

## UNDERSTANDING THE DEREGULATED COMMISSION

In Queensland, up until 1 December 2014 the real estate agent's commission was capped at a maximum of five per cent for the first \$18,000 and then 2.5 per cent for the balance, thus imposing restrictive limits on agents and their clients on how they could structure contracts.

From 1 December 2014, when the Property Occupations Act came into effect, that maximum cap was removed and commissions became deregulated, essentially freeing the agent and the vendor (the seller) to negotiate their own arrangement.

Deregulation, generally speaking, hasn't changed the industry much. Commissions are now hovering between 2.5 and 3 per cent. In some areas we hear of agents charging up to 3.5 per cent, but those agents are operating at the premium end of the market, with a premium service to go with the price tag.

The greatest benefit to come from deregulation is the greater contractual freedom. It allows both parties to negotiate a more creatively defined arrangement.

Vendors now have the opportunity to incentivise their agent for performance, paying a bonus if certain targets are achieved, such as a speedy sale or a certain amount above reserve. Contracts can be tiered, with greater percentages paid if the sale price exceeds a certain level and the REIQ believes this is a good thing. It allows the best agents to be appropriately remunerated for their skills, their commitment to their profession, and their customer service.

At the same time, agents who want to offer smaller commissions and operate as a volume business are able to do so. They do this for lower priced properties and they offer fewer services and benefits. This arrangement suits many vendors who don't want to use every marketing channel available to them and are targeting a very specific buyer.

The deregulated arrangement also benefits property managers and their clients. Property management is a very client-service focused part of the market and it often requires intensive levels of hands-on touchpoints, with both tenants and regulatory bodies. In the past it was very difficult to achieve parity with a capped fee arrangement, so deregulation has allowed the PM market to become more appropriately remunerated. This, in turn, motivates agencies to offer greater service and more features in order to compete for business.

Finally, deregulating commissions has also brought Queensland into line with other states and when we have buyers and sellers crossing state lines as often as we do, this is a good thing. It fosters greater business opportunities and more seamless transactions.

Deregulation has done what it was designed to do – motivated good agents to improve their value proposition, ensured they maintained their professional development and their skills, and allowed vendors and landlords to choose the type of agent they want and the type of contract they want.

**-ENDS-**