

## **A good real estate agent can save time, money**

### **Buyer should have own representative for shopping in the resale market**

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You've just seen an ad for the home of your dreams – right size, renovated, perfect location. Even the price seems right. You call the smiling face attached to the ad and make an appointment to view the house.

The listing agent takes you through, emphasizing all the home's features and now there's no doubt in your mind. You're ready to make an offer.

The vendor is asking \$299,000 and you decide to make an offer of \$285,000 but you confide to the agent, who has been so understanding and so helpful, that you are prepared to go to \$295,000 if you have to.

Without knowing it, you've just shot yourself in the foot. Why? Because the listing agent is working not for you, but for the vendor, and by realtor ethics rules is obligated to inform the vendor of your position.

The misconception that the listing agent you call or meet through an open house is on your side is a common one. In fact, some years ago, when consumer crusader Ralph Nader polled buyers in the United States to ask who they thought was representing them, 70% believed it was the agent touring homes with them.

In reality, the buyer uses a "buyer agent" who looks after their interests and negotiates on their behalf. Buyer agency, or buyer brokerage, was introduced in Canada in 1995.

“Before 1995, it was a jungle,” says Carlos Sconza, a real estate sales representative with HomeLife. “And that's why realtors have such a bad rap. Communication around this was not good and we as a profession did a bad job at it. But now we have disclosure.”

What that means is that your real estate agent is obligated to explain the three different types of agency relationships to you.

A listing agent represents the vendor. Regulated by the Toronto Real Estate Board and the Ontario Real Estate Association, their fiduciary duty is to the seller.

A buyer agent represents the buyer, and the buyer and agent can sign a binding agreement that covers a specified period of time and outlines responsibilities. You might consider an exit clause just in case things don't work out.

Then there is dual agency in which the agent is representing both the seller and the buyer. It's tricky ground because both buyer and seller waive the right to confidentiality.

“Dual agency is a time bomb,” says Sconza. “I can tell you from experience that you can not serve two masters. If you purchase from the agent selling a house, you waive your rights – your privacy is disclosed.”

Think of it as a poker game – would you reveal your hand?

A good buyer agent working on your behalf does many things and can save you thousands of dollars. They should educate you about the market and all the intricacies of buying a property and obtaining a mortgage, as well as negotiate on your behalf. And they should prepare you.

“People are so excited to start looking,” says Sally Cook, half of the Thomas & Sally Cook sales team at Re/Max Hallmark Realty Ltd., and former mortgage specialist for Scotia Bank. “But they need to prepare.” For Cook this means a full consultation with the buyer.

“We do a customized spreadsheet based on their income, liabilities and assets. We spend the first part of the consultation figuring out what they want to spend then go over their wish list. Are their expectations realistic?”

Often adjustments have to be made in things like price range, desired area and features. Then Cook goes online and weeds out what is not appropriate for the buyer such as the house on a busy street or the “handyman” special.

The consultation saves time, she says, because the buyer is not wasting time looking at the wrong thing. And when the time comes to buy, the negotiation skills of a good agent can be invaluable.

Sconza cites the example of a loft listed at \$245,900 that he was negotiating for on behalf of a client. He knew it was well priced but decided to go in at \$235,000. The listing agent said the vendor was prepared to accept \$243,000.

“In the end they agreed to \$240, 000,” says Sconza.

“It’s all in the inflection and tone of voice, the subtle signs you watch for. It’s partly intuitive, but it’s a gamble. You can lose too.

“If I can save a client \$3000, there is not that much difference for me, but for the purchaser that’s huge – it can pay for the land transfer tax or other closing costs.”

Commission works this way: When a home is sold, the owner pays the selling agent a commission. That commission is split with the buyer’s agent if one is involved.

Buyer agents can even negotiate with builders on new home and condo purchases, but not all builders will work with an agent, so be sure to have a lawyer look at the offer-to-purchase contract before you sign. Sourcing expertise is also a service that a good agent can provide.

“I am not a legal expert or a home inspection expert or a mortgage specialist but I can put together a team of people who are,” says Sconza.

Mohammed Rahman of Century 21 Leading Edge Realty Inc. takes it a step further. He cites the case of clients from Bangladesh, Subaid and Neela Ali, for whom he found a new home, negotiated \$11,000 in appliances and upgrades, liased with the builder to provide economical labor to build a basement apartment, then found tenants. The family, who were paying \$1,500 a month in rent now pays \$550.

“When we first arrived (from Bangladesh) in 1996, he advised us on investments and recommended that I take the Canadian Securities Course,” says Ali who was a banker in Bangladesh.

“And he helped me clear my furniture through customs. He told me how to get a health card, a SIN number and introduced me to the library and the job hunting support at the Human Resources office.”

For another client – new immigrants from Pakistan – Rahman helped find a business and enrolled the children in school, taking a day and a half at two different schools to fill out application forms.

“I think my role is to have a caring attitude and to have the best interests of the person (I am) working for.”

“I treat them as if I was in their shoes. Especially with new immigrants, they have no idea where to start. So you have to have knowledge and expertise. You have to educate them.

“I try to make sure they are buying with pleasure and that it’s not a decision that leads to hardship. They have to know that what they are buying is affordable on a long term basis and that they can carry it with a peaceful state of mind.”

And it’s good business practice. Rahman’s business is largely referral – five to six referrals from each client he says. And referral is the best way to go according the agents interviewed.

”If you meet an agent through an open house, ask them how much of their business is from referral,” says Thomas Cook. “Watch for the reaction. It’s the most important question you can ask. And ask to speak to past clients. You want someone with some experience because they will be handling multiple offers and negotiating for you.”