

Agents on your side

How buyer's agents work | Saving money and time | Benefits and costs

Buyer's agents represent all types of property purchasers and can assist with the purchase of both residential and commercial properties. Henry Wilkinson explains how you can save money on a property purchase by letting a professional make the deal for you.

Buyer's agents (also known as buyer's advocates) are a relatively recent addition to the Australian real estate market, first arriving on the scene around six years ago in Sydney and Melbourne. Since then buyer's agents have grown considerably in popularity throughout the capital cities and major regional areas.

What is a buyer's agent?

A buyer's agent is a licenced real estate professional who represents your interests in the purchase of a property. They are committed to helping buyers purchase quality property at the lowest possible price. On the other side of the transaction, the selling agent has the legal and ethical responsibility to achieve the highest possible price and best terms for their clients, the vendors. Therefore a selling agent cannot represent a buyer regardless of any rhetoric that you may hear.

What types of services does a buyer's agent offer?

A typical buyer's agent will offer a range of services including:

A full property search

A buyer's agent will search

for suitable properties based on your unique purchasing requirements and then follow through on all matters until the completion of a deal. They will firstly advise on what is realistically achievable with a specific budget and the best areas for capital growth potential.

Once the search criteria is established the buyer's agent will go out into the market place and screen and inspect all properties that fit your criteria. Naturally, only suitable properties will be recommended for viewing. Details of the recommended properties will be accompanied by extensive digital photos, floor plans and website links where possible. Inspections will then be organised, as well as transport to the property if required.

Once you decide on a property, the buyer's agent will:

- ▶ give you a professional appraisal and price guide
- ▶ advise on the best strategy to purchase the property, depending on the sale circumstances (auction or private treaty)
- ▶ arrange all of the other necessary services such as building and pest reports, strata



reports and conveyancing. Other assistance may involve the appointment of a property manager for investor rental properties, recommending contractors for building work or even managing renovations for the client.

Property appraisals

If you find a property and want an independent analysis, rather than simply relying on the vendor's asking price or agent's price guide, the buyer's agent can assist. The buyer's agent's report will usually involve research into comparable

recent sales and an objective opinion of the positives and negatives of the property, as well as a price estimate or range of what the property is worth in the current market.

Auction bidding

The buyer's agent is aware of all the tricks used in the auction room and they will be able to make confident and calculated bids to try to outwit the other bidders. They also understand all of the laws regarding auction procedures and registration, and will be able to manage all of the

WHO WOULD FIND A BUYER'S AGENT USEFUL?

1	Those with little real estate experience
2	Overseas, interstate and regional buyers who are unable to physically inspect properties
3	Busy executives or working couples
4	Hectic families
5	Property investors
6	Those seeking confidentiality
7	Buyers not wanting to deal directly with selling agents
8	Bargain hunters
9	People intimidated by auctions

relevant paperwork on your behalf, particularly for bidding nomination forms, powers of attorney and deposit payment alternatives.

Negotiation

The fine art of negotiation can be a difficult matter if you are an inexperienced property buyer. A buyer's agent will establish all the information useful for negotiation (eg, length of time on the market, price the vendor paid for the property, whether the vendor has bought elsewhere, etc) and then develop a strategy to secure the property for the lowest possible price and best contract terms.

How to find a buyer's agent

The best to find a buyer's agent is to get a referral from a friend or associate who has used one before. Alternatively you can do a search through an internet search engine such as Google or Yahoo, look on real estate websites such as domain.com.au for the buyer's agents sections, or in the Yellow Pages under Real Estate buyer's agents. Most mortgage brokers and solicitors are able to assist with referrals as well.

How to select your buyer's agent

Ensure that your buyer's agent has a full real estate licence issued by the relevant state government authority. The licence requires several years of real estate experience as well as educational qualifications. Some newcomers to the industry are issued with a conditional buyer's agent licence that can be obtained with limited experience.

It is always a good idea to see a copy of the buyer's agents property licence. Check how long the buyer's agent has been in business, ask for detailed references and enquire about their experience in the area that you are looking at buying into. Ensure that the buyer's agent is not owned or aligned to a selling agency or developer,

otherwise their advice may not be impartial and objective.

It is better to select a buyer's agent who gives a fixed price quotation for their services. Buyer's agents who charge a commission on the total purchase price for their services will hardly have the personal incentive to get you the lowest possible price on a property purchase.

fee through to 1.1 per cent of the purchase price for the more expensive operators. Some buyer's agents will also work on an incentive basis where they may take a percentage of the money saved from the asking price in a private treaty sale.

Auction bidding

Charges usually depend on the outcome of the auction and will have two components

- ▶ you won't have to deal with selling agents directly and be confronted with the high pressure sales talk
- ▶ buyer's agent's have online databases of all comparable recent sales to help establish a property's real worth and ensure you don't pay too much, which is particularly important in the current market
- ▶ you will have professional representation to counter the skills of the selling agent
- ▶ you will have confidentiality, particularly if you have made offers which have been rejected on a property and want to remain anonymous to the selling agent. This is also useful for high profile community members
- ▶ the emotion is taken out of the purchasing process
- ▶ buyer's agents can help you find properties with good capital growth potential and better rental returns.

Are there any pitfalls of using a buyer's agent?

As with anything, there is a downside to using a buyer's agent:

- ▶ some buyer's agents are owned by or aligned to selling agents and therefore cannot claim to be truly independent
- ▶ a minority of buyer's agents tend to have an overly aggressive approach when dealing with selling agents. This method is generally counterproductive particularly at auctions where these buyer's agents often try to disrupt the auctioneer and make a scene. Rather than intimidating other bidders, this usually just angers the other bidders into bidding higher
- ▶ it's not a free service, although the costs should ideally be more than offset by savings on the purchase price. 🏠

Henry Wilkinson is the principal of Sydney real estate buyer's agents and advocates, Homeseach Solutions.

Inner-city search

Philippa and Jeremy Fisher

The Fishers approached Homeseach Solutions to assist them relocate their family from Sydney's northern beaches to a new home in the inner west. They elected to use a buyer's agent as they were time poor and wanted someone with an intimate and immediate knowledge of the inner west.

The Fishers were operating under particular time constraints as they had a three month settlement period on the house that they had just sold. The brief to their buyer's agent was to find a three bedroom semi-detached house or townhouse in the Leichhardt/Annandale area (about 10km from the CBD), with renovation potential and a level rear garden.

The buyer's agent inspected several properties over a two-week period before recommending a three bedroom, free standing, unrenovated house in a low traffic street of Leichhardt. The asking price was \$595,000 but the buyer's agent was able to negotiate a price of \$575,000 for a quick sale. Contracts were exchanged after examination of the contract of sale and a building inspection.

What does a buyer's agent charge ?

Full property search service

Prices vary between 1 to 2.5 per cent of the property purchase price for this service. It will be either a fixed quote based on the buyer's purchase price budget or a direct commission on the final sales price. A retainer of \$800 upwards is usually charged at the commencement of the search, mainly to ensure that the buyer is committed to buy and to cover initial costs incurred with the search.

Negotiation

The charge on a property that you have found yourself can vary between a couple of thousand dollars for a success

– attendance without success varies between \$200 to \$500, and attendance with success can vary between \$500 and \$1000. The cost of a buyer's agent's fees are tax deductible for investment purchases.

The benefits of using a buyer's agent

By using a buyer's agent, you will gain a number of benefits:

- ▶ a full property search service will save you time and stress
- ▶ a buyer's agent's negotiation skills and knowledge can save significant amounts off a property's asking price and/or a client's purchasing budget
- ▶ you will gain access to all listed and unlisted properties on the market