

Module 3 : The Pros and Cons of Hiring an Estate Agent

- What is involved in selling a property?
- Will the average person be able to maximise their house price?
- What advantages do estate agents have?
- What could go wrong with self-sales?

Topics covered in this module:

- What is involved in selling a property?
- Will the average person be able to maximise their house price?
- What advantages do estate agents have?
- What could go wrong with self-sales?
- The value of an agent's network

The Pros and Cons of Hiring an Estate Agent – 5m 01s

3.1 Introduction

People often ask themselves this question: why should I pay someone to do something that I could easily do myself?

The simple answer is that one shouldn't pay someone to do something that one could do oneself. But that simple exchange is an oversimplification. It stems from the phenomenon that people who do something really well tend to make whatever it is look easy, regardless of how difficult it is.

Let's call it the Rock Star in the Shower Syndrome - we can all sing like our favourite rock stars in the shower, but in the cold light of day we really suck at singing. So let's apply this to estate agents and see what course of action would be best.

3.2 How to Sell a House

Selling a house is a good candidate for the Rock Star in the Shower Syndrome. Let's take a look at what is involved in selling a house, step by step.

Home owner, James, has decided that he needs to move into a larger house. His growing family needs more space and he needs a study and an additional storeroom to expand his fledgling online mail order business. The mail order business is part-time as James has a full-time job as a stockbroker in the city.

In his present home, James runs the mail order business from the lounge/dining room area and uses the single garage as the warehouse. His two children share the second bedroom. The study is used by the children for homework and projects and his wife Mary has her sewing machine set up in one corner.

The date is the 20th May.

3.3 Where to Begin

After considering his options, James decides that he can save the estate agent's fee of about £5,000 and he will put the house on the market himself.

Let's look at what James must do before he can feasibly expect buyers to consider making an offer on his home.

The first step is to take accurate measurements of the house and the property so that the exact surface area can be stated in the sales literature along with an accurate write up of what the house consists of.

This will mean clearing space so that access can be gained to all the corners of all the rooms. James does not have the time to do this, so he takes a flyer and guesses at the areas of the lounge/dining room, the study and the garage.

The next thing that has to be done is to check the house for any problems with the structure and plumbing, gas and electrical reticulations and to climb into the ceiling to check for any problems with the roofing structure. James decides that he will do that at a later date as there is still plenty of time before he needs to put the house on the market.

James and his family moved into the property six years ago. Being a bit of a DIY guy, James resolved to do the basic maintenance on the property himself. He set aside weekends to fix and paint and improve the property. After one year in the house their second child was born and the first child was at the stage of needing his parents to attend school functions on weekends; not much has been done.

Realising that he needs to come up with a price for his property, James delves into a few estate agents' websites to get some idea of what he can ask. He sees several houses that are in the same bracket as his house, or so he thinks, and decides that £200 000 will be a fair price to ask. He also notes that most houses seem to be on the market for about three months before they are sold.

With the measuring and tidying up on hold for a while and the checks into the good repair of the structure and reticulations, James sets about getting his house onto the market.

He starts with Facebook and Twitter. After a few days, there has been no response, save for a few comments from friends in the United States wishing they could buy the place. One person asked what it looked like, so James resolved to take some pictures with his mobile phone when the weather cleared up a little.

As the weekend approaches James sees several estate agents' boards in the neighbourhood and realises that he needs to put his own sign up.

It is now the 10th June - three weeks after James made the decision to put his house on the market.

In between work and the weekend activities around the children, James realises on Monday that he will have to make himself a sign during the week and hope the weather is good on the following weekend - a month on from deciding to sell. To add to the drain on James' time, school has started and Mary will be tied up with the children.

The saga continues and James discovers that there are myriad other things that he has to deal with if he wants the house to be sold by the end of summer.

3.4 What James was up against

The problems that James is facing highlight the fact that selling a house has become a sophisticated exercise that requires experience and a network of contacts.

Let's examine where James would be if he had contracted the services of an agent.

He decides on the 20th May to sell his house. This is not a bad time to sell, if the house is ready to go onto the market. In James' case he has the place in a shambles from a marketing point of view. An agent would have encouraged him to sort it out before an attempt was made to place a value on it and before photographs were taken.

The estate agent brings an objective perspective to the process.

He or she will look at the house through the eyes of a buyer. The agent will see what needs to be replaced and what needs to be repaired. It is up to James to ensure that the work is done, but having an agent in the mix should change things. An agent who has been in the business for a long time will probably have several people in his network who will be able to effect the necessary repairs at a competitive rate.

Once the house has been repaired and neatened up, it is up to the seller to keep it as close to perfect as possible. The agent should make sure that the seller understands that people looking to buy the house will more than likely do what most buyers do and get cold feet when the time comes to make a decision about submitting an offer. If the house is messy or there are aspects that might point to it

having undisclosed issues, the agent is going to have a far more difficult time leading the buyers to the decision to put an offer in. If the house is clean, airy and feels like a place the buyer would want to live in, they are far more likely to submit an offer at a price the seller will accept.

One of the elements that might not have occurred to James was the necessity of obtaining an energy certificate for the house. This has to be done before a sale can take place and it is something that is second nature to a good agent. There could well be a host of other rules and regulations that James forgot about or wasn't aware of. An agent will ensure that everything is in order so that his time isn't wasted when the sale is blocked at the last minute.

Good marketing is essential if a house is to fetch its best price. Good marketing starts with placing the house in the correct price bracket.

James' guess may have been accurate, but more than likely it was flawed.

The agent will bring years of experience to the table and will run several comparisons and calculations before settling on a price. One of these elements will be discussing the house with colleagues, or, if the agent is fairly new to the business, with a superior.

Photographs

With the price set and the house neatened up, the agent will set about taking a series of photographs of the premises. They will either be done by the agent or by a professional photographer. In either case, a person with experience in photographing houses will know what angles to use and will ensure that the background is clean. The house will be shown to its best advantage - again, something that James would probably have got wrong to the detriment of his sales efforts.

Along with the photographs will go a carefully worded piece of copy that will describe the house and what it has to offer. Estate agents are famous for coming up with wildly optimistic euphemisms about the properties they market, but experienced agents will long ago have learned that describing a house in glowing terms can backfire if it's immediately apparent to the buyer that they simply are not true.

With the photographs and copy ready, the agent will have them loaded onto the agency's website and onto other property marketing portals. In recent years, this has become an increasingly powerful marketing tool as it is always available for people to browse.

In spite of using the internet, the agent will erect a board outside the property. They are still a very powerful marketing tool, accounting for the generation of between thirty and fifty percent of sales. This is probably because, once people have surfed the internet and scoured their chosen suburb on Streetview, they hop into their cars and drive through the area to see what it is like and how it compares to the impressions they have garnered from the internet. It also gives them an immediate idea of what is available and what the houses look like in the flesh.

Fees

Real estate agents in the UK may charge anywhere between 1% to 1.5% plus VAT depending on the value of the property and location. High-end properties may attract estate agency charges of up to 3.5%.

An estate agent will typically charge for the following services:

- Floor plans, measurements and photographs done in a professional manner
- Professional property valuation in accordance with local price trends and past sales data and so on. The agent may also prepare a comprehensive report on pricing
- Detailed write-ups and property descriptions to entice potential buyers
- Installation of a 'for sale' sign and organising potential viewings
- Marketing, advertising and negotiating costs
- Other miscellaneous expenses such as use of vehicles, manpower or legal fees

According to a recent pricing report published by the Land Registry House, the average cost of a house in England Wales (excluding London) is roughly £210,500. A real estate agent's fee of 1% would therefore come to £ 2105 (with VAT the total fee is approximately £2526). Note: This is only indicative and fees may be higher or lower depending on the estate agent or agency.

For example, there may be cheaper options online. But when an agent offers cheaper rates, customers must ensure they understand what the price includes – to avoid having to do a lot of legwork on their own.

FACT

A third of buyers and sellers would consider using a property website to sell privately, although the vast majority still use estate agents.

Source: citywire.co.uk

3.5 Getting the Ball Rolling

Up to this stage, everything has been preparation or groundwork for the actual marketing of the house.

If these preliminary stages are not seen to in detail, it could result in sales slipping through the net. The smallest thing can stop a potential buyer from making an offer on a property.

After getting all the marketing material in place, the first thing an agent will probably do is review their list of potential buyers and make possible matches. These people will be shown the house before any open days are scheduled. Right away, this is something that James would have missed out on entirely.

When potential buyers are brought to the house, they will be handed a brochure compiled by the agent to the company's standard format. It will have all the relevant details listed with the most illustrative photographs.

At the same time that the agent is lining up buyers from their records, they will be planning an open day to show the house to the general public.

In the meantime, the agent will go through the house looking at it from a buyer's point of view. They will make suggestions to James about areas that he could improve, if there are any. The last thing the agent wants is to be ambushed by a patch of mould that was supposed to have been cleared up. That is the sort of thing that can cause a potential buyer to either put in a reduced offer or decide not to make an offer at all.

On average, a mid-market home will have to be shown at least eight times before an offer is received. This all translates into work for the seller and the agent: the seller has to keep the house in show condition - not that easy with children and pets; and the agent has to keep working on the house until they receive an offer. It's a precarious business and one is loath to waste an opportunity.

When an offer comes in from the estate agent, it will be from a qualified buyer. In other words, the agent will have performed background checks on the person and will know if they are eligible for financing. This is vital if there are to be no hold-ups that might end up derailing the sales process.

3.6 Life After the "Offer"

Once an offer has been made and accepted, there is still a lot of work for the agent to do that would otherwise have been up to the seller to follow up.

The transfer of the property has to be sent through the conveyancing channels. It takes experience to know if a matter is taking too long and needs to be followed up. With all the paperwork being channelled through the estate agent's office, the seller is provided with a one stop facility where he can obtain responses quickly.

3.7 Are Estate Agents Necessary?

The answer to this question depends on several factors, but the answer is usually that estate agents are necessary.

Although people live in homes and most have been through the buying process, if not the selling process, it does not mean that they know anything about the marketing of a home.

This is particularly true today, with the explosion of software and IT facilities available to professionals. Estate agents have not been left behind in the race to computerise businesses. They have sophisticated programs that allow them to generate accurate pricing profiles for any home in virtually any part of the world. These programs take training and experience to operate correctly and a seller's gut feel for their property is no match for them.

Estate agents are also trained in the art of selling. This is sometimes scoffed at by sellers and buyers alike, but the fact remains that people on both sides of the fence often need the help of a trained salesperson to reach a decision. The only caveat here is that if an agent starts using devious means to "persuade" clients to sign on the dreaded dotted line, clients are well within their rights to report

them to their employers or both them and their employers to the CMA.

It is up to the estate agent to ensure that they take the sellers and the buyers along with them as they work through the sales and marketing process.

If this is done with the understanding that, for the clients, the process is something they are not used to and, unless they are serial house renovators, they will feel very anxious. An estate agent that fails to appreciate this will be branded as being too slick and will lose the trust of his clients.

3.8 When Are Estate Agents not Necessary?

People with a lot of time on their hands will be able to market their house without the help of an agent.

However, there are still several aspects to consider when deciding to go it alone.

One of the things least appreciated by people who are not estate agents and who have no experience selling property is that if a house is on the market for too long, it will go stale. This is usually an indication that there is something amiss with the property or the pricing and potential buyers don't think it's worth placing an offer on the table.

A person deciding to self-market their home will also have to do a lot of background research. They will have to get up to speed on what is happening locally that might impact the marketability of their home. They will need to do a thorough investigation into house prices in their vicinity and in the city in general and they will have to know the local rules and regulations and whether their house complies with everything it has to.

Probably the people best positioned to market their own property are those living in rural areas. Rural properties are often sold through word of mouth, but there are drawbacks to this as well. Often agricultural land and premises cost a lot of money because of their size, so unless a local is looking to expand his operation, it is unlikely that a sale will be an easy thing. Unless the person selling the property has a large network of contacts, it could take an inordinately long time to sell the property.

Take a Quick Recap Test

[viralQuiz id=202]

Assignment

Hiring an Estate Agent

Time: 30+ minutes

Make your way through this worksheet to see how well you have really done at absorbing the relevant information.

Download the worksheet below, print out and complete.

[Download Worksheet](#)

Summary

In today's world, the sophistication of information technology and facilities like the internet and social media mean that anybody can do anything they put their minds to. However, the complexity of the internet and IT solutions to business issues means that only a person who is practiced in the use of them will really be able to benefit from the reach and time saving they offer.

A person not used to complex programs or working on the internet will easily get confused and waste a lot of time. One of the vital aspects of marketing a property is to move it as quickly as the market will allow. With an agent working on a sale, the seller is likely to realise a higher price in a shorter space of time than if they work on their own.

Apart from the marketing aspects of a sale, the ability to do background checks on the buyer for eligibility for finance, the facility of being able to connect a buyer with mortgage suppliers and the agent's network of contacts that have been built up over the years, are something that a lone seller will never be able to replicate. The difference more often than not outweighs the commission the seller pays to the estate agent. In other words, it is money well spent by the seller and well earned by the estate agent.

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