

Summary Report
Estate Agents Industry





Estate Agents Industry

Overview of the Market

The UK Estate Agent industry is estimated to be worth approximately £9.1bn with a growth rate of -7.1% per annum between 2016 and 2021, largely owing to a post-EU-referendum cooling of property markets.

The Estate Agents industry has endured a challenging operating period, characterised by evolution of the market landscape; a reversal of fortunes in respect to the ease of lead generation in the post-EU-referendum era; and a property market ravaged by COVID-19, which has induced economic and social disruption. The EU referendum marked a turning point in the property market, inducing overnight uncertainty across various markets, blighting confidence among both consumers and business groups. With estate agents already contending with a post-referendum deceleration in the rate of lead generation, the coronavirus pandemic and the consequent exogenous economic shock compounded these difficulties.

Industry revenue is estimated to increase at a compound annual rate of 4.1% over the five years through 2025-26, reaching £11.2 billion. It is hoped that economic recovery may ensue if the correct measures remain in place to give impetus to an economic restart.

Market Share

The two major players in the market are as follows (Estimated):

- Countrywide Plc: 2.7%
- Connells Ltd: 2.2%
- Savills Plc: 2.1%
- LSL Property Services plc: 1.3%

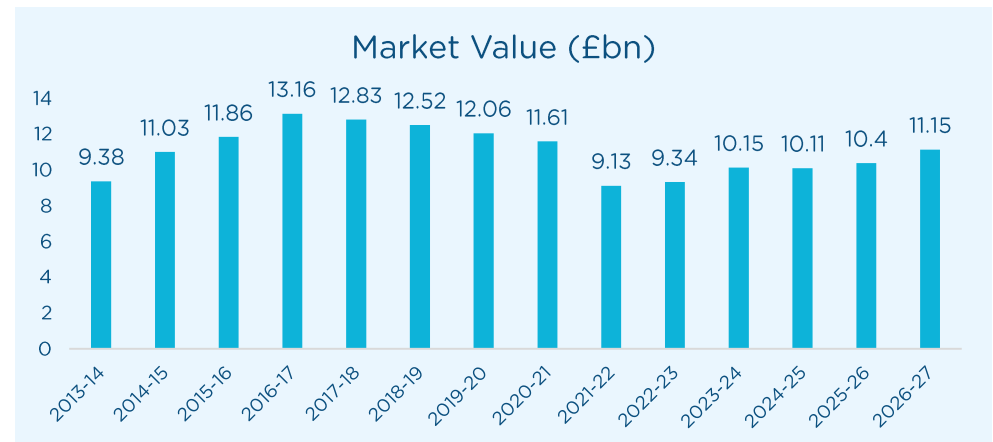
Source
IBISWorld (March 2021)

Operating Conditions

Due to the nature of the industry, capital intensity is low. Estate agents don't need to invest in things like equipment but instead spend much more on wages due to the personal service required.

The Estate Agent industry displays a low level of technological change. The recent rise of property sites such as Zoopla has resulted in the majority of people looking for property to use these sites. Therefore, the level of investment into online presence and using these sites has increased.

Revenue volatility within the Estate Agent industry has been moderate over the past five years. House prices has been rising over the past five years, aiding growth in industry revenue. Revenue also fluctuates with the amount of property transactions carried out. This aspect has been more volatile as it is heavily influenced by consumer and business confidence which has been lower due to the EU referendum. A reduction in the level of property transactions has resulted in decreased revenues for the industry.





Estate Agents Industry

M&A Activity in the Sector

Market IQ data indicates a total of 1,267 significant deals in the industry from January 2010 to July 2021, with UK targets. Deals are only reported over a certain value threshold (c.£500k), therefore, it is likely that not all deals have been captured.

Upon breaking down the deal type, M&A, activity within the sector is mainly categorised by acquisitions, with 1203 since January 2010. There were also 32 management buy-outs and 27 mergers. A geographical breakdown of the deals shows that London and the North West dominate M&A activity, benefitting from 236 and 128 deals in the time frame respectively. The rest of the deals are spread throughout other regions whilst slowly declining to Northern Ireland, with only 21 deals.

Deal flow has been significant in each year with a gradual upwards trend through 2013-2015, until growth turned slowed in 2016. Deal levels then continued to fall into 2017. This dip is characteristic of the uncertainty effect that the UK's exit from the EU. The industry took a large hit in 2019 as a result of the COVID-19 pandemic. Deal flow is yet to recover, with the forecasted value of industry deals in 2021-22 being just 42.

Industry Benchmarking Information – July 2021

Hallidays' client base consists of small to lower mid-market enterprises. Our benchmarking analysis reflects businesses with turnover below £20m, in line with the majority of our clients in this sector.

Estate Agents Benchmarking Data	Mean	Median	Lower Quartile	Upper Quartile
Turnover Growth/Decline (%)	(2.85)	(3.77)	(19.90)	7.33
EBIT Margin (%)	9.71	5.21	(4.37)	23.05
EBIT Growth/Decline (%)	3.29	(3.65)	(65.37)	73.43
EBITDA Margin (%)	12.48	9.08	(2.72)	28.78
EBITDA Growth/Decline (%)	5.09	(2.86)	(53.37)	80.13
Total Net Assets Growth/Decline (%)	7.46	2.29	(18.93)	19.86
Current Ratio	4.27	1.56	1.00	3.38
Acid Test	4.19	1.49	0.94	3.25

Estate Agents Benchmarking

Using full company accounts filed in the last two years under the SIC-Code "6831 - Real estate agencies", Excluding companies with nil turnover in either period, we have summarised key benchmarking information for businesses under £20m turnover in the table above. July 2021.

M&A Activity Source

Experian Market IQ (July 2021)

Search Criteria: SIC-Code "6831 - Real estate agencies"