

Sole Searching

IN THESE DIFFICULT TIMES, sellers of residential property are facing lengthy periods before a deal is concluded – more often than not months. This raises the issue of whether to contract with one estate agency to market the property or whether to spread the job around a number of agencies. It helps if the seller is familiar with an agent or agency and its reputation. But even then, the temptation to adopt a “shotgun” approach to selling is strong.

As with most things there are pros and cons. However, the seller needs to consider the following:

- A sole mandate is an instruction between the seller and the estate agency. A signed contract sets out conditions under which the agency or agent has exclusive right to market and conclude a sale of the owner’s property. Conditions apply to both parties, for example:
 - The price required for the property must be stipulated, the agreed rate of brokerage, the terms with regard to exclusive marketing and selling rights, the obligations of the agency in regard to marketing, advertising and other services, the obligations of the seller as far as show days, client access, and so on. The time factor is important since the contract terms must stipulate an agreed period and the expiry date of the mandate. PGP’s Western Cape metro MD Laurie Wener explains: “The standard time period for a sole mandate depends on the area and the type and price of the property and the activity levels in the market at any given time. Under current conditions three months would be the minimum period of a sole mandate in the lower price ranges, say up to R1,9 million. The time period would increase, to 12 months or even more, for properties at the very top end of the market where the number of buyers is limited. Moreover, top end properties require more extensive and expensive marketing and advertising schedules.”
 - What happens when the time period expires? The seller may extend the mandate or is free to approach another agent or agents, but would be wise to discuss further the reasons why the property has not sold. The most common reason is that the seller’s price expectation is too high, but there can be other factors. Furthermore, there

really is no reason to move to another agent just because the market is slow.

- However, if moving to another agent, the seller should protect himself/herself by requesting a list of buyers introduced by the first agent. This is important. With an open mandate, says Laurie Wener, sellers expose themselves to the risk of having to pay double commission. “This can happen when two agents deal with the same buyer in a variety of circumstances. With a sole mandate, the seller is protected, as only one agent is mandated to deal with the property and commission is only payable in terms of the mandate.”
- An open mandate is when a seller approaches more than one agent or agency and gives them the go-ahead to market the property. Many people feel, particularly in a depressed market, such as we have at present, that they have a greater exposure to buyers and therefore a better chance of selling through this approach.
- Laurie Wener explains: “Essentially one of the risks of an open mandate is that individual agencies are then averse to taking the financial risk of entering into a well-timed, customised

(to the property) marketing and advertising campaign.” Carol Reynolds, PGP’s area principal in Durban North and La Lucia, adds: “Opting for an open mandate will not open up the buyer pool. It also sends a signal to the buyer pool that the stock is not exclusive and hence ‘cheekier’ offers will come in.”

- Marketing costs. These are very real, and borne by the agency. These include the agents’ direct costs (agents generally don’t earn salaries - only commission on sales), direct advertising costs, costs of brand support, operational overheads of the business and branch such as IT systems, administrative backup and so on. This is generally broken down into a desk cost per agent per month. Given this high cost burden, sellers should understand that without a sole agency mandate, estate agencies are unwilling to undertake such an outlay without the sort of guarantee of exclusivity they have under a sole mandate. It is often difficult for good estate agents to laud the benefits of a sole mandate, since clients may perceive this as self-serving. Nevertheless, a sole mandate is a vital consideration for any seller. ■■■

