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Buyer's agents: are they worth the money?



Auctions can be stressful: Do you need a buyers' agent? James Brickwood



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by [Larry Schlesinger](#)

When Mark Mendel, chief executive of off-the-plan marketing website iBuyNew, issued a press release recently warning property hunters to "beware of buyer's agents", he drew a predictably strong rebuke from the sector.

"[Mendel] is just trying to drum up business for his own website. A good buyer's agent will save you a lot of time and give you good strategies and advice," says Rich Harvey, a Sydney buyer's agent who runs propertybuyer.com.au. Harvey is head of industry body the Real Estate buyer's agents Association of Australia.

Paul Osborne of Melbourne-based The Secret Agent says Mendel's view needs to be taken with a grain of salt "coming from a platform provider that sells only off the plan property". "However he has a point. There are a number of loose cannons operating with very little expertise," he adds.

Mendel hit out at buyer's agents after watching hit television renovation show The Block where he said buyer's agents were bidding against one another and pushing up prices.

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The show also featured well-known buyer's agent [Frank Valentic who was fined and lost his licence for six months](#) last year over dishonest and unprofessional practices involving a Melbourne apartment deal.

Commission conflict

Mendel makes the valid point that because most buyer's agents charge a percentage fee based on the eventual selling price, there exists an incentive among unscrupulous operators to push for the maximum price and earn more in commission.

"Buyer's agents charge between 1.5 per cent and 2 per cent of the purchase price of the property if they find your home and negotiate the deal or secure the property at an auction, which means the fee they charge is linked to the price you pay for the property. The less you pay, the less they make – which seems counter-intuitive to me," says Mendel.

He says buyer's agents can be very useful for time-poor property buyers or those looking for something particular, but that in the general market "they may cost the consumer more than the benefit that is derived".



Miriam Sandkuhler: a buyer's agent should only work for you. **Beth Jennings**

Veteran Melbourne buyer's agent David Morrell of Morrell & Koren, who has been purchasing property on behalf of Melbourne's elite for 40 years, charges a commission of between one and two per cent of the purchase price. He says his fee model is justified by the way he wins business.

"Ninety-five per cent of our business comes from referrals. It's very much based on reputation and your last few transactions."

Morrell says a good buyer's agent should be able to do the following things: "Know a good house from a bad one, know when to bid and when to fold, be able to find properties that are unfindable, buy the property at the right price and buy homes more cheaply and on better terms."

Some buyer's agents do offer a fixed fee model or are willing to negotiate their fee depending on what you require.



Neil Jenman: paying a buyer's agent a commission based on the purchase price is nonsensical and wrong.

Fees can range from a few hundred dollars for just bidding at auction on your behalf to tens of thousands of dollars to source, recommend, negotiate and buy a property for you.

Work out the benefit

Bear in mind that you will already have to fork out thousands of dollars for stamp duty, lawyer's fees, building reports and mortgage costs at a time when housing has become increasingly unaffordable.

But if you are determined to [use a buyer's agent](#), do your due diligence and ensure he or she holds a real estate licence – a requirement for anyone who transacts real estate – and will act solely on your behalf.



Buyer's agent Frank Valentic lost his real estate licence for six months.

"A genuine licensed buyer's agent acts on behalf of their client alone, and they never accept rebates or commissions from selling agents or developers," says buyer's agent Miriam Sandkuhler from Property Mavens.

"It is illegal to receive money from the buyer and the seller in a real estate transaction," she says.

Sandkuhler says the term "buyer's agent" has been abused by property spruikers or project marketers "in disguise".

Property investor Liam Morris used Property Mavens to purchase a two-bedroom villa in Moonee Ponds for \$605,000 in January for his children. Due to procrastination and being time-poor, Morris had been looking since 2010.

"I stumbled across Miriam by accident and gave her a call. I had been to a number of property investment seminars and had not been impressed. She gave me valid information and I realised she understood the market I was looking to buy in far better than me," he says.

Property Mavens provided Morris with a list of suitable properties with implied rental yields. Together, they reviewed the pros and cons of each before choosing the villa that Property Mavens purchased at action. All up, Property Mavens charged Liam \$11,000.

"We ended up going with a place that was not our initial choice. We're just coming up to our yearly review and we're pretty comfortable with our investment," says Morris.

Responses posted on advisory forum simplyaskit.com.au about buyer's agents are mainly favourable. But its founder Paul Ryan (who co-founded Wizard Home Loans) says when he used a buyer's agent, he found the process "a little bit unnerving".

"I didn't like the properties they short-listed. But I still felt the pressure on me to buy one as that's how they earn their commission. So I wasn't quite sure if they were acting in my best interests or their own," he says.

Consumer tips

Consumer advocate Neil Jenman believes buyer's agents can save property hunters money "if you know how to handle them" but agrees with Mendel that charging a commission is both "wrong and nonsensical".

"I've used a buyer's agent the last two times we bought a family home. The first time we saved \$200,000 (and paid the agent \$7000) and the second time we saved \$50,000 (and paid the agent \$1500)," he says.

His advice is to negotiate a remuneration structure with a buyer's agent that includes a fee for their time searching (he suggests \$5000) and then a separate fee based on how much they save the buyer. He suggests about 25 per cent of the saving.

"So if the buyer says they are willing to pay \$1.8 million and the buyer's agent gets it for \$1.7 million, then the buyer pays them an additional \$25,000."

Jenman estimates that only about 2.5 per cent of property sales in Australia involve a buyer's agent compared with as high as 50 per cent in places like Los Angeles and New York.

"Buyer's agents are becoming more common in Australia and if they do what sellers agents' seldom do – take great care of their clients – they'll have a great future."

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