



Secret Real Estate Agent Business ... What does it all mean?

by Julie Rayner

I wanted to have a chat about two terms used in real estate which are probably the most misunderstood and most secret terms of the whole game. Of course, because they are SO secret, once you've read this rant, I'll have to arrange to have you killed ... sorry about that! But seriously, these terms are guarded by real estate agents and only muttered in passing and never in front of clients. What are these two terms?

First is one I doubt most people have ever heard, no matter how many years they've been involved in the market. It's a very simple thing called a '*Sole Listing*'. Not very scary for you, but strikes fear into the heart of your real estate agent. Why? Simple answer again; it affects their bottom line.

When you list your property, most agents will ask you to sign the PAMD Form 22a (Appointment of Agent) under an *Exclusive Agreement*. Now we all know that means that only one real estate agent and their agency will control and manage the sale of your property. They get all the commission. But what if you introduce the buyer to the property? What if you have a friend, relative or the family who's transferring to your state while you're moving to theirs, and what if they buy the house without speaking with the agent, but by working through you? Does the agent still get paid their commission in this case? Damn right they do; if you have an *Exclusive Agreement*.

This is where the '*Sole Listing*' comes into its own and why most agents don't explain it to you. In the circumstances I described above, if your property were listed as a '*Sole Listing*', the agent would not be entitled to any commission. That's pretty rough! I hear you say. Well, yeah it is, and that's why you should tell your agent right from the start that you may have someone you know interested in the property. That way, if they (your friend, relative, whatever) do actually buy the property, there can be no hard feelings on the part of your agent. The other side of the coin is you could always be generous and pay them something for the work they have done for you. Having said that, it's entirely up to you.

So you can see why that one's been kept in the dark. What about the other dangerous term ... '*Conjunction*'? Arrggghhh! I can hear real estate agents everywhere screaming; their sixth sense just picked up me typing the word ... believe me, that's enough to get them worried. Why? Because again, it affects their bottom line.

It all happens when real estate agent A and their vendor meet real estate agent B with their buyer. Vendor and buyer just want to get the deal done but real estate agent A refuses to work with real estate agent B. In the original 22a form, they asked the vendor to sign a clause which prohibited conjunctions (in some cases, they may not even have explained what the term means). So what happens now? Real estate agent B walks away with the buyer, never to be seen again. Great outcome, right? Ahhh, NO!

When two agents work together to secure a deal they are working in *conjunction*. The commission payable by the vendor is split between the two agents on a pre-arranged written '*Conjunction Agreement*' which generally favours the selling agent. The only other alternative to get this deal done would be for real estate agent A to agree to pay real estate agent B a referral fee. This is unlikely to solve the problem however because a) if a conjunction has been refused, it is unlikely a referral fee will be offered and b) a referral fee is far less than even the smallest commission split and most agents will just walk away. How does this help the vendor and the buyer? Well obviously, not at all!

Answer me this: Does a real estate agent who asks you to sign a clause prohibiting conjunctions with other agents have your best interests at heart? Or to put it another way: why would you sign a clause that may block access to the buyer of your property? I would advise you to be suspicious of any agent who refuses or suggests that you refuse to accept conjunctions with other agents. As their client, their duty of care is to you - not their own hip pocket. And in my personal opinion, there is no other reason to refuse to work in conjunction with another agent (unless they are dodgier than the day is long ... but that's another story...) and the only possible outcome is the loss of potential buyers.

So when you are thinking of listing your property and are searching for your agent, ask how they will deal with these things, should they arise. See if they turn just a little pale at the mention of these horrendous terms! But for goodness sake ... don't tell them that I told you about them!