

Buyers Agents - What to Know and Ask & How to Find a Great Buyers Agent

What do Buyers Agents Do?

A buyer's agent, or buyers advocate, is an agent who you engage to assist you to acquire property. They usually identify suitable properties and negotiate on your behalf.

Buyers' agents are engaged by and act for the buyer. They do not generally (and in our opinion should never) act for vendors. To do so would create a risk of conflict of interest.

Buyers' agents are quite common in North America and Australia, but are less common in New Zealand. This is probably due in part to a lack of knowledge about buyer's agents.

In North America they often earn their fee by sharing the vendor's commission. In Australia it is more common for the buyer to pay their agent the fee directly. In our opinion the Australian model lends itself to more independence.

Why Use a Buyers Agent?

A great buyer's agent should:

- **Save you time.** Finding the right property and securing it takes a lot of time. First you have to research where and what you want to buy, then start filtering for properties that fit your brief, then start investigating those properties, then negotiate, then conduct due diligence, then perhaps negotiate some more, then start searching again if the property isn't right. Have you got plenty of time every week over a period of months to dedicate to finding your property? If not and you DIY it, then you may not get the result you want
- **Save you Money.** A great buyer's agent should be a great negotiator. If they are they will invariably save you money because they are likely to get a property at a better price and on better terms than if you were doing it yourself. You have a day job to do, you have bosses or clients to keep happy. They property deal is usually something you'll end up doing in your lunch break, weekends, spare time. A property buyer does it full time – it is their main priority.
- **Eliminate Stress and Frustration.** As buyer, your objective is pretty obvious – secure a property that fits your brief. But to get that result takes knowledge, skill and perseverance. All of these can be achieved if you have plenty of time and the inclination. But those who work full time or have business generally don't have the time to do this well. And that is what creates stress and frustration – a lack of time to get it right. A buyer's agent's day job is to look for your property – all day long. They have the time to get it right. And that will eliminate stress and frustration for you.

www.erskineowen.co.nz

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What Should I ask a Buyers Agent Before Engaging?

1. **Why do you do this?** We think a good property buyers should have a passion for finding great property. Somebody just looking to make a living might find you a property, but it might be sub par. Find somebody who is passionate about what they do.
2. **Can you provide me some testimonials?** Make sure there are plenty of happy clients out there, and make sure its OK for you to talk to them.
3. **What experience have you had?** A great property buyer should have a wealth of experience in searching for property and negotiating property transactions. We believe it helps if the agent has also owned plenty of property.
4. **How do you charge?** Make sure you are very clear about how their fees are earned and whether there are any hidden costs. Fees can be a percentage of the property value, a flat fee, a share of the vendor's fee – or a combination. What is important is that the agent is motivated to get you a property that very closely fits your brief, and at a fair or better price.
5. **Do you earn referral fees?** In our opinion they shouldn't. As soon as a buyer's agent begins earning money from somebody other than you, their motivations change. For example, if one vendor's agent is in the habit of paying referral fees and another is not – guess which vendor agent your agent is likely to run with. Note that it is illegal to receive a commission from a third party and not disclose it to the client.¹ In the States it is common place for the buyer's agent to take a share of the vendor's commission. But it is not in NZ – mainly because there are so few buyers agents.
6. **Are you qualified and licensed to act?** In New Zealand a buyer's agency must be licensed under the by the Real Estate Agents Authority (REAA) – see www.reaa.govt.nz. Also, any salespeople in the company must also be licensed agent by the REAA. In addition, if they offer financial advice they will soon be legally required to have a certain standard of qualification in order to do so².
7. **Do you sell property?** In our opinion a buyer's agency that only acts as a buyer's agency will always be more independent than a company that offers both selling and buying solutions. No matter how good the 'Chinese Wall' is, the company is a team, and is usually operated under one roof. Will the owner of the business really be equally happy about one of its buyers taking a client to a rival company?
8. **Are you knowledgeable about the areas I want to buy in and types of property I prefer?** The agent absolutely must have hands on knowledge of the areas you want to buy in. This is a big part of what you are buying – their knowledge and their networks of vendor agents in the area.
9. **What is Your Process?** You need to get a result so you need to be sure the agent has a process for getting that result. The agent should be able to outline what will happen and when. Obviously there will be a period where a search is taking place and there is little obvious activity – but there should be planned communications updating you as to what is happening.

¹ Secret Commissions Act 1910

² The Financial Advisers Act - also see <http://www.financialadvisercode.govt.nz>

How to Make Sure You Get a Great Result

1. Sign an engagement letter that clearly sets out the agent's responsibilities.
2. Always, always, always conduct a detailed brief. The more detailed you can be about what you are trying to achieve:
 - Area first – suburbs you prefer, suburbs you don't like
 - Streets – are there certain streets you won't buy in? Are there are few streets you love?
 - Position – where do you want to be positioned? Near buses, café's supermarkets, schools?
 - Land – how much land do you require – give a minimum and maximum
 - Dwelling – minimum rooms, dwelling size, bathrooms, construction, cladding, colour, layout, décor, aspect (direction the property faces)
 - Intangibles – what are the things that aren't that tangible that might be imperatives – e.g. inviting entrance, workable indoor out door flow.
3. Agree a communications programme up front. Be explicit with the agent about how you like to be communicated with. If you need weekly updates, then tell the agent that.
4. Non performance solution. Decide upfront what to do if the agent is not getting you the result in the agreed time frame. It is so much easier to decide before you start rather than when things aren't working out.
5. Follow through. Once the property is found and a price and terms are agreed – be sure about who will do what. Who will order the LIM, who will coordinate the building inspection, who will chase the bank for an unconditional offer of finance.
6. Finally – make sure you select an agent you think you can work with. Two agents might be technically similar, but one you might connect with better. That's important.

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