

# **Module 2 : Two Different Types of Estate Agents**

- Domestic estate agents
- Rental agents
- Property Negotiator
- Commercial Property agent

## **Topics covered in this module:**

- Domestic estate agents
- Rental agents
- Property Negotiator
- Commercial Property agent
- Agricultural or Rural agent
- Property management
- UK Regulations

## **Different Types of Estate Agents – 5m 40s**

## 2.1 Introduction

**Although the functions and duties of all estate agents are fundamentally the same, the industry has developed categories and titles for agents working in different areas of the property market.**

All estate agents manage the buying and selling of real estate, or immovable property, on behalf of their clients who are either the registered owners or mortgagors of the property that is on the market.

Estate agents are also concerned with the management and leasing of property which the owner wishes to find tenants for.

The major differences are really the size and complexity of the deals the agents handle and the associated negotiations and time frames that the different sectors work to.

Covered by the generic term "estate agent", there are people who work in the following areas of real estate: Domestic Property, Agricultural and Commercial, which includes offices and factories. The business conduct of all estate agents and rental agents is governed by the Competition and Markets Authority (CMA) which was established on 1 April 2014 and superseded the Competition Commission and the Office of Fair Trading which had been in operation since 1973.

The mandate of the CMA is to prohibit unfair practices such as scams and cartels and to ensure vigorous competition between businesses on a fair basis.

Estate Agents are also governed by the Consumers, Estate Agents and Redress Act 2007.

Under these Acts, agents are prevented from underselling, overselling and misrepresenting the stock they are dealing with, falsely inflating values or prejudicing the interests of the parties to a property negotiation.

### **The Domestic Homes Market**

The domestic market includes houses that are both free standing and semi-detached, as well as duplex and simplex units and flats, or what are sometimes referred to as apartments.

## 2.2 The Rental Agent

**The Rental Agent is a person who acts as an administrator on behalf of individuals, referred to as “principals”, who own houses that they don't occupy because they may own the properties purely for investment purposes, or they may be living in another town or country for a while and chose to rent their houses rather than leave them standing empty.**

Rental agents may operate under the auspices of an estate agent's business, or run an agency wholly devoted to rental.

In the normal course of events, the owner of the property will contact an estate agent's office and arrange a contract for the rental of the property. Depending on the contract, the agreement may dictate that the owner will see to the maintenance of the house and grounds.

The other option, which is more usual, is that the rental agent acts as the landlord and sees to the management of the property. The tenant never deals with the owner or landlord.

In the function of leasing and managing houses, the rental agent is charged with advertising the premises on his or her books in order to find suitable tenants. This will be done either through the local newspapers, or as is increasingly the case, through the estate agent's website and on property websites that carry advertisements on behalf of rental agents.

It is the duty of the rental agent to interview prospective tenants to ensure that they are suitable people for the property. The tenants can be expected to prove that they have the financial means to afford the rent asked by the client and they will have to make undertakings to take due care of the property and to inform the rental agent of any problems with the property, particularly if those problems might lead to damage or general degrading of the premises.

Once they are cleared to rent a property, tenants have to sign a contract known in Wales and England as [An Assured Shorthold Tenancy](#). In Scotland this is known as a [Private Residential Tenancy](#) (which replaced the Assured and Short Assured Tenancies as of 1.12.2017).

Because they need to keep control of the properties on their books, rental agents who act on behalf of the owner have the right and duty to inspect the properties they lease out. In some instances, the tenants might be difficult people to deal with. If this is the case, the rental agent will have to employ diplomacy and persuasion to induce the tenant to comply with his or her requests.

Rental agents have a fiduciary duty and a duty to exercise all reasonable care and skill in their management of the property. If there are special instructions relating to the property that are not covered in the rental agent's standard agreement or in the services they offer, these instructions must be put in writing so that their intentions are clear. In other words, they must be written down

is such a way that they are not ambiguous.

**Rental agents usually make their income by charging the principals of the properties they manage a percentage of the rental paid by the tenant.**

There is no set or correct fee in the domestic rental market and rental agents are free to charge whatever they wish, tempered of course by the principal's willingness to pay the requested amount.

## 2.3 Estate Agents

**Estate Agents in the domestic market are referred to simply as estate agents and they are the people who usually come to mind when estate agents, property brokers and realty agents are mentioned.**

There is a fair amount of confusion with terminology from the United Kingdom and the United States. This is partly because several estate agencies are now operating internationally and even globally. Frank Knight, Savills and Remax are a few that come to mind.

However, it matters little what title they go by or which company they work for, estate agents are governed by the rules and regulations of the country they operate in. Generally in the United Kingdom, they are only referred to as estate agents.

The usual method of working for an estate agent in the domestic property market is to canvass for houses to sell. Essentially, this means being the preferred agent to which the seller of the house will give a mandate to. That is how estate agents would like things to happen; the reality is a little different.

In spite of the fact that there are always houses advertised for sale, there are many more agents than there are houses to sell, even when times are good and the housing market is buoyant. In order to keep their stock levels up, agents are obliged to work their network of contacts and keep their eyes and ears focused on finding houses that are about to be put on the market by their owners. This is where an agent has to know the neighbourhood in which they work and be in constant contact with businesses like painting and building contractors.

Short of this, the average agent spends a fair portion of his or her time walking the streets of his area and speaking to the residents. This falls under the broad category of canvassing. Once the agent finds a home owner who would like to place their house on the market, the agent goes through a process known as listing. This is where the house is thoroughly checked and a value is placed on it. This value will not necessarily be the market value, but will be what the estate agent, in consultation with the owner and with reference to recent sales and various other factors, feels that the house will sell for if correctly marketed.

The agent has to go through the contract of agency that will detail all the essential aspects of how the estate agent and the seller will conduct the process of selling the property. It will also detail the commission that the estate agency will earn from the sale. Usually, if the agreement is for a sole mandate, the commission will be about 1% of the selling price. A dual or multiple agency will see the agents involved in the transaction sharing an amount of up to 3% of the selling price. On average in the United Kingdom, estate agents earn approximately 1.8% commission.

As a rule, estate agents represent the seller's interests in the sale. If the buyer needs someone to represent them in the negotiations, they will have to employ a lawyer or appoint a person they trust to negotiate on their behalf.

## **FACT**

562,000 people are employed in real-estate in the UK, the largest number since records began in 1978, with 77,000 joining the industry over the last year (2013)

*Source: theguardian.com*

## **2.4 Property Negotiators**

**Property Negotiators are people who deal in the sale of new houses that have never been owned before.**

This function is more involved and drawn out than that of an estate agent as the negotiator is involved in every little detail of the property.

The sales negotiator becomes involved in the marketing of new homes and properties from the planning stage. They often sell homes "off plan" and then spend a lot of time with the purchaser to

ensure that all the specified finishes and fittings are correctly installed.

Negotiators can be found working for an estate agent or with a property developer. They often work on site in a specially set up sales office. Negotiators working for an estate agent or for themselves will begin their marketing cycle by canvassing for clients among the property developers in their area. The goal here is to convince the developer that they or their estate agency is the best option for the marketing of the new development.

Once they have a client, they will then usually be responsible for the marketing and advertising of the development as it gets underway. In other words, they will begin marketing and hopefully selling units in the development before anything has been completed. This is referred to as selling "off plan".

The negotiator will work with the purchaser and the developer to ensure that the purchaser takes delivery of what they paid for. In other words, they have to ensure that the finishes and fittings specified in the contract of sale are actually incorporated into the premises. They have to ensure that nothing substandard is exchanged for what was specified. If marble floors were stipulated on the plan, then marble floors must be installed and not a composite look-alike.

The negotiator has to have all the attributes that an estate agent has, but they need to be particularly strong in building relationships with people. Their involvement in the sale of a new house is far more protracted than that of the estate agent. Where an estate agent is involved with the client for the time that it takes to sell the house, the negotiator is involved for at least two years.

This is not to say that they are in regular contact after the buyers have taken possession of their new property, but they have to maintain contact with them because of guarantee periods. They will have to resolve any issues that arise if any of the fittings or finishes fail during their guarantee period and need to be replaced.

As with estate agents, negotiators need to be well up to speed with the property market and what affects it. They also have to be well versed in the law relating to the sale of properties and with a more lengthy and detailed administration stream than an estate agent. Where the estate agent has to keep a record of the houses they value and list, the negotiator must keep records of all the specifications for each house they sell.

Property negotiators also work in the commerce and industry sector.

They set people and companies up in new premises and ensure that everything is as the client requires it. These negotiators are most likely to be working in industrial parks and office developments where companies and individuals are able to buy individual units.

Salaries for negotiators are likely to be commission based, as with estate agents, but they are slightly higher.

## **2.5 Commercial Estate Agents**

## **Commercial Estate Agents work with business premises such as offices, factories and shops.**

They span the commerce and industry market. If compared to the housing estate agent, the commercial estate agent is more likely to be involved in the management of commercial and manufacturing premises and the leasing of these premises. This is because it is common for businessmen to buy units in office parks for investment. They then retain commercial estate agents to find tenants for the premises and to maintain them.

It is also common for companies from large internationals through to small and medium-sized businesses to rent office and manufacturing space rather than own their own premises. It will depend on the company's business model and expansion and development plans as to whether the company will prefer renting permanently to owning property.

Commercial estate agents have a much longer sales arch than home estate agents. The premises they are commissioned to sell are of higher value and are much larger than homes. It is not uncommon for a factory, office block or block of flats to be on the market for several years before it is successfully sold.

The same thing can apply to the premises a commercial agent is required to rent. Tenants in manufacturing premises tend to stay in the same place for many years if they are settled into a specific business model and are not inclined to expand their operations.

This is because the cost of relocating a business, especially a manufacturing operation, is extremely expensive. Apart from the downtime that will eat into stocks and profits, moving large machines and office equipment almost invariably causes breakdowns and other damage that will affect a company's bottom line.

The other side of the coin is that when a premises becomes vacant, it will stay that way until a business comes along for whom that particular space is almost perfect.

### **Commissioned**

Where commercial estate agents are commissioned to find tenants for commercial and industrial premises, they become middlemen between potential tenants and the landlords. It is highly unlikely that a premises will suit a company in all respects if that premises has not been specifically designed for that company's operation.

### **Long lease**

Where a company is negotiating to lease a premises, part of the deal will be that the landlord will be prepared to make certain structural and cosmetic changes to the building so that it will suit the tenant. There will then be a long lease signed. The costs of the alterations that the tenant requires

will be amortised over the period of the lease or over a time that suits both parties.

### **Same skills**

A commercial estate agent needs the same skills as other estate agents, but is more likely to need superior negotiating skills and a good sense of what can be done with a premises to accommodate a new tenant. They also need to have well developed relationships with the owners of all the buildings and factories in their area of operation.

### **Well versed**

Possibly more than the domestic property estate agent, the commercial estate agent needs to be well versed in what is happening in local, national and international business as well as having a sound knowledge of how international politics and stock markets are likely to impact commerce and industry on a national and local level.

Having a sense of what might happen to businesses in their area, they may be in a position to anticipate when a company could need to expand or contract. The process could take months or years, but they could be in a position to suggest solutions to accommodation issues that may beset a company.

## **2.6 Agricultural Estate Agents**

**Agricultural Estate Agents work in a more rarefied place than all other estate agents.**

They are in a situation where properties don't change hands that often and when they do, it is likely that the local community will be well ahead of the agent. Agricultural properties are more likely to change hands through private deals than through the services of an agent.

Added to this is the fact that agricultural property might be cheaper per square foot, but because of their size, farms are usually of such a price that only the very wealthy would not require serious financing in order to be in the market for a farm.

Because of the challenges they face, agricultural agents are probably better referred to as rural agents. This is because they don't only deal with property that is defined as agricultural - in other words, properties that are function farms with equipment and livestock. Rural agents will be involved in the marketing of estates, lifestyle properties, bought by people who have the funds to buy a place in the country that doesn't need to turn a profit to justify its existence, sporting estates and agricultural land.



The agents or the companies they work for are also very likely to offer a whole bouquet of services from property management, purchases for local and international clients and auctioneering services. By offering as broad a range of services as possible, the agents are better able to keep their fingers on the pulse of what is happening in their area.

Apart from the wide range of services, rural agents are also more likely to offer what comes close to a turnkey service to their more remote clients. They will offer to take the specifications that the client is looking for and then scour their area to find properties that the client might like to consider. Then, with the help of the internet, they introduce the properties to the client after which they will approach the prospective seller and negotiate on behalf of their client, the buyer. Only when a deal is virtually tied up will the buyer come into the picture if he hasn't left the entire operation up to the agent.

Operating at this level requires an in-depth knowledge of the market, of contract law and the law relating to agency, as well as close relationships with lawyers and many other experts.

### **Take a Quick Recap Test**

[viralQuiz id=201]

## **2.7 Property Managers**

**Property managers are probably the original holders of the Estate Agent title and are still referred to as such.**

However, their functions are not the same as an estate agent beyond the fact that their relationships with their clients will be governed by the law of agency.

Property managers or estate managers are not retained to sell property, but to see to the correct functioning of a property or several properties, usually owned by one person or entity. They are involved in the upkeep and maintenance of the buildings and grounds and if there are any tenants, then they might see to the collection of rent.

## **2.8 UK Regulations**

Real estate agents in the UK are regulated by the [Estate Agents Act 1979](#) (EAA) as well as by the NTSEAT (National Trade Standards Estate Agency Team) of Powys Council. They assess if a business or individual is fit work within the framework of real estate law in the UK.

From 1/6/2019, estate agents are obliged to follow the ethics, rules and guidelines stipulated in the [Property Ombudsman](#). Other regulatory bodies include [Association of Residential Lettings Agents](#) and the [National Association of Estate Agents \(NAEA\)](#).

For more information on laws, rules and regulations, you can refer to <https://iclg.com/practice-areas/real-estate-laws-and-regulations/england-and-wales>.

According to English law, an estate agent is an individual who:

- Deals with anyone who wishes to buy or sell leasehold or freehold property – this includes agricultural and commercial properties as well
- Charges commission/does this as part of a business
- Acts on instructions from a client

Please note that the EAA 1979 declares that an individual cannot be an estate agent if:

- The NTSEAT has banned them from this work for some reason
- They have been declared as bankrupt (although they can still work as an employee for a company)

The [CEARA Act \(Consumers, Estate Agents and Redress Act, 2007\)](#) seeks to improve regulation by enforcing the following guidelines:

- Estate agents are required to keep records of offer letters for a period of six years
- The Act provides powers and expands the role of NTSEAT to be able to allow officers to prohibit or restrict any fraudulent transactions

## Summary

The roles of the various estate agents only vary in scale rather than scope. They are all required to adhere to the law of agency and exercise due care and diligence in the execution of their duties and obligations towards their clients. Choosing to become a domestic estate agent does not preclude you

from deciding, after gaining a little experience, to switch to commercial or rural estate agency or to being a property negotiator. You might suffer a slight setback of a few months while you learn a few aspects of the job that are different from the area you were in and to learn your new territory, but the bulk of your skills and knowledge will be transferable.

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