

Estate agency commission conundrum, low commission leaving sellers out of pocket

Despite tech advances, the majority of property sales are still concluded by traditional estate agents, who also achieve, on average, the highest prices for property sellers. This is a key reason why low-commission agencies have failed, and sellers continue using traditional estate agents, according to the Seeff Property Group.



Source: Supplied. James Lewis, licensee for Seeff Southern Suburbs, Hout Bay, and Llandudno.

The objective of any seller is always to achieve maximum profit or the highest possible price for their property. When the market becomes more challenging, due to it being harder to sell, or stock shortages, you may find agents offering lower commission to secure the selling mandates.

James Lewis, licensee for Seeff Southern Suburbs, Hout Bay, and Llandudno says the reality is that in these areas over 70% of all sales are concluded by traditional, rather than low-cut commission agencies.

There is no fixed commission structure, with 5% plus Vat an industry average depending on the area, and certain areas achieving 7% plus Vat depending on how difficult it may be to sell the property.

Regard is also had to the marketing and operational costs as well as the needs of the agent to earn an income which often means that lower priced properties tend to attract a higher commission percentage.

Comprehensive negotiation expertise

Lewis says the reality is that desperate agents looking for mandates (properties to sell) are cutting their commission as low as 1.5% to 3% plus Vat. This is not sustainable to run a successful real estate office, and be up to date with all the legislative requirements governed by the Property Practitioners Act, as well as the FIC, Consumer Protection-, Sectional Title-, and Rental Housing Acts, to name a few.

What is more, rather than netting more out of the sale, the seller could be left out of pocket as the cut-commission real estate agent is ready to move on and not stay the course with further negotiations.

Two recent sales by Seeff's Bergvliet agent, Sharyn Dabbs, who has operated successfully in the area for 20 years, illustrate this. The first is a property in Balmoral Road which was listed at R6.495m.

After three weeks on the market, it attracted two offers. The accepted offer initially came in at R5.9m, but after guidance and negotiation, the final selling price was R6.35m, some R450,000 higher than the initial offer.

The second property, located in Fountain Road, was listed at R5.495m. Within one week of listing, it attracted two offers. The accepted offer initially came in at R5.25m. After guidance and much negotiation, the final selling price was R5.5m, some R250,000 higher than the initial offer, and R5,000 more than the asking price.

These sales did not only achieve a higher price for the sellers, but were also concluded in less than half the time compared to the market average of around six to nine weeks based on Propstats sales data.

The crucial role of experienced agents

Lewis says selling a property involves much more than just listing it on a property portal. It requires significant marketing and promotional activities, from showcasing it for the best results to syndicating and networking as widely as possible.



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The agent also qualifies the buyers to ensure there are no time wasters, and handles the entire sale process from start to end. Importantly, the agent is a skilled negotiator who will facilitate the best outcome as illustrated by these two sales where the sellers netted R250,000 to R450,000 more than the initial offer.

The reality is that the less you pay, the less can be spent on marketing your property. Sellers want the highest price possible. Paying a low-cut commission rate could very well be a false economy for the seller. A credible agent with many years' experience selling in a particular area, like Sharyn Dabbs of Bergvliet, will not cut corners just to earn a commission.

Agents have a reputation to uphold and will not just push a sale at any cost because that can have a detrimental effect on future business for them, concludes Lewis.

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