

Commission cutting is not the answer in a market downturn

By  Ronald Ennik

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Estate agent commission cutting on home sales, which was rampant during the 2008 economic downturn, is making a re-appearance in the current residential property market downturn.



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It is a path that existing and potential home sellers with best-price aspirations should either walk with care, or opt for a safer route.

Commission cuts offered by real estate agents in South Africa's current declining, or flat-lining, residential property climate (excluding booming Cape Town, of course) is not a new phenomenon. But it does fall short of best practice.

And the outcome for home sellers is inevitably what it was at the peak of the financial crisis about 10 years ago: sales below best achievable prices.

My question to agents who are cutting commission to attract business in the current economic trough is: "Are you cutting low enough?" The fact is that there remains a large commission gap between them and the firmly established professional agent community.

Best possible offer

The difference between a good and a bad seller experience is that when professional, constantly successful, agents take an offer on a home, they will inevitably;

- put down their pen and devote time to negotiating a higher buyer price,
- seek to increase the deposit offered,
- set out to reduce the size of the bond involved,
- devote up to two hours to the interface, topped by consistent, time-consuming follow-up.

In a nutshell, they will construct the best possible offer for consideration by the seller.

By contrast, the attention span of a run-of-the-mill, less skilled, commission-cutting agent could be as little as 15 minutes on simply writing out the offer – almost invariably at the buyer’s comfort level – and then getting it signed ASAP before rushing off to present it to the seller. Pressure for the seller to accept the offer as the best “in these difficult market conditions” will usually follow.

The agent will then switch attention to the next home in his or her ‘for-sale’ pipeline and repeat the process... at a cut rate, of course. This is not best practice marketing of what, for most homeowners, is the sale of their biggest asset.

Gross value achieved

In these circumstances, home sellers should be aware that the difference between the two approaches could be as much as a 10-15% premium on the gross value achieved for them – against just a 1% saving on the commission paid on the fast-track transaction!

What makes that difference is the multitude of supportive steps a skilled agent will take in order to add traction and value to the sale process. They include:

- Meeting the photographer at the house to discuss the best angles and dimensions for the ‘shoot’.
- Supervising, and participating in, the print, digital and other advertising processes.
- Hands-on monitoring and nurturing of the transaction every step of the way to final conclusion.

Against this background, one point is patently clear: the perception that all estate agents are the same, and do the same things, remains exactly that – a perception!

ABOUT RONALD ENNIK

Ronald Ennik is the founder and CEO of Ennik Estates.

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