



The value of a buyers agent standard

Who's giving you property advice? **Julian Muldoon** explains the value of having an independent buyers' agent on your team.



Julian Muldoon is Director at 1Group Property Advisory.

Real estate agents are amongst the least trusted professionals, ranking only slightly ahead of advertising and car salesman according to a Roy Morgan survey conducted in 2017. Only 7% of the Australians contacted, judged them a trustworthy profession. And since 1987 this statistic has floated between 7-12%. *(click here for the article)*

This distrust is largely due to the inherent conflict of interest that is almost enshrined in the industry. In no other industry would you seek the advice of a professional who is

acting against your best interests. Property marketing groups have been able to reap the benefits of this non-regulation by blatantly establishing their own framework of "investment advice", whilst portraying themselves as being 'on your team' when in fact they are representing the vendor.

The Financial Services Royal Commission has concluded, and Commissioner Hayne has handed down his final report, with the financial planning, mortgage broking and banking industries going through significant compliance and governance change.



But the property market is not under this scrutiny and many still operate without compliance around 'advice', so it's very much 'buyers beware' when it comes to purchasing your next property.

First, let's look at the facts. Anyone expecting a commission from purchasing a new property is a sales agent. And while they may genuinely be trying to help you, the reality is, the commission they make is largely driven by the price you pay. In new property, the ability to manipulate pricing by an additional \$10--\$20k to increase their commission is often the norm. And with a hefty pay cheque of \$30-40k per deal, repeat business isn't front of mind. The worst part is buyers don't realise the impact of this poor decision for many years to come. And time is our most valuable ingredient when investing.

If you want someone who is working for you and who wants you to come back time and time again, look for those that deal in the established property space and who operate under a fee for service structure. They will advise you on high performing areas and locations, inspect properties, give you direction on pricing and help with negotiations. Additionally, they have access to the whole market. That's a buyer's agent. But as with anything, there are good ones and average ones. So how do you find a good one?

WHAT TO LOOK FOR

A research team, independent of the buyer's agent. We all develop biases, but it happens less in the back office with the research team who'll use numbers and data to drive their opinions than the front office, who are better at negotiation, winning relationships and finding opportunities. Each person within the property buying process has a defined skill set; market research, property searching, pricing and due diligence, even inspecting the property. I've been involved in hundreds of deals in the last year, but I haven't inspected a property for a long time. I know that I'm not the right person for that. We have a head of pricing & research for that reason, she has both the education and practical valuation experience that make her the best person for the role. Much better suited to the task than I am. With that said, give me a data set of comparable sales and an agent to negotiate with and I'm in my element. A great buyers' agent team recognises their strengths and plays to them, giving you the best chance of finding the right property at the right price.

Customised reporting process – many buyer's agents just use reports you can download online, without adding any real insights or value. The buying price ranges are broad and the data of general nature. Ask to see examples of their reports and find

out who on the team prepares them and where they obtain their data. Some buyer's agents may use only one source whereas a better team will compile theirs using multiple.

They know what they can offer – what they can deliver on and what's outside of their expertise. For example, some buyer's agents only deal in residential properties which may not suit your needs if you are looking for commercial. Always ask to see some case studies relevant to your situation and objectives.

No vested interest – a good buyer's agent will present multiple strategies to suit your objectives as they don't have a narrow view or a deep bias for a particular type of property or area. Too many people take advice from someone with a product to sell or rely on agent relationships to find stock and this means they don't have full line of site across the market.

Property Due diligence – It's not just about the quality of the dwelling, but how it relates to your situation and objectives. Whether it's your next home or business premises, this is a huge investment decision and you need a non-emotional, independent set of eyes who has an intrinsic understanding of what matters most. Combined with an in-depth understanding of the local market you are searching in.

PROPERTY

Access to markets you don't know or understand. Whether moving interstate for business or family reasons or investing in a foreign market that you see opportunity in, an independent team of advisors can make this a less risky and more profitable exercise. We all know our own neighbourhood has 'good' streets and 'bad' streets, busy pockets and sought-after pockets. A buyer's agent can give you this kind of valuable insight in unfamiliar markets, so you won't be disappointed.

Optimising the margins – It might surprise you that it's not always about price (although of course it counts!). A good buyer's agent will also look for the opportunity to renovate and manufacture growth, so you can invest again sooner.

With commercial property the value is magnified again in negotiating potential incentives, settlement periods, suburb analysis, terms of purchase or leases. The small wins will add up to equal a big win. There isn't just one reason to use an independent buyer's agent, there are hundreds.

A fixed fee model – the buyer's agent you retain should be working to a fixed fee, established based on the complexity of your strategy, not a percentage-based model. This type of model presents a direct conflict of interest, resulting in the agent making more money the higher your purchase price, and a good buyer's agent knows an increase in value doesn't always correlate with an increase in complexity.

What are you looking to achieve with property? Reach out to get an unbiased view on your next move. ©

Speak to an expert

Just like you wouldn't recommend your clients treat their health and medical issues without proper advice, we at 1Group would always recommend you get the right advice and support from a trusted adviser or tenant representative before you accept a long-term lease agreement. If you would like more information in relation to this article, please **contact us** for an introduction to Julian Muldoon.

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