

"How to Make Your Estate Agent Work Harder"

(An Expert Guide For UK Property Owners)

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Instruct One or More Estate Agents?

The first step is to decide whether you'll instruct estate agents on a:

- "Sole Agency"

- "Joint Sole Agency", or

- "Multi Agency" basis?

There are pro's & con's to each of these, so let's take a minute to look at what you may be letting yourself in for:

"Sole Agency"

This is the preferred arrangement from an estate agent's point of view because it gives him (or her) the exclusive right to market your property.

This should also be your preferred arrangement because as long as the contract term is short (as discussed in our guide "[How to Negotiate Your Estate Agent's Fee & Contract](#)"), the estate agent will be motivated to get out there and find you a suitable homebuyer.

"Joint Sole Agency"

This is when you instruct two [estate agents](#) to market your

property at the same time. The commission will be shared between the agents regardless of which one finds you a buyer.

At first it may seem like a good idea having more than one agent working for you however, there are some serious drawbacks to this arrangement:

Commission rates are higher than with a Sole Agency agreement (typically between 2.5-3.5%).

The agents are less motivated because there's always the possibility that "the other guy" will find the buyer, thus allowing one agent to make his commission without having to do very much.

If both agents have this mentality you'll find yourself in a position where no one is focusing on finding you a buyer.

Because agents are less excited about being instructed on a "Joint Sole" basis (compared to "Sole Agency") it is harder to negotiate their terms of business.

"Multi Agency"

This is when you instruct lots of agents but the one that finds you a buyer, takes all the commission.

This is not an option we would ever advise you to explore:

Commission rates are similar to "Joint Sole Agency" so this is an expensive way to sell.

Having your house on with lots of agents smacks of desperation and often causes buyers to become suspicious of (or dismiss) your property.

Agents don't like doing business this way and some will refuse to be apart of a "Multi Agency" arrangement.

Agents want exclusive rights to market your property and will prioritise the sale of homes (on which they are instructed as "Sole Agent") over yours.

How to Set Your Estate Agent's Fee

As mentioned many times on this website, the standard percentage based fee arrangement (where the agent earns 2% of the "Sale Price") provides little incentive for them to improve their performance.

Sadly, for many Estate Agents, a sale is a sale.

The effort involved in negotiating an extra £5,000 - £10,000 for you, only gains the agent an extra £100 - £200 in fees.

Because of this, many agents will happily advise you to accept an offer even though, with a little more effort, they could get you more.

Incentives make the world go around and to ensure your agent is chasing only the best possible offer for your property, you need to make it worth their while.

Here's how it's done:

Please Note:

The fee structures detailed below aim to encourage your estate agent to remain focused on securing you offers in excess of the "Sale Price" and as close to (if not above) the Full Asking Price.

"Full Asking Price" = What the agent suggests you advertise at.

"Sale Price" = What the agent feels you will actually sell for (typically 2-6% below the asking price) as disclosed to you at the property valuation appointment.

The Split Fee Method:

If for example your estate agent won't budge from a 2% commission fee, suggest you pay him 1.5% for achieving 95% of the expected "Sale Price" but will pay him an additional bonus of 10% on anything he achieves above that price.

Lets look at how the split fee method compares to a traditional 2% fee commission:

If the agent sells your property for the:

- "Expected Sale Price" (£339,500)
Agent's fee = £6,790 (2% commission)

- "Full Asking Price" (350,000)
Agent's fee = £7,000 (2% commission)

With this traditional fee structure the agent only receives an extra £210 for finding a buyer willing to pay the "Full Asking Price".

I think you'll agree that £210 is not much of an incentive and it's unlikely an agent will put in the extra effort needed to secure you the full £350,000.

If the agent sells your property for:

- 95% of the "Expected Sale Price" (£322,525)
Agent's fee = £4,838 (1.5% commission)

- 100% of the "Expected Sale Price" (339,500)
Agent's fee = £6,536 (1.5% commission + 10% of £16,975)

- "Full Asking Price" (£350,000)
Agent's fee = £7,586 (1.5% commission + 10% of £27,475)

With this fee structure (compared to the traditional 2% method) the agent makes an extra £1,050 for getting you "Full Asking Price" but loses £254 if he just settles for the easier target of the "Expected Sale Price".

£1,050 is much more of an incentive for the agent to get you the highest possible sale price.

With the added risk of a mild financial loss they are also less likely to just settle for making your sale only averagely successful.

What I've shown you is just a framework.

You can alter it in any way you wish, for example:

You could suggest that the agent earns 0% for selling your property at 95% of the "Suggested Sale Price", 1.5% for selling at the "Suggested Sale Price" + 15% of anything he achieves above that.

Really it's up to you how you structure it.

Just make sure you work out the figures in advance and check you're not giving away too much.

The Sliding Scale Method:

This is a good method to use on any estate agent that tries to justify their fee by saying they can sell your property for more than any other agent.

An agent that makes bold claims is fine but you can't be expected to take such claims on face value. This is a situation where the agent needs to put their money where their mouth is.

To do this, make sure they keep their eye on achieving the high house sale price they claim to be able to secure by penalising them if they fail.

Offer to instruct them on the basis that you will pay them:

The full 2% for achieving £350,000 (I'll use this figure so you can compare it against the "Split Fee Method") but that you will dock their commission by 0.25% for every £5000 they achieve below that price.

So if the agent sells your property for:

- £350,000

Agent's fee = £7,000 (2% commission)

- £345,000

Agent's fee = £6,037 (1.75% commission)

- £340,000

Agent's fee = £5,100 (1.5% commission)

- £335,000

Agent's fee = £4,188 (1.25% commission)

- £330,000

Agent's fee = £3,300 (1% commission)

If the agent agrees to this fee structure then good for them! You may well have just found one of the good guys.

If the agent starts to squirm & backtrack on their [property valuation](#), then you know you're dealing with a fraud.

The Personal Bonus:

This is not 100% recommended but it can work.

If you have to [sell house fast](#) and need your agent to focus 100% on your sale - offering a personal cash bonus of £800 (for example) for finding you a buyer willing to pay the "Full Asking Price" (or whatever figure you need) will certainly focus their mind.

Essentially this is a bung / bribe (call it what you will) and it's for you to decide upon the ethics of this.

It's up to you whether this is something you feel comfortable trying.

The Service Level Bonus:

There are some agents that try to justify a full 2% commission by saying that the level of service they provide well surpasses any of their competition.

This claim is something you'll have to take on trust however, my feeling is that if an agent is so confident of his claims, they should be willing to prove themselves.

Now, any agent can sell a house and for that I can't see how a fee of more than 1% (1.5% max) can be justified.

However, making the moving process run smoothly takes considerable skill.

If an agent can sell your house and make it a hassle-free experience, then really a 1.75 - 2% fee is more than reasonable (and deserved).

Of course you won't know whether your agent is skilful enough to do this, until after the sale has completed.

Suggest to this kind of agent that you'll instruct them on the basis that you'll pay 1 - 1.5% for making the sale + another 0.5 - 1% if the level of service lives-up to their promises.

Now in this situation you're giving this agent your business based on trust however, in return for this opportunity they must trust you to pay the extra 0.5 - 1% bonus (if it is rightfully deserved).

There are not many agents that would agree to this kind of deal but if you do find one....

Grab them!

This is exactly the kind of agent you want working for you.

Confidence in their ability and a willingness to prove it with action should be applauded (and rewarded).

How to Find the Best 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 Recommended Estate Agents in Your Area](#)

Wishing you complete success with your sale,

Gavin Brazg (Editor)

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