Commission: Out of touch, out of date, out of pocket

April 2017
It’s a truth universally accepted that when selling a property, estate agents will charge a percentage commission based on the final sale price agreed. That’s just the way things are and always have been. Yet why is this the case? Is this a fair deal for the consumer? Is it right that the fee has remained unchallenged for so long?

Commission is supposed to incentivise agents to work harder but the work involved in dealing with a £100,000 home is the same as with a £1 million mansion. And because the estate agent isn’t paid until a sale is agreed, home owners, who have no visibility of offers received other than information relayed by the agent, can’t feel certain they have been made aware of all offers, or the exact position of those making the offer - so can feel left unsure of whether they’ve accepted the very best offer for them.

Michael Bruce, CEO, Purplebricks:

“Commission is an unfair and outdated model that no longer has a place in today’s market. Homeowners are entitled to a fair, transparent and convenient way to sell their homes and it is no longer acceptable to charge ever-increasing fees just because that’s the way things have always been done.

“This report shows that commission is the charge people dislike paying the most when they sell. But it doesn’t have to be that way, there is an alternative: a fair fixed fee with the same personal service of the high street. We want to help as many customers as we can avoid commissery - that feeling of kicking yourself because you could have got the same service for less.”

House prices have soared by 253% in the last 20 years, from an average of £61,830 to £218,255*. As house prices have boomed so have the profits scooped up by high street agents – the commission on the above examples has gone up from £1,113 to £3,929**.

Despite rising house prices making commission rise year on year, it is not the case that consumers are getting more for their money. The property industry has changed radically in the last few years. The days of trudging around town, going to every estate agent in the street to find out what’s on the market have long gone, as buyers now prefer to search from the comfort of their own homes, or on the move, via property portals such as Rightmove and Zoopla.

Technology has freed buyers from the rigidity of working hours and now it’s time for things to improve for sellers too - those who actually pay the bill!
The fees we hate to pay

• Over one third, 35% rated the commission paid to estate agents as the most annoying cost of moving home

• 28% stated stamp duty as the most annoying cost

• 26% said solicitors fee were the worst cost they faced

Too expensive and too complicated

• Almost three in ten (28%) think the legal process is unnecessarily complicated

• The overall cost of moving is deemed too expensive by over a quarter 26%
Choosing who will sell your home

Understanding what we will get for our money and the commission we will pay are the deciding factors when it comes to engaging an agent to sell a property:

- 34% want to know what the agent will do for them and how efficient they are
- A third (33%) of respondents regard the amount they will be charged as the deciding factor
- One in nine (11%) describes dealing with estate agents as the worst thing about buying a new home
- 10% go to an agent that is recommended by family and friends.
- Less than 5% are concerned about an agent having a high street office in the locality

Time for a change

95% first searched the Internet when looking for a new home

- Four out of ten (42%) like a dashboard to be available online to gauge interest in their property
- Three out of ten (29%) want a full service 24/7
Perceptions about commission

- House sellers are becoming more aware of the different ways to sell a property and the business of estate agents is changing.
- Seven out of ten are aware they don’t have to fork out a percentage commission on the value of their property

The final bill can be more than expected and a bit of a shock

- 96% underestimated how much they would have to pay to sell a £500,000 house
- Almost half (44%) of house sellers have paid more than £2000 in commission on a sale, one in six (17%) have paid more than £4000
- One in five (21%) said paying such a large commission was the worst part of the selling process
- Just over one in seven (16%) said the thousands of pounds they were charged for selling their home came as a surprise and they were not aware of how much they would be asked to pay.

Easy money and a poor perception of value

- 47% felt estate agents represented average value for money
- 42% felt they represented poor value for money
- 16% felt the estate agent hadn’t done enough for the money they were paid
- Only 10% felt they offered good value for money

“Are you aware that you can pay a flat fee and avoid a percentage commission when selling your home”

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<th>Yes</th>
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<td>68.89%</td>
<td>31.11%</td>
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“I would highly recommend using Purplebricks. There are no hidden costs, just straightforward figures. Thanks guys.”
Joanne Tillman, March 2017

“In a digital market place where people search for their own property needs it seemed to us that high street estate agents were not offering a service that justified their commission. Enter Purplebricks. For a fixed fee we gained a flexible and vendor-centred model for marketing and selling our property and it saved us a hefty commission.”
William Spanjers, March 2017
When asked how they would have felt if they had appointed an estate agent to sell their property only to find they could have purchased the same service for a lot less, almost all - 94% - said they would feel annoyed with six out of ten saying they would be “very annoyed”.

“I had a few of the traditional office-based local estate agents round to quote and they would have cost me £7,440 to sell my property. Instead I chose to use Purplebricks and their Local Property Expert, who lives in the area and is an experienced agent and I saved myself £6,178 - the cost of a luxury holiday for two for 2 weeks in the Maldives. I know where my money is better spent.”

Pete McKenzie, March 2017

If they didn’t have to pay a large commission, this is what buyers would spend money on

Most house buyers were aware that they would have to find thousands of pounds more after buying their new home. Last year over 1m homes changed hands and an estimated £4 billion was paid out in commission on sales. If buyers could have saved money this is what they would have spent the cash on:

- **New carpets & curtains**: New carpets and curtains were a priority for one in four (24%).
- **New kitchen**: A new kitchen would be an additional expense for one in six (18%).
- **New furniture**: New furniture would be needed by one in seven (14%).
- **Holiday**: One in eight said they would splash out on a holiday (12%).
- **New bathroom**: One in nine said they would install a new bathroom (11%).
- **New garden**: Work on the new garden was mentioned by one in twelve (8%).

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Pete McKenzie, March 2017
Notes

Survey of 1003 respondents who had sold a home carried out by Atomik Research Jan 2017

*Land Registry UK House Price Index and Nationwide House Price Index

**Average commission paid 1.8% (1.5% plus VAT)