

Back to basics Technology and software

■ Propex is to build on its meteoric rise by adding derivative prices to its listings, writes **David Lawson**

THE INTERNET SAVED RETAILERS FROM DESPAIR IN the run-up to Christmas. Online sales rose 50% to almost £5bn, while the rest of the market subsided to the slowest growth rate for half a century.

This will bring a wry smile to the faces of those who have been ridiculed for predicting that the internet will fundamentally change the property industry. When the dot.com bubble burst, online trading was consigned to the fate of other science fiction such as hover cars. Yet fiction is rapidly becoming fact.

It is now being questioned whether shopping centres are worth the high prices being paid by investors. Ironically, those same investors never lost faith in the idea of working online.

Propex is one of the internet's unsung success stories. The web portal listed about £800bn worth of commercial property last year. Multiple entries of the same premises might exaggerate the real aggregate value, but 70% of all UK property investment is still estimated to have flowed through the portal.

These figures are all the more astounding considering the service has existed for less than five years. This is more of a revolution than a few thousand people swapping pre-Christmas crowds for a PC in their sitting room.

It has not been an easy transition, however. The worldwide web was aptly named, as it snared almost everybody in confusion around the turn of the millennium. A slew of pioneers competed for the highly specialised market and, just as they were beginning to make progress, the dot.com bubble burst.

Somehow, the idea survived. Perhaps it was because investors are used to working on computers, which have become the norm on huge dealing floors handling equities, commodities and currencies. But the key factor for survival was persistence.

Everyone knew there were too many sites competing for business. Listings do not work unless they are comprehensive. The question was whether competitors would agree to join forces – and how quickly. It required a lot of

THE HISTORY OF PROPEX

- 2000 Propex, Primepitch, UKPIP and E-Property are set up
- 2001 Primepitch merges with E-Prop
- 2002 Primepitch merges with Propex
- 2004 Shop Property merges with Propex
- 2005 UKPIP merges with Propex

PROPEX IN NUMBERS

- 17,000 direct members
- 50,000 participants
- 220 corporate members
- 1,800 use Propex Pro software at a cost of £2,500
- 70,000 visitors a month
- £800bn of commercial property featured last year
- Subsidiary Shop Property, launched in 2001, has expanded from 7,000 to 30,000 members

faith from backers to overlook the inevitable losses until one emerged with critical mass.

Propex is the result of mergers by several pioneers (see box). The last big rival, UKPIP, was absorbed in September, not long after Shop Property was acquired from Churston Heard. The patience of the 50 or so blue chip shareholders has been rewarded by a move into profit.

With such a firm foundation, plans are now under way to fulfil some of the promises that would certainly have been dismissed as fiction a few years ago. Another revolution is looming, as derivatives and REITs transform the property sector from a crude accumulation of bricks and mortar into something with a semblance of parity with sophisticated financial markets.

But that will not work without up-to-date information on prices, much like with shares and bonds. Propex aims to plug that gap in a revamp that involves supplementing its

listings with pricing on all the leading derivatives contracts. That could grab a bigger slice of the investment market and dwarf last year's huge turnover.

Its evolution into a primary gateway to the investment market has been underlined by talks about the Investment Property Databank taking a large stake. This seems a natural alliance, as the IPD carries the key indices used to gauge the performance of the property that investors find online.

Propex commercial director Colin Barber prefers the term 'community' to 'gateway'. All the top agents are members and use the recently upgraded Propex Pro software. But most of the 150 or so agents around the UK have spent a few hundred pounds to list individual properties. Many realised they had to when big buyers such as Prudential insisted all introductions come via the portal.

Add the number of casual visitors, which is soaring since commercial property became attractive to private investors, plus all the links from the website, and the total number of people involved comes to about 50,000.

It is easy to lose track of one key fact behind such success: no one actually deals on Propex. It is essentially a listings site. Buyers and sellers come here to find information and then contact each other to do deals. The much-touted idea of 'disintermediation' – that middlemen such as agents would disappear as property traded online – was never considered.

Only one portal, FProp, has made serious inroads into online trading. The movers behind Propex and its merged partners felt there were too many complexities involving leases, surveys and market knowledge.

Barber does not write off the prospect that automated dealing may happen some day, and says lawyers are making great progress with protocols such as PISCES, which speeds up and automates deals. 'Who knows where technology may be in 10 years,' he adds.

■ contact: basics@davidlawson.co.uk