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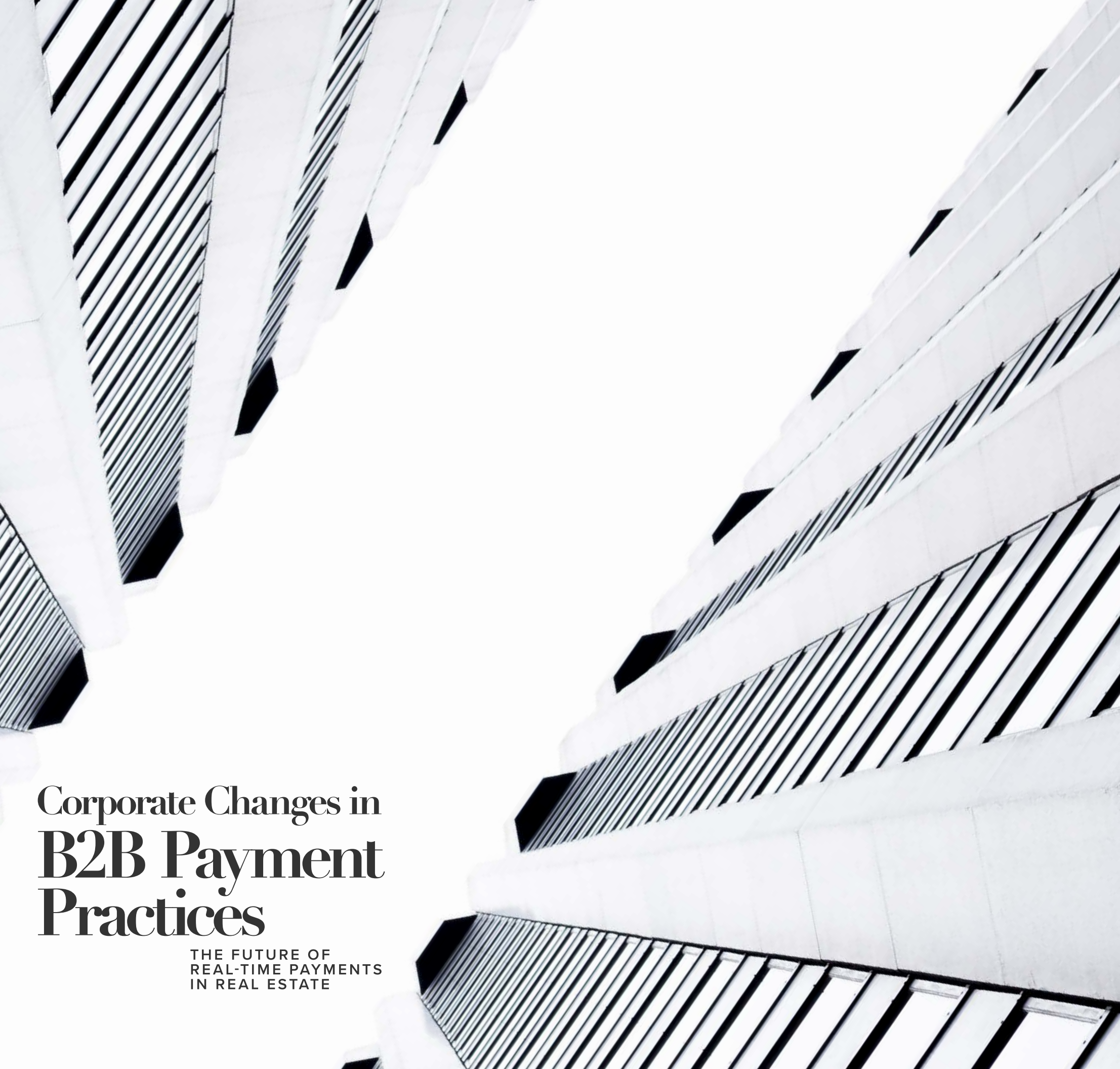
PYMNTS



Corporate Changes in B2B Payment Practices

THE FUTURE OF
REAL-TIME PAYMENTS
IN REAL ESTATE

Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, a PYMNTS and The Clearing House collaboration, offers insights into the rapidly growing market for real-time payments. Our findings are based on a survey of 125 executives at real estate companies with at least \$100 million in annual revenue that was conducted from Dec. 16, 2022, to Jan. 12, 2023.



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Introduction

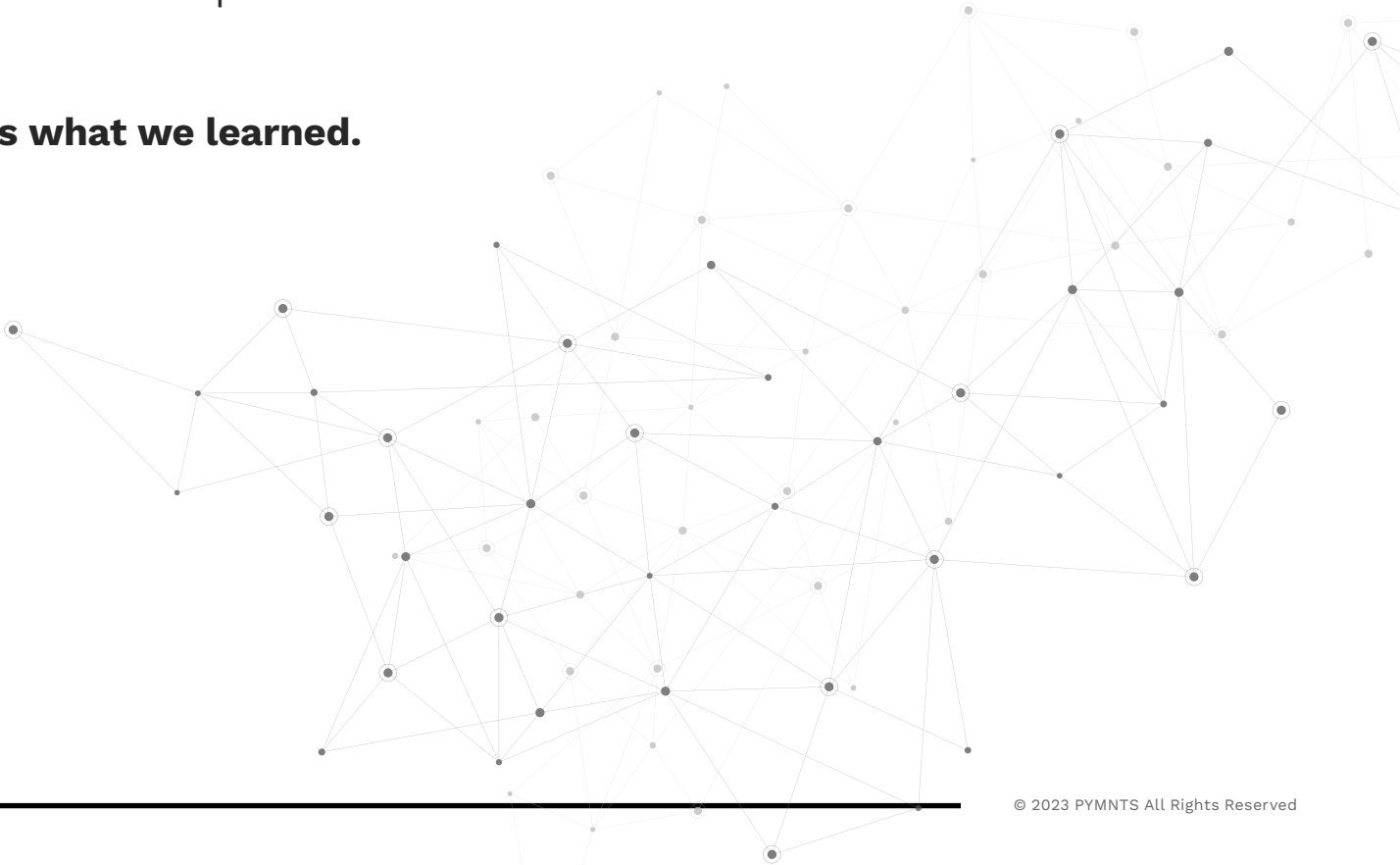
No person is an island — and neither is any business. Firms in the real estate sector heavily rely on suppliers and vendors, and their relationships with these essential parties play an outsized role in shaping the industry’s business-to-business (B2B) payments landscape.

PYMNTS’ latest research reveals that nearly 9 in 10 real estate firms in the U.S. say their vendor and supplier partnerships are very or extremely influential in deciding which payment solutions to use when sending payments to other businesses. Firms receiving payments agree.

Real estate firms realize that adopting modern payment solutions can help — 90% of those we surveyed plan to start using real-time payments to receive payments within the next year. However, most real estate firms noted obstacles to their adoption, such as the difficulty of replacing legacy IT infrastructure and high perceived costs of adopting real-time payments. As a result, many expect to continue using outdated payment methods — a sizable portion even plan to increase their usage of paper checks.

Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, a PYMNTS and The Clearing House collaboration, examines the state of play for B2B payments in the real estate industry. We surveyed 125 real estate executives with deep knowledge of the sector’s payments environment between Dec. 16, 2022, and Jan. 12, 2023, about the payment methods they use, the underlying factors driving their preferences for these methods and their payment roadmaps for the next 12 months.

This is what we learned.



1

Relationships with vendors and suppliers heavily influence real estate firms’ choice of B2B payment methods.

Eighty-seven percent of U.S. real estate businesses said vendor and supplier relationships are very or extremely influential in shaping their decisions on B2B payment methods for making payments, and 91% said the same for receiving payments. Firms widely cite the ability to pay quickly and on time as critical drivers of their payment method selection.

2

More receivers than senders are interested in moving away from batch payments toward real-time payments and processes, but obstacles such as cost remain.

Just 1% of real estate firms currently use real-time payments, but 90% plan to adopt real-time payments solutions within the next year to receive payments. In comparison, 77% plan to do the same for making payments. Fifty-one percent of businesses cited the high perceived cost of making payments with real-time payments as a key hurdle to adoption, and 62% identified the difficulty of replacing or updating legacy IT systems.

3

Checks are the payment method most likely to be replaced by real-time payments.

Eighty-four percent of real estate firms believe real-time payments will replace checks for making payments, while 77% say the same for receiving payments. Sixty-five percent of respondents think real-time payments are positioned to replace both standard automated clearing house (ACH) and debit cards as a method of making payments. To a lesser extent, they also view real-time payments as replacing credit cards, at 23%, and cash, at 29%, for making payments.





4

Most real estate firms will switch from debit card payments to ACH, and a sizable share will even increase their use of virtual cards to make and receive payments.

Sixty-eight percent will replace less frequently used payment methods, such as debit cards, with same-day ACH to make payments. We also find that 30% will increase usage of same-day ACH to make payments, and 21% will do so to receive them. Similar shares aim to increase their usage of standard ACH to make and receive payments as well. One-third of businesses will tap virtual cards to replace less frequently used methods to make payments.

5

Payment method acceptance is a crucial factor shaping decision-making around payments solutions — and a reason why ACH stands out.

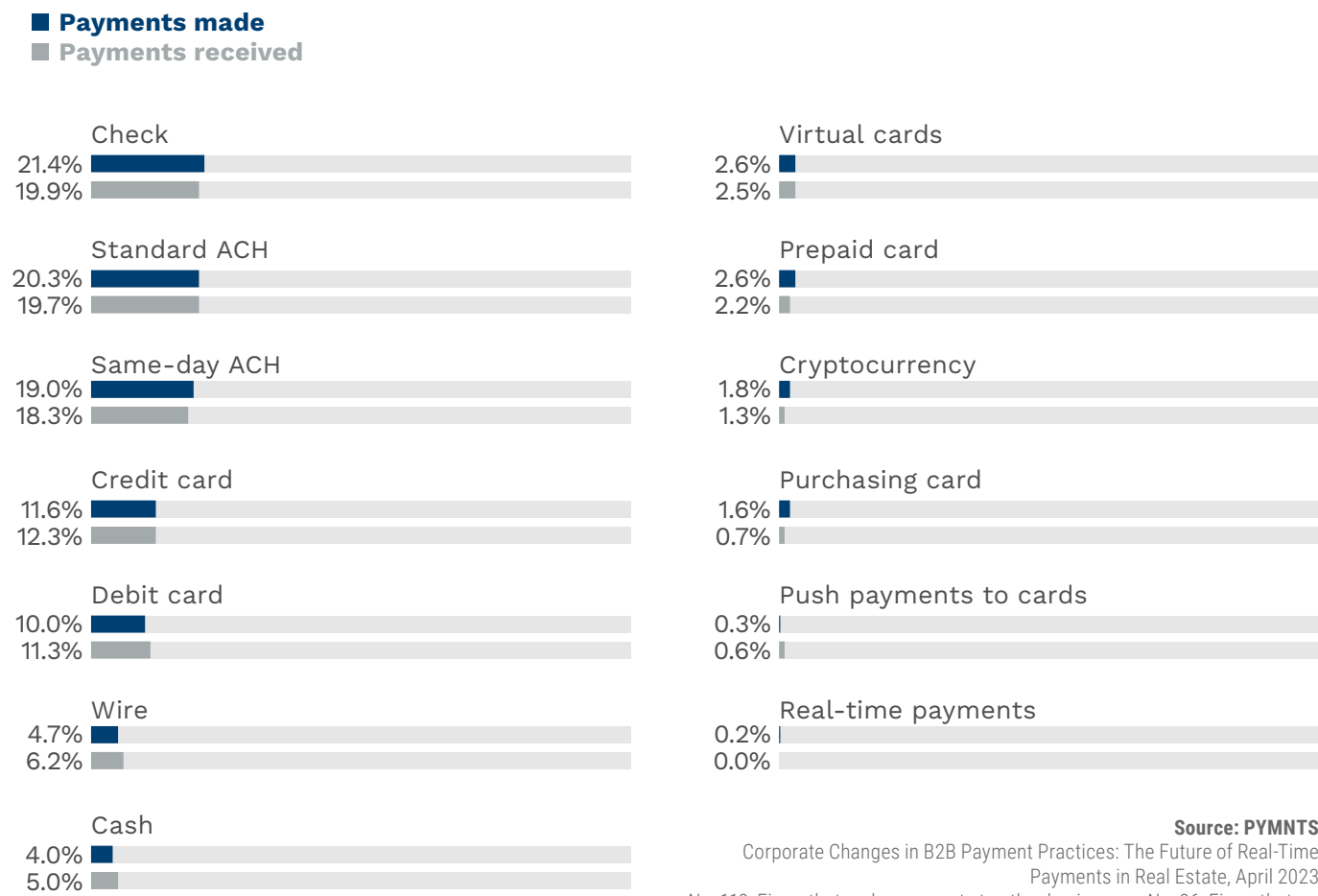
Real estate firms prioritize payment methods that their suppliers and vendors accept. Eighty percent of those using standard ACH and 92% using same-day ACH cite this acceptance as the main driver for increased usage. Convenience is also a significant factor, with 73% of firms using standard ACH and 60% using same-day ACH citing it as a reason for increasing their use of these payment methods.

Relationships drive payment method selection

Forging strong vendor and supplier partnerships is a cornerstone for any real estate business. PYMNTS’ latest research shows that, on average, 39% of payments U.S. real estate firms made and received used either same-day or standard ACH transfers, underscoring the incumbency of ACH in B2B payments in the sector.

Despite the growing availability of faster payment methods, our research reveals that real estate businesses still rely on checks for 21% of their transactions. However, many real estate firms are considering adopting real-time payments solutions, and in doing so, meeting the growing expectation that payments be processed quickly, reliably and conveniently.

FIGURE 1:
B2B payment methods in the real estate sector
Share of B2B payments made and received with select payment methods



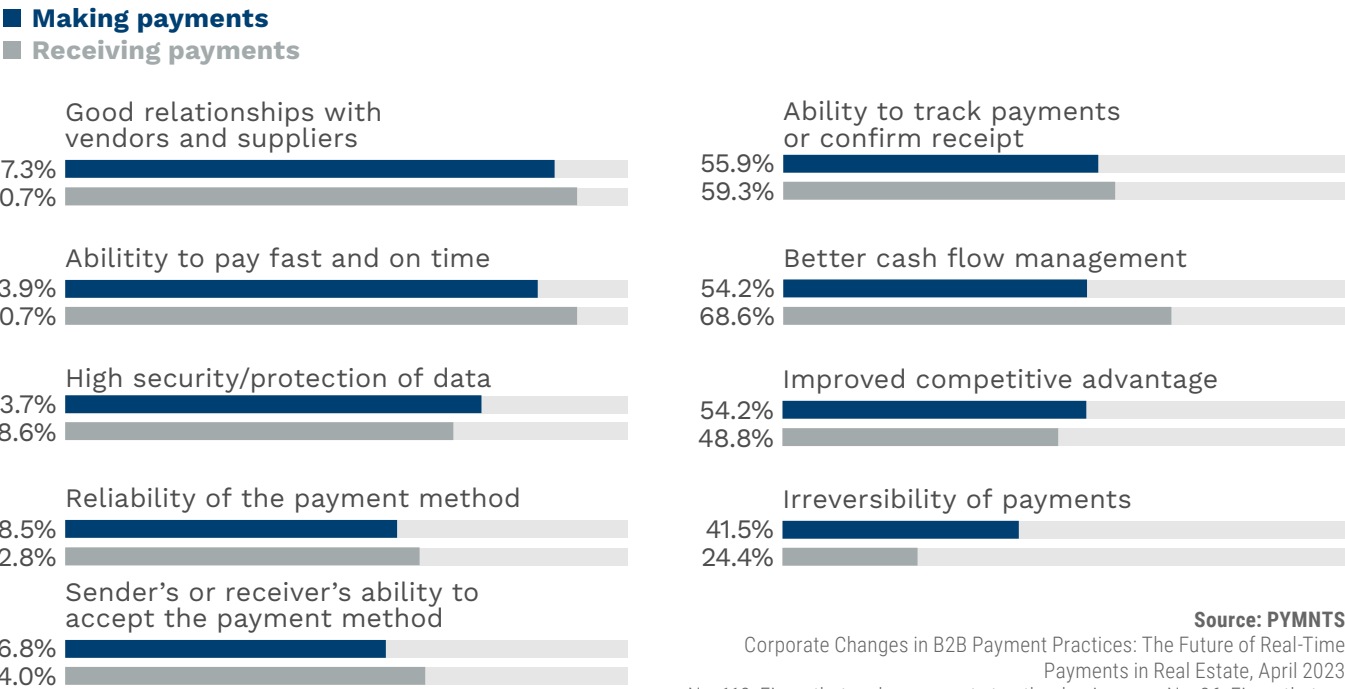
Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, April 2023
N = 118: Firms that make payments to other businesses; N = 86: Firms that receive payments from other businesses, fielded Dec. 16, 2022 – Jan. 12, 2023

When choosing payment methods, real estate firms deeply consider their vendors and suppliers. PYMNTS found that 87% of U.S. real estate businesses identified keeping these beneficial relationships as very or extremely influential in shaping their decisions on methods for making payments; 91% of firms receiving payments agreed. Another major consideration is the ability to pay quickly and on time, with 84% choosing solutions that meet these criteria when making payments and 91% doing so when receiving them.

Although those two factors topped the list by a wide margin, a strong third-place factor is security and data protection. This is an important consideration when deciding on payment methods for 74% of companies that make payments and 69% of those that receive payments.

FIGURE 2:
Influential factors in choice of B2B payment methods

Share of real estate firms citing select factors as very or extremely influential when selecting a payment method to make or receive B2B payments



Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, April 2023
N = 118: Firms that make payments to other businesses; N = 86: Firms that receive payments from other businesses, fielded Dec. 16, 2022 – Jan. 12, 2023

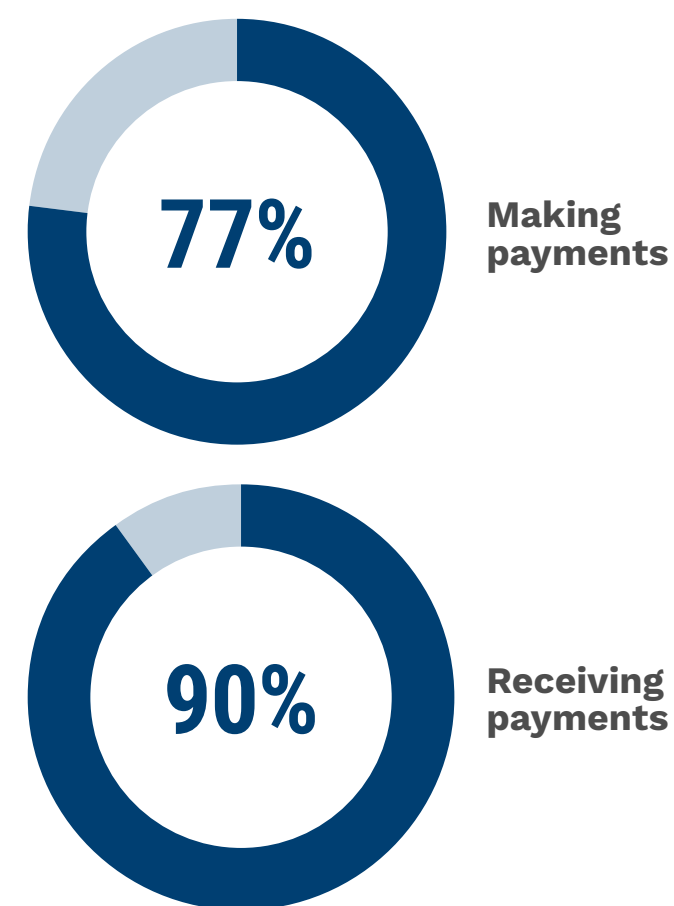


Ready to shift to real-time payments

Legacy payment methods remain a crutch that most real estate firms still heavily rely on. This undermines their efficiency and their ability to future-proof their business relationships — and PYMNTS' data shows that respondents are increasingly aware of this risk. Although just 1% of real estate firms currently use real-time payments, systemic change is around the corner: 90% of the firms we surveyed plan to adopt real-time payments solutions within the next year to receive payments while 77% plan to do the same for making payments.

FIGURE 3: Projected adoption of real-time payments

Share of real estate firms planning to start using real-time payments in the next year for making or receiving payments



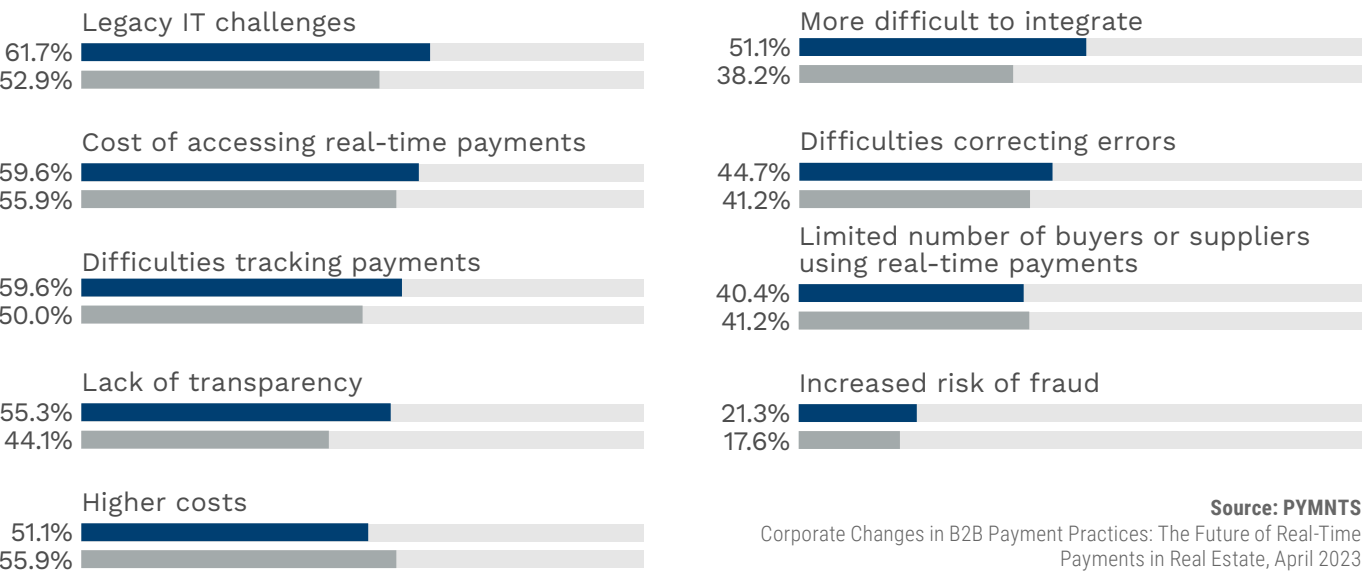
Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, April 2023
N = 125: Complete responses, fielded Dec. 16, 2022 – Jan. 12, 2023



FIGURE 4:
Reasons for not using real-time payments

Share of real estate firms citing select reasons for not using real-time payments to make or receive payments

■ Making payments
■ Receiving payments

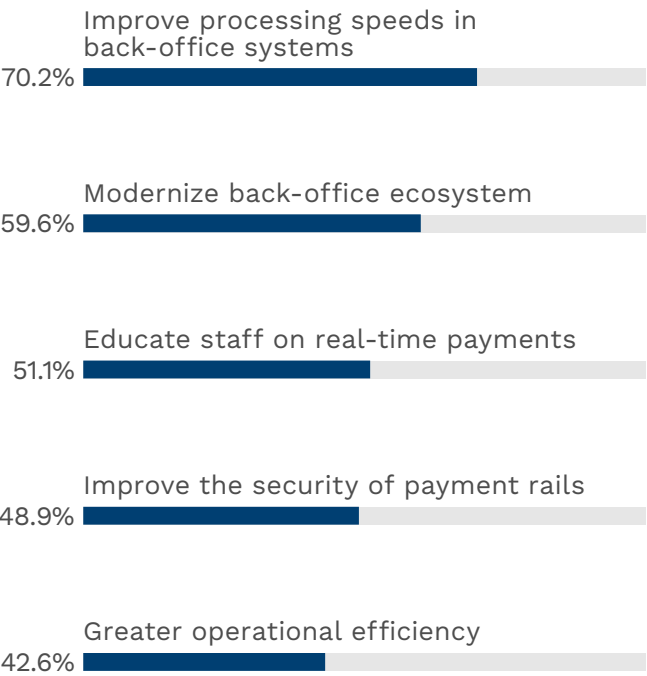


Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, April 2023
N = 125: Complete responses, fielded Dec. 16, 2022 – Jan. 12, 2023

Despite real-time payments’ clear benefits, real estate firms identified challenges that deter them from adopting the method. Chiefly, 62% of businesses cited the difficulty of replacing or updating legacy IT systems as a major barrier to adoption for making payments. The high perceived cost of implementing real-time payments solutions for making payments follows close behind, cited by 60%.

FIGURE 5:
Improvements needed to adopt real-time payments

Share of firms identifying select improvements needed to start using real-time payments



Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, April 2023
N = 125: Complete responses, fielded Dec. 16, 2022 – Jan. 12, 2023

Our study also finds that most real estate firms require a significant overhaul of their payments infrastructure to successfully transition to real-time payments — and many firms know it. Specifically, 70% of companies need to move away from batch payment systems, 60% need to modernize their entire back-office processes and 51% need to professionally develop their staff on real-time payments systems.

Displacing incumbent payment methods

If real estate executives are correct, real-time payments are poised to send the old-fashioned paper check into retirement for good. Our data shows that most real estate firms believe checks could be replaced by real-time payments for both making and receiving payments, at 84% and 77%, respectively — and this is just the beginning.

The real estate executives we surveyed also believe real-time payments could displace other common payment methods. For example, 65% think real-time payments could replace both standard ACH and debit cards as the go-to method for making payments. Although a smaller share of firms feel the

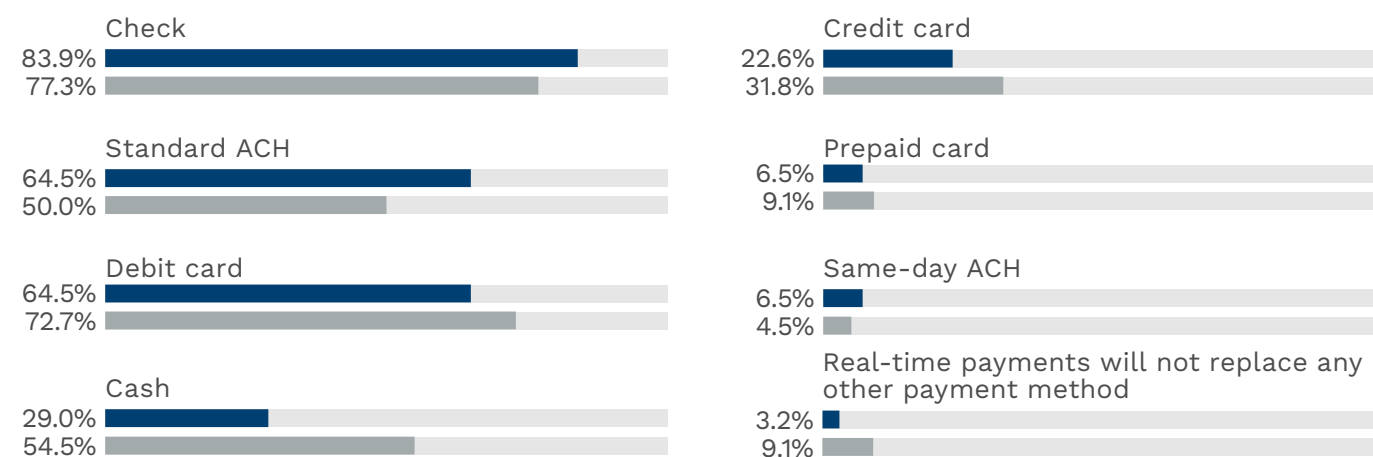
same about cash (29%) and credit cards (23%), these figures would still represent a substantial erosion of market share for these payment methods in favor of real-time payments.

For receiving payments, 73% of firms believe real-time payments could replace debit cards, and 55% and 32% said the same about cash and credit cards, respectively. Indeed, of all payment methods included in our study, respondents expect same-day ACH to be least likely to be replaced by real-time payments, with just 7% and 5% of firms indicating this outcome for making and receiving payments, respectively.

FIGURE 6:
What real-time payments could replace

Share of firms citing select payment methods that could be replaced by real-time payments for making and receiving payments

■ Making payments
■ Receiving payments



Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, April 2023
N = 125: Complete responses, fielded Dec. 16, 2022 – Jan. 12, 2023

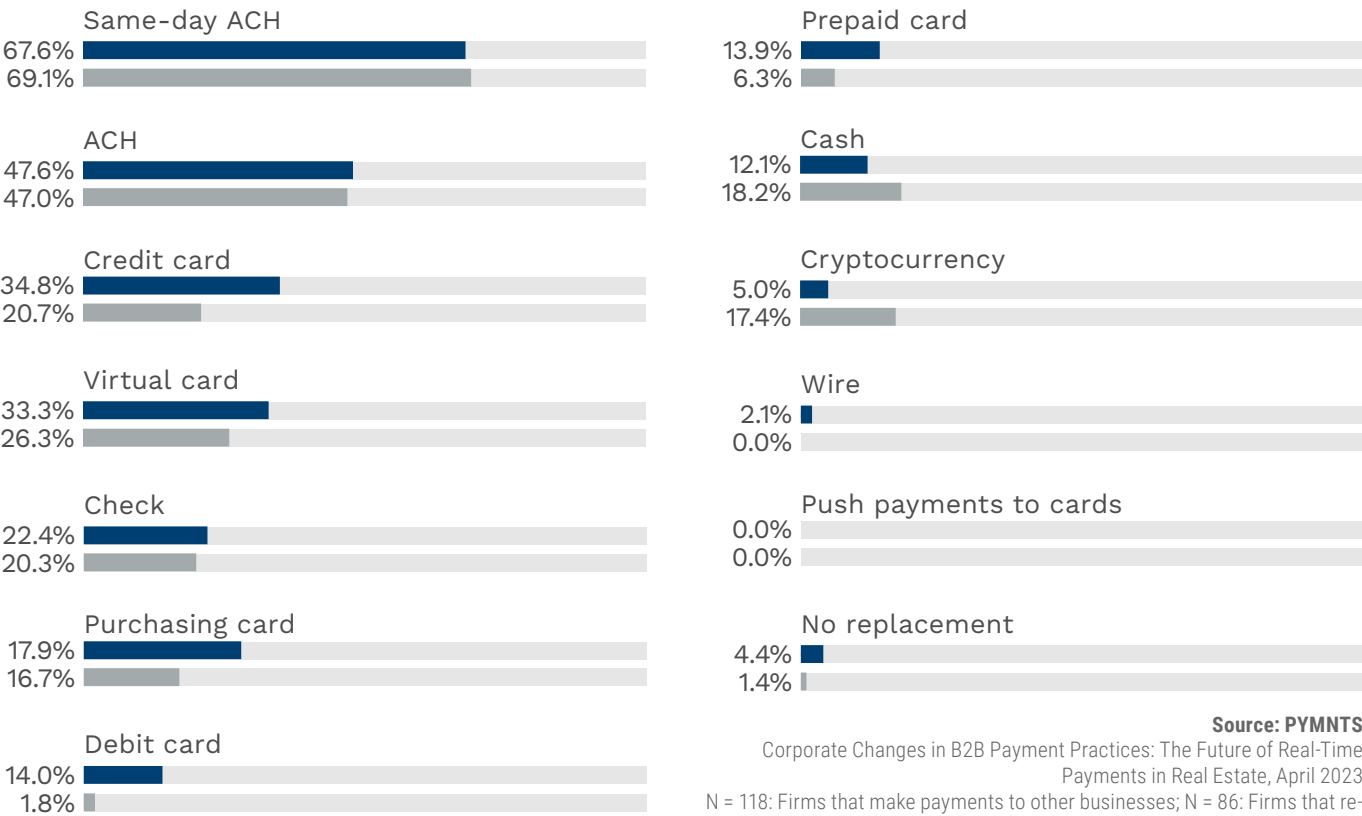
Debit cards on the way out

B2B payment method preferences in the real estate sector are rapidly evolving, with key shifts away from long-time incumbent methods on the horizon. Same-day ACH is set to replace less frequently used payment methods, such as debit cards and cash; nearly 7 in 10 real estate firms indicate a preference for same-day ACH. Notably, 30% of firms also plan to use virtual cards to replace less frequently used payment methods.

FIGURE 7:
Alternative payment methods poised to replace lesser used ones

Share of real estate firms that believe select payment methods will replace less-used methods to make or receive payments

■ Making payments
■ Receiving payments



Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, April 2023
N = 118: Firms that make payments to other businesses; N = 86: Firms that receive payments from other businesses, fielded Dec. 16, 2022 – Jan. 12, 2023

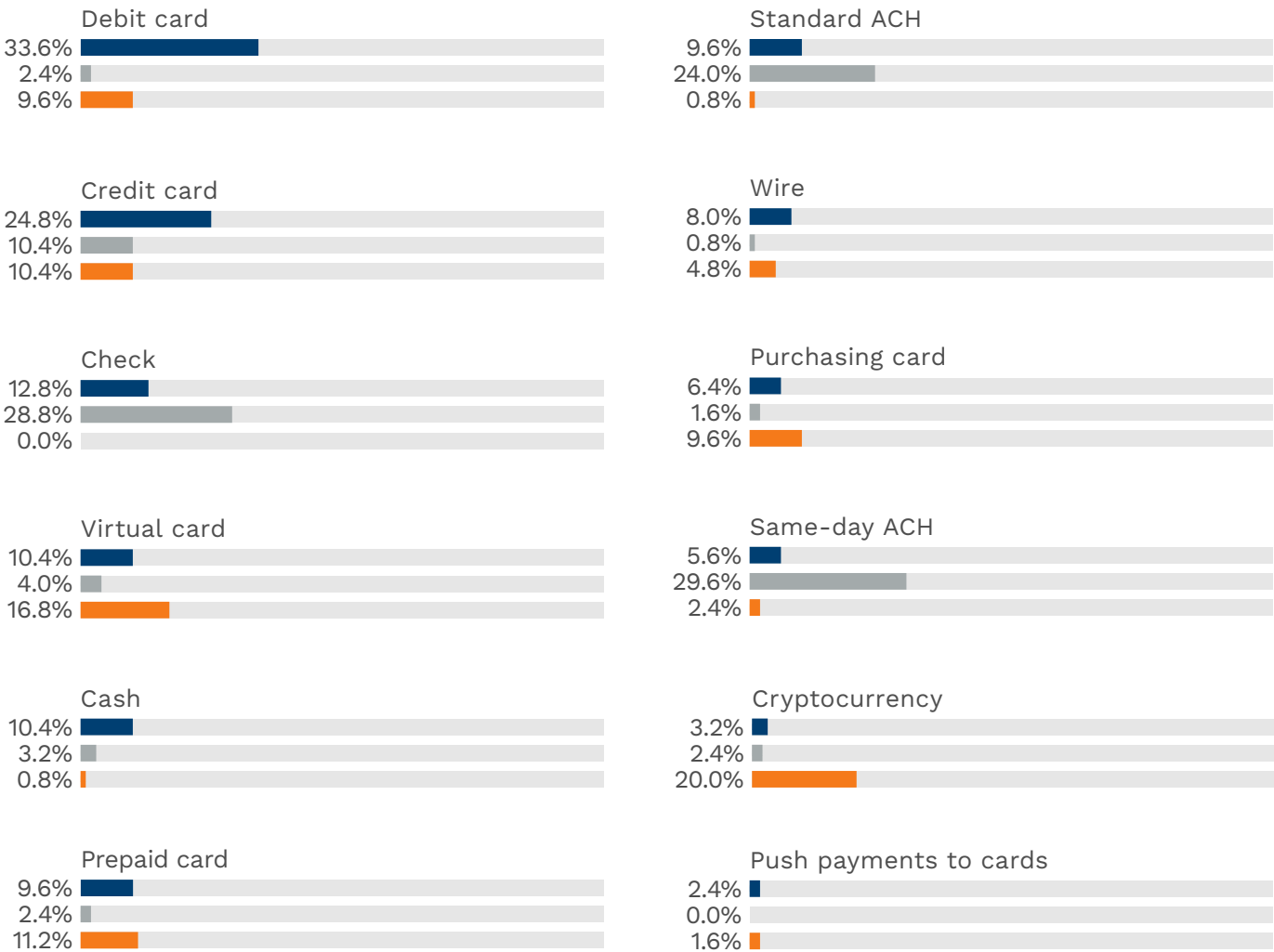
PYMNTS’ data shows that same-day ACH usage is set to grow in the coming year, with 30% of real estate firms planning to increase its use for making payments and 21% for receiving payments. Standard ACH is also expected to grow in popularity, with 24% of firms looking to increase its use for making payments, and 21% for receiving them.

Despite the general trend toward modern payment systems — and real estate executives’ predictions that real-time payments will supplant legacy options — a surprising 29% of the real estate firms we surveyed plan to increase their use of checks to make payments, and 22% plan to do the same for receiving payments. We attribute this counterintuitive trend to concerns over integrating complex, third-party, real-time payments solutions; executives may view this integration as costly and subsequently difficult to disentangle if real-time payments are ultimately found to be a poor fit.

FIGURE 8A:
Planned payment method shifts

Share of firms that plan to change their use of select payment methods to make payments

■ Decrease
■ Increase
■ Start using

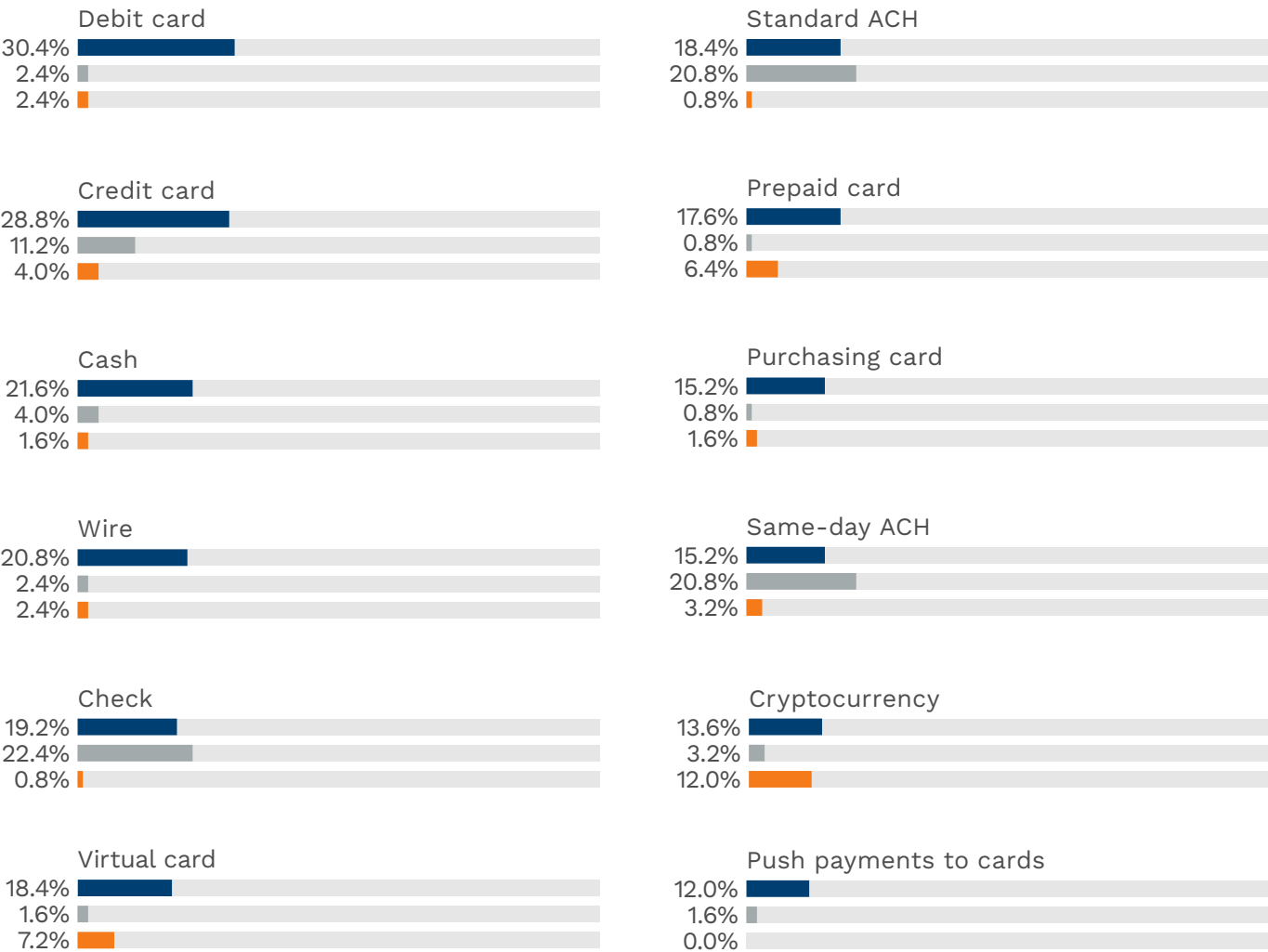


Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of
Real-Time Payments in Real Estate, April 2023
N = 125: Complete responses, fielded Dec. 16, 2022 – Jan. 12, 202

FIGURE 8B:
Planned payment method shifts

Share of firms that plan to change their use of select payment methods to receive payments

- Decrease
- Increase
- Start using



30%
of real estate firms plan
to increase their use of
same-day ACH in the
next year.

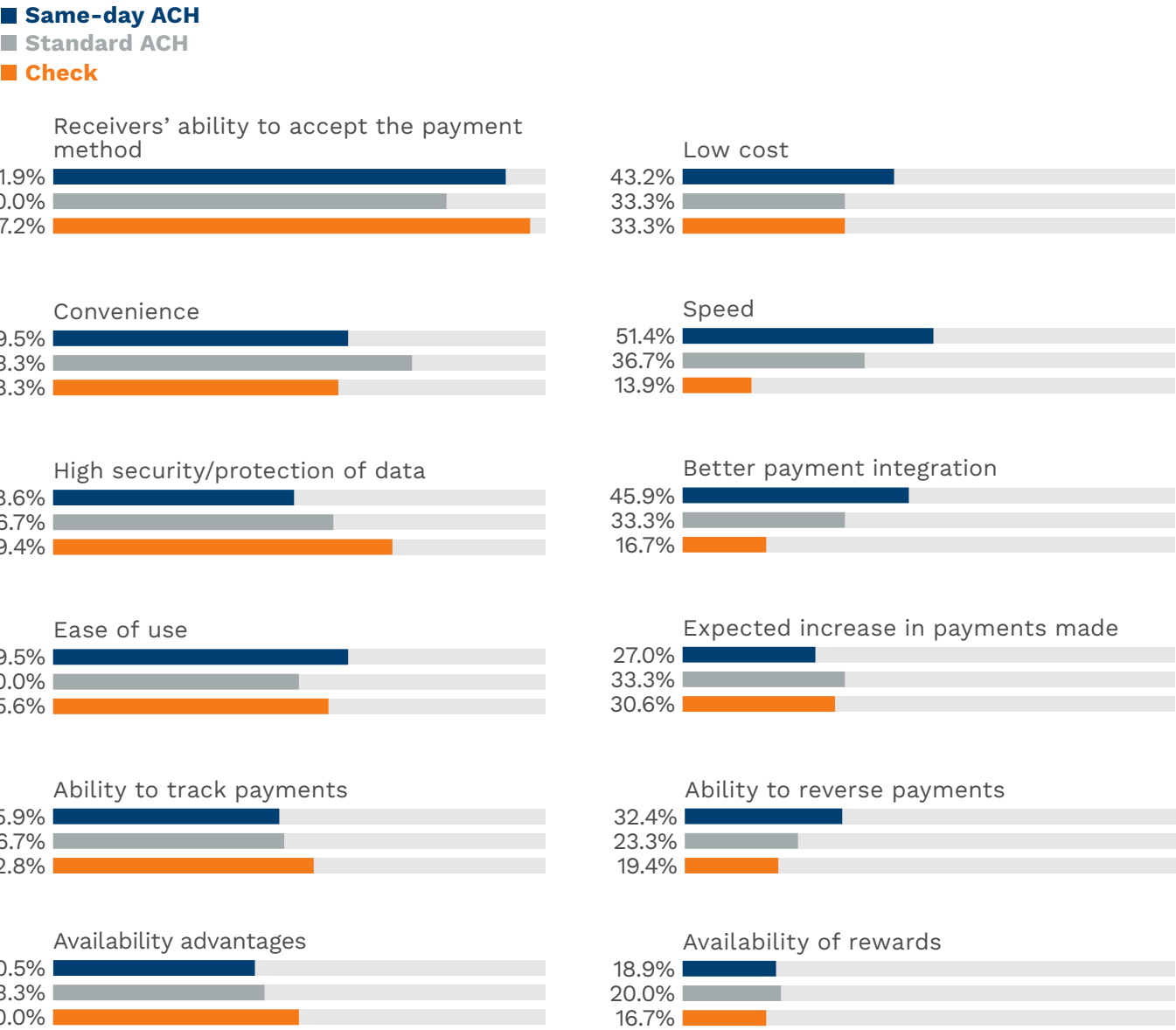


Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of
Real-Time Payments in Real Estate, April 2023
N = 125: Complete responses, fielded Dec. 16, 2022 – Jan. 12, 2023

Giving partners what they want

To strengthen relationships with vendors and suppliers, real estate firms tend to adopt payment methods that their partners are likely to accept. This helps explain why 80% of real estate firms that currently use standard ACH cite their suppliers’ and vendors’ ability to accept this payment method as the driving reason for increasing its usage. This trend is even more pronounced among companies currently using same-day ACH, at 92%.

FIGURE 9:
Why real estate firms use select payment methods more
Share of firms citing select reasons to increase method usage to make payments, by payment method



Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, April 2023
N = 37: Firms using checks; N = 30: Firms using standard ACH; N = 36: Firms using same-day ACH, fielded Dec. 16, 2022 – Jan. 12, 2023

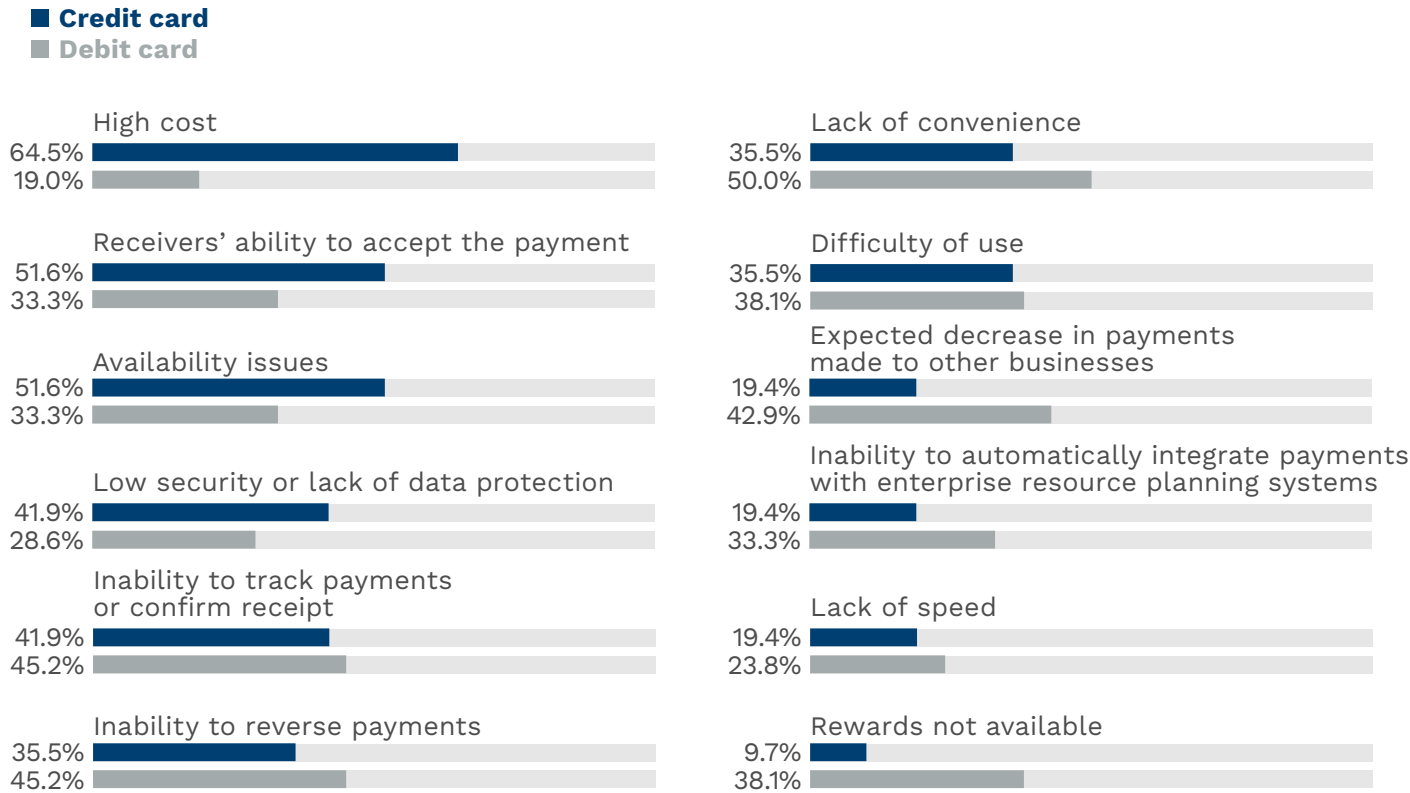
We analyzed firms’ perceptions of payment method security to uncover insights into how these perceptions affect decisions on whether to increase use of a given payment method. Our data shows that 69% of firms currently using checks to make payments cited the high level of security and data protection afforded by this payment method as a reason for increasing their usage of checks. However, firms were less likely to cite these reasons for increasing their use of standard ACH (49%) and same-day ACH (57%). This discrepancy could suggest either a lack of awareness about the high level of security ACH offers or that firms focus on ACH’s other advantages.

Real estate firms are understandably also concerned with the ability to make payments conveniently. Seventy-three percent of real estate companies currently using standard ACH cite convenience as a key factor for increasing its usage. Fewer real estate firms stated convenience was a key factor for increasing the usage of same-day ACH, at 60%, or checks, at 58%. This highlights that from the perspective of firms making payments, standard ACH stands out primarily for its convenience, while same-day ACH offers both convenience and speed.

When deciding which payment methods to use with vendors and suppliers, real estate companies tend to prioritize cost reduction and removing security vulnerabilities. Credit cards are headed for the chopping block because of fees: 65% of firms currently using credit cards plan to decrease their usage of credit cards in the next year due to the high costs. Additionally, 42% of firms view credit cards as vulnerable, citing weak security or a lack of data protection as reasons to decrease usage of this method.

FIGURE 10:
Why real estate firms are moving away from debit and credit cards

Share of firms citing select reasons to decrease the use of debit and credit cards to make payments



Source: PYMNTS
Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, April 2023
N = 42: Firms considering a decrease in use of debit cards; N = 31: Firms considering a decrease in use of credit cards, fielded Dec. 16, 2022 – Jan. 12, 2023



Conclusion

The real estate industry is realizing that legacy payment systems are no longer a reliable foundation for maintaining strong business relationships. Real-time payments solutions have emerged as a compelling alternative that offers faster transaction times and greater convenience. Although most real estate firms recognize the benefits of real-time payments, the transition to them requires significant infrastructure overhauls and, consequently, many firms continue to use traditional payment methods such as checks. Despite these challenges, real estate businesses should embrace the cutting-edge payment methods their vendor and supplier partners accept and prefer — or risk being left waiting for the check to clear.

Methodology

Corporate Changes in B2B Payment Practices: The Future of Real-Time Payments in Real Estate, a PYMNTS and The Clearing House collaboration, is based on a survey of 125 executives at real estate companies with annual revenues of at least \$100 million. The survey ran from Dec. 8, 2022, to Jan. 12, 2023, and gathered information about the types of payment methods these companies use for their B2B payments as well as firms' interest in incorporating real-time payments into their payment rails.

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The Clearing House operates U.S.-based payments networks that clear and settle funds through ACH, check image, the RTP® network and wire transfers. The RTP network supports the immediate clearing and settlement of payments along with the ability to exchange related payment information across the same secure channel.

Learn more at theclearinghouse.org.