

Purplebricks pressures vendors to reduce prices

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Fixed-fee real estate company Purplebricks has been exposed for unethical practises in NSW. Last week, [AFR revealed](#) that agents held a competition to pressure vendors to reduce their asking price.

At nextaddress.com.au we think Purplebricks' actions are appalling, unethical and a complete abuse of the vendors' trust.

That's why we're going to tell you how it happened. When you know the tricks real estate agents use to put pressure on vendors, you're less likely to get stitched up by a real estate agent when it's time to sell your home.

What is Purplebricks?

Real estate agents are supposed to work for the vendor, so you'd say it's in both the vendor's and agent's best interests to sell a home for the highest possible price. A traditional real estate commission rate of about 2% means that selling an \$800,000 house would earn an agent a commission of \$16,000.

The Purplebricks model was supposed to help vendors by removing sales commissions and charging a fixed fee of \$8,800 (from 1st October 2018). The package includes an online sales platform supported by a dedicated sales agent, sign board, online advertising on their website plus the major real estate platforms, floor plan, photography, open inspections, following up buyers, and an auctioneer if vendors choose the auction model.

What is the Purplebricks discounting fiasco about?

Purplebricks offers a cheaper service than the traditional real estate commissions, which can save vendors a lot of money. But because it's a fixed-fee and low-cost model, it's in the agent's best interests to sell the house quickly, and that's how the Purplebricks discounting fiasco seems to have come about.

The terms of the competition, which was endorsed and funded by Purplebricks founder Kenny Bruce, were that [Purplebricks offered its real estate agents \\$5000 cash prizes](#) to convince NSW vendors to drop their asking price by 5% to 20%.

Vendors are outraged by the revelation. Purplebricks customers have come forward describing the pressure from agents to accept lower sale prices.

Instead of solving problems, Purplebricks has created bad news for an industry that already experiences negative sentiment and low levels of consumer trust.

This isn't the first time we've heard about agents pressuring vendors to reduce their asking price. In fact, "Conditioning the Vendor" is far more common than you might realise.

Let's explore some of the tactics used by real estate agents to condition vendors to accept a lower sale price for their home, in the interest of educating you about what to look for.

Australians are already wary of real estate agents

A 2015 research report from Corelogic " [Consumer perceptions of real estate agents](#) " interviewed vendors around Australia to ask about their experience of selling a home with a real estate agent. The research shows that:

- 30% of vendors rated their selling experience as poor to disastrous
- 31% of sellers wouldn't recommend the agent they used
- 41% of vendors were upset with their agent after selling

Buyers have an even worse perception and experience:

- Only 14% of buyers rated the agents they experienced as excellent
- 28% of buyers didn't trust their agent
- 68% of respondents reported they felt agents had little or no interest in helping them find a home

Don't get us wrong; there are good ones out there. In fact, 31% of vendors reported excellent experiences with real estate agents. Interestingly, female agents ranked higher than their male counterparts with 45% of respondents rating their female agent as excellent.

Many vendors are left disappointed by the sales process.

The CoreLogic research shows that overall, vendors feel good about their real estate agent at the beginning of the process, and worse at the end:

Results and diagram by Kylie Davis from Corelogic's research report "[Consumer perceptions of real estate agents](#)"

This decline in customer satisfaction may be caused by changing expectations.

Perhaps the agent wins the job by saying they think they can get a certain high sale price for the home. Then throughout the sale process the agent systematically lowers the vendor's expectations. As time goes on, the vendor feels forced to accept a much lower sale price than they were originally told was possible. Eventually, they're left upset and bitter at the whole experience.

How agents use "Conditioning the Vendor" to their advantage

A high sale price isn't necessarily the agent's biggest priority. Think about this: for every extra \$10,000 you get, the agent's commission only rises by \$200 (based on a 2% commission fee).

And in the Purplebricks fixed-fee model, there's extra incentive for the agent to sell it as quickly as possible. They earn the same whether they sell it for the original asking price or half that amount.

Here are six of the tactics real estate agents use to "condition the vendor" by lowering your expectations and sell the house quickly: these tactics were printed in a real estate agency's training module.

1. They find out your plans

Your personal plans are no business of the agent or the buyer. If an agent knows you're selling because of a divorce or you need to start a new job by a certain date, this can be used to pressure you into a lower offer. You start to get 'conditioned'.

The only information the agent needs is that you are a keen committed vendor with a very strong desire to sell. Remember, this is a business transaction.

A good agent will be focused on the selling process and making sure you get the best possible outcome. Find an agent with this as their mantra and not one wanting to know the personal stuff.

2. They talk down your home's value

The agent begins to point out the negative features of your home. It may be the small bedrooms, a small back yard, or no off-street parking. Whatever they come up with, every comment is designed to make you question your home's value so you start to lower your price expectations.

Before you know it the agent has asked you to reconsider the asking price, making the property easier to sell.

Julie O'Donohue, the founder of Next Address, experienced this as a vendor. The agent spent the first 15 minutes of a chat conditioning her about the issues with the house: the second bathroom was in need of renovation, there was no air-conditioning, and only a carport. Then after this chat, the agent said, "Oh but I do have an offer for you to consider!" Julie was already questioning the price of the home; she had been conditioned.

If an agent can get you to question the price you set, then when they do come to you with an offer, you feel pressured to accept.

3. They talk down the market

"The market has taken a dive in the past couple of weeks" or "The market is flooded with homes at the moment" or "There are 3 other homes, just like yours for sale at the moment." These are used to get you to lower your expectations and to get a sale.

Yes, the market is starting to decline in many parts of Australia. But it's your responsibility to understand what's reasonable for your home. Do your own research and follow sale prices of similar homes nearby. Don't let them pressure you into accepting a much lower sale price than they initially quoted. Also consider that the market you sell in, is the one you'll buy in.

4. The pressure cooker tactic

The agent comes to you with an offer with a short time frame, making you feel pressured. This is often used after your home has been on the market for a while. The offer is usually lower than your stated offer.

Comments will range from "They don't love the house but see it will work for them" or "There are two similar homes, so they don't mind which one they get." They'll use emotional stress to pressure you to decide within 24 hours or the offer will be off the table.

5. The Phantom Buyer

It's the 10-week mark of the sales campaign and the house hasn't sold. You are committed to selling, getting impatient, time is running out and your stress levels are high. The agent knows this, and they also know they could lose their commission.

Suddenly there seems to be a bit of interest in your property. Known in the industry as the 'phantom buyer', an anonymous buyer suddenly appears.

This tactic, unfortunately, is used by numerous real estate agents and agencies to keep your listing. There isn't a buyer at all. Some agents even go so far as to lead you to believe that you need to sign another sales agreement so that they can continue to deal with the 'buyer' and complete the sale. This is not necessary. Read your contract again if needed.

6. Local comparisons

"The house around the corner just sold for less and was bigger than yours."

Comparisons with other homes are a regular sales tactic used by agents. Be respectful of the information but only compare your home to homes similar to yours. The interior may have been vastly different, there could have been an underlying problem or any number of possible reasons for the difference in price.

The main learning for you is to do your homework prior to listing your home for sale. Spend the time and money to know your local market, what is selling, what are the prices being achieved.

How to avoid conditioning and pressure: do your homework

- Use recognised property data companies to research the value of your home.
- Consider using a registered, independent valuer. The banks will use one for any loans required
- Research home sale prices in your area and be objective about your home's features.
- Establish your communication expectations early and be very clear with your agent. If you feel that they are trying to condition you, call them on it.

Another way to sell your home

Despite all these negative experiences, 97% of Australians still sell their home through a real estate agent. Australians are so used to this model that the first thought after "I want to sell my house" is "I need a real estate agent."

One way to avoid all of the above pressure is to DIY. It's easy to sell your own home online with nextaddress.com.au. There are lots of tools and resources you can use to educate yourself about the sales process and feel empowered.

<https://nextaddress.com.au/blog/purplebricks-pressures-vendors-to-reduce-prices>