

"How to Negotiate Your Estate Agents Fee & Contract"

(An Expert Guide For UK Property Owners)

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The Importance of Haggling

Haggling is not a traditional British pastime. However, when applied correctly to [estate agents](#), a little bit of haggling is necessary if you want a service that is fair and value for money.

What's more, because estate agents need you more than you need them, you're going to be pleasantly surprised at how effective your haggling will be.

This last point does come with some exceptions:

If you arrange your Home Information Pack through a Solicitor or an Independent Pack Provider you will improve your chances of being able to negotiate a reduction on the agent's fee.

Generally you'll find that nationwide (corporately run) estate agency chains are harder to negotiate with than the smaller independent estate agents.

These nationwide corporate agencies tend to impose strict policy regarding the commission levels + contract terms that their staff must push for.

They can get away with such inflexibility because they know there'll always be plenty of property sellers that (because they don't have the information you now have) will accept their fee levels and contract terms without question.

Don't let this worry you. Based on personal experiences I'd say that the smaller independent estate agency chains tend to be

staffed with a [higher quality of estate agent](#) anyway.

The main points to remember when interviewing and choosing agents are:

Always interview a range of Estate Agents ("National Chains" & "Privately Run Independents").

The dominant estate agent in any area will be the hardest to negotiate with (however, just because they're the busiest - it doesn't mean they're the best).

Satisfy yourself that an estate agent's terms of business are fair. Over and above any other factor, let that guide your choice.

Preparing to Negotiate

Estate Agents don't stay in business by turning away business.

Although they all want to charge you 2-2.5%+VAT for a "Sole Agency Contract" (this is when only one estate agent is instructed on the sale of your home) your goal should be to get them down to as close to 1% +VAT as possible.

For property over £500,000 you should try to go down even further to 0.75% +VAT.

To set yourself up to negotiate the biggest discount from any agent, there are two things you need to do:

Make an effort with the presentation of your home (inside & out) for the estate agents' valuation appointment.

Well-presented houses are easier to sell! When estate agents see a well presented home they become highly motivated to secure you as a client.

Be ultra-realistic with the price you wish to advertise your property at.

A realistically priced house is easier to sell! It also shows that you are a well-informed and realistic vendor.

Greedy sellers are common and from an estate agent's perspective they're difficult to deal with - not a favourite type of client.

If you have realistic aspirations for the sale price of your house, estate agents will want to work for you and cut their fees (if that's what it'll take to secure you as a client).

How to Negotiate the Estate Agents Fee

Most sellers do try to negotiate over fees but they do it in a very half-hearted manner.

Just asking for a fee reduction will not work. You need to inject a little bit of theatre and hold your nerve.

The subject of fees is best handled towards the end of the estate agent's valuation appointment and here's how to approach the negotiation:

Ask the agent what their fee level is for a Sole Agency Contract.

See what figure they give and do your best to look visibly shocked by the extortionate rate they've just suggested.

Shake your head disapprovingly and tell them in no uncertain terms that you, *"Couldn't even consider employing them unless their fee came down to 1%"*.

Sit back and see what they say.

Now, they may or may not cave-in immediately but either way (at the end of the appointment) thank them for their time.

Don't forget to let them know you still have other agents to interview and that you'll be in touch to inform them of who your agent of choice is in due course.

Repeat this skit with each agent and make notes so you can compare their fee quotes and service features easily.

If the agent you like the best is not the one with the lowest fee, you should then try the following strategy:

Ring the agent, or even better; invite them round again (this gives you the home turf advantage).

Tell them that you're torn between their firm and another agent (whoever quoted you the lowest fee for example).

Explain that you feel both agents would provide the level of service you require and that you're sure either one is capable of finding you a buyer.

Go on to let him know that because of this it will be "fee-levels" that'll be the deciding factor over whom you choose.

Simply state to the agent that if he can't match his competitor's rate, you'll have no choice but to give your business to his rival.

The ball is now in the agent's court and if he wants your business he will be forced to make you his best offer. It's up to you to decide if it's tempting enough for you to employ him.

Don't lose sight of the fact that estate agents are salesmen (not just of property but of their estate agency services too).

They will give you many well-rehearsed reasons why they can't or won't reduce their fees. The fact of the matter is that most of these are just bluff.

If you:

Stand your ground

Remain persistent

Take the direct approach I've detailed above....

You will cut through their sales patter and force them to offer you the best possible deal.

How to Negotiate The Estate Agents Contract Period

Your goal here is to negotiate the shortest possible time period that you're bound to your estate agent.

This is because if you become unhappy with their service, you need to be able to quickly terminate their contract and go elsewhere.

Some agent's contracts try to keep you tied to them for as long as 6 months.

As you can imagine, this doesn't encourage the agent to make your sale their No.1 priority.

Be direct and tell the agent that you wish to instruct them as your "Sole Agent" for a period of 4 weeks, after which time you will either decide to keep them on or terminate the contract upon 5 days written notice.

(Four weeks is just a reasonable guideline, if you can go lower, do it).

When the contract term is short (and you retain the power to easily terminate it), your agent will work harder for you.

Also, short and easily terminated contracts stop agents from playing the "overvaluation to win business" game.

This shady method to secure business only works if you're tied into a long contract. This is because the agent needs time to let you sweat and become open to their suggestions of a price reduction.

Any agent that objects to a 4-week contract with a 5-day notice period needs to be treated with caution....

Surely, if an agent is confident in:

- Their valuation

- Their ability to find you the right buyer

- Their high level of service

Then why wouldn't they be prepared to "put their money where their mouth is" and work for you without the safety net of a long contract period?

Know What Happens When the Contract Ends

What happens if you fire your agent ("Agent A") and later sell through another agent ("Agent B") to a buyer that was originally introduced by your first agent ("Agent A")?

If you use an agent that is a member of the OEA (Ombudsman for Estate Agency) then at least they are bound to a Code of

Practice that requires them to explain what happens in this situation.

The OEA's code allows for agents to make a claim for their commission if you sell to a buyer (they originally introduced but couldn't convince to buy) within six months of your contract ending.

It's up to you to decide if 6 months is acceptable or not (you can always get the clause changed).

Be warned though, non-OEA agents can put what they like in their contracts...

Some have even been known to contain clauses stating that no matter how much time passes, they will come after you for their fee if you sell to a buyer they originally introduced.

Again, let me repeat my earlier advice:

Read the contract carefully and think through the knock-on effects of each clause it contains.

If you're unsure about anything there are 4 things you can do:

If you don't understand anything in the contract don't sign it.
Instead, start asking a lot of questions and don't give-up until you get satisfactory answers.

Cross out or change any clauses you find unacceptable.
Remember the agent works for you, not the other way round.
Contracts are negotiable and nothing is written in stone.

Send the contract to your conveyancing solicitor and ask for their advice on how to word any amendments you wish to make.
Take your business elsewhere (find an agent with a less ambiguous contract).

Estate Agency Contract Terms to Watch Out For

"Ready, willing & able purchaser"

I wouldn't recommend that you sign a contract that suggests the agent will be able to claim their fee if they find you a "ready,

willing & able purchaser".

This would mean that if they found you a buyer & you:

Decide to pull out of the sale for any reason.

Decide the buyer is not suitable & choose not to sell to them....

You will still have to pay the agent's fee!

"Sole selling rights"

I wouldn't recommend that you sign any contract giving the agent these rights.

It would mean the agent could claim their fee no matter who finds you a buyer.

For example, if you found a buyer yourself and decided not to involve the agent, they would lawfully be within their rights to claim their fee.

"Sole selling rights" is not to be confused with "Sole agency" which just means that you grant the right for only one agent to market your property.

To be fair, you don't see many contracts using the term "Sole Selling Rights" these days but with the introduction of Home Information Packs this may change so watch out!

However, you definitely need to be wary of "Sole agency" agreements that are worded in such a way as to effectively grant the agent "Sole selling rights".

To protect yourself against this it's wise to be familiar with the words that should be used in a clean & safe "Sole Agency" agreement....

The definition of "Sole agency" must be clearly written into the Estate Agent's "Terms of Business" and the standard wording should read:

Definition - Sole Agency

*"You will be liable to pay remuneration to [Estate Agent's name], in addition to any other costs or charges agreed, if at any time unconditional contracts for the sale of the property are exchanged:
With a purchaser introduced by us during the period of our sole agency, or with whom we had negotiations about the property during that period, or
With a purchaser introduced by another agent during that period."*

That's it!

Now, just so you know what to look out for, here's an example of how an estate agent has subtly altered the wording of a "Sole Agency" contract to their advantage:

Definition - Sole Agency

*"You will be liable to pay remuneration to [Estate Agent], in addition to any other costs or charges agreed, if at any time unconditional contracts for the sale of the property are exchanged:
With a purchaser introduced by us during the period of our sole agency, or with whom we had negotiations about the property during that period, or
With a purchaser introduced by another agent during that period, or
With a purchaser introduced by the vendor (other than those stated at the time of instruction) or another agent during that period."*

The addition above of that third point (highlighted) is easy to miss if you don't know what you're looking for. However, it's the kind of thing that totally changes the nature of the agreement you're signing. I really feel that is an underhand tactic.

Insist on it's removal from the contract or question the ethics of the agent and take your business elsewhere.

"Payment of Fees":

Check the contract and make sure you're clear on:

At what moment the agent becomes entitled to his commission?

It's in your best interests to make sure this is at "completion".

Some contracts will try to make you liable once exchange of contract has taken place. A sale can still fall through between exchange & completion so you'll want to make sure you only pay fees after the deal has completed - once you're sure your sale has been successful.

Once fees become payable, how long do you have to transfer the money to the agent?

Conventional wisdom would suggest that at least 5 working days is a fair amount of time.

If for any reason your payment is late, what kind of penalty charges will the agent levy?

Some agents make provision in their contracts to charge you unreasonable and hefty rates of interest. Make sure you check this charge and question it if you feel it's at an unfair or overly onerous level.

Who retains the authority to sign-off payment of the estate agent's fee?

Some contracts are worded in such a way that once signed, you give away the right to withhold payment (a perfectly reasonable thing for you to do if you wish to make a formal complaint about the agent's conduct during your sale).

Be on the lookout for wording that gives your solicitor "irrevocable instructions to pay the agents commission out of the sale proceeds".

Have that clause taken out and replaced with something that leaves you in control over authorising the agent's payment.

It's best to have your conveyancing solicitor help you word this correctly.

How to Find the Best Estate Agent for Your Sale

Very few homeowners are aware of this but there is an effective

service available that will advise you, for free, on which estate agents in your area are quality assured and recommended.

Until recently this service has been a tool used purely by large house building companies. However, I believe all property sellers would be wise to take advantage of it when choosing which estate agents to interview.

Click the link below to find out more:

[>> Find Your Recommended Local Estate Agent!](#)

Wishing you complete success with your sale,

Gavin Brazg (Editor)

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