

Home Buying and Selling Market Study

Survey of estate agents

February 2010

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1 EXECUTIVE SUMMARY

- 1.1 As part of the OFT's Market Study of Home Buying and Selling, we conducted a survey of estate agents¹ between 12 August and 7 September 2009. Invitations were sent out to 13,849 estate agencies and responses were received from 798 (a response rate of six per cent).
- 1.2 Some respondents worked in estate agency branches that had been recently established, with about a fifth (18 per cent) in branches established no more than five years ago. Others worked in branches with a longer history, with 69 per cent of respondents working in branches established for at least 10 years.
- 1.3 Six per cent of respondents reported that their branch belonged to a franchise.
- 1.4 On average, respondents said that in the first half of 2009, they carried out 20 property appraisals and made five sales per month.
- 1.5 Estate agents most frequently identified local reputation as the most important factor in attracting sellers to use their services rather than their competitors', with 73 per cent stating that it was 'very important'. Quality of service and access to internet property portals – such as Rightmove and Digital Property Group – were also considered important, with 57 per cent and 53 per cent of estate agents, respectively, stating that these were 'very important'.
- 1.6 Attracting sufficient sellers was identified as the most significant barrier to opening a new estate agency business, with 57 per cent of estate agents considering this a 'substantial hurdle'.

¹ Where we refer to estate agents in this annexe we mean estate agent businesses that responded to the OFT invitation to complete the OFT's online survey questionnaire.

- 1.7 By far the most common estate agency fee arrangement, used in three quarters of cases (75 per cent), was the payment of a percentage of the final property selling price if the property was sold. Where charges were based on a percentage of the property price, estate agents in the first half of 2009 charged, on average, 1.6 per cent when acting as a sole agent. Just over a quarter (28 per cent) of sellers successfully negotiated a fee below that offered as standard.
- 1.8 The next most common arrangement, used in just over a fifth of cases (21 per cent), was a flat fee, payable only if the property was sold, which did not vary with the final property selling price.
- 1.9 The most common marketing tools used by estate agents were their own branch's website, used 'very often' by 93 per cent, and internet property portals used 'very often' by 92 per cent. Over a third of estate agents thought that more than 50 per cent of their sales originated from internet portals.
- 1.10 Forty-three per cent of estate agents stated that in the first half of 2009, 20-30 per cent of property transactions failed subsequent to an offer being accepted by the seller. 'Problems elsewhere in the chain' was the most commonly identified cause stated for property transactions falling through, with 32 per cent of estate agents stating that this was 'very often' or 'often' the reason for the transaction failure.
- 1.11 Buyers' solicitors were blamed by respondents for delays in the property transaction process, with almost a third of estate agents (31 per cent) indentifying them as the most common source of delay.
- 1.12 On average, responding estate agents stated that almost two-thirds (65 per cent) of clients opted to use the in-house or referred to service for Home Information Pack (HIP)/ Home Report (HR) provision.
- 1.13 Of those estate agents that received referral fees from solicitors, 57 per cent said that they received a commission fee of less than £150 and 38 per cent received a commission fee in the region of £250-£299.

- 1.14 Of those estate agents that received referral fees from solicitors, over half (53 per cent) informed their clients of the size of the fee. A further 28 per cent informed their client about the existence of the fee, but not the amount. Nearly all (92 per cent) of estate agents that received referral fees from lenders said they informed their clients of both the existence of the fee and its amount.
- 1.15 Sixty-four per cent of estate agents said they didn't think that estate agents should be obliged to disclose the level of any referral fee or other financial benefit received from services offered to buyers (not just the existence).
- 1.16 Eighty-three per cent of estate agents said they would support positive licensing of estate agents.
- 1.17 Eighty-nine per cent of estate agents said they thought regulations need updating to address new estate agency models (for example internet-based estate agents).

2 METHODOLOGY

- 2.1 On 31 July 2009 there were 12,715 UK estate agents on the Experian (Yellow Pages) database. Although this is not an ideal database as it only contains those businesses advertised in Yellow Pages (and excludes businesses whose main trade may be a different activity) it was the most complete source available to us.
- 2.2 The Experian database categorises businesses based on the section of the Yellow Pages in which they chose to advertise. For this reason we suspected that some Scottish solicitors that do indeed operate estate agency functions, may have been listed in the solicitors section, and would therefore be missing from the estate agency database. To overcome the potential problem of under coverage in Scotland that this would cause, data for solicitors in Scotland (1,134 businesses) was also included. All businesses on the combined database were then invited to participate in our survey of estate agents.
- 2.3 The covering letter² sent to the majority of these businesses may be found at the end of the report in Annexe 1 along with a copy of the questionnaire in Annexe 2. We did not sample from the database as in recent years OFT postal and online surveys have been subject to low response rates and it was only likely that we would achieve an ideal minimum sample size if we contacted every business.
- 2.4 The practices of individual estate agency branches, even those that form part of a large organization with centralized procedures, are known from industry advice to differ on a location by location basis. With this in mind a branch level approach was chosen in order to capture this variation.
- 2.5 A small pilot was conducted by a number of volunteer estate agents and trade associations, including Royal Institute of Chartered Surveyors (RICS) the National Association of Estate Agents (NAEA) and the

² A slightly modified cover letter was sent to business in Scotland that asked that solicitors not involved in Estate agency to ignore the invitation to complete the questionnaire.

National Federation of Property Professionals (NFOPP), provided feedback on the draft survey, highlighting problems and any questions they found difficult to answer or irrelevant. Comments were also sought from the Scottish Government, Communities and Local Government and the Department for Business, Innovation & Skills. The feedback we received was used to develop the final version of the questionnaire.

- 2.6 The survey of estate agents was conducted online. A small number of respondents requested a paper version of the survey. The covering letter sent to participants by an external mailing company contained a link to the survey together with a unique username and password. Fieldwork took place between 12 August and 7 September 2009. Reminders were sent to non-respondents at the end of the second week of fieldwork.
- 2.7 The questionnaire asked respondents to provide some data for 2009 and specified that this should relate to just the first half of 2009. Where results for 2009 are presented in this annexe they represent 1 January 2009 to 31 June 2009. Comparisons made between 2009 and other years therefore do not take into account any seasonal variations.

3 RESULTS

Respondents

- 3.1 Table 3.1 on the next page shows a regional breakdown of responses, along with details of the number of estate agents in each region invited to participate in the survey, and the associated response rate. The response rate did vary within the regions, with the highest (nine per cent) in the East Midlands and the lowest (four per cent) in London.
- 3.2 In Scotland 25 responses were received from the 593 listed estate agencies, while 34 responses were received from the 1,133 solicitors that were contacted (although a large proportion of these will not have been involved with estate agency work and so were ineligible for the survey). Because the exact number of solicitors that participate in estate agency work is unknown, it is not possible to calculate a response rate for Scotland. There were 39 responses from estate agents in Wales yielding a six per cent response rate, 22 from Northern Ireland yielding a seven per cent response rate, and 687 from England yielding a six per cent response rate. The overall response rate for the UK as a whole equates to six per cent.
- 3.3 Of the 13,820 invitations sent out, 760 were returned to sender. If it is assumed that all of these were returned due to the associated businesses leaving the market, the resulting response rate rises to seven per cent.
- 3.4 With the response rate being so low (six per cent) it is likely that the survey results suffer from non-response bias. That is, the characteristics and attitudes of those who chose to respond differ systematically from those who did not respond. Therefore, it would be incorrect to generalise the findings of this survey to the population and they must only be considered representative of those who responded.
- 3.5 One business was unable to provide branch-level responses and submitted a single centralised response that represented a number of separate branches. In producing the survey results, the data for this

particular firm was weighted in order for it to represent the correct number of branches. All other responses in the analysis were un-weighted.

Table 3.1: Regional breakdown of survey respondents

	Estate agencies invited to participate	Number of responses from estate agencies	Solicitor estate agents invited to participate*	Number of responses from solicitor estate agents	Response rate
East of England	1217	108			9%
East Midlands	669	34			5%
London	2844	117			4%
North East	368	19			5%
North West	1085	66			6%
South East	2119	132			6%
South West	1245	106			9%
West Midlands	920	49			5%
Yorkshire And The Humber	775	47			6%
England total	11242	678			6%
Wales	526	39			7%
Scotland	593	25	1133	34	
Northern Ireland	326	22			7%
Total	12687	798			6%

* this chart includes some solicitors that do not participate in estate agency work

Estate agency background information

- 3.6 On average the individual estate agents that completed the questionnaires had been involved with estate agency for 22 years.
- 3.7 Only a small proportion (six per cent) of estate agencies reported that their branch was a franchise.
- 3.8 Less than a fifth (18 per cent) of the estate agent branches had been established in the last five years. Twelve per cent had been established between five and 10 years, 25 per cent between 10 and 20 years, and 45 per cent over 20 years.

3.9 On average each responding branch had four full-time equivalent employees³ (FTE) on 31 April 2009. This was down from five on the same date in 2008 and six in 2007.

3.10 Estate agents were asked about the area over which they offered most of their properties for sale. On average estate agents in England sell properties that are close to their branch, with 55 per cent of them being within five miles. In Scotland, Wales and Northern Ireland estate agents mostly offered properties for sale that were within 10 miles of their branch⁴ as shown in Table 3.2. Only three per cent of estate agents typically marketed properties further than 10 miles from their branch.

Table 3.2: Area over which properties typically offered for sale

	UK (798)	England (678)	Wales (39)	Scotland (59)	Northern Ireland (22)
within 1 mile of the branch	5%	6%	0%	3%	0%
within 2 miles	18%	19%	3%	14%	5%
within 5 miles	51%	55%	38%	25%	23%
within 10 miles	23%	18%	55%	49%	68%
more than 10 from branch	3%	2%	5%	8%	5%

³ Full time equivalent employment is a measure that accounts for variation in the number of hours per week worked by employees. For example two employees that work part time (20 hours per week) equate to one full-time (40 hours per week) equivalent employee.

⁴ This result is significant at the 95 per cent confidence level.

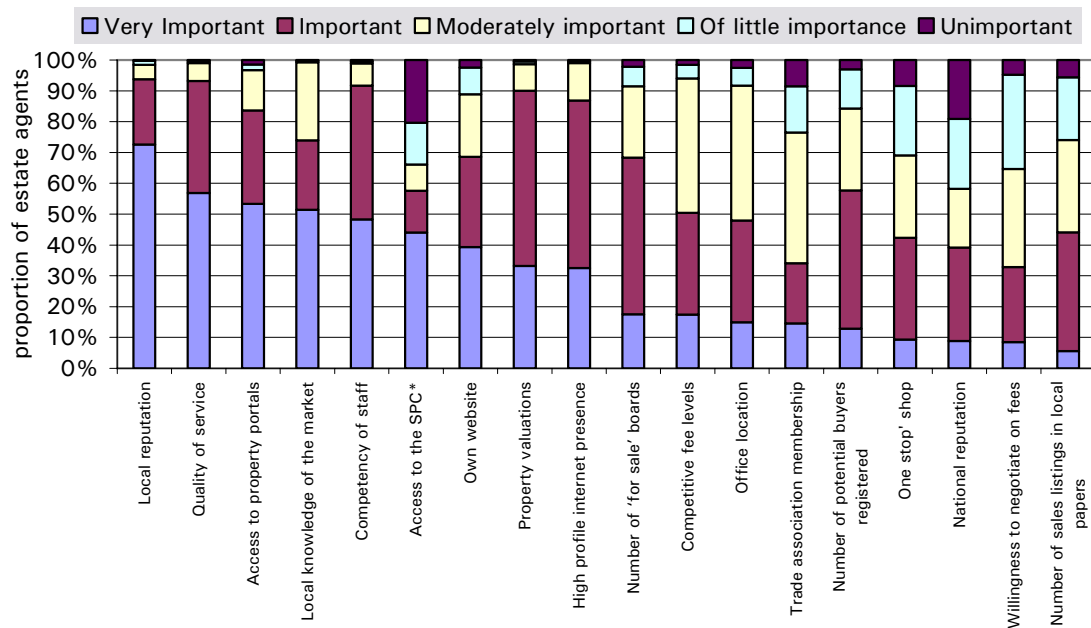
Activity levels and profitability

- 3.11 In 2009 responding estate agents made an average of 20 property appraisals per month. This was unchanged from 2008, but below the 2007 figure of 28.
- 3.12 In 2009 responding agents made an average of five sales per month. This was unchanged from 2008, but down from nine per month in 2007.
- 3.13 Forty per cent of responding estate agents made a profit in 2009. This was up from 31 per cent in 2008, but down from 86 per cent in 2007.

Market factors

3.14 Estate agents were asked to state the importance of factors attracting sellers to their agency rather than their competitors' agency (Chart 3.3). The most prominent factor, with 73 per cent of responding estate agents stating that it was 'very important', was local reputation. Quality of service and access to property portals were also rated very highly, with 57 per cent and 53 per cent of estate agents respectively stating them to be 'very important'. Focusing on just those estate agents in Scotland, the Solicitors' Property Centre was rated 'highly important' by 44 per cent of respondents. National reputation (nine per cent), willingness to negotiate on fees (nine per cent) and the number of sales listings in local papers (six per cent) were among the factors considered least important, all of which being rated 'highly important' by less than 10 per cent of responding estate agents.

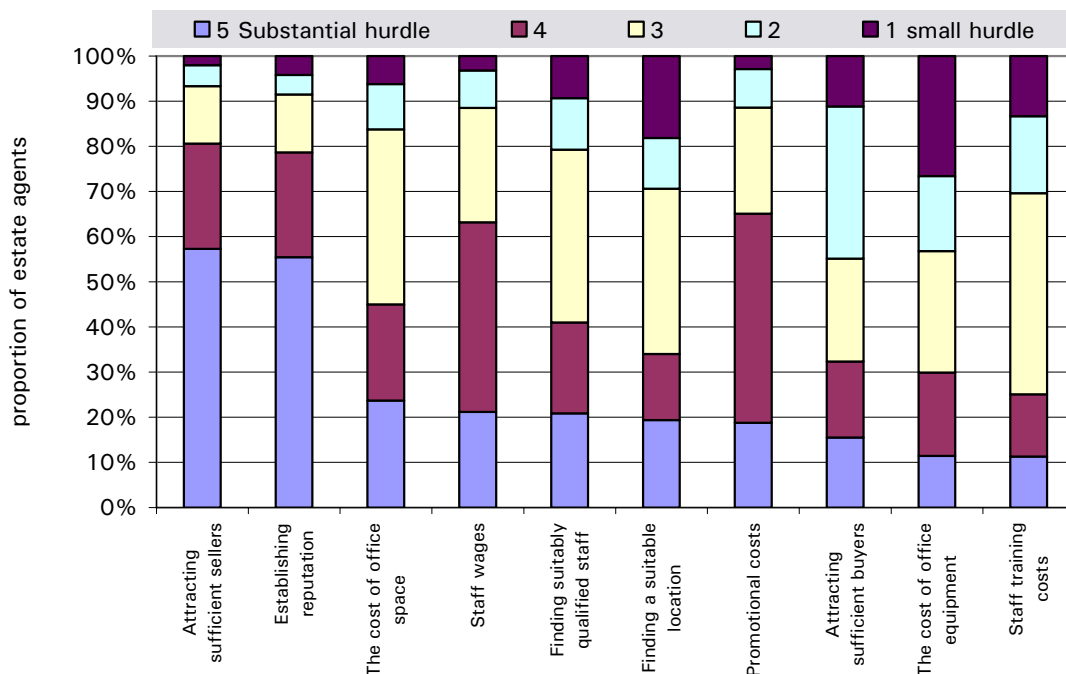
Chart 3.3: Importance of factors to attract sellers to agency



Base: 798 Estate agents, *results shown for Scottish estate agents only (59 estate agents)

3.15 Estate agents were asked to provide their opinion of the potential barriers they would face in the first year if they were to set up a new estate agency business. As shown in Chart 3.4, attracting sufficient sellers and establishing a reputation were the most significant barriers, with 57 per cent and 55 per cent of estate agents respectively considering these to represent a 'substantial hurdle'. Of the barriers asked about, estate agents viewed the cost of IT and office equipment and finding a suitable location to be among the less sizable barriers with 27 per cent and 18 per cent respectively regarding these as 'small hurdles'.

Chart 3.4: Importance of barriers to setting up an estate agency



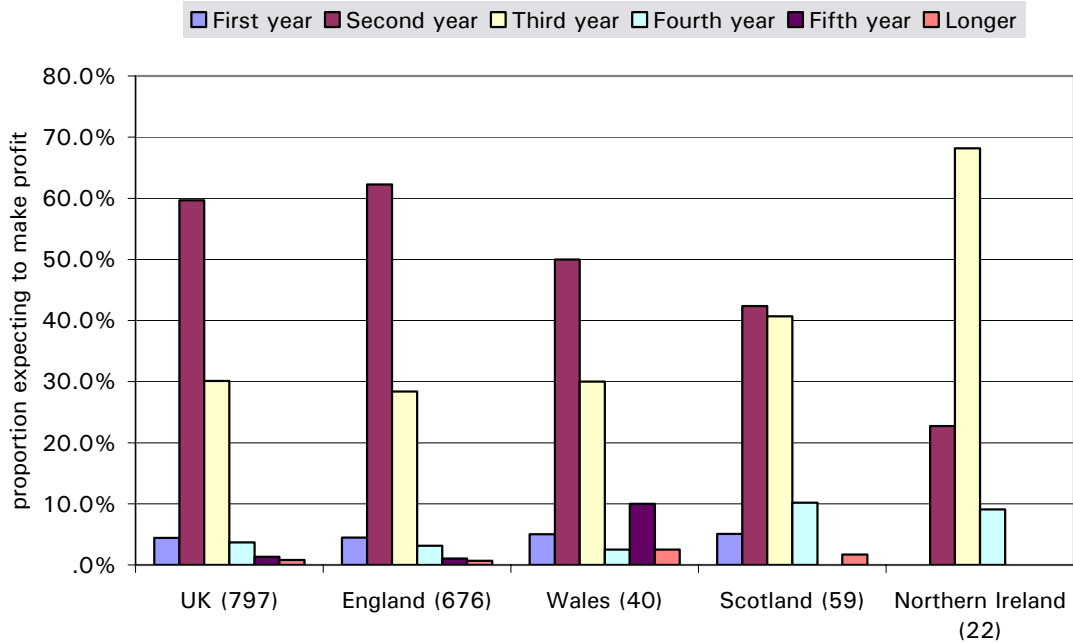
Base: 798 Estate agents

3.16 Other potential barriers mentioned by estate agents included difficulties obtaining finance and cash flow problems, often due to the length of time between setting up an agency and receiving first revenues.

3.17 Most of the responding estate agents (60 per cent) expected that it would take two years from the point of establishing a new estate agent business to make a profit (Chart 3.5). Most respondents (68 per

cent) from Northern Ireland, however, estimated that it would take three years to generate a profit.⁵

Chart 3.5: Estimated time taken to generate profit if new estate agency set up



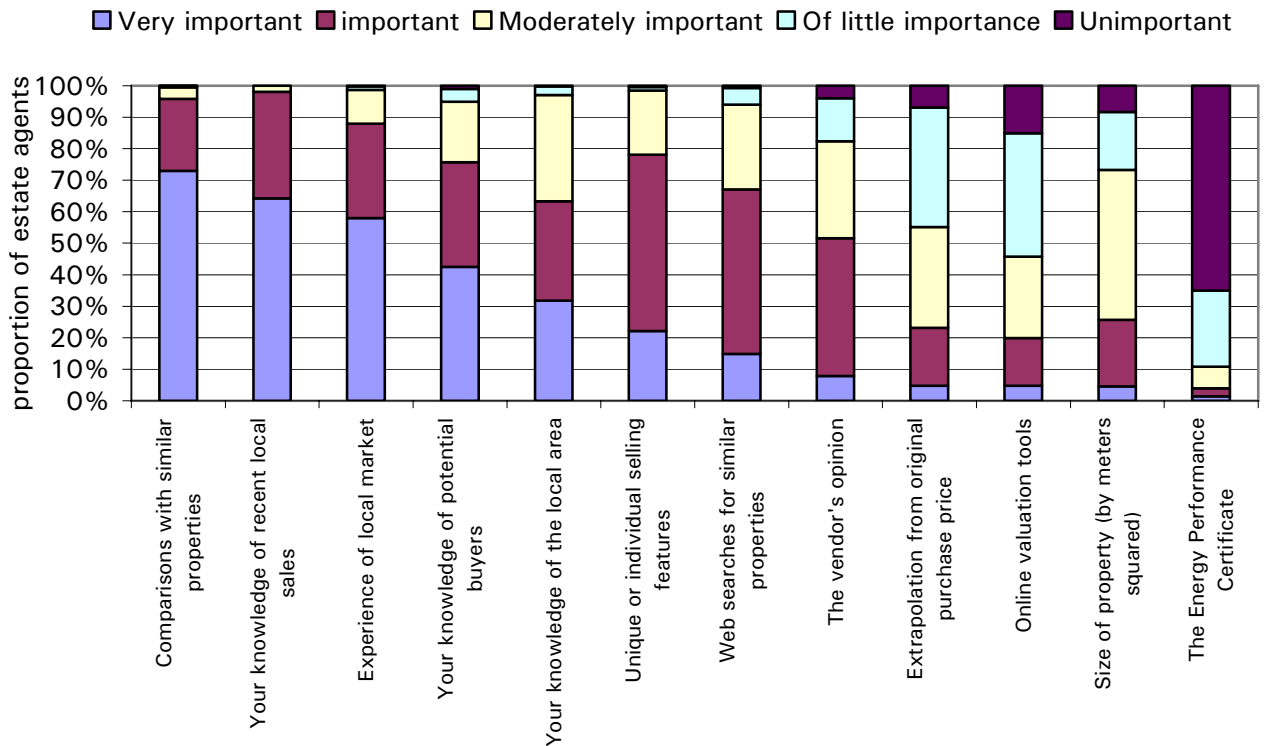
Base: as indicated in chart in brackets

3.18 Estate agents were asked to rate the importance of various factors used to advise sellers on the price at which their property should be put on the market. Comparisons with similar properties were identified as the most important factor (Chart 3.6) with nearly three quarters (73 per cent) of responding estate agents viewing them as 'very important'. Knowledge of recent local sales (64 per cent) and experience of the local market (58 per cent) were also seen as 'very important' by most estate agents. Among the factors that estate agents identified as being the least important for property valuation

⁵ This finding is statistically significant compared to England and Wales at the 95 per cent confidence level, but not Scotland.

was the size of the property, with eight per cent regarding this 'unimportant', online valuation tools (15 per cent), and the Energy Performance Certificate (65 per cent).

Chart 3.6: Factors determining prices of properties marketed



Base: 798 Estate agents

- 3.19 Another factor mentioned by estate agents that determined the price at which the property was marketed was the speed at which the seller wanted to secure a buyer for their property.
- 3.20 When comparisons with similar recently sold properties were used for appraisals when pitching for business, seven per cent of responding estate agents said this was 'very often' or 'often' shared with prospective sellers.

Estate agency fees

3.21 Table 3.7 below shows the frequency of use of different fee structures offered by estate agents. The far most common arrangement, used in three quarters of cases (75 per cent), was the payment of a percentage of the final property selling price if the property is sold. The next most common agreement, used in just over a fifth of cases (21 per cent), is a flat fee, payable only if the property is sold, which does not vary with the final property selling price. Other types of fee, for example a percentage based on the original asking price, were used in one per cent of cases or less.

Table 3.7: Fee structures and frequency

Fee arrangement type	Proportion
A percentage of the final property selling price, payable only if the property is sold	75%
A percentage of the original asking price for the property, payable only if the property is sold	1%
A flat fee stated in £s, that does not vary with the final property selling price, payable only if the property is sold	21%
A flat fee stated in £s, that is payable upfront whether or not the property is sold	0%
A flat fee stated in £s, that is payable upfront, with an additional fee (either flat or percentage based) payable only on completion	1%

Base: 798 Estate agents. Note: the frequencies do not add to 100 per cent as estate agents were asked to provide estimates where data was unavailable.

3.22 Some estate agents provided additional information regarding their fee structures, including:

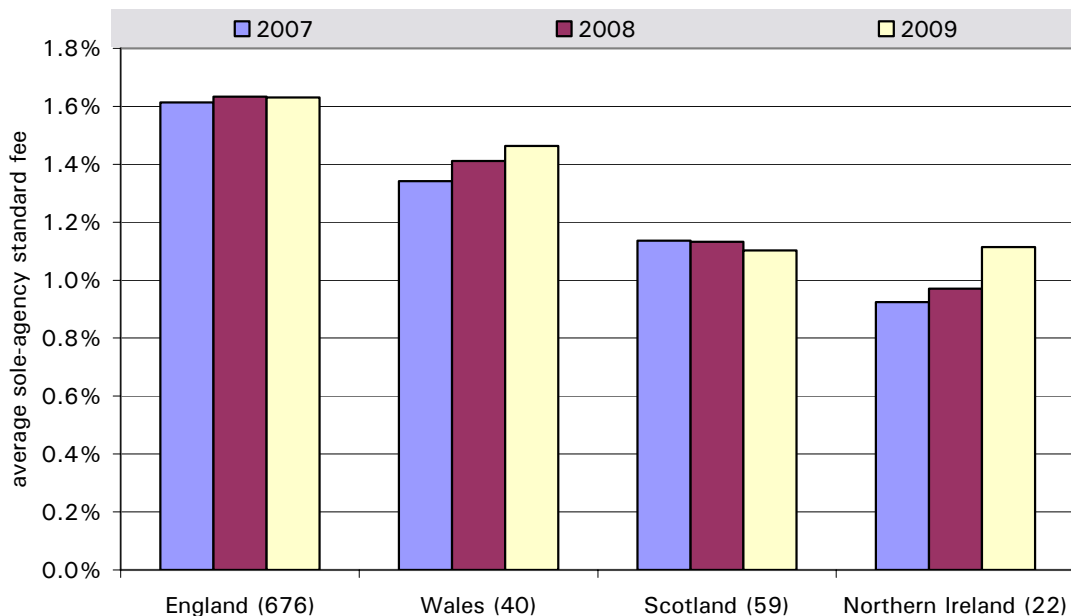
- a minimum fee where overall charges were based on a percentage of the property price
- a sliding scale for percentage based fees, with larger percentages charged where higher sale prices were achieved, and
- initial marketing charges that were non-refundable if the property were withdrawn from the market - all of the estate agents that stated this were based in Scotland.

3.23 Under the most common fee agreement, where a percentage of the final selling price was payable upon sale, responding estate agents on average charged 1.6 per cent when acting as a sole agent⁶ in 2009. This was unchanged from 2008 and 2007, indicating that fees of this type have been relatively stable over the last two and a half years.

⁶ This represents the average standard fee when the property is being sold exclusively by the responding agent, and is not representative of fees charged under a multiple agency agreement where more than one agency is marketing the property.

3.24 Chart 3.8 shows a breakdown of how this most common type of fee varied between the UK countries. The average charge in England in 2009 was 1.6 per cent, above that in Wales (1.5 per cent), Scotland (1.1 per cent) and Northern Ireland (1.1 per cent).⁷

Chart 3.8: Sole agency average percentage fees in UK countries



Base: as indicated in chart in brackets

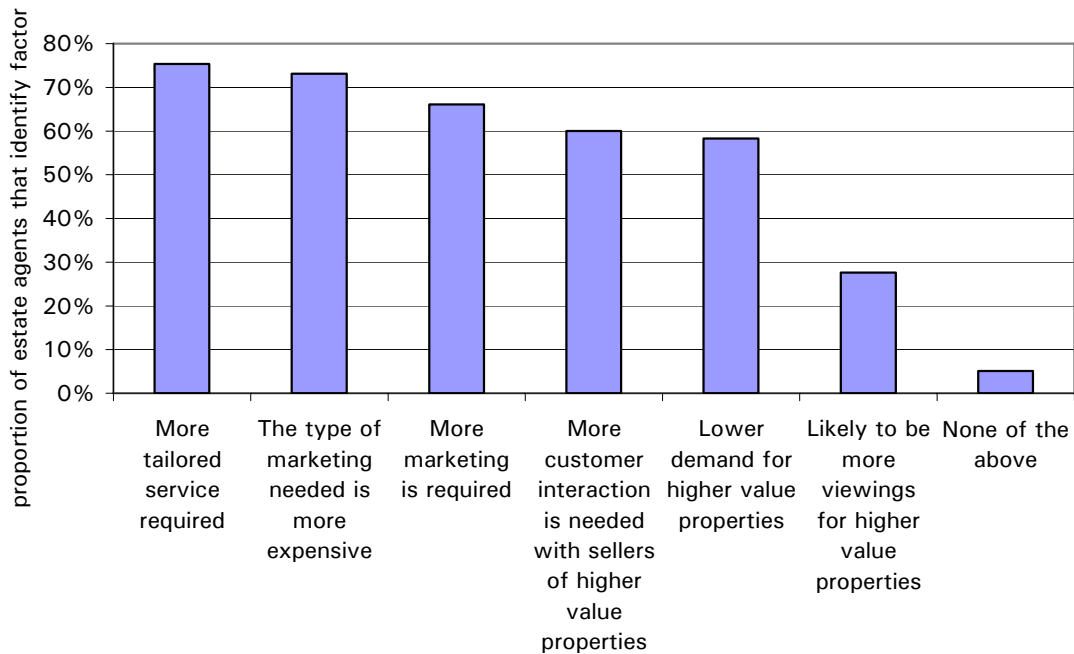
3.25 Responding estate agents estimated that in the first half of 2009 over a quarter (28 per cent) of clients successfully negotiated a fee below that offered as standard.

3.26 Estate agents were asked to identify reasons why it might cost more for them to sell a more expensive property (in this example a property of £500k compared to £150k). Chart 3.9 below shows the proportion of estate agents that agreed that the specified reasons listed increased the cost. The most common, with three quarters of estate agents (75

⁷ This result is statistically significant at the 95 per cent level. The difference fees in Wales compared Scotland and Northern Ireland is also significant at the 95 per cent level.

per cent) agreeing that it increased cost, was that a more tailored service was required for more expensive properties. Seventy-three per cent also agreed that the type of marketing required for more expensive properties was more costly, and two-thirds (66 per cent) agreed that more marketing was required. Less than a third of estate agents agreed that there were likely to be more viewings for more expensive properties.

Chart 3.9: Reasons why more expensive properties cost estate agents more to sell



Base: 798 Estate agents

3.27 Other reasons given by estate agents why more expensive properties cost more to sell included:

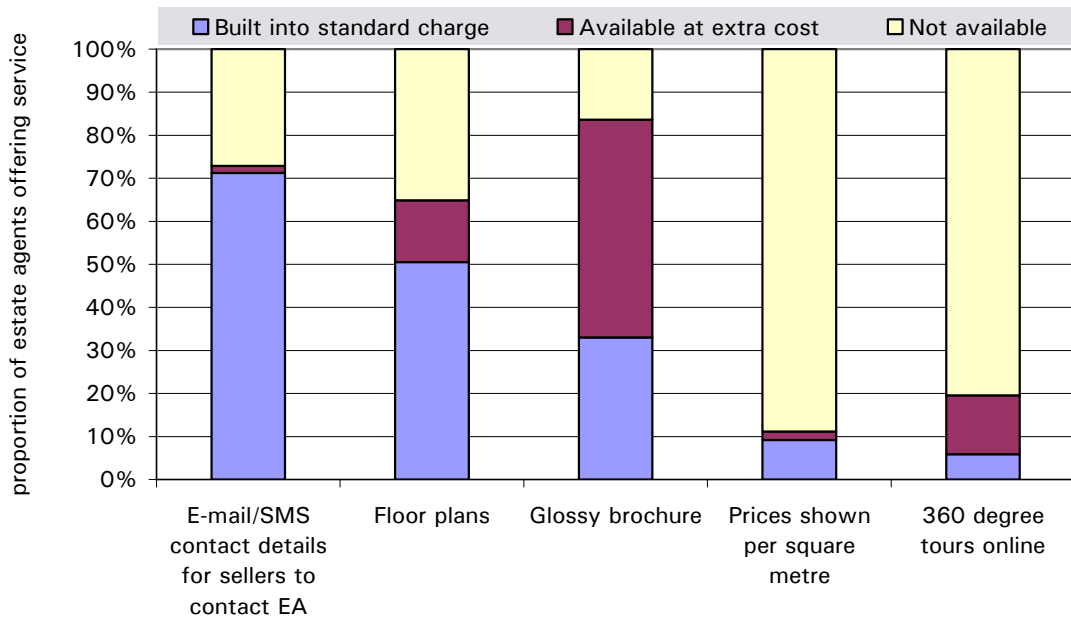
- the need to accompany a higher proportion of viewings
- viewings taking a greater length of time, and

- more expensive properties typically being involved with longer chains.

Estate agency services

3.28 Chart 3.10 shows the proportion of responding estate agents that offered particular services to sellers when selling a property for them and whether they were included in the standard fee or available at additional cost. Seventy per cent of responding estate agents provided sellers with E-mail/SMS text contacts to enable communication of information during the sales process. Nearly half (49 per cent) of estate agents provided floor-plans of the property being marketed within their standard charge, while a further 14 per cent charged extra (the remaining 35 per cent did not provide this service). Over four-fifths (82 per cent) of estate agents provided glossy brochures of the property being sold. Of these 40 per cent were provided within the standard fee, with the remaining 60 per cent involving an additional charge. Over four-fifths (82 per cent) of estate agents provided glossy brochures of the property being sold. Of these 40 per cent were provided within the standard fee, with the remaining 60 per cent involving an additional charge.

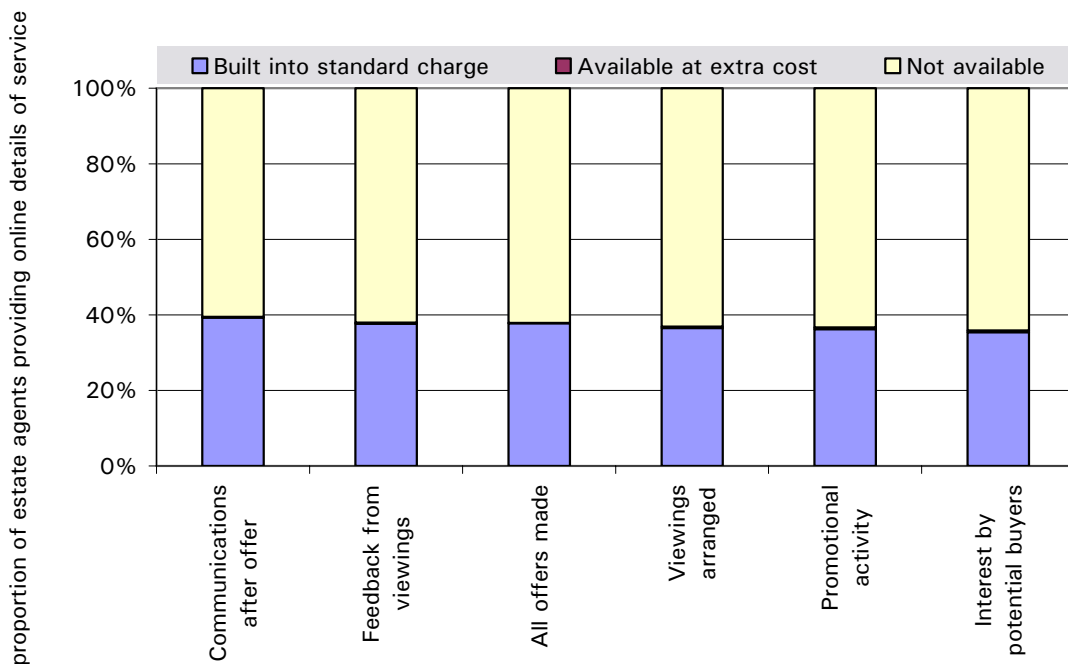
Chart 3.10: Services offered to sellers by estate agents



Base: 798 Estate agents

3.29 Estate agents were asked if they allowed their sellers access to online records relating to their property sale. Nearly two-fifths (39 per cent) of responding estate agents offered online access to communication made after an offer had been made, 37 per cent offered feedback after viewings and 37 per cent offered details of all offers made.⁸ As can be seen from Chart 3.11 the vast majority of responding estate agents offered these online information sources without additional charge, with one per cent or less charging extra in each instance.

Chart 3.11: Provisional of online transaction information



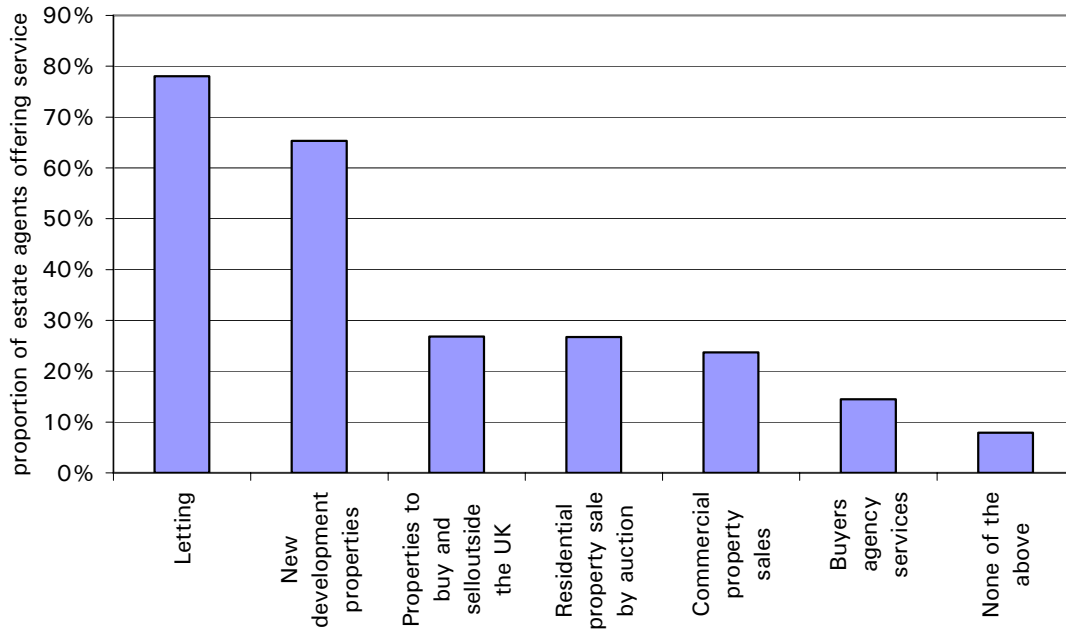
Base: 798 Estate agents

3.30 Aside from selling properties, estate agents commonly offer other related services. As shown in Chart 3.12, almost four-fifths (78 per cent) of responding estate agents also offered letting services. Nearly two-thirds (65 per cent) also sold new development properties where

⁸ Estate agents are required promptly to provide written details of all offers received except those which a client has told them in writing need not be passed on.

their client was a developer rather than a private individual selling their own home. 14 per cent of responding estate agents also said that they offered a buying agency service, where they acted entirely on behalf of a buyer purchasing a property from another party. Eight per cent of estate agents offered none of the specified additional services.

Chart 3.12: Additional services offered by estate agents

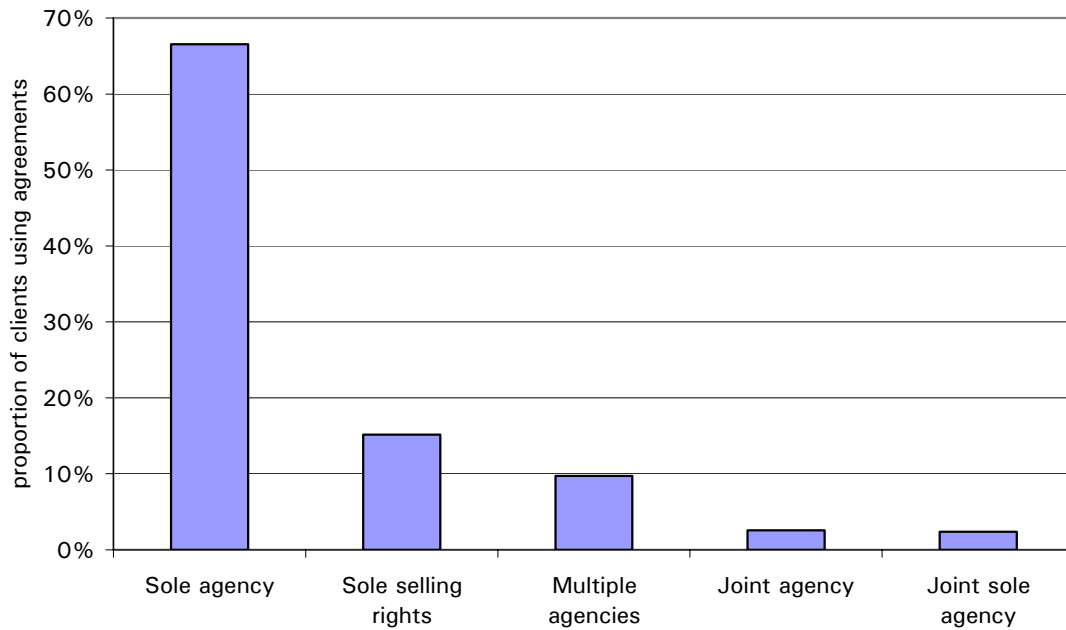


Base: 798 Estate agents

Contract types

3.31 The majority of properties (67 per cent) were offered on a sole agency contract. Fifteen per cent of properties were offered on a sole selling rights contract. The remaining contract types shown in Chart 3.13 together accounted for the remaining 15 per cent.

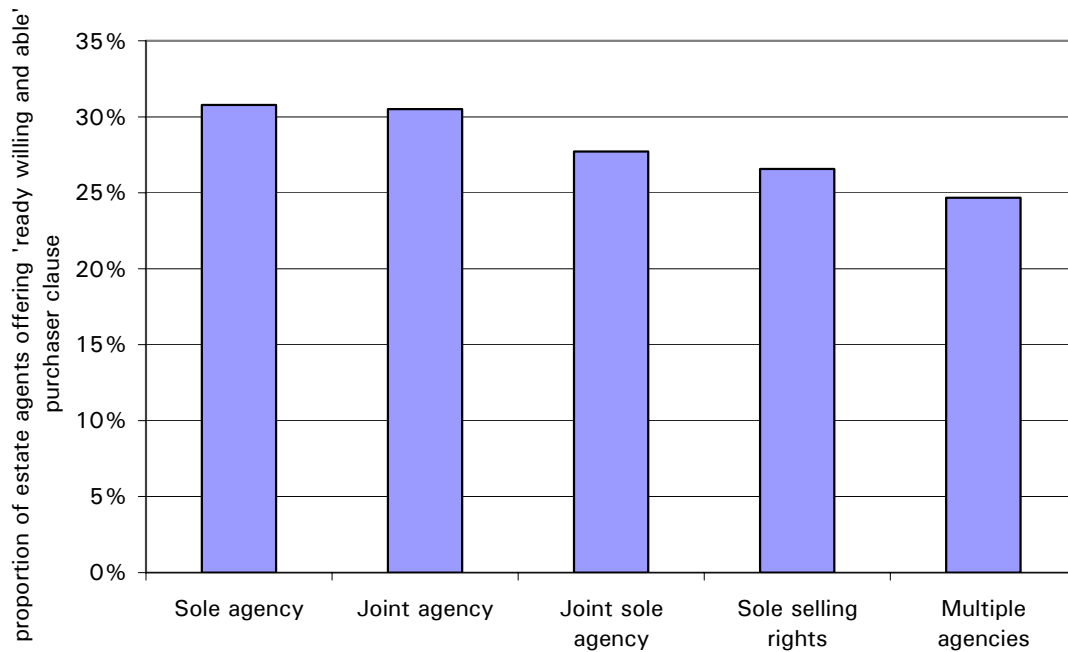
Chart 3.13: Contract types used for property sales



Base: 798 Estate agents

3.32 The proportion of responding estate agents offering a 'ready, willing and able purchaser' clause⁹ was relatively similar across all contract types, from 31 per cent for sole agency to 25 per cent for multiple agency (Chart 3.14).

Chart 3.14: Proportion of estate agents offering 'ready, willing and able purchasers' clause by contract type



Base: 798 Estate agents

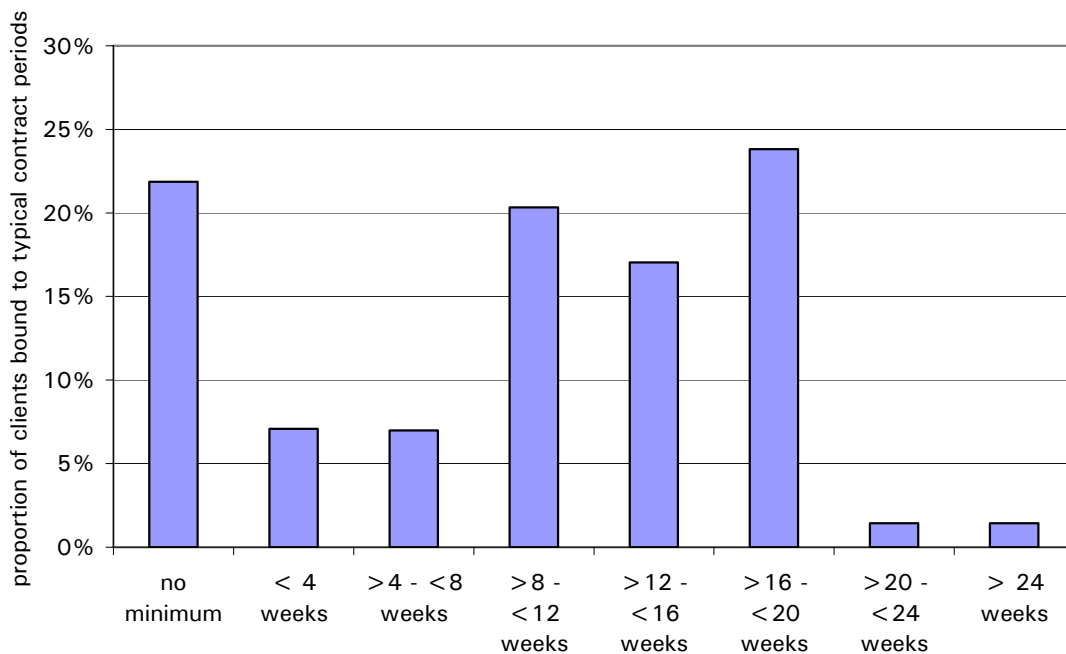
3.33 In cases where a joint sole agency agreement¹⁰ was used, 95 per cent of estate agents stated that they made the seller aware of the commission being paid to the third party estate agent.

⁹ Where the seller has to pay the estate agent if they find a buyer who is prepared and able to buy the property and exchange unconditional contracts (even if the seller withdraws from the sale and unconditional contracts are not exchanged).

¹⁰ A joint sole agency agreement exists where more than one estate agency agrees to share a single commission from the sale of a property.

3.34 Estate agents were asked to state the typical period of time that clients were contractually bound to their services. Twenty-two per cent of estate agents had no minimum contract period (Chart 3.15). 34 per cent of estate agents had contracts lasting less than 12 weeks, and 41 per cent had contracts lasting between 12 and 20 weeks. Three per cent of estate agents had contracts that lasted more than 20 weeks.

Chart 3.15: Length of typical contract binding sellers to estate agents' services



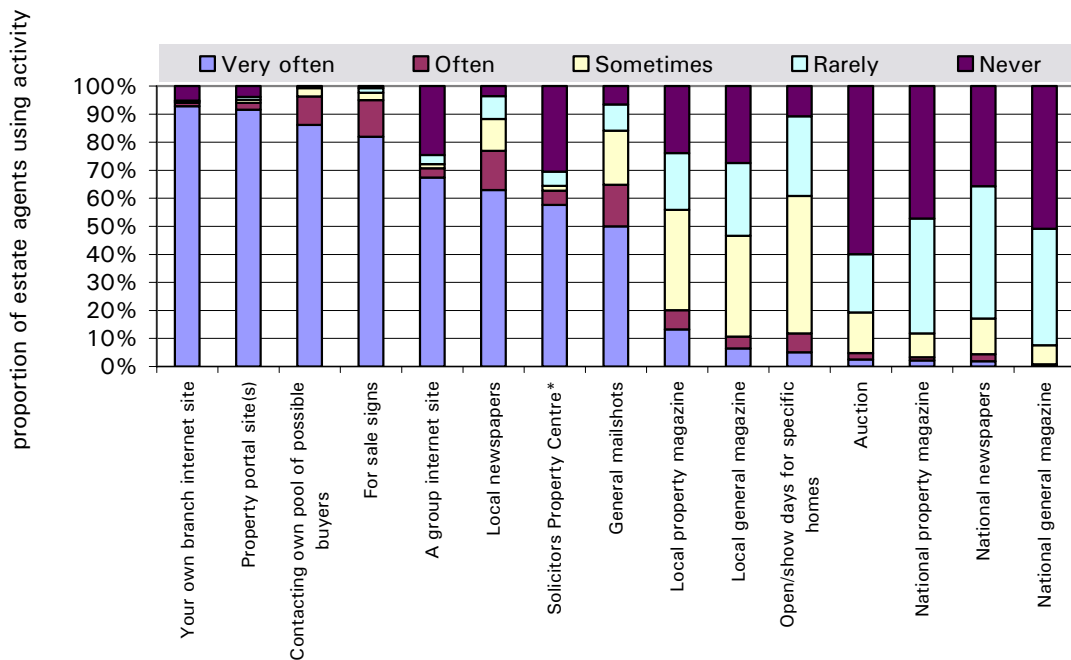
Base: 798 Estate agents

Marketing properties

3.35 Estate agents were asked how often they used a selection of marketing activities to sell properties. As can be seen from Chart 3.16, the internet plays an important part in this area, accounting for the top two most frequently cited actions: 93 per cent of estate agents 'very often' used their own branch internet site to market properties, and 92 per cent 'very often' used property portals. In Scotland 58 per cent of estate agents 'very often' used Solicitors Property Centres. Some more

traditional approaches were still used 'very often' by a high proportion of estate agents, such as contacting their own pool of potential buyers (86 per cent) and erecting 'for sale' signs (82 per cent). The use of press advertising was focused on local publications with high proportions of estate agents 'rarely' or 'never' using national publications such as national property magazines (88 per cent), national newspapers (83 per cent) and national general magazines (92 per cent).

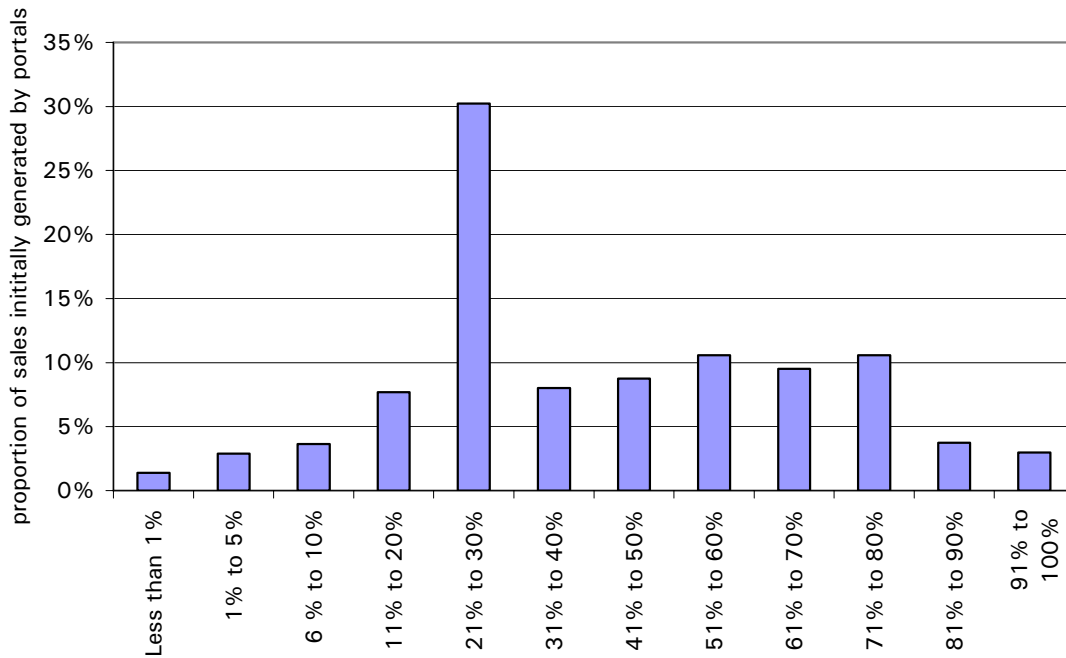
Chart 3.16: Activities used to market/sell properties



Base: 798 Estate agents. *results shown just for just those estate agents operating mainly in Scotland

3.36 Those estate agents that stated that they used internet property portals were asked to estimate the proportion of eventual sales that originated as a result of advertising through this channel. As can be seen from Chart 3.17, a relatively high proportion of estate agents (30 per cent) estimated that 20 - 30 per cent of sales originated from portals. Thirty-seven per cent of estate agents that used portals thought that over 50 per cent of their sales originated from this source.

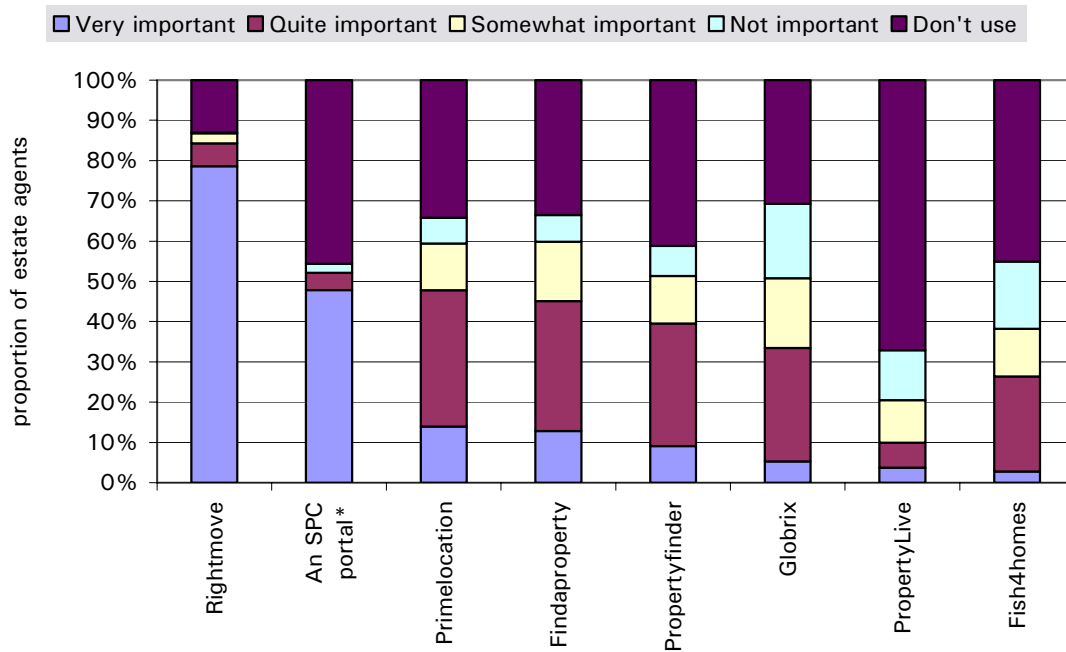
Chart 3.17: Proportion of sales originating from property portals



Base: 760 Estate agents that sometimes advertise on property portals

3.37 Of the portals used, estate agents stated how important they considered each to be. As shown in Chart 3.18, Rightmove was considered the most important property portal, with 79 per cent of responding estate agents viewing it as 'very important' and a low proportion (13 per cent) stating that they did not use it. Two more portals, Primelocation (14 per cent) and Findaproperty (13 per cent), were rated as 'very important' by more than 10 per cent of estate agents. In Scotland, Solicitors Property Centre portals were considered 'very important' by 48 per cent of estate agents, which is equivalent to the percentage of estate agents in Scotland that considered Rightmove to be 'very important'.

Chart 3.18: Importance of individual internet property portals

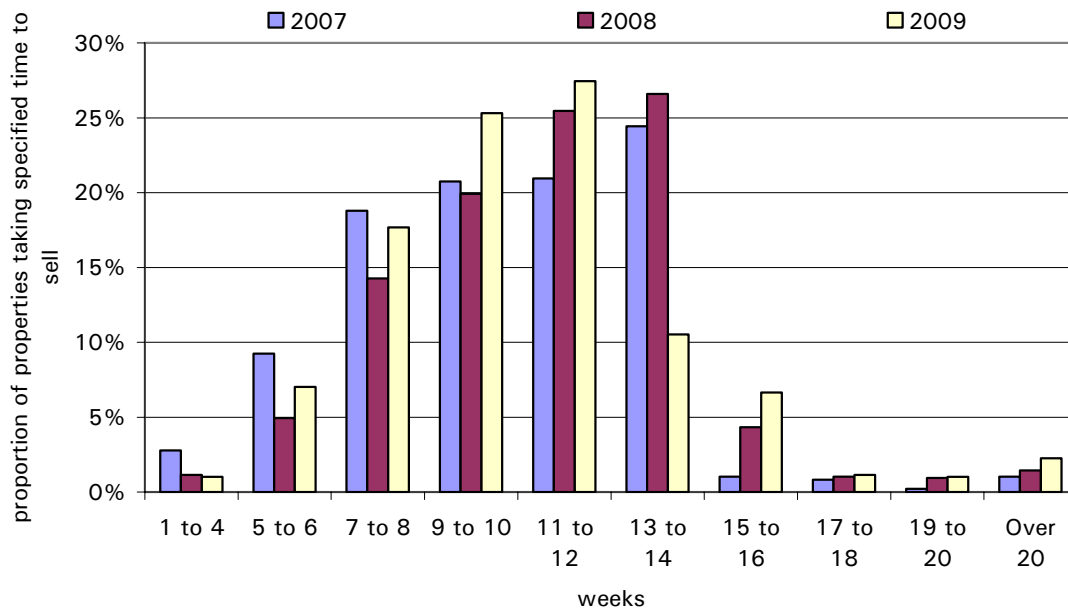


Base: 760 Estate agents that sometimes advertise on property portals. *results for Solicitors Property Centres' Portals are shown just for those estate agents that mainly operate in Scotland (46).

Experience of sales process

3.38 Chart 3.19 below shows the average time taken, for successful transactions, from an offer being accepted on a property to completion in 2007-09. In 2009 most properties (52 per cent) sold in 11-14 weeks. In 2007, 31 per cent of properties sold within eight weeks, compared to 20 per cent in 2008 and 26 per cent in 2009.

Chart 3.19: Average time taken to sell properties, 2007-09



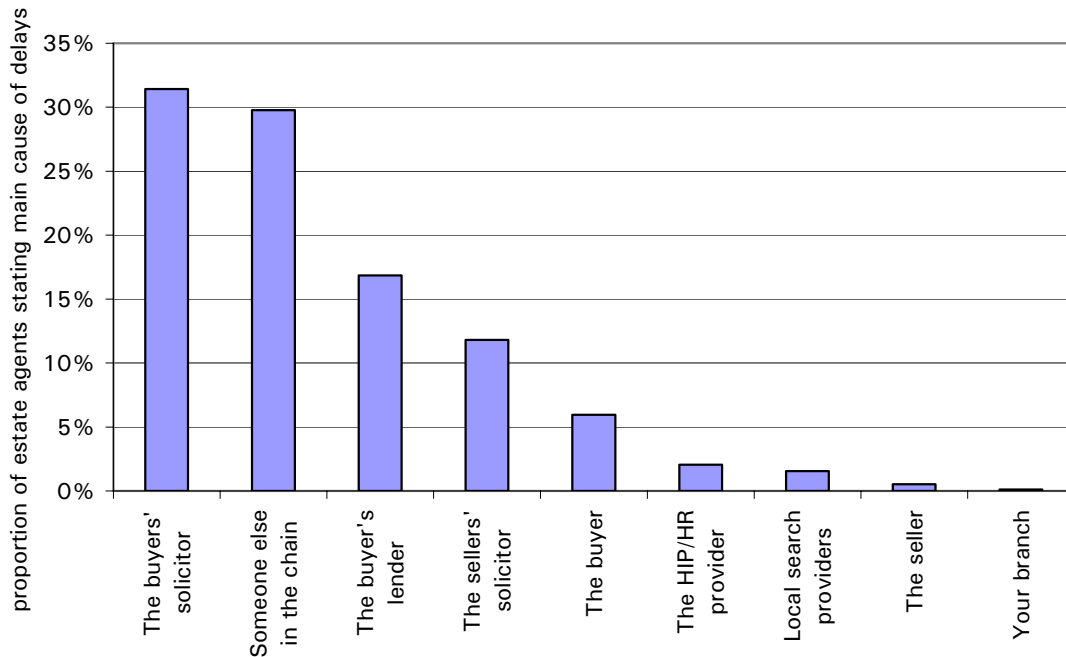
Base: 798 Estate agents. Chart based on un-weighted data.

3.39 Estate agents were asked to identify the party most often responsible for delays when they occurred. Buyers' solicitors¹¹ were most frequently recognised as being to blame for delays, with almost a third of estate agents (31 per cent) identifying them as the most common

¹¹ It should be noted that delays perceived to be due to a solicitor may be caused by the slow provision of required information from, for example, local authority searches, the seller or the buyer.

cause of delay (Chart 3.20). Thirty per cent of estate agents reported that 'someone else in the chain' was most often liable for delays (although, this category does not stipulate the cause of the delay in the chain, which may have been due to one of the parties in the other categories, for example, solicitors or lenders). Other common causes of delays were the buyers' lender, and the sellers' solicitor, highlighted by 17 per cent and 12 per cent of estate agents respectively. One per cent of estate agents stated that sellers were mainly to blame for delays and no estate agents said that their own estate agency office was ever responsible.

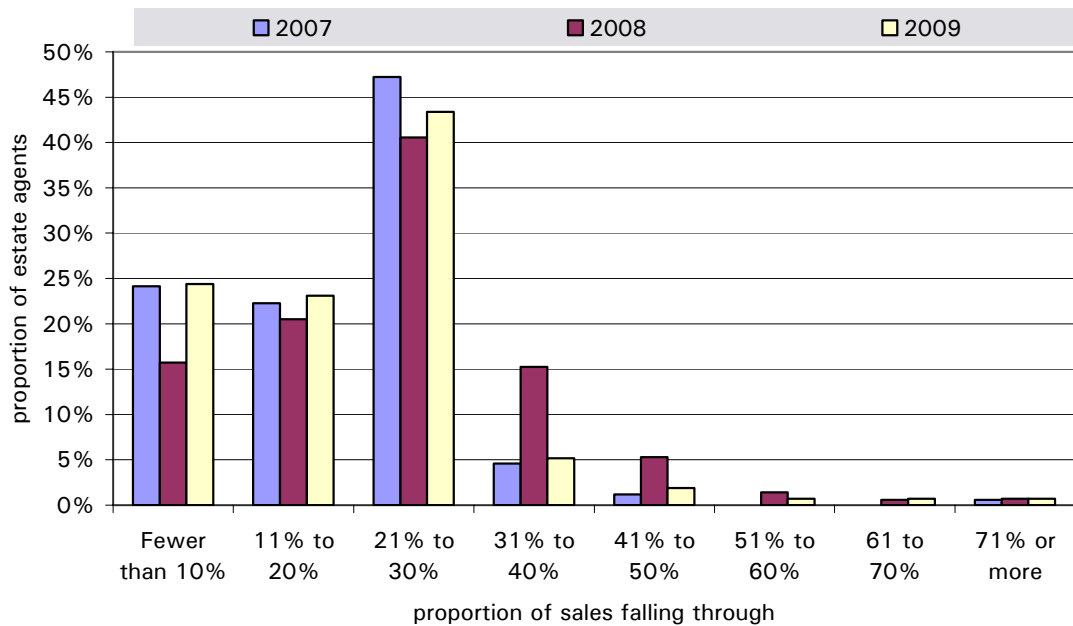
Chart 3.20: Parties most often responsible for delays



Base: 798 Estate agents

3.40 Forty-three per cent of estate agents stated that 21-30 per cent of property transactions failed subsequent to an offer being accepted by the seller in the first half of 2009 (Chart 3.21). In 2007, 46 per cent of estate agents reported that less than 20 per cent of transactions fell through. The equivalent Chart for 2008 was 36 per cent and 47 per cent for the first half of 2009.

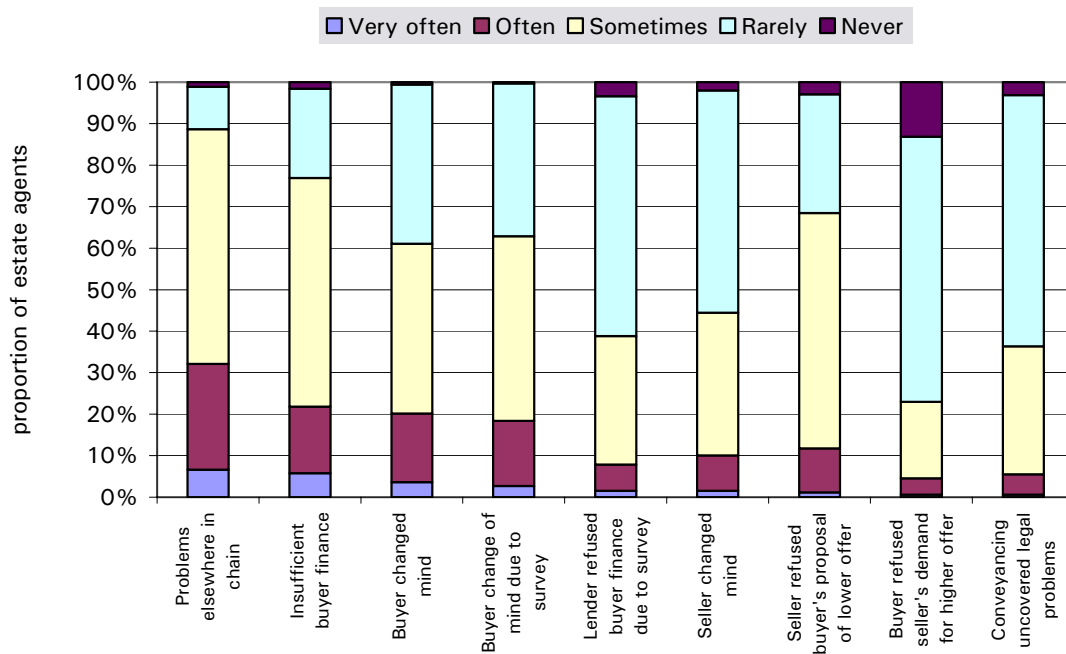
Chart 3.21: Property transaction failures subsequent to an offer being accepted by the seller



Base: 798 Estate agents

3.41 The main cause identified for property transactions falling through after an offer has been accepted by the seller was reported to be 'problems elsewhere in the chain', with 32 per cent of estate agents stating that this was 'very often' or 'often' the reason. The buyer not being able to secure a mortgage was the second most common reason, with 21 per cent of estate agents reporting this to occur 'often' or 'very often' (Chart 3.22). Four per per cent of estate agents identified that the buyer changing their mind was 'very often' the reason for sales falling through. Three per cent stated that the buyer changing their mind due to survey or search results was 'very often' the reason for transaction failures.

Chart 3.22: Reasons for property transactions not being completed

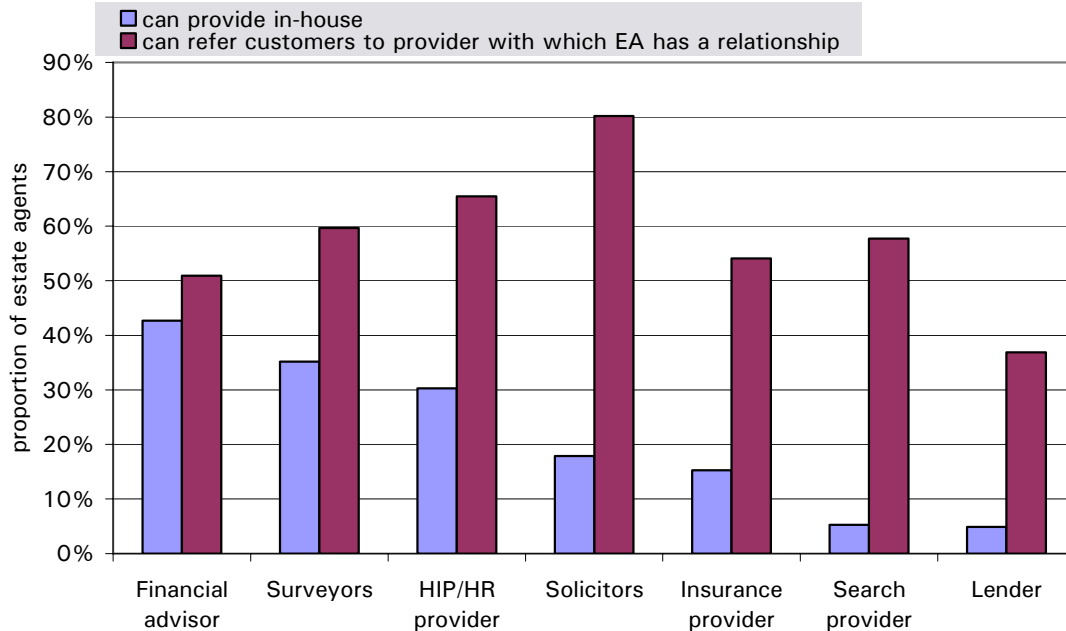


Base: 798 Estate agents

Ancillary / third party services

3.42 The majority of responding estate agents could provide a number of ancillary services, either in-house or via referral to providers with which they had an established relationship, as shown in Chart 3.23. Ninety-four per cent of estate agents could provide financial advice (41 per cent in house and 51 per cent via referral), 95 per cent could provide surveying services (35 per cent in house and 60 per cent via referral), 96 per cent could offer HIP/HR provision (30 per cent in house and 66 per cent via referral) and 98 per cent could provide legal services (18 per cent in house and 80 per cent via referral).

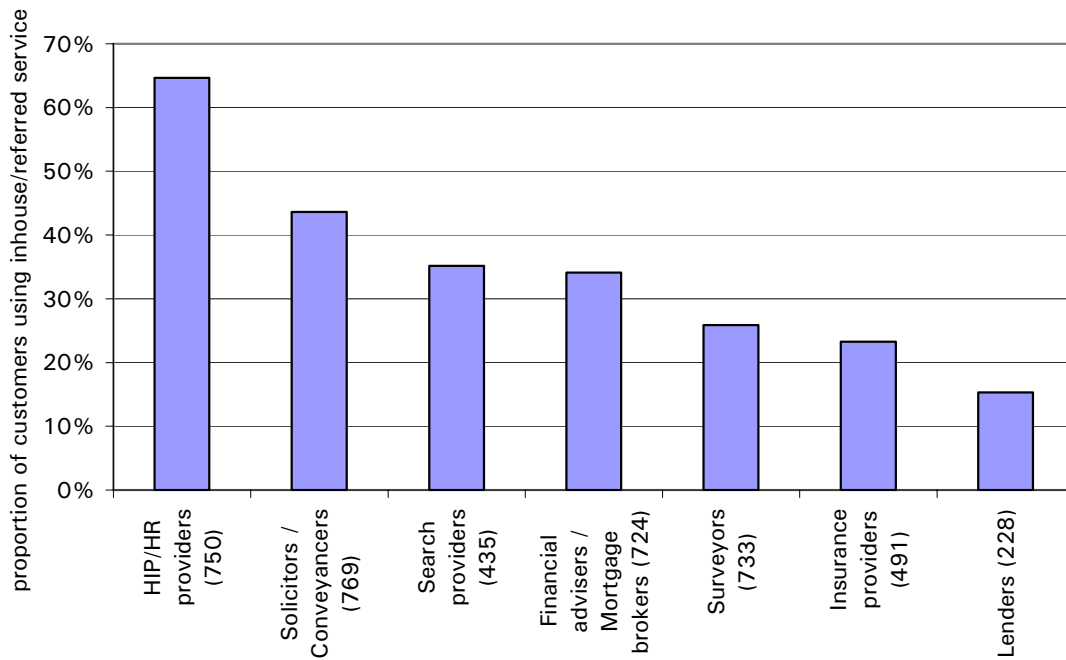
Chart 3.23: Provision of ancillary / third party services



Base: 798 Estate agents

3.43 Those estate agents that offered ancillary services, either in-house or via referral, were asked how frequently their clients used these services (Chart 3.24). Almost two-thirds (65 per cent) of clients opted to use the in-house or referred to service for HIP/HR provision, with the equivalent proportion for solicitors being 44 per cent, search providers 35 per cent and financial advisors 34 per cent.

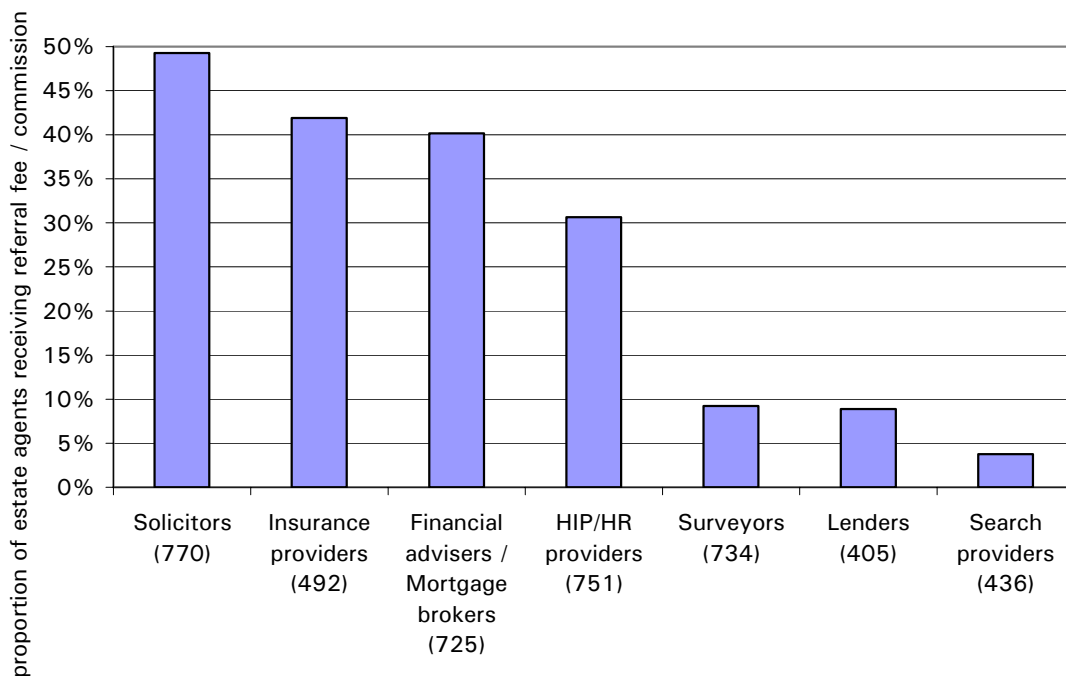
Chart 3.24: Proportion of clients using ancillary services provided in-house or via referral



Base: as indicated in chart in brackets

3.44 Those estate agents that had established relationships with third party providers of ancillary services were asked if they received a referral fee or commission from each type of third party provider. Chart 3.25 shows the proportion estate agents that received payments from providers of each type of service. Nearly half (49 per cent) of estate agents that referred clients to a third party solicitor received a referral fee or commission from the solicitor. The equivalent proportion for insurance providers was 42 per cent, 40 per cent for financial advisors, and 31 per cent for HIP/HR providers.

Chart 3.25: Proportion of estate agents receiving referral fees or commission from third party service providers



Base: Estate agents that referred clients to third party service providers, as indicated in chart in brackets

3.45 Those estate agents that received commission/ referral fees from third party service providers were asked, within given ranges, to provide details of the average amounts received for a typical transaction on a £200,000 property. Table 3.26 shows a breakdown of the fees received from each type of service provider.

- 57 per cent of estate agents received less than £150 from solicitors, and 38 per cent in the range of £250-299
- nearly all (93 per cent) of estate agents received less than £100 from surveyors
- most received less than £100 from HIP/HR providers (87 per cent) and search providers (91 per cent)
- 64 per cent received less than £150 from financial advisors and 27 per cent between £150 and £300. Eight per cent received over £300, with three per cent receiving more than £500
- nearly four-fifths (79 per cent) received less than £50 from insurance providers.

Table 3.26: Average commission/referral fee received from third party service providers

Fee received	Solicitors / Conveyancers	Surveyors	HIP/HR providers	Search providers	Financial advisers / Mortgage brokers	Lenders	Insurance providers
£0-49	9%	56%	47%	57%	15%	-	79%
£50-99	20%	37%	41%	35%	26%	-	8%
£100-149	28%	5%	11%	4%	23%	-	4%
£150-199	2%	2%	1%	0%	13%	-	3%
£200-249	2%	0%	0%	0%	10%	-	2%
£250-299	38%	0%	0%	4%	5%	-	1%
£300 -349	0%	0%	0%	0%	2%	-	0%
£350-399	0%	0%	0%	0%	2%	-	1%
£400-449	0%	0%	0%	0%	0%	-	0%
£450-499	0%	0%	0%	0%	1%	-	0%
More than £500	0%	0%	0%	0%	3%	-	2%
Base	288	84	283	23	351	-	104

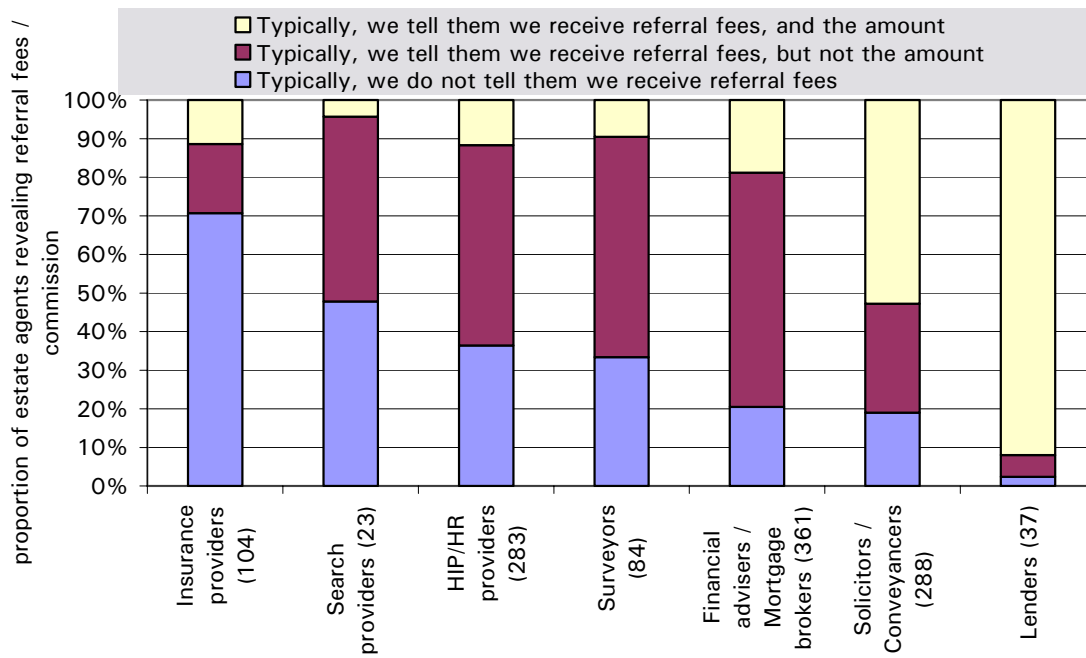
Base: Estate agents that received fees from third parties. Figures for lenders not shown due to low base.

3.46 Estate agents that received commission/ referral fees were asked whether they typically made their clients aware of this, and if so

whether they informed them of the value. Over two-thirds (71 per cent) of estate agents that received commission from insurance providers did not typically share this information with their client, while 18 per cent made their client aware of the fee, but not the amount, and 11 per cent informed their client about the fee and its quantity, as shown in Chart 3.27.

- 3.47 Nearly half of estate agents that received fees from search providers informed their clients of its existence, while a further four per cent also informed them of the amount. Half (52 per cent) made their clients aware of fees received from HIP/HR providers, while a further 12 per cent also informed them about the amount. Over half (53 per cent) informed their clients of the size of fees received from solicitors. A further 28 per cent of estate agents informed their client about the existence of the fee, but not the amount. Over half (57 per cent) made their clients aware of fees received from surveyors, while a further 10 per cent also informed them about the amount. Nearly all (92 per cent) informed their clients of both the existence of fees received from lenders and the amount.

Chart 3.27: Proportion of estate agents revealing referral fees or commission from third party service providers



Base: Estate agents that received fees from third parties, as indicated in chart in brackets

