

Get a buyers' agent on side

Thursday, 17 June 2010 | Kath Walters

The founder of JPP Buyer Advocates, Ian James, likes to tell prospective clients the following tale to convince them of the value of engaging him to buy a property for them. Close to home: A buyer's agent can save a purchaser time at auctions

"I have had three judges as clients and asked them all this question: if a husband came to the divorce court representing himself and his wife came with a Queen's Counsel, what would you do? All three judges said they would stop the proceedings and explain that the husband was a very foolish man and needed representation."

More than 99 per cent of real estate vendors are represented by agents, yet most buyers are unrepresented, according to Real Estate Institute of Victoria (REIV).

"The average property buyer negotiates one to three times in a lifetime," James says. "Real estate agents negotiate week in, week out. I buy over 200 properties a year. I can out-negotiate an inexperienced buyer every day of the week."

Buyers' advocates, a well-established profession overseas, emerged in Australia in the mid-1990s, with Janne Sutcliffe's Sydney company, Change of Address.

Morrell & Koren started in Victoria 13 years ago, principal Christopher Koren says. "My partner, David Morrell, and I were real estate agents and high-profile business people started to ask us to find properties for them," he says. "We realised there was an opportunity there."

It has been a slow burn. Buyers are not keen to pay the fees for advocates, which typically are between 1 per cent and 2 per cent of the purchase price, usually agreed and fixed before the sale. With median house prices in Melbourne at about \$500,000, the buyer's advocate fee would be as much as \$10,000.

The Real Estate Buyers Agents Association of Australia (REBAA), set up in 2000, has 30 members nationally. Of REIV's 6500 members, only 40 are members of REIV's buyers advocates' chapter – just 0.6 of a per cent.

Interest in buyers' agents is growing, however. Olivia Triandos, until recently a committee member of REIV buyers advocates' chapter, works alongside her father and mother as a buyer's advocate in APT Real Estate Services. "Younger people, women and professionals, as well as developers, come to us," she says. "We know what the market value of a property is, we do the due diligence and we save our clients a lot of time."

JPP's James says, "We've gone from a time when we would be looking for 15 to 20 clients at a time, to now looking for 60 to 70 at a time. People in Melbourne are starting to work out that they need help to buy properties."

Buyers advocates speed up the buying process, which in a rising market (20 per cent nationally in the past 12 months), can be a saving in itself. For investors, JPP will close a deal in between 30 and 60 days and for home buyers, between 60 and 90 days. "Ask any mortgage broker and they will tell you most clients search for a minimum of six months," James says.

Buyers waste time – and money – looking at properties they have no hope of buying. Properties are often advertised for auction at lower prices than they will sell for and clients spend money on building inspectors' and solicitors' fees only to be outbid. "We can tell people when to walk away," James says.

The real estate market would be more transparent if more buyers used advocates, Koren says. "A good advocate with real estate experience knows when they are being sold a dud, or told a porkie pie. We have heard all the clichés and the bulldust."

Buyers' agents must be licensed real estate agents. The best are also experienced sellers that now exclusively represent buyers.

Most buyers' advocates fix their fees to avoid any conflict of interest – if their fee goes up with the price of a property, why would they beat the price down? But Koren says he charges a percentage because the amount the buyer wants to pay is agreed upfront anyway.

The president of the Real Estate Buyers Association of Australia, Byron Rose, estimates that there are about 100 to 150 buyers' agents nationally. "We get two or three inquiries a week from people who want to become buyers' agents," he says. "I estimate there will be thousands within five years."

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