

PROPERTY AGENTS

Do your checks before signing the cheques

Consumers should ensure they know how much commission they're paying and what they get out of it



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It is no secret that good agents can make tons of money from helping others buy and sell property, especially in the sort of market we are experiencing now.

But if you are on the sharp end of the deal – the one paying the commission and other fees – you may wonder if you have overpaid your agent when he is driving a BMW and you are still taking the bus.

The Sunday Times looks at how agents earn their keep and the ser-

vice standards consumers should demand.

■ No fixed rate

Agents collect a commission for their services and many will tell you that a 2 per cent seller's commission, for instance, is "market practice", "the norm" or that "everyone pays this amount".

The truth is that the commission is not fixed and consumers are free to negotiate the amount with the agents.

The Institute of Estate Agents (IEA) used to have guidelines recommending that a Housing Board flat seller pays a minimum 2 per cent of the price as commission, while the buyer pays 1 per cent.

In a private home deal, the guideline called only for the seller to pay a 2 per cent commission.

But in 2008 the Competition Commission of Singapore ruled that these IEA guidelines, which were adopted in 1999, were uncompetitive and must go.

The guidelines were then removed that year.

"Setting rules on commission rates for agents is viewed as anti-competitive and could infringe the Competition Act," said the Ministry of National Development.

"Instead, consumers are encouraged to find out about the different commission rates charged by different estate agencies and negotiate the rate and service to be provided before engaging them."

■ Current practice

Estate agencies can and do set their own fee guidelines but almost all of them follow the previous commission guidelines, said Institute of Estate Agents president Mohamed Ismail.

Dennis Wee Group director Chris Koh added that agents tend

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to follow what they are familiar with.

Mr Eric Cheng, chief executive of ECG Property Group, says it trains agents to inform clients of the need to pay a commission to avoid any misunderstanding later on.

"Before you serve any (Housing Board) buyers, you must let them know that they will need to pay a commission," he said.

Experts say the best time to negotiate the commission rate is at the start of the deal, so if you are not happy, you can opt for another agent. Most people seem resigned to paying the usual commission but there are cases where some have paid more and others less.

"The seller may have signed an exclusive agreement but the commission rate is still subject to negotiation," said C&H Realty managing director Albert Lu.

Property experts said that some clients have happily paid more when the agent was able to help them clinch a deal at a much higher price.

On the other hand, clients have negotiated to pay 1 to 1.5 per cent if the agent does not get them the agreed selling price, said Mr Koh.

There are also cases where clients may negotiate a lower rate in a quick sale, where there was minimum advertising and effort involved, said Mr Lu.

There are cases where buyers have negotiated the commission down to as low as 0.5 per cent, particularly if they have engaged the same agent to sell their flat earlier, experts said.

The executive director of the Consumers Association of Singapore (Case), Mr Seah Seng Choon, said it has received complaints about agents overcharging for commissions.

"Most of the problems have their roots in the poor quality of service pro-

vided, resulting in consumers disputing the commission payable," he said.

"When agents fail to keep to their side of the bargain, consumers are aggrieved and feel the commission payable should also be reviewed. Such disputes occurred all the time, even when the fee guidelines were in place."

■ What are you paying for?

Consumers should be clear on what they are getting for their buck.

Arranging for viewings is just one aspect of an agent's work.

To earn his commission, the agent should also advise the buyer on suitable properties and "highlight the pros and cons of the properties viewed and negotiate prices on the buyer's behalf", said the chief executive of the Singapore Accredited Estate Agencies, Dr Tan Tee Khoon.

"In HDB resale transactions, the buyer's appointed agent would take the buyer through the entire process, from the paperwork and documentation through to the second appointment at HDB."

And before the deal is closed, the agent will arrange for a final flat inspection to make sure that everything is in order.

This includes checking the inventory list and ensuring that items such as the air-conditioning system or lighting fixtures are in place, said Mr Ismail, who is also the chief executive of Propnex.

If there are problems, the buyers' agent can delay the completion of the deal, he said.

HDB flat sellers typically pay a higher commission because of the additional advertising cost involved.

"An agent can easily spend \$300 to \$400 a month on twice-a-week classified advertisements," said Mr Ismail.

In private home deals, buyers typical-

ly do not pay a commission as their agent will typically take a cut of 0.5 per cent of the purchase price from the seller's agent, he said.

But there are exceptions. Agents serving foreign buyers new to Singapore usually charge a fee. This is because they provide extra services such as picking them up from the airport and taking them to the hotel, and then escorting them on the house hunt while advising them on the market.

Consumers should also know that agents do not keep the entire commission. Agencies typically take a cut of 10 to 30 per cent from each agent's deal.

New agents may get 70 per cent of the commission while the agency keeps 30 per cent, said Mr Koh.

"At the end of the day, it is whether the agent can help you close the deal at the price you want," said Mr Lu.

"If they are looking after your interests, they will help you negotiate a good price. That will be worth more than the commission you are paying them."

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BETTER SERVICE EXPECTED

Service levels in the fragmented and unregulated industry are set to improve once the Estate Agents Bill is passed. This is likely to happen later this year.

Consultations began last year but some details have already been made clear.

There will be higher entry requirements, such as a minimum of four GCE O-level passes and the need to take a mandatory industry examination.

All agencies will have to be licensed and all agents registered.

"Everyone will be responsible for their own actions knowing that they may end up losing their licence and registration number to practise," said Dennis Wee Group director Chris Koh.

Here are some other changes to expect:

■ Code of ethics

The proposed changes also include a code of ethics and professional conduct for agencies as well as property agents, said the Ministry of National Development.

"A failure to observe provisions in the code may render the estate agents and/or the salesman to disciplinary actions under the Bill," said Mr Norman Ho, a partner at law firm Rodyk & Davidson. "As such, this code would serve as a means to directly establish and enforce service standards in the industry."

■ No dual representation

The Consumers Association of Singapore has long maintained that agents should not take commissions from both the buyer and the seller as there is a potential conflict of interest.

This notion will largely be met under the new Bill: Agents will not be able to collect commissions from both the buyer and the seller.

In a private home transaction, the buyer's agent will continue the current practice in which he takes a cut of the seller's commission from the seller's agent.

Still, in future, the buyer may want to consider paying his own agent a commission to ensure his interests are best protected, said C&H Realty managing director Albert Lu.

■ Standard agreements

Exclusive sale agreements between clients and agents differ from agency to agency, but this will change under the new Bill.

There will be standard agency agreements between clients and agents.

If estate agency services are carried out without this required agreement, the agent will not be able to recover any fees or seek any legal remedy, the Government has said.

Details of this standard form contract have yet to be provided.

But Mr Ho expects that the agreement will greatly standardise the market practice among estate agencies and agents with regard to the scope and standard of services.