaps left by those leaving the workforce through retirement or change of career. Due to the possibility of heightened ongoing impact on the rental market, employers and industry expect there could be decreased demand for new property managers. As the required qualifications are common

⁶ Domain, *Melbourne's empty rentals soar by 20 per cent in one month, other capitals hold strong*, 1 September 2020

⁷ ABC, *Melbourne stage 4 coronavirus restrictions hit property market with inspections and auctions cancelled*, August 2020

⁸ University of Melbourne, *The Young Australians Hit Hard During Covid-19*, May 2020

⁹ Brotherhood of St Laurence, *Hidden in plain sight: the impact of the COVID-19 response on mature-age low-income people in Australia*, July 2020

across all sub-sectors, current property managers may move into sales to fill any gaps left by departing employees. At a specialist level, employers expect stability in owner’s corporation management and auctioneering, while business broking and commercial sales could face a downturn.

Employers seek business competency, interpersonal skills and emphasise the importance of understanding legislative requirements

Prior to the COVID-19 pandemic, the industry was in need of property managers more than any other profession. The most requested specialist skill across all jobs in the real estate sector from 2016-2020 was ‘property management’ (21% of ads), while ‘sales’ appeared in just 3% of total job ads (Figure 7). However, it is likely that a key reason property management is the most requested skill for entry level workers is because it sometimes acts as a pathway into sales. Within these roles, employers primarily seek interpersonal skills such as communication, writing, verbal / oral communication and relationship building and business capabilities such as budgeting, customer service and project management. Organisational skills, attention to detail and soft skills such as leadership and time management are also sought after (Figure 8).

While property management may experience lower demand in the short term as a result of the COVID-19 pandemic, property managers will continue to play an important role and will need the skills and adaptability to succeed in an uncertain and changing sector. Property managers will still be needed in a depressed market unless an agency has lost a significant proportion of its portfolio. Employers emphasised the importance of core skills in property managers, especially interpreting legislation (particularly the Residential Tenancies Act) and legal requirements. Recent reports have indicated that despite the critical importance of these skills, they are sometimes lacking¹⁰. Further, employers suggested that while business management skills are crucial for Principals, they are not always prevalent. In part, this is because no compulsory current qualification stipulates further business training requirements to operate as a Principal.

Unique skills may also be required in certain career specialisations. For example, an auctioneer requires a very specific skill set that includes persuasive and engaging communication. In other sub-sectors of the real estate industry, such as business broking and high-value commercial real estate, the clientele can be very large businesses with complex needs. As such, workers in these sectors require strong business acumen and often have either experience working in business or have undertaken further study.

Figure 7 | Top 10 specialist skills requested in real estate job ads, 2016-20 (% of ads)

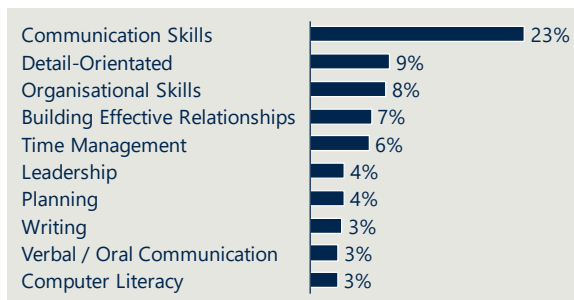
Source: Burning Glass Technologies



Figure 8 | Top 10 baseline skills requested in real estate job ads, 2016-20 (% of ads)

Source: Burning Glass Technologies

¹⁰ Department of Justice and Community Safety, *Regulatory Impact Statement – Estate Agents (Education) Regulations 2020*



There is a growing emphasis on ethics, compliance and digital literacy, especially for property managers

The real estate industry has incorporated more technology into its operations in recent years, including the emergence of online vendor advocates, rental advertisement aggregators and paperless transactions. COVID has accelerated this trend and forced the sector to shift even more of its operations online, including online property inspections (by prospective home buyers), online routine and end-of-lease inspections (by property managers) and online auctions. Some online services have not been very successful, and it has become clear that new home buyers are unlikely to purchase a home online. Nonetheless, the sector has displayed a capacity to innovate and embrace online operations, some of which could remain in the long term. An ancillary benefit of the shift to a digital business model has been an improvement in digital literacy across the workforce. Continued digitisation of processes could improve the efficiency of business operations and reduce the demand for administrative work, across dedicated administrative roles, real estate agents and agents' representatives.

Over the past few years, Government has made several policy changes to better protect the rights of tenants. There are approximately 139 additional changes to the Residential Tenancies Act coming into effect in March 2021, covering the full life of a tenancy. Agents must be capable of interpreting these changes and adjusting the way they work accordingly. One shift is a greater emphasis within the Act on disadvantaged and vulnerable tenants, such as those who have experienced family violence or who live with a disability¹¹. Consequently, Agents will need competency in communicating and working effectively with these groups. This trend towards improved standards is not driven exclusively by Government – reputational challenges and a broader desire to improve quality have gathered support across the sector to upskill the workforce in areas such as ethics and compliance. These new skills will be especially relevant for property managers.

New workers, particularly property managers, will need to be equipped with the requisite skills to deal with a changing environment, both from COVID impacts and ongoing changes to the Residential Tenancies Act. This means capability in interpreting legislation and understanding ethics and compliance requirements will be essential. Existing members of the workforce will also need to be continuously upskilled to meet the new standards imposed by Government and levels of quality expected by the public, as well as to keep up with changing technology and ways of working. Business leaders in real estate will also need the skills to guide their organisations through a challenging period.

¹¹ Department of Justice and Community Safety, *Regulatory Impact Statement – Estate Agents (Education) Regulations 2020*

3 The role of training

Talented agent's representatives can become a Principal in 12-15 years

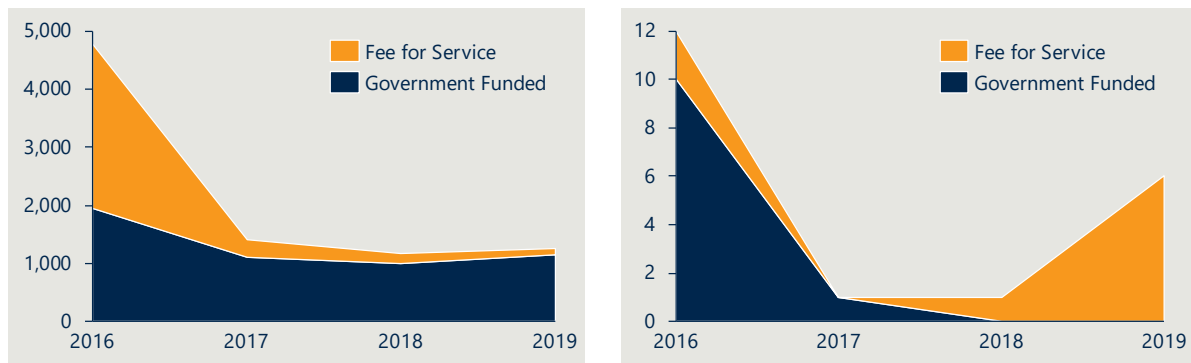
To become an agent's representative, prospective employees must complete a 5-day course, comprising the following three units as outlined by Consumer Affairs Victoria (CAV):

- Identify legal and ethical requirements of property management to complete agency work (CPPDSM4007A)
- Identify legal and ethical requirements of property sales to complete agency work (CPPDSM4008A)
- Work in the real estate industry (CPPDSM4080A).

Agent's representatives are expected to be capable of engaging and communicating effectively with tenants, landlords, sellers and buyers. They are also expected to understand the legal requirements of an agent across sales and property management. An agent's representative could expect to earn \$40k-\$60k per year, including commission for sales agents. After 1-2 years working as an agent's representative, workers can choose to continue their career progression by obtaining a Real Estate Agent's license, which requires a minimum of 12 months experience working as an agent's representative (within the preceding 3 years) and completion of a Certificate IV in Real Estate Practice. A common pathway is to start work as an agent in property management before progressing into sales, however, employers also note that property management is a viable long-term career with a secure salary, and many agents do not choose to transition into sales. While further study is an option through the Diploma of Property (Agency Management), as shown in Figure 9 overleaf, the vast majority of those that complete the Cert IV do not continue onto a Diploma.

Figure 9 | Enrolments in Certificate IV in Real Estate Practice (left) and Diploma of Property (right)

Source: DET



Once workers have obtained a Real Estate Agent's license, they can begin working as a licensed real estate agent. A licensed real estate agent can earn significantly more than an agent's representative. Because much of the package is commission-based for sales agents, total remuneration can depend heavily on the performance of the agent, which in turn can depend on broader market conditions. However, with the expanded role and salary comes increased responsibility. Real estate agents are ultimately responsible for legal and ethical compliance in sales and property management. Employers in different subsectors of real estate note that career pathways can be different in certain subsectors. In particular, large-scale commercial real estate or business broking typically require more experience and connections and recent graduates of the Certificate IV in Real Estate Practice are unlikely to find an entry level role. Working in these areas typically requires many years of additional experience in other parts of the real estate industry.

Over 5-10 years as a licensed agent (or more, depending on the agent and the market), an agent will continue learning on the job, partake in continuing professional development (CPD) (compulsory for membership in the Real Estate Institute of Victoria (REIV)), accrue a database of potential and existing clients, and build a public profile of their own. As their expertise builds, they might decide to start their own agency and operate as a Principal. Currently, no further qualifications are required to begin operating as a Principal. This is usually done either as a part of a franchised model or by opening a standalone agency, depending on the brand and connections the individual has been able to build.

A new training system for real estate aims to address major skills shortages

Driven by a growing emphasis on consistent workforce quality from the sector and Government, the qualifications required for each step in a real estate agent's career trajectory are currently under review. New regulations are expected to commence in the final quarter of 2020. These regulations are likely to stipulate the completion of an updated Certificate IV in Real Estate Practice to commence work as an agent's representative and completion of the Diploma of Property (Agency Management) to operate as a real estate agent. Both new qualifications are for new entrants only – existing licensed agents will be grandfathered and are not required to re-qualify for their license.

Beyond these baseline qualifications, CPD is required to maintain membership in the REIV. This is conducted by the REIV and covers topics including, but not limited to:

- Owner's Corporation management;
- Risk management;
- Family violence and property management;
- Commercial property management; and
- Commercial property sales.

New qualifications are likely to cover most skills shortages that have been identified by employers, including ethics and compliance skills, interpreting legislation, interpersonal skills and a small course of electives. The new Certificate IV is also likely to include a set of elective units in certain specialisations, such as business broking, auctioneering and buyer's advocacy. The Diploma will focus on improving business management capabilities of future Principals. Because these new training requirements align with the sentiments of employers and overall needs of the sector, the proposed changes have so far been met with support from many in the industry and the REIV.

Although the amended training requirements aim to help address the sector skills shortage, they are unlikely to have a substantial impact in the short term because the Certificate IV in Real Estate Practice and Diploma of Property (Agency Management) will be compulsory for new entrants, but not for existing workers. While upskilling may persuade employers to encourage employees to undertake the courses, whether they are compulsory or not, the time-consuming nature of the revised qualifications is unlikely to incentivise re-training and other options for upskilling the existing workforce should be explored. In the longer term, the introduction of new requirements will drive demand for the Certificate IV and the Diploma, given they will be compulsory to obtain a licence.

Opportunities exist to improve training by providing short courses to upskill existing workers and pathways to specialisation

As the new training regulations are introduced it will be important to monitor the demand for real estate workers and ensure effective monitoring of workforce supply is in place to evaluate the impact of new licencing requirements when implemented. The training system should also direct efforts towards addressing skills gaps that may remain after the implementation of amended training regulations. A key area of focus is the upskilling of existing staff, who will not be required to undertake the new

qualifications. The training system must ensure these staff have the requisite skills to meet the expectations of the public, employers and government. Focus should be given to ensuring workers can interpret legislation and understand their legal and ethical obligations. This could be undertaken through short courses that draw from the new Certificate IV to meet the needs of particular segments of the workforce, for example property managers may benefit from training on ethical practice and working with diversity. Further upskilling opportunities exist for Principals, who may need training in small business management skills. This may be achieved either through existing management courses or specialist real estate agency management courses. Some employers also noted that specific training and/or qualifications should be explored for auctioneering given the unique and specialist skill set required.

Traineeships may also provide an effective model for delivering the new Certificate IV and recent Commonwealth Government funding announcements create a favourable opportunity to explore the use of traineeships in the sector.

As the new training regulations are implemented, whether through a traineeship or non-traineeship arrangement, training providers must ensure it is contextualised to the needs of employers so ongoing training delivery achieves its desired goals.



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