

Annexe B of Estate agency market in England and Wales

Business survey

March 2004

OFT693b

Full list of documents available on the estate agency study

Main report	Estate agency market in England and Wales	In hard copy from orderline (free of charge) and on web
Annexe A	Consumer survey	Web only
Annexe B	Business survey	Web only
Annexe C	International research	Web only
Annexe D	Competition case studies	Web only
Academic paper	The economic process of buying and selling	Web only
Orderline number	0870 60 60 321	
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1 SUMMARY OF KEY FINDINGS

- 1.1 Estate agency appears to be a relatively fluid business with a high turnover of premises. About a quarter of branches had been at their current business address for five years or less.
- 1.2 Membership of trade bodies is far from universal, and less than a third of responding branches belonged to the Ombudsman for Estate Agents Scheme.
- 1.3 The key activities of estate agents are concerned with finding a buyer and overseeing the transaction once a successful introduction has been made. More than half of estate agents also provide other services, such as giving mortgage and financial advice and property management.
- 1.4 The market for individual estate agents is essentially local. Properties handled are normally within a few miles of the branch, and typically the furthest competing estate agent is located within 5 miles.
- 1.5 Most respondents felt that the number of competitors had increased to some extent over the last five years.
- 1.6 Advertising, both of properties and their own businesses is mainly concentrated on local publications, though a high proportion of respondents reported having their own internet site. Despite this interest in the internet most respondents felt that specialist internet sites are of little significance at present.
- 1.7 A high proportion of respondents thought that a certain level of training should be compulsory for people working in estate agency.
- 1.8 Complaints are handled in a wide variety of ways. Over 60 per cent of respondents claimed always to be able to resolve complaints within the branch.
- 1.9 Virtually all estate agents base their fees on a percentage of the expected or actual selling price of the house. It is common for some negotiation to take place with clients. Flat fees are very rare.

- 1.10 Sole agency agreements are most popular with sellers. Between 20 and 25 per cent of branches include a 'ready, willing and able' term in their contracts.
- 1.11 There may be considerable variation between the values placed on a particular house by different estate agents. Overall about 36 per cent of houses were sold at or above their asking price.
- 1.12 About 70 per cent of respondents supported licensing for estate agents. Support remained strong even in the face of substantial annual licensing fees.
- 1.13 A similar level of support was obtained for compulsory membership of trade bodies, but support for compulsory membership of the ombudsman scheme was far lower.

2 BACKGROUND

Introduction

- 2.1 As part of the OFT's study of the estate agency sector it was considered desirable to conduct research targeted at estate agents both to understand how the estate agency business is conducted and to obtain the views of practicing estate agents on the potential for introducing beneficial changes to improve the operation of the market.
- 2.2 The survey summarised here was designed to complement the consumer surveys carried out on behalf of the OFT by WirthlinEurope, a market research agency.

Aims

- 2.3 The survey was designed to look at the house purchase process from the estate agents' perspective, in part to give balance to the views collected from buyers and sellers in the consumer surveys. It was also aimed at examining the nature of the market for estate agency services and collecting estate agents' views on how well the market is operating and how it might be improved.

Methodology

- 2.4 The research was carried out using a comprehensive postal questionnaire designed in-house by the estate agency study team. A small pilot was followed by an extensive mailing to 3,000 estate agency branches in England, Wales and Northern Ireland selected randomly from a sampling frame sorted by postcode to ensure a wide geographical coverage. Addresses were supplied by Yellow Pages. Follow-up letters and replacement questionnaires were sent to non-respondents after the response stream had slackened.
- 2.5 The questionnaires were prepared using SNAP software, and the same software was used for data preparation and basic analysis. Further analysis was carried out using SPSS.

2.6 Most of the 521 respondents completed the questionnaire in full. However, where response to individual questions fell short of this figure the percentages given in the tables are based upon the actual number of responses to the question. Base figures have been included in all tables to give an indication of the level of question non-response.

3 RESPONSE

Response rate

- 3.1 After strenuous response chasing some 521 useable responses were received. At 17 per cent the response rate was disappointing given that the survey gave individual estate agents the chance to influence a study that could have serious implications for the future of estate agency in England and Wales. It is possible that the length of the questionnaire may have discouraged response to some extent.
- 3.2 The relatively poor response rate raises the question of possible bias if certain categories of estate agent are under- or over-represented in the returns, though this would only be important if their responses differ in an important respect from respondents in other categories. Although such a self selection bias cannot be ruled out in this case the broad spread of responses on various criteria (see below) makes it unlikely that the results presented here are inaccurate enough to be misleading for the purposes of the research.

Regional representation

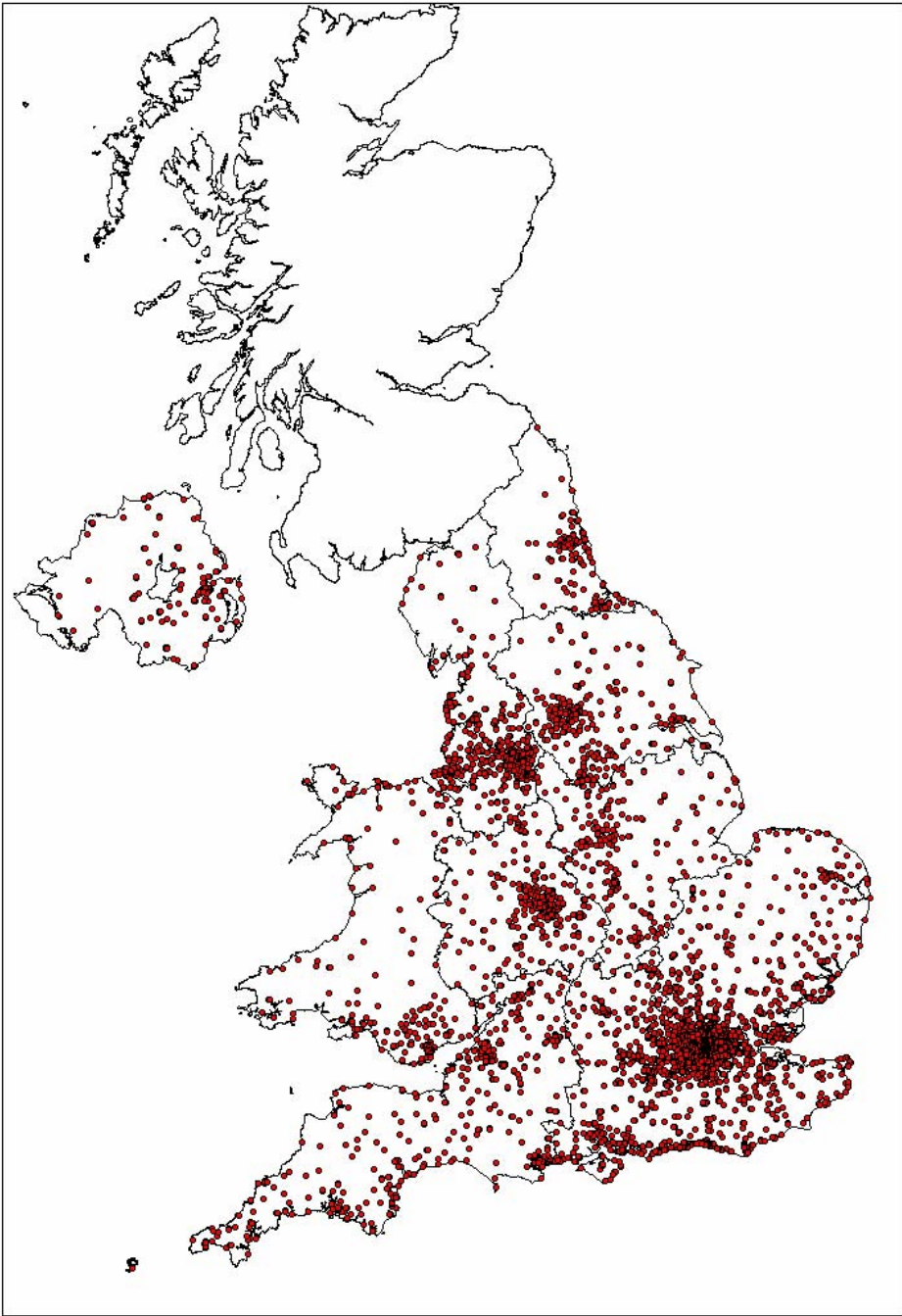
- 3.3 The survey attracted response from all of the geographic regions targeted. A comparison between the regional distribution of respondents where address details were available and the distribution of the 10,600 estate agent branches in the sampling frame (see table below), reveals only minor discrepancies. This suggests that the results are unlikely to have been be appreciably biased by differential regional response.

TABLE 3.1: REGIONAL DISTRIBUTION OF RESPONDENTS

Region	% of branches in population	% of branches in response
	(Base = 10,618)	(Base = 489)
North East	3.0	2.7
Yorkshire & Humberside	6.0	5.3
East Midlands	5.7	5.1
East	10.1	10.4
South East (inc. London)	41.8	39.3
South West	10.5	12.9
West Midlands	7.0	10.4
North West	9.2	7.2
Wales	4.2	4.5
Northern Ireland	2.5	2.2
Total	100.0	100.0

- 3.4 A map of estate agency locations known to us is shown overleaf. Since estate agencies tend to be heavily clustered a single dot on the map may represent several estate agency branches.

TABLE 3.2: LOCATION OF UK ESTATE AGENTS (EXCL SCOTLAND)



Representation of independents and small chains

- 3.5 As part of the study the OFT team had direct discussions with most of the large estate agency chains. The priority for this survey was, therefore, to obtain information from estate agencies that were either independent or part of small chains. Approximately 43 per cent of responses were from estate agents that were not part of a wider group or organisation. Of the rest some 86 per cent of responses were from agencies with 60 or fewer branches. Consequently, large chains appear to be somewhat under-represented in this survey, perhaps because in some cases responses were provided centrally.
- 3.6 In most instances results from independents were similar to those for respondents from chains. Where there were appreciable differences these are noted in the text below.

Date established

- 3.7 About a quarter of respondent estate agency branches had been in business in the same location for 5 years or less, and about half for 10 years or less. Some 20 per cent had been in the same location for more than 22 years. After that there is a long tail of increasingly venerable firms, with three claiming a pedigree stretching back further than 200 years.
- 3.8 It would seem that the survey has managed to capture responses from a wide variety of experience within the trade.

Employment

- 3.9 Unfortunately, when answering the question concerning employment levels many respondents appear to have given figures for their company rather than for their own branch. This makes it more than usually hazardous to draw conclusions from sub-categories of data. Nevertheless, using the median rather than the mean as a measure of central tendency it seems reasonable to conclude that a typical estate agency branch employs about 5 people, and there is no evidence to suggest that this figure varies greatly from region to region.

Membership of trade bodies

- 3.10 Seventy per cent of respondents reported that at least one member of staff belonged to the National Association of Estate Agents. Thirty-six per cent had membership of the Royal Institution of Chartered Surveyors, and 27 per cent claimed to belong to the Ombudsman for Estate Agents Scheme. About 15 per cent of respondents appeared not to belong to any of these organisations.

4 SERVICES TO BUYERS AND SELLERS

Buyers

- 4.1 Respondents were asked whether certain aspects of their service were 'very important', 'important', 'not very important' or 'not at all important' to buyers. These aspects are listed below in declining importance:

TABLE 4.1: VIEWS ON IMPORTANCE OF VARIOUS ESTATE AGENCY SERVICES TO BUYERS

Please show how important you feel the following aspects of using an estate agent are to buyers:		% of respondents replying 'very important' or 'important'
	base	
Providing convenient access to details of a wide variety of potential homes	516	99
Reducing stress of dealing directly with prospective sellers	515	93
Liaising between buyers, sellers and solicitors	516	97
Providing advice on the local area	515	91
Providing confidence that the selling/buying process conforms to current legislation	515	86
Providing advice on sources of finance	509	69
Providing security through accompanied viewings	513	61

- 4.2 Asked whether any other factors were important to buyers a small number of respondents commented along the lines that it was important that the buyer should have trust and confidence in the agent.

- 4.3 When asked about the services they actually provide for buyers the following results were obtained:

TABLE 4.2: SERVICES PROVIDED TO BUYERS

What services do you provide to buyers of property?	% responding
	(base = 521)
Accompanied viewing	98
Chasing solicitors	98
Handling/negotiating offers	97
Overseeing transactions	96
Residential lettings	68
Mortgage and financial advice	64
Property management	61
Holiday letting	6

- 4.4 There would appear to be a set of basic services that virtually all estate agents have to provide as part of their business, and a secondary stratum of services that not all estate agents choose to offer.

Sellers

- 4.5 Similar questions were asked concerning sellers. In the case of the importance of services response was here less variable, with nearly every factor attracting 'very important' or 'important' responses:

TABLE 4.3: VIEWS ON IMPORTANCE OF VARIOUS ESTATE AGENCY SERVICES TO SELLERS

Please show how important you feel the following aspects of using an estate agent are to sellers:		% of respondents replying 'very important' or 'important'
	base	
Providing advice on asking price	517	100
Providing convenient access to a wide range of potential buyers through advertising and marketing	517	99
Providing confidence that sale will be achieved	516	99
Providing effective negotiation at point of sale	514	99
Providing advice on selling factors	514	99
Liaising between buyers, sellers and solicitors	517	98
Reducing stress of dealing directly with prospective buyers	514	98
Ensuring the selling process is handled with due regard to current legislation	516	94
Providing security through accompanied viewings	513	90

4.6 Perhaps unsurprisingly sellers appear to be more concerned about security than buyers, but otherwise there is a good deal of consistency between estate agents views about buyers' and sellers' concerns.

4.7 Respondents were asked whether they thought anything important had been left out of the above list. A small number (about 1 per cent) said that obtaining the best sales price should have been included. Less positively, one respondent suggested 'someone to blame if things go wrong'.

4.8 In order to examine the ancillary services available from estate agents respondents were also asked about the services they provided to sellers,

other than finding a buyer for their property. A range of services are available from at least some estate agents, as shown below:

TABLE 4.4: SERVICES PROVIDED TO SELLERS

In addition to finding a buyer for your clients' property which of the services below do you provide to sellers?	% responding
	(base = 521)
Chasing solicitors	99
Overseeing the progress of the transaction	98
Checking buyers' financial status	89
Advising on letting as alternative to selling	72
Management of rented property	66
Guidance on financial services	63
Providing surveys or valuations for associated purchase	51
House sale by auction	32
Auctions of moveable property	14

- 4.9 Again, some of these services appear to be the central stock-in-trade of the estate agent, while others are more specialist activities carried out by some but not by others.

Specialist estate agents

- 4.10 Some 10 per cent of respondents claimed to specialise in particular types of property. In most cases this specialism was expressed as a price range, with a tendency to specialise in more expensive properties. Three respondents specialised in new properties, and six mentioned rural and country properties of various types.

- 4.11 The specialists were asked about the benefits of specialising to themselves and their clients, but the results were not particularly revealing and given the small number of responses they are not further analysed here.

5 COMPETITIVE FACTORS

Local competition

Catchment areas

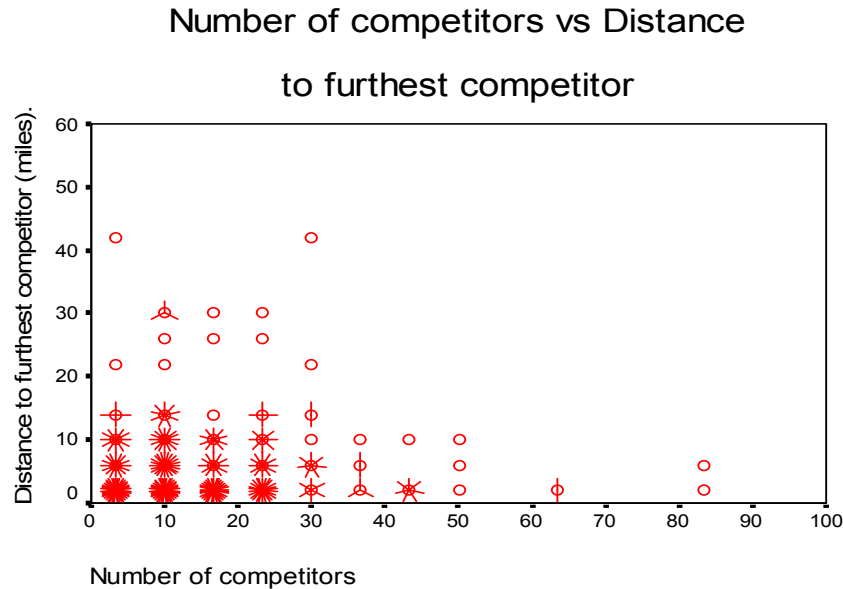
- 5.1 Only about 8 per cent of respondents (about a quarter of them specialists) claimed to offer for sale many properties more than 10 miles distant from their offices. The responses suggest that the markets served by estate agents are very local; 16 per cent of respondents handling mostly properties within 2 miles, just over 50 per cent of respondents mostly handling properties within 5 miles, and over 90 per cent of respondents mostly handling properties within 10 miles.
- 5.2 The figures given for the distance to their furthest competitor appear to confirm this view. The mean distance to the furthest competitor is less than 5 miles for all respondents, but about 14 miles for specialist estate agents, and even these figures may overstate the position for the typical estate agent because there are a number of extreme values in the data set. The median figure suggests that the furthest serious competitor for an estate agency branch would typically be between one and two miles away.
- 5.3 These results are also consistent with agents' preferences for advertising in local rather than national publications (see paragraphs 5.11 to 5.13 below).

Numbers of competitors

- 5.4 On average estate agents considered that they competed with 14 other estate agencies, though this figure is influenced by a number of very high figures from certain respondents. The median figure of 10 is probably a better indicator of rivalry for the typical branch.
- 5.5 The information on numbers of competitors and distances to the furthest competitor are combined in the graph below. Here, because a normal scatter diagram would have been very crowded with dots, 'sunflowers'

have been used to show where the weight of data is concentrated. On each sunflower the number of 'petals' shows the number of observations falling into the area covered.

TABLE 5.1



Response to competitive pressure

- 5.6 Only 4 per cent of respondents reported the number of competitors being less than it had been 5 years ago. More than 60 per cent of respondents felt that the number of rivals had increased over that period. This effect was particularly marked in the South East, where some 72 per cent of respondents reported an increase in competition while only 3 per cent replied to the contrary. The only region where the percentage of estate agents experiencing fewer competitive pressures than 5 years ago fell below 50 per cent was the North East, though the figure of 31 per cent should not be regarded as robust because of the small number of responses from that region.
- 5.7 Interestingly, after excluding a small number of implausibly high responses, those reporting increased competitive pressure tended also to report a statistically significantly larger number of competitors (14 on average) than those where the number of competitors had stayed the same (9 on average).

- 5.8 Respondents were asked how they would respond to an increase in competition in their local area. The most favoured responses were to increase local advertising and to offer incentives or discounts to sellers. Fewer than 30 per cent of respondents said that they would attempt to expand their operations into other areas.
- 5.9 Similarly, estate agents appear to have little fear of do-it-yourself house sellers, 86 per cent of respondents reporting that such activity was of little significance.

Future plans

- 5.10 When asked about their short-term plans 33 per cent of respondents said that they had plans to expand in the next 12 months. Chain estate agents were much more likely than independents to report short-term expansion plans, though this may overstate the position somewhat since several branches of a chain may be included in the sample.

Local links

Advertising and promoting the business

- 5.11 When asked about the methods employed to advertise or promote their businesses respondents decidedly favoured local options such as for sale boards, leafleting and advertising in local newspapers, though a high proportion also mentioned having their own internet sites. The full table is below:

TABLE 5.2: ADVERTISING AND PROMOTION METHODS

What methods do you use to advertise or promote your business?	% responding
	(base = 521)
For sale boards	99
Advertising in Local Newspapers	96
Own internet site	90
Leafleting	77
Sponsoring local events	63
Advertising in specialist property magazines	58
Advertising in national newspapers	32
Seminars	7

Advertising and promoting properties for sale

- 5.12 An equally polarised picture emerges when looking at the publications used by estate agents to market properties for sale. The main focus is on local advertising:

TABLE 5.3: PUBLICATIONS USED FOR PROMOTION

What publications do you use to promote your properties?	% responding
	(base = 521)
Local newspapers	96
Local general magazine	30
Local property magazine	48
National newspaper	29
National general magazine	9
National property magazine	20
Own branch internet site	80
Group internet site	65
Unrelated commercial internet site	28

- 5.13 Eighty-eight per cent of respondents said that they had no commercial links with the publications in which they advertised property. Some 7 per cent did have commercial links, some publishing their own property magazines but mostly as shareholders in property magazines or internet portals.

Other business links

- 5.14 Respondents were asked whether they had any formal business links with other businesses. Links with mortgage advisers were quoted by 46 per cent of respondents, with far lesser responses for Surveyors (13 per cent), Solicitors (11 per cent), other financial or investment companies (9 per cent), building societies (7 per cent), and house builders (4 per cent). Chain estate agencies were much more likely to have formal links with solicitors than were independents.
- 5.15 Forty-three per cent of respondents claimed to have no formal business links with other businesses.

The internet

- 5.16 The local focus of estate agents appears also to be reflected in their attitude to specialist internet sites. Only 3 per cent of respondents believed that specialist internet sites provided strong competition, with two-thirds of respondents saying that such sites were of little significance. Seventy- nine per cent of respondents did not expect this situation to change significantly in the near future as long as estate agents embraced new technology, though about a third conceded that competition from internet sites was likely to strengthen.
- 5.17 On the other hand the internet has become an important source of business for some estate agents with 43 per cent of respondents who use the internet saying that more than a tenth of their business comes through that route. However, only 3 per cent of respondents claimed that more than half of their business comes through the internet.

6 EASE OF ENTRY

- 6.1 About 40 per cent of respondents thought that it was very or quite easy to set up business as an estate agent; about 60 per cent thought it was quite or very difficult.

- 6.2 Only 6 per cent thought that a new estate agency business would be able to make a trading profit in the first year of trading, but nearly 60 per cent of respondents thought this should be possible by the second year and over 90 per cent thought it should be possible by the third year.

7 TRAINING AND QUALIFICATIONS

Desirable levels of training and qualifications

- 7.1 A high proportion (over 90 per cent) of respondents thought that it should be compulsory for at least some staff working in estate agencies to have certain qualifications or to have undertaken certain types of training. Of these roughly half believed that training should be compulsory only for specified staff.
- 7.2 The table below gives the percentages believing that the listed levels would be appropriate:

TABLE 7.1: VIEWS ON LEVEL OF TRAINING APPROPRIATE FOR ESTATE AGENCY STAFF

What would you suggest the correct level of training/qualification should be for staff working in estate agencies?	For principals (%)	For other staff (%)
	(base = 521)	(base = 521)
Basic training in communications and sales skills	51	72
Basic understanding of estate agency acquired 'on the job'	52	74
NVQ level 2	10	21
NVQ level 3	12	15
Certificate of Practising Estate Agents	43	28
Basic training by professional bodies	52	40
Advanced training by professional bodies	49	11

- 7.3 When asked what benefits would accrue from their preferred level of training respondents gave the following responses:

TABLE 7.2: PERCEIVED BENEFITS FROM HAVING TRAINED STAFF

What benefits to the industry and to consumers would result from the level of training you have in mind?	% responding
	(base = 467)
Would boost consumer trust and respect	84
Would improve industry's profile with the general public	85
Would discourage undesirable people from entering the profession	81
Would increase self respect of estate agents	56
Would improve prospects for people working in estate agencies	51

Actual levels required

- 7.4 Later in the questionnaire respondents were asked about the level of qualifications and skills they actually require of their staff. Comparison of Table 7.3 with Tables 7.1 and 7.2 suggests that many employers are prepared to accept a lower standard of training in their staff than they would ideally wish to see, especially where more formal training is concerned.

TABLE 7.3: ACTUAL LEVELS OF TRAINING

What qualifications or skills do you actually require your staff to possess?	For principals (%)	For other staff (%)
	(base = 521)	(base = 521)
Basic knowledge of estate agency	78	86
Good communication/people skills	82	93
Typing skills	23	68
IT/computer skills	54	82
Foreign languages	4	4
Negotiating skills	78	72
Management skills	76	18
NVQ level 2	5	6
NVQ level 3	3	6
Certificate of Practising Estate Agents	14	4
Basic training by professional bodies	37	24
Advanced training by professional bodies	31	7

Training provided

7.5 Most estate agencies provide staff with basic 'on the job' training, but few have an in-house training department to promote training in estate agency. The training services provided by respondents are shown below:

TABLE 7.4: WHAT TRAINING IS PROVIDED

What training services do you provide for staff?	For principals (%)	For other staff (%)
	(base = 521)	(base = 521)
'On the job' training on estate agency	59	92
NAEA or other courses provided by professional bodies	47	46
Day release to attend NVQ level courses	5	18
Negotiating skills training	37	58
Management training	39	20
Personal development records	22	28
In-house training officer	17	22
In-house training department	13	17

8 STANDARDS OF SERVICE

Customer satisfaction

- 8.1 Sixty-three per cent of respondents had no standard procedure for assessing the level of customer satisfaction with the service delivered by the branch either to buyers or sellers. About a third reported that they did have a procedure for monitoring customer satisfaction among sellers, and a little over a quarter said they had a similar procedure for buyers. Branches belonging to a wider group or organisation were somewhat more likely than independents to have monitoring procedures of some sort in place – 40 per cent against 28 per cent for sellers, and 33 per cent against 21 per cent for buyers.

Complaints

Complaints procedures

- 8.2 About two-thirds of respondents claimed to have some form of internal complaints procedure. However, from the descriptions supplied it is difficult to judge how formal these are. In many cases it would appear that the procedure is simply to pass complaints to the owner or a more senior manager, principle, partner or director. A small number of respondents mentioned having a complaints department, or someone designated to look after complaints. About 6 per cent of respondents mentioned abiding by the OEA procedures and a similar number mentioned following the RICS complaints procedure.

- 8.3 Most descriptions given of the complaints procedure were sketchy with responses along the lines of 'the owner listens to all complaints', and 'the manager/ partner/ principal/ director deals with all complaints', with one more positive respondent reporting that he would 'speak to the principal who will resolve any problem instantly'.
- 8.4 Chains were more likely to have an internal complaints procedure in place. About 80 per cent of branches that were part of a chain claimed to have such a procedure; the equivalent figure for independent estate agents was 50 per cent.

Complaint history

Buyers

- 8.5 Seventy-eight per cent of respondents claimed that less than 1 per cent of buyers made a complaint about their service. Fewer than 2 per cent of respondents admitted that more than 5 per cent of buyers did so.
- 8.6 By far the most often quoted cause for complaint by buyers was delays caused by solicitors (81 per cent of respondents reported this as a regular cause of complaint). The full list is given in the table below.

TABLE 8.1: VIEWS ON WHAT BUYERS ARE MOST LIKELY TO COMPLAIN ABOUT

In your experience what are buyers most likely to complain about?	% responding
	(base = 496)
Delays by solicitors	81
Not taking property off the market following a successful offer	36
Lack of properties offered	26
Not being informed about suitable properties on the market	25
Lack of information on sellers' intentions	19
Difficulties arranging viewings	18
Post sale problems with fixtures and fittings	16
Handling of offers	13
Time taken to arrange sale	13
Misleading details (following survey)	5

Sellers

- 8.7 Respondents reported a similarly low percentage of complaints from sellers, with 80 per cent receiving complaints from less than 1 per cent of their clients. Solicitors again featured highly in the list of causes for complaint (see below).

TABLE 8.2: VIEWS ON WHAT SELLERS' ARE MOST LIKELY TO COMPLAIN ABOUT

In your experience what are sellers most likely to complain about?	% responding
	(base = 499)
Delays by their own solicitors	78
Shortage of viewings	55
Time taken to sell	49
Lack of feedback on viewings	40
Lack of information on buyers' intentions	24
Lack of advertising	11
Time taken to prepare property details	6

Complaint resolution

- 8.8 Over 60 per cent of respondents claimed always to be able to resolve complaints within the branch, and a further 37 per cent said that they were mostly able to do so.
- 8.9 Where it was not possible to resolve disputes locally respondents mentioned the ombudsman scheme (29 per cent), a professional association scheme (32 per cent), or the small claims court (11 per cent) as possible avenues of redress for complainants.

9 FEE STRUCTURES

Fee levels

- 9.1 Respondents were asked to describe their fee structures for sellers. About a quarter of respondents did so in such broad terms that their replies were not revealing for the purposes of the research. Nevertheless, some general trends emerge. It is quite clear from the replies that the vast majority of estate agents charge fees based upon a percentage of the actual or expected selling price of the property. About a quarter implied that their fees were negotiable to some extent, though in most cases within narrow bounds. Over 40 per cent gave no indication that there was any flexibility about their charges, and only 6 respondents suggested that they would tend to charge a lower rate for selling more expensive properties.
- 9.2 The issue of flat fees appears to have caused some difficulty for respondents. Some took it to mean a fixed fee negotiated with individual clients, which in many cases may simply mean the monetary value of a percentage fee worked out on the asking price of the house rather than the eventual selling price. One respondent wrote: 'Example – if percentage result is £1600 we will round down to £1500, it sounds better'. Others clearly interpreted the term to mean that they charged everyone the same percentage fee. The number of agents employing true flat fees across all clients appears to be very low. Only three respondents clearly charged flat fees, and all of them appeared to have two levels of flat fee depending on the price of the property.
- 9.3 About 20 per cent of respondents said that they charge a minimum fee for handling cheaper properties.

What is included in the fee?

- 9.4 Certain services are virtually universally included in the fee. These include advertising in local newspapers/magazines, the internet and window displays; erection of boards; negotiation with potential buyers; accompanying viewings; and advising on the presentation of the property. All of these aspects were stated to be inclusive by more than 90 per cent of respondents. Colour brochures were only slightly less universally provided (84 per cent), but the production of floor plans was included

only by about a quarter of respondents. A very small number of agents did quote additional fees for accompanied viewing, virtual tours, colour advertisements and, in one case, even provision of a for-sale board.

Negotiation with sellers

- 9.5 Respondents were asked what percentage of their clients negotiated fees with them. Slightly more than half of responding agents said that 50 per cent or more of their clients did negotiate fees, and about three-quarters of agents said that more than 20 per cent of clients did so. At the other end of the scale some 6 per cent of agents reported that less than 1 per cent of their clients negotiated fees.
- 9.6 Respondents were also asked to quote the maximum percentage discount offered to clients during the last year. Nearly 10 per cent of agents claimed not to have discounted any fees during the last year, and more than 20 per cent quoted a figure of 1 per cent or less. On the other hand nearly a quarter of respondents claimed to have given discounts of up to 50 per cent during the year. Responses above this figure were rare. It is important to bear in mind that these are **maximum** discounts from what agents considered to be their normal fees. It is unclear under what circumstances the discounts were granted and how common an occurrence this was for individual estate agencies.

10 TYPES OF AGREEMENT

Terms offered

- 10.1 A high proportion of responding estate agents reported that they offered sole agency and joint/multiple agency agreements to their clients. About a quarter of respondents offered sole selling agreements in addition to sole agency agreements. A very small number only offered sole selling terms.
- 10.2 Sole agency was clearly the most favoured by clients with about 75 per cent of respondents quoting it as the most popular method of sale. In fewer than 5 per cent of cases did agents say that sole selling was most popular with their clients.
- 10.3 Approaching 90 per cent of agents reported that where sole agency agreements were employed the minimum length of time specified in the contract was 3 months or less, though a few were as long as 6 months. More than 15 per cent reported no minimum period, and a number did so emphatically. In more than 40 per cent of cases the minimum period was less than a month.
- 10.4 Respondents were asked about their practice when clients wished to withdraw from exclusive contracts. One respondent helpfully commented that 'withdrawal fees are rare in England and Wales with 99.9 per cent with no withdrawal fee'. However, 82 out of 521 respondents said that they would levy such a charge under some circumstances. On the amount practice varied widely. About a quarter of those who did levy fees only specified a nominal amount up to £100 + VAT, although amounts up to £750 + VAT were mentioned by others. Others required a percentage of the reserve selling price or a proportion of the fee they would otherwise have earned. Some were content with recouping costs incurred for advertising and brochures.

Ready, willing and able clauses

- 10.5 Ready, willing and able clauses appeared in between 20 per cent and 25 per cent of sole, joint, and multiple agency agreements where these were offered. The incidence of such terms was much higher, about 45 per cent, in sole selling agreements.

11 FINANCIAL SERVICES

- 11.1 Over 60 per cent of respondents reported that financial advice was available from their office, either from their own staff or another financial adviser operating from their premises. Of these, about one third were restricted to advising on the products of only a limited number of companies.
- 11.2 Perhaps surprisingly it would appear that a broadly similar number of buyers and sellers obtain a product or service from estate agencies as a result of the house buying process. The experience of individual estate agencies varies widely, however, with about 20 per cent reporting that more than a fifth of buyers obtained a product or service, and another fifth reporting that fewer than 2 per cent of buyers did so. A similar picture arises with sellers where about 16 per cent of respondents reported that more than a fifth of sellers obtained a product or service, and about 26 per cent reported that fewer than 2 per cent of sellers did so.
- 11.3 On average, responding estate agents reported that financial services accounted for slightly less than 10 per cent of both turnover and profit. For some, however, financial services were much more important and these instances have tended to drive the average up somewhat. The median figure for both turnover and profit is 5 per cent, and this is more likely to be typical of estate agents as a whole.
- 11.4 When asked about the importance of financial services to the profitability of the business responses were well balanced:

TABLE 11.1: PERCEIVED IMPORTANCE OF FINANCIAL SERVICES
PROVISION TO AGENCY'S PROFITABILITY

How important do you regard the provision of these products or services to your agency's profitability?	% responding
	(base = 464)
Very important	25
Important	27
Not very important	27
Insignificant	20

12 VALUATION OF PROPERTY

- 12.1 Virtually all agents agreed that local knowledge was either crucial or very important in valuing a property. When asked what methods they used to value a property more than 95 per cent of respondents reported relying upon experience of the local market and comparing the property with recently sold similar properties. Forty-three per cent said that they would search the internet for similar properties for sale in the location, and about 35 per cent would extrapolate from the original purchase price if this was known. Only 17 per cent would rely upon the opinions and needs of the vendor.
- 12.2 In order to obtain some idea of how accurate estate agents felt that their estimates of property values were likely to be they were asked about the expected spread of quotes likely to be obtained by a client from a range of estate agents. From the table below it is clear that variations of 10 per cent or more are not uncommon.

TABLE 12.1: VIEWS ON LIKELY SPREAD OF QUOTES BETWEEN AGENTS

If a client obtained several quotes for the value of a house from different estate agents in your local area would you expect the difference between the maximum and minimum quotes to be:	% responding
	(base = 513)
Less than 5%	16
More than 5% but less than 10%	58
More than 10% but less than 20%	23
More than 20%	4

- 12.3 Overall respondents reported that about 36 per cent of properties were sold at or above their asking price. Experience varied considerably from region to region, as shown below:

TABLE 12.2: PERCENTAGE OF PROPERTIES SOLD AT OR ABOVE ASKING PRICE

Approximately what percentage of properties do you sell at or above the original asking price?	% of respondents
<i>Regional base in brackets</i>	
Yorkshire and Humberside (26)	63
Northern Ireland (11)	57
North West (35)	53
Wales (22)	44
East Midlands (25)	42
South West (63)	38
North East (13)	36
East (51)	32
West Midlands (51)	31
South East (192)	27
Total (489)	36

13 RELATIONSHIPS WITH CLIENTS

Sellers

Valuations and asking prices

- 13.1 Slightly more than 70 per cent of respondents said that it was extremely or very common for sellers to put an inflated value on their property, where 'very common' was specified as more than 20 per cent of people. When asked whether they would accept instructions to sell at an unrealistically high price most respondents hedged their bets by saying 'possibly'. Only 15 per cent of respondents said that they would definitely do so, with twice as many claiming that they would not.
- 13.2 Interestingly, those agents who refused to market a property at an unrealistically high asking price were significantly more likely to claim higher percentages of sales at or above the original asking price than agents who said that they were prepared to accept an unrealistically high instruction (31 per cent against 40 per cent).
- 13.3 Respondents were asked in what circumstances they would advise a seller to reduce the asking price for a property. Three-quarters or more of respondents quoted the following factors as the main reasons for taking such action: 1) belief that the vendor's initial asking price had become unreasonable in the current market, 2) no offers attracted despite many prospective buyers having viewed, 3) client requires early sale, 4) receipt of an adverse survey report. About half of respondents said that if initial advertising prompted no response that might result in advice to the vendor concerning the price level.

Negotiations

- 13.4 About 80 per cent of respondents said that they would advise sellers on which offer to accept if it seemed appropriate to do so. A further 11 per cent would give advice if asked.
- 13.5 Respondents were also asked whether they would normally advise clients to keep their property on the market (i.e. actively marketed) after an offer had been received and accepted. Only a relatively small number of agents

had a firm policy on this matter, with 28 per cent saying that they would never do so and 19 per cent saying that they would always do so. For most their advice would depend on other factors, including how good the offer was and whether or not the buyer was in a position to proceed rapidly with the purchase.

Buyers

- 13.6 Although the focus of estate agents is on service to the sellers who instruct them a small number of agents also mentioned the need to behave in a moral and ethical fashion towards buyers. However, it appears to be relatively uncommon for buyers to be provided with any formal guidance on the buying process before an offer is made, and even at that stage advice is mostly restricted to pointing out that the agent acts for the vendor and that they have a legal requirement to put all offers received forward to the vendor.

14 VIEWS ON FUTURE CHANGES

Desirability of licensing

- 14.1 About 70 per cent of respondents held the opinion that estate agents should be licensed. Compulsory licensing was supported by 61 per cent of respondents, and a number supported this contention in unsolicited comments elsewhere on the questionnaire.
- 14.2 Support for licensing remained strong even when substantial costs would be incurred. Ninety-three per cent of supporters of licensing would remain committed if there was an annual licensing fee of £100. Support dropped consistently but slowly when higher amounts were suggested, but remained at nearly 60 per cent with a £500 annual fee, and only dropped to 42 per cent if a £1,000 annual fee was involved. Supporters of licensing felt that licensing would have the following positive effects on the industry:

TABLE 14.1: PERCEIVED BENEFITS OF LICENSING

What benefits to the industry and to consumers do you think would result from licensing?	% responding
	(base = 362)
Prevent unscrupulous agents from continuing to trade	95
Give estate agents a better public profile	89
Increased peace of mind for clients	88
Offer the prospect of legal redress for serious misdemeanours (i.e. loss of licence)	86
Provide certainty for agents concerning expected standards of behaviour	83
Industry could justify higher fees to clients	35

Desirability of compulsory membership of trade bodies

- 14.3 Just over 70 per cent of respondents agreed that membership of a professional/trade body should be made compulsory for estate agents. About 20 per cent said that it should not be compulsory, and approximately 5 per cent were undecided or did not reply.

Desirability of compulsory membership of the Ombudsman scheme

- 14.4 A rather different picture emerged when respondents were asked a similar question about membership of the ombudsman scheme. Here 39 per cent were in favour of membership being compulsory, 46 per cent were against, and 15 per cent either did not answer the question or were undecided.
- 14.5 A number of respondents commented that it was unnecessary to belong both to a trade body and the ombudsman scheme, and lack of teeth was mentioned by several other respondents.

Suggestions for changes to legislation

- 14.6 Thirty-eight per cent of respondents felt that the current legislation covering estate agents is adequate to ensure ethical conduct by estate agents, but more than 50 per cent of respondents thought it was not. When asked about the effectiveness of the current regulations only 8 per cent said that they were very effective, though a further 49 per cent thought they were fairly effective. 35 per cent believed the current regulations were not very effective, and 8 per cent thought them totally ineffective.
- 14.7 Widespread support for compulsory licensing has already been mentioned above, as has support for compulsory membership of trade bodies (but not the ombudsman scheme). Fifty-eight per cent of respondents also supported introducing a minimum qualification for estate agents, and 35 per cent supported financial penalties being imposed on the vendor or purchaser for unnecessary delay after the sale had been agreed.
- 14.8 Other suggestions made by more than one respondent were non-returnable deposits for both buyers and sellers, and financial penalties on solicitors who incurred unnecessary delay.
- 14.9 About a quarter of respondents would support the introduction of the Scottish system to the rest of the UK. A number of respondents also championed the Australian, US and New Zealand systems.