

The metamorphosis of the estate agency

Modern technology is changing the game, but some consumers still want the human element

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TRADITIONAL real estate agents are under fire from every angle: attorneys selling property, real estate start-ups helping you save traditional estate agent costs by offering a 1.5% commission rate, website and mobile apps that seek to connect landlords and tenants to an auction mechanism for rentals; fast-moving technology.

But estate agencies say they have stood the test of time and will continue to do so "as long as we continue to evolve and innovate our offerings, both to our clients and our agents".

One of the biggest challenges traditional agencies face - disruptors who have come onto the market offering huge savings to the consumer as far as commissions go - anything from zero to 1.5% as opposed to estate agencies' commissions of up to 7.5% - often cutting out the estate agent.

Ted Frazer, national marketing manager for Seeff, says: "The rate of technological advancement, the 'internet of things', has had and is having a profound impact on the real estate industry".

He says any estate agency looking to remain competitive and relevant must embrace innovation and "ensure they continue to move at the technological pace demanded by its customers, if not slightly ahead of it".

Globally, over the past decade, the real estate category has seen online property portals become the dominant search destinations of choice for property buyers, practically eclipsing newspapers, which were previously preferred destination for buyers.

Disruptive technology, says Frazer, is leading to the emergence of new online platforms that look to significantly reduce the role and fees of the traditional real estate agent.

Some platforms are looking to disintermediate the agent altogether - "FSBO sites" - "For Sale By Owner" - that allow home-sellers and buyers to engage and transact directly.

In South Africa, we have seen many emerging players - PropertyFux, JVP Properties, LeadHome, Homebid, Steeple, Shareprop, to name a few - "all of who offer the promise of low to no commissions and reduced agent involvement, substituted with greater online efficiency".

"It is clear that today's customer is more tech-savvy and will naturally look to engage with brands that are similarly aligned in terms of being technologically agile," says Frazer.

"However, locally and internationally it is equally clear the majority of consumers still prefer to deal through an experienced estate AGENT brand and agent when looking to engage with the category.

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"Locally, this new breed of estate agency may be gaining presence, but look at the number of listings on their websites to see, at this stage, they are still in their infancy.

This may also point to the nature and culture of the southern African market, which is clearly still strongly favouring the established, traditional estate agency model."

Dr Andrew Golding, chief executive of the Pam Golding Property group, agrees, saying as yet "there are no proven successful non-traditional models".

He says: "It is common cause that newer low-cost 'non-agent' and technology driven models rely on volume and scale for success (namely



Technology has seen 'disruptors' moving into the real estate market, offering huge savings on the commission charged for negotiating sales. PICTURE: PEXELS

profitability and sustainability). Time will tell whether the market will adopt these models partially, significantly or not at all in the medium to long term. Right now, it's too early to judge market take-up, and whether 1.5% is a model that can be sustainably profitable."

He says, however, it is a given there will be ongoing technological/digital advances and increasing automation of many processes within the real estate environment, seemingly at almost every component of what makes up a real estate transaction. Some - like search (via portals) - have occurred already, others will take longer.

Notwithstanding these technological advances, for now, consumers - both home

purchasers and sellers - are seeing value in the ongoing human interaction value that traditional estate agents provide. The requirement of and need for credible, professional, expert advice is sensible and prudent.

"No property transaction is exactly the same as another. Each has specific peculiarities and nuances to which the average homeowner is not likely to have been exposed."

Golding says automated, non-agent models presume the buyer and the seller can reach agreement on price without an intermediary.

"Our experience over 40 years is that this is often not the case and another area where an agent brings their

considerable skill and know-how to bear."

Rob Stefanutto, group managing director, Dogon Group Properties, says: "While alternative options exist, it is important to compare apples with apples in terms of the services you receive."

The daily tasks of an estate agent have changed "quite considerably over the past few years" and they now no longer simply sell real estate.

"With the advent of FICA and Capital Gains Tax and other changes in the industry, a proficient broker is there not only to market your property, but also to guide you through the process."

"A good agency will understand how to deal with all the

compliances you need for your finance, and any other pitfalls that may arise in today's market.

"Many consumers have limited knowledge of the real estate business and an estate agent should be seen as a property professional.

"This is one of the reasons why the Estate Agency Affairs Board and agencies over the past few years have increased the levels of training for their agents and members. This has meant the commission paid is for a full service bouquet to the consumer," says Stefanutto.

Disruptor PropertyFux agrees that you have to compare apples with apples.

Its co-founder, Ashley James, says they saw and took

a gap in the market "to help people sell their houses for a fraction of the cost, while simultaneously offering more exposure in the market."

"PropertyFux can't be compared to an estate agency as we don't have the same systems or the same financial structure as the traditional model. We are a team that utilises technology to offer clients more, for less. We focus on selling homes as well as the speed with which the transaction takes place."

Customer service, he says, is "our strongest attribute, followed by massive savings."

"We have, in fact, reinvented and restructured the traditional sales model not only to significantly reduce the costs involved, but also to allow for

a more consistent and higher level of service than what has traditionally been offered.

"Selling one's home still requires professional support. We simply argue that it can be done better and for less," says James, adding the new kid on the block has expert negotiating and legal skills available to users via its eOfferdesk headed by a lawyer.

"With our model we have experienced mutual trust, with buyers and sellers often being the reason for homes selling and fair negotiations taking place."

Meyer de Waal, of MIDW INC, a conveyancing attorney selling real estate who has also been instrumental in starting a hub for other attorneys doing the same, believes the 5% to 8% commission that estate agents charge could be reviewed and reduced.

"Modern technology can enable an estate agent to work smarter and be more cost efficient. One of the main reasons they have to ask for such high commissions is that their conversion rate in comparison to the time they spend to sell a property to an actual sale is low.

"Modern property tech tools, such as an online home loan indicator, as well as virtual reality tours, are all available to enable an estate agent to work more efficiently, spend less time on fruitless viewings and homebuyers who may not qualify for a home loan, or may not be interested in the property after proper viewing.

"I believe one of the key elements that remains is the involvement of a person with the required skill to facilitate the closing of a property deal between the two parties."

"The seller and buyer must also raise this question if such services are available when dealing with a low-cost selling agency or will they be left on their own, as in a DIY context."

"An attorney appointed by the parties is most likely to be a solution to assist with the drafting of the sale agreement and final negotiations."