



Digitising Real Estate Services

Use of Digital
Multi-Sided Platforms
(MSPs) in the Real
Estate Sector



pwc

Executive Summary

Digitisation is rapidly changing the world as we know it – transforming the way we work, consume and interact. Most industries have realised how digitisation offers real opportunities for improved customer-centricity, faster growth and greater innovation.

With the ongoing COVID-19 pandemic and widespread economic upheaval, all industries are under more pressure than ever to reinvent themselves through digital transformations. The state of digitisation varies from industry to industry. Information-intensive industries naturally tend to invest more in digitisation to maintain their competitive advantage. Thereby, the financial services industry remains at the forefront of digitisation due to its purely information-intensive products and services, while the real estate industry is still relatively behind due to its fragmented nature, among other factors.¹

In the Middle East, there are certainly efforts to introduce digital elements into the real estate industry. For example, the Dubai Land Department has a website for registering various property-related transactions and activities, such as property rent, sale, mortgage or transfer. However, there are still other digitisation initiatives that can be implemented. These include the use of digital Multi-Sided Platforms (MSPs) to reimagine the way real estate services are delivered.

Digital MSPs are online platforms that bring together and facilitate interactions/transactions between two or more distinct but interdependent user groups. They are disrupting competition and bringing sweeping changes across different industries. Success examples of digital MSPs include Airbnb, Uber, eBay and Amazon. Some of these companies started off as traditional online retailers (i.e. one to many) and now enable third-party sellers and distributors to trade directly with consumers on their website (i.e. many to many). An example of a digital MSP in the region is the Etimad Marketplace (part of the Etimad platform) recently launched by the KSA Ministry of Finance, which enables transactions between government entities and the private sector (contractors and suppliers), by providing lists of products and services along with their rates.²

The real estate market is a competitive market with strong growth dynamics. Digital MSPs can be a great way for real estate regulators and policymakers in the region to further unlock and maximise the benefits that digitisation can bring to society and this industry. In the following sections, we talk about how digital MSPs can be used in the real estate industry, key factors to consider when implementing them, their potential benefits and challenges and showcase a client case study.

¹ "Measuring industry digitisation: Leaders and laggards in digital economy" report by Strategy&

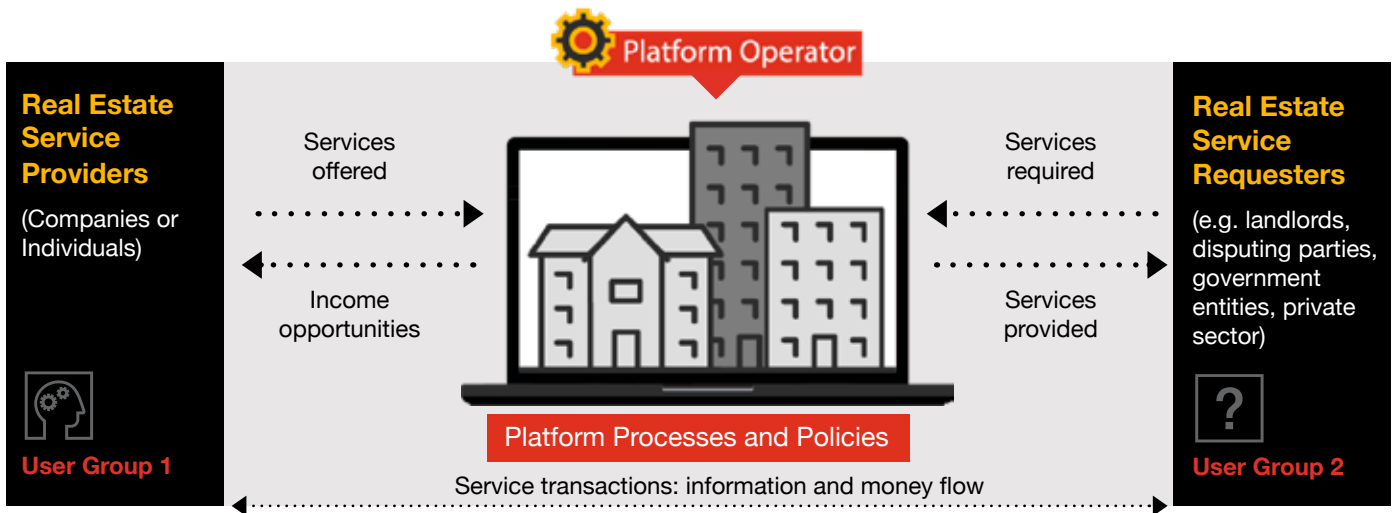
² "MOF Launches (12) New Products on Etimad Platform." Ministry of Finance, KSA.

Use of MSPs in the real estate industry

Governments in the region have not yet fully leveraged all the potential uses of MSPs to facilitate interactions between different parties in the sector and digitise services at every stage of the real estate cycle. Currently, the most prevalent form of MSPs used in the real estate sector is aggregator websites, where land and properties are listed for sale or rent. These aggregators offer advanced search capabilities and virtual property viewing experiences. Examples include PropertyFinder, Bayut.com and many more.

However, MSPs can take one step further and be built to help people find real estate:

- Brokers and agents
- Arbitrators and lawyers
- Valuation consultants (i.e. appraisal services)
- Lending and mortgage service providers
- Auditors and tax specialists
- Investors (i.e. crowdfunding for property investments)
- Asset management service providers
- Energy and sustainability management service providers



Illustrative 1: Real estate services MSP

Real estate services MSP will allow the implementation of features that make the search for and delivery of real estate services much more seamless. **Examples of key features include, but are not limited to, the ability to:**

- 01**  View and easily navigate listed real estate services
- 02**  Compare rates and the verified expertise of different real estate service providers
- 03**  Schedule appointments and book services
- 04**  Make secure payments
- 05**  View the status of service requests in real-time
- 06**  Get live support
- 07**  View and submit ratings and reviews

Critical factors to consider when implementing MSPs in real estate

There are several factors to consider when building an MSP, including:

Monetisation strategy: There are various ways by which MSP operators can monetise their platform. Many opt for the commission model, where they take a percentage or fixed fee for each service or product sold on their platform. Other models include charging subscription or listing fees or offering “featured ads”, where a user group pays to promote their services or products on the platform.

Level of governance: The level of involvement of the platform operator in the execution of transactions determines whether an MSP is ‘True’ or ‘Managed’. ‘True’ MSPs typically lack policies related to who can access the platform and how users interact on the platform (i.e. they simply connect user groups). On the other hand, with ‘Managed’ MSPs, platform operators are more involved in improving the user experience by incorporating quality assurance measures (e.g. background checks and inspections), reviewing verification, consignment/shipping, tracking and payment protection services.

Potential benefits of MSPs in the real estate industry

The use of MSPs to digitise real estate services will be beneficial to the real estate industry in the region because it will:

Enable

customers to compare and find real estate services much easier, faster and cheaper (because intermediary costs are minimised)



Give

customers access to trusted and verified real estate service providers



Provide

greater customer reach for real estate service providers



Increase

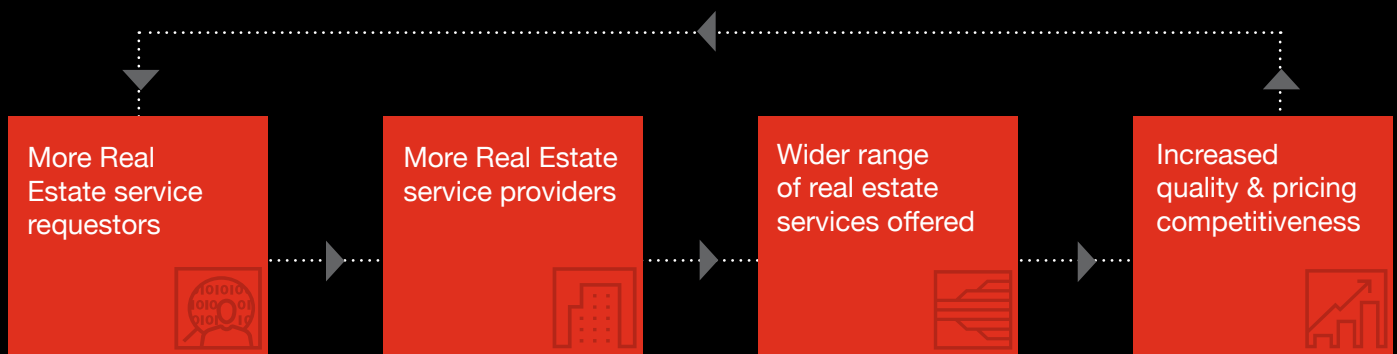
price and quality competitiveness in the real estate sector



Potential challenges with MSPs in the real estate industry

Various challenges and risks will need to be mitigated when launching and operating real estate services MSP. These include, but are not limited to:

Lack of critical mass due to failure to attract and retain targeted user groups. A key feature of MSPs is that the value of a platform to one user group typically increases as the number of active users in the other group increases. For example, additional real estate service providers may be encouraged to join a platform if the number of customers is growing. This is known as achieving cross-side network effects. The cross-side network effect can cause a supply-demand gap or chicken-and-egg problem, where users on one side are only willing to join if there are enough users on the other side, leading to a situation where “no one joins until everyone joins”. This can usually be tackled by trying to focus on first attracting the side that would provide the service (often by eliminating fees altogether as an introductory offer), which will then help attract the other side.



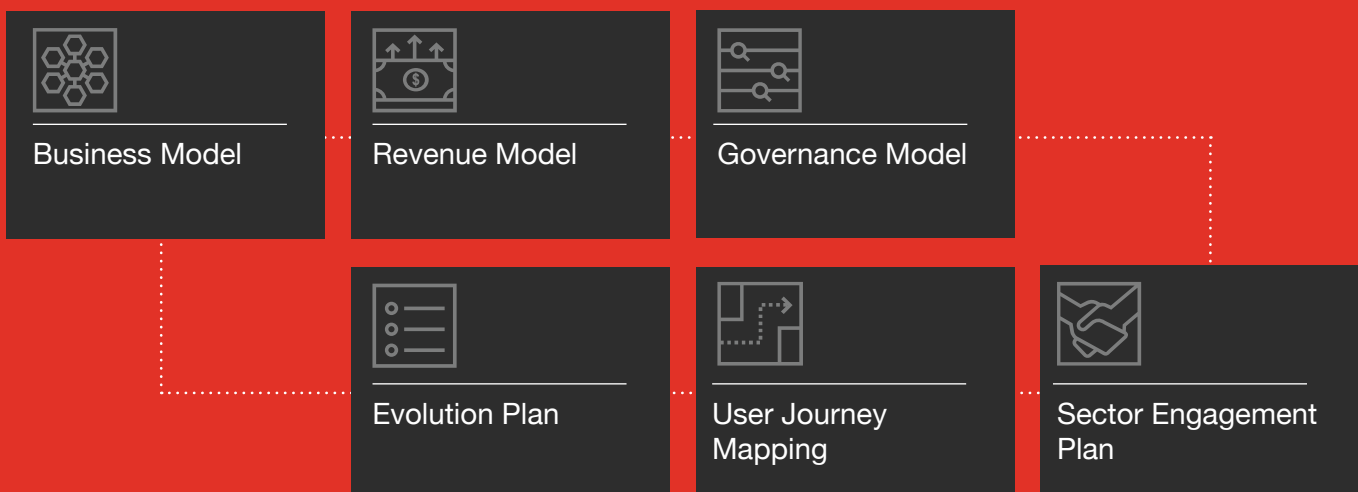
Illustrative 2: Real estate MSP cross-network effect

Platform leakage or offline transactions. However, this can be eliminated by multiple methods, such as making the sign-up process straightforward, eliminating subscription fees and reducing transaction fees. Also, if the platform offers quality assurance and payment protection guarantees, users will be less encouraged to take the route of less trusted offline transactions.

Client case study

A real estate authority in the region was looking to build a digital platform to solve multiple pain points in the sector including customers finding the search for the right service providers to be a time-consuming process, customers being unable to accurately define the technical expertise they need, customers complaining about the lack of transparency and standard rates across the sector, customers receiving services with varying levels of quality and service providers not committing to agreed-upon timelines.

We were able to help the client by developing a business model, revenue model, governance model, evolution plan, user journey mapping and real estate sector engagement plan to launch a digital MSP that will become a national one-stop-shop for all real estate-related services.



Illustrative 3: Advisory services offered by PwC to the client to support in designing and building a national MSP for real estate services

The leap forward

With many industries in the region making significant strides in digitisation, authorities and decision-makers in the real estate industry will need to find ways to further digitise services, to simplify business processes and improve the customer experience.

Opportunities to use digital Multi-Sided Platforms should be strongly considered, as they can provide people with much faster and easier access to trusted real estate services. Also, such platforms will promote greater transparency in the industry and ensure that users get the best value for their money.

However, when governments embark on their journeys to build Multi-Sided Platforms, several aspects need to be considered, including but not limited to: what business model will be used, how will they be involved (i.e. do they oversee the activities of the platform as a regulator, or do they participate fully or partially in the operation of the platform as part of a public-private partnership), what policies need to be in place, how will the different user groups be encouraged to join and use the platform, how will the quality of the services provided be monitored, and how will the data be kept secure.

Get in touch with us

Contact us to learn more about Multi-Sided Platforms and how our teams can help you explore the opportunities they bring, and support you in designing and building them.



**Imad
Shahrouri**

Consumer and Industrial Products
and Services Co-leader & Consulting
Real Estate Sector Leader

PwC Middle East



**Nader
Moghazy**

Partner
Real Estate and Housing

PwC Middle East



**Nabeel
Al-Kady**

Senior Executive Advisor
Real Estate Development

PwC Middle East



**Saeed
Awad**

Director
Real Estate Consulting

PwC Middle East



**Mahmoud
El-Refai**

Senior Manager
Consumer and Industrial
Products and Services

PwC Middle East



About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

Established in the Middle East for 40 years, PwC has 22 offices across 12 countries in the region with around 6,000 people. (www.pwc.com/me).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2021 PwC. All rights reserved