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Choose buyer's agent with care

Their specialist knowledge can be a godsend but they may have conflicted interests, writes **Duncan Hughes**.

A great buyer's agent can navigate a property buyer through the shoals and sharks of the real estate market and deliver a bespoke outcome on budget and on time.

But buyers need to be aware of potential conflicts of interest and fee structures that can provide incentives for agents to bid up the sale price rather than keep it down.

Industry veterans warn would-be clients to pick their adviser with all the care that they apply in choosing a lawyer or doctor by asking questions about their qualifications, experience and specialist skills.

"Buyer's agents need to know when to hold and when to fold," says **David Morrell**, a director of buyer's advocate firm **Morrell and Koren**, who spent 15 years as an auctioneer before becoming a buyer's advocate about 15 years ago. "That type of knowledge only comes from experience."

Buyer's agents are hugely popular in the United States but still account for a relatively low proportion of purchases in Australia, typically at the \$5 million top end of the market or lower-value investment properties on behalf of buyers with no time to do their own homework.

Buyer's agents should be members of a professional organisation, such as a real estate institute or the **Property Buyer's Agents Association of Australia**, which provides some assurance about operating within standards and having professional indemnity cover.

They specialise in searching, assessing and negotiating the purchase of a property on behalf of a buyer. Most will search a market, provide their client with a shortlist of properties and then negotiate the deal.

Alternatively, others will undertake only the negotiating, or auction bidding service.

Rich Harvey, chief executive of property-buyer.com.au, says: "Ask a buyer's agent if they are really 'exclusive' or 'independent'."

"If they accept sales commissions from vendors or developers, they cannot be considered independent, as they are acting in the interests of the seller."

Harvey says would-be clients should check on an agent's capacity to research a market – get a sense of their networks with

builders, developers and agents, as well as checking on their experience and specialist knowledge of market segments, regions and the different needs of home buyers and investors.

"Choosing a professional buyer's agent can save you hundreds of thousands of dollars," he adds.

Patrick Bright, director of **EPS Property Search**, says he regularly receives calls from property sellers wanting to list their property in the hope he can find a matching buyer. Bright, who says he has been involved in the purchase of more than \$500 million worth of property, says: "Many vendors want us to put together a deal without the stress and strain of having the entire neighbourhood traipsing through their house on open days."

He also says it cuts out sales agent commissions and expensive advertising.

"It's not just about what is on the market," says Bright, who claims his team of eight agents is "flat out". "A lot of properties are not publicly advertised."

Some buyer's agent companies say they can effectively manage servicing buyers as well as sellers, despite the problems faced by other professions, such as investment banks, in stopping valuable commercial information being leaked.

"Most sellers want to test the value of their properties on the market," says Harvey.

It is also unlawful for an agent to receive commission from the buyer and seller of the same property.

"In the end you have to ask whose interests is the agent working for," says **Robert Larozza**, head of policy and public affairs for the Real Estate Institute of Victoria. "A lawyer can't argue both sides of a legal case. It's also not going to work selling real estate."

Industry estimates about the number of buyer's agents vary from about 100 to 350.

Lower interest rates and weak sharemarkets are re-energising the Sydney property market and keeping Melbourne's agents busy in the lead-up to the spring sales season.

Demand is also coming from cashed-up overseas buyers, many of whom prefer to

Best home loans



An agent cannot legally get commission from the buyer and seller of the same property. PHOTO: LOUISE KENNERLEY

First home owner wins dream house with good coaching

It took 90 minutes of heated negotiations in the driveway of a house that had just been passed in at auction for Amy Webster's buyer's agent and the real estate agent to finally seal a deal.

Three times the agent and Webster, 29, turned tail and walked to the waiting car only to be stopped at the last minute by the real estate agent with a better deal.

"Our agent told us to show no emotion," says Webster about the negotiations that started

in the house's last minutes after their top bid fell short of the minimum sale price.

The buyer wanted another \$40,000 for the two-bedroom Preston home in Melbourne but finally settled for just \$15,000 extra - meaning a total price of \$615,000.

Webster says she engaged an agent because it was her first house and she felt intimidated by the cut and thrust of negotiations and uncertain about how to bid at an auction.

The real estate agent fought hard to get the best price for his client, she says. "He kept telling us there were lots of other people interested and that he had a lot rejected higher offers than we were making."

Webster's agent squeezed prices in and tactics before they turned up at the Saturday auction in late June.

He also coached her beforehand on containing her emotions by "keeping a straight face and)er mouth shut

during the auction and negotiations.

"The agent went in strong at the beginning of the auction to scare off the competition and prevent bidding from starting off slow and then building momentum," she says about his tactics.

Webster, who is waiting to settle on the home, adds: "It was great being able to sit back and watch rather than go through all the pressure. I believe our agent was able to negotiate a better price."

use the local knowledge of an agent, and investors buying properties, particularly for DIY superannuation schemes.

Morrell says sales of more than \$5 million are invariably done privately or off market, rather than by auction.

Fees for a buyer's agent vary according to the type of service being offered.

Having an agent attend an auction would typically cost between \$500 and \$750, with success fees starting about \$250.

Cost for a full service - involving the find-

ing, assessing and negotiation - vary according to the value of the property.

Propertybuyer.com.au has a fixed fee of about \$9000 for property valued at less than \$500,000. Payments for deals valued over \$500,000 are based on a schedule that usually works out at about 2 per cent of the value of the property. Other agents quote between 1 per cent and 2 per cent of the sale price. Buyers should remove any financial incentive for an agent to sell at the highest price by capping commissions, or negotiating a fee.

500
dollars
typical fee
charged by a
buyer's agent to
attend an auction