

In the know



CONFIDENTIAL

Insider Secrets

THE BUYER'S AGENT

Elizabeth Wilcox, managing director of Hot Property Specialists and REIQ Buyer's Agent of the Year 2011, reveals what a buyer's agent does and how agents can help investors secure the best property deal

Q. WHAT IS A BUYER'S AGENT AND WHAT DO AGENTS OFFER INVESTORS?

A. The services buyer's agents offer are the complete opposite to those offered by traditional real estate agents – or selling agents – given that a buyer's agent works for buyers rather than sellers.

While a selling agent will look to secure the highest purchase price for a seller, a buyer's agent's role is to ensure a buyer purchases the right property for the right price. Moreover they need to ensure that all the contract conditions are in their best interests, not those of the seller.

Q. WHY SHOULD INVESTORS USE A BUYER'S AGENT?

A. While anyone can buy a property, not everyone can buy the right property without paying too much. This is where the buyer's agent comes in.

An agent will locate the best property at the right price for you, even if it means searching from 10 to 40 properties. Handing this lengthy process over to a buyer's agent will save you both time and money.

The experience a buyer's agent offers an investor can't be beaten given that, unlike most people who only ever buy a handful of properties in a lifetime, buyer's agencies generally buy two to three each week.

Q. WHAT SHOULD PROPERTY BUYERS LOOK FOR WHEN CHOOSING A BUYER'S AGENT?

A. A good buyer's agent will be fully licensed and a member of the Australian leading professional body, the Real Estate Buyer's Agents Association of Australia (REBAA).

For your own peace of mind, look for an agent who is backed by a company that possesses both professional indemnity and public liability insurance.

It's not always possible for interstate and overseas buyers to meet a buyer's agent in person. However, a good buyer's agent should be able to answer all your questions either by email or over the phone.

Lastly, a genuine buyer's agency should not have properties for sale or receive kickbacks from selling agents, sellers or developers – so avoid the ones that provide both services.

Q. DO DIFFERENT BUYER'S AGENCIES PROVIDE DIFFERENT PROPERTY OR INVESTOR SERVICES?

A. While each buyer's agency offers different services to customers, at the end of the day they are all very similar.

The extent of the areas they cover is one way in which buyer's agencies can differ.

Some buyer's agencies prefer to work only within close proximity to their office, which can severely limit development of an investor's property portfolio.

Rather than restricting an investor's portfolio to one area, we believe a great buyer's agent should cover a wide area in order to help the investor purchase what they want where they want.

Q. DO BUYER'S AGENTS EVER REPRESENT THE VENDOR?

A. Unfortunately, there are some companies that refer to themselves as

buyer's agents while at the same time they also handle property sales.

We recommend that investors steer clear of buyer's agents who sell property in any shape or form as they are not true buyer's agents.

Q. ARE THERE BUYERS WHO MIGHT BE PARTICULARLY SUITED TO THE SERVICES OF A BUYER'S AGENT?

A. Every type of buyer is bound to benefit from using the services of a buyer's agent when it comes to purchasing a property.

A lot of our clients are located interstate or overseas, which makes it difficult for them to search and purchase a property, so this service can be great benefit to them.

It can also be a convenient option for time poor investors who don't want their weekends taken up with looking for properties.

Q. WHAT QUESTIONS SHOULD INVESTORS ASK A BUYER'S AGENT DURING THEIR FIRST MEETING?

A. In most cases, it is better to be the person answering the questions rather than the one asking them as the way a buyer's agent leads the conversation can reveal a lot about their knowledge.

A good buyer's agent should be asking an investor questions like:

- What is your investment strategy?
- What are you looking to purchase?
- Where are you looking to purchase?
- What is your budget?
- What are your short-term and long-term goals for this property?

While they may not ask you these questions directly, these are all areas that should be talked about and covered during the meeting.

To gauge the level of service being offered, you might want to ask a buyer's agent questions like:

What service do they believe

they can offer to support your property goals?

What would be the costs of the service they are recommending?

When are the fees payable?

Q. FOLLOWING THE INITIAL MEETING, WHAT CAN PROPERTY BUYERS EXPECT?

A. In most states there will be paperwork for you to look over which explains the level of service the agent recommends for your needs and requirements.

Once you have understood which services you will be provided with, you will need to sign and return the paperwork.

In most cases, a small portion of the service fee will need to be paid up front.

Q. WHAT CAN INVESTORS EXPECT TO PAY FOR THE SERVICES OF A BUYER'S AGENT?

A. There is no short answer to this question, as there are many different levels of service that buyer's agents offer and these come with different fees attached.

At Hot Property Specialists, for example, we do not charge commission. Rather, we base our fees on the level of service and the work we perform to meet the buyer's property goals.

These are known as professional fees, but some buyer's agents charge a percentage fee instead.

Q. ARE THE FEES TAX DEDUCTIBLE?

A. For property investors, the fees are deductible for the purposes of capital gain calculations but keep in mind these are not assessed as an annual deduction for tax returns.

As we are not financial advisers, we recommend you refer queries to your accountant. ■