

## Property Training Review Submission:

My name is Peta Swarbrick, I am a registered sales agent in NSW and the ACT and I have been selling property in both states for over 10 years. I have recently applied for my licence and hope to be licensed in NSW and the ACT within the next few weeks. As part of the process of upgrading my skills to attain my licence I have spent many hours on the NSW Fair Trading web site and became aware of the review and felt a strong impulse to contribute my experience of entering the industry without any prior training in property matters but with a BA and my observations of what have witnessed in the industry with regard to the attitudes to training and supervision and their affects on my industry over the last 10 years.

I feel that my experience can provide some useful insights as I worked for a large franchise group, LJ Hooker, and I was involved in training sessions that included just our local offices ( that were part of an ownership network) as well as the local area network (ACT and Queanbeyan) and also extended to larger network groups ( Southeastern NSW and ACT and Australia wide). Having worked as an agent and sales team manager within a large franchise group I am able to convey to you how a company like LJ Hooker approached the issues of qualifications and training . As a sales agent I spent a big percentage of my time within individual offices or as part of the greater network, being trained, so I was able to observe the delivery of training and the culture around it at the individual office and network level.

As an employee of LJ Hooker in Canberra for over 10 years I saw first hand the effects of poor training ( amongst other issues) contribute to poor practice, low levels of job satisfaction, poor performance and the eventual “churn”. I saw on a regular basis the hiring of poorly selected candidates who were initially rushed through their mandatory units, given very little induction into processes, and procedures, provided cursory supervision ( this depended on more experience agents being prepared to have the new recruits “tag along” for and sacrifice part of their commission not an ideal platform for providing careful supervision or performance review).

As a graduate with a Bachelor of Arts degree, I was only one of two people in a company of over 90 ( about 35 salespeople ) who had any kind of tertiary qualification beyond the mandatory CERT IV in Property. I had 10 years of sales experience when I entered the industry. I was attracted because as a mother there was the ability to work part time. I was also not the primary income earner in my family. If I had been the appalling level of guaranteed remuneration would have seen me take my 10 years of sales experience and get paid double elsewhere. As a working mother I did not have the luxury of a plethora of part time job opportunities. Any male with a Cv like mine would not have considered real estate for a minute, given the guaranteed rate of pay was \$28,000 and even now the average income is under \$70,000 which is well below the average in other sales roles.

The low bar for entry was always of interest to me, and the selection process itself was also in my opinion hit and miss, and I saw the resulting churn of staff and wondered how experienced managers could justify and afford such poor staff retention. My previous and extensive sales experience saw me succeed fairly quickly and without the financial pressure of being the main income earner in my house I could afford to take the time to learn how to acquire good skills and I was in a position where I was not desperate to “win” listings at any cost. I took the time to ensure sellers really understood what my role was and what they could expect. I also could afford to carry less listings and therefore have less pressure on me to sell them and get the commission any way I could. I was already well trained in negotiating,

and I could afford to ensure my ethics and fiduciary obligations were never in the way of my financial survival. Many of my colleagues recruited without experience, given very little supports and lots of pressure to produce income, did not have this luxury and I saw many lapses in professional and fiduciary responsibilities that I feel are directly related to the poor training and supervision.

My other observation would be the glaring lack of management qualifications of those in charge of selection, recruitment and training it seems to me has the greatest impact on the poor skill levels and the HUGE staff turnover in all aspects of property services, not just sales. Management's choice of salespeople always seemed more a case of "bums on seats" and quickly, to fill the constant gaps as sales people came and went usually within 3 - 4 months. I feel very strongly that the training of real estate agents and the lack of adequate mentoring and "on the job" supervision is a chief source of the poor practice of many agents and is also a major cause of the poor public opinion we "enjoy". I would love to see the levels of skill in my industry increase so that we can be considered professional and valuable service providers, and that consumers can have complete confidence that we are delivering the services we promise.

I understand that the review has a specific scope and I will deal with those specific questions below. Firstly though and specifically in relation to the consultation paper I would like to take issue with the premise raised on page 12 "if a key role of an agent is to appraise the potential sale or leasing price of a property and recommend a listing price, a certain level of skill is required to perform that task" ( Page 8 Consultation Paper) In my experience this is a fundamental misunderstanding about the KEY role of a real estate agent in 2016.

The key role of a real estate agent is to negotiate with buyers after having attracted some through a marketing campaign. Any owner can these days with the abundance of information and applications on the internet do the same research as a real estate agent, make the same price comparisons, produce great looking online images, write great marketing spiels and put a sign out the front and a contact phone number on the web page. Give or take a bit of polish and probably with much less annoying "agent speak" cliches. What they cannot do to the same level of skill, expertise and emotional detachment therefore beneficial objectivity is NEGOTIATE the highest price the buyer is willing to pay. If this most crucial aspect is not the basis on which all training is undertaken then we will never have skilled agents who are able to deliver value for money services and ensure "the best price obtainable for a property" which we all understand is the key role and fiduciary obligation of a paid real estate agent.

I want to draw to your attention that in 10 years of training with one of the country's biggest real estate employers and trainers I was never once encouraged to learn the skills to "price" a house. Home owners in the majority (with non computer literate generally older people being the very small exception), have done more "research" on properties that they feel are comparable to their home than I ever could. Homeowners have access to more data and more sales history now than at any other time in the industry's history. They don't need an agent to know what their house is worth, the agent has the same empirical information they do. What they really want to know is if the agent can guess what they are thinking they think their house is "worth" ( or owes them ) because the agent that can do that has demonstrated that they are the right person to represent them, because they use this mutual opinion as a basis of trust. As an agent I was trained not how to arrive at a price but how to determine what price was in the owner's mind, and with that hurdle out of the way we could discuss the real business of the best presentation, effective

market exposure and best pricing strategy to ensure my sellers the highest achievable price.

Agents are no longer the keepers of the keys to the sales data. We have no special knowledge, we have not special algorithm or formula. Owners are offered “free appraisals” on the internet all the time, agents can only base their assumptions on the same data available to the sellers through a myriad of data base companies. The issue of price is an issue of perception, and there is no empirical or proven formula to come up with one that has more than a 10% chance of accuracy unless the “price” is given in a fairly wide range, and then it’s not really a price, its actual priceS. A valuer’s KEY role is without doubt is to come up with an accurate price, an agent’s is to market the property and negotiate the highest possible in a sea of unknown and uncontrollable variables. Agents best protect their owners interests by being a skilled negotiator. Buyers feel hard done by because the negotiation was poor, not because someone else wanted to pay more. Good negotiation skills are defined by both parties being satisfied. Cranky buyers and sellers reflect poor negotiation skills. Under quoting would never become an issue if agents took the time and had the skills to negotiate well. Clearly the level of complaint points to a major problem in negotiating skills.

So I have concerns from the outset that pricing property features as a key premise and therefore a key feature of the training under review yet negotiation, a far more important risk factor in the “failure to realise the best price obtainable for a property” ( page 8) is not really mentioned. This is highlighted again in the first section questions and I will answer those as per the scope but I felt that it was important to preface my answers with a more holistic look at why price is not the main issue and that I feel to labour under this false assumption means two very concerning outcomes:

1. That the correct training and emphasis will continue to result in poor practice, costing home sellers money and continuing to erode public confidence in our industry.
2. That the public given this erroneous message from the Industry regulator about the importance of PRICE in the services provided by the industry will entrench incorrect expectations in the consumers, and this will lead to focusing on the incorrect criteria in agent selection, a poor choice will occur, there will be more failure to obtain the best price possible and the once again consumers will lose money and be poorly serviced.

The real estate industry and real estate services have changed dramatically over the last 20 years. The internet has had a huge impact on the industry, not as predicted so many times in my career that agents would become superfluous and buyers and sellers would transact without us in a cybermarket. Instead the internet is now the aggregator for inside price information, the place to go to for the sales that owners can compare their property with and assess its “worth” The result has been a shift away from the agent as “price” expert to the agent as negotiator and strategic advisor as to which pricing approach will yield the best results- Single price, Price Range, By Negotiation, Auction. This fact needs to be realised by regulators and industry bodies so that appropriate training, qualifications along with public expectations can be achieved. If the public understood better the actual mechanics of real estate transactions they would be better equipped to choose an agent with the correct skills, and be at less risk as consumers of failing to get what they paid for which is the best negotiator who can negotiate the best price.

The training, both initial and ongoing, required to equip agents for the new post internet market conditions and the new price savvy and sophisticated buyers needs

to be valued and promoted by today's and tomorrow's business owners and managers. That is, if the current mandatory requirements have any real hope of producing better skilled, better equipped and better performing real estate agents. My experience is that business owners see employees as expendable unless they are making profit, they do not see value in training and will do the very minimum required. I believe this is a prevalent culture in my local industry but my exposure to other agents from all over the country leads me to believe strongly that it is a continuing company attitude at LJ Hooker. As one of the leaders in the industry, this has fairly serious implications for the culture of the industry as a whole.

1.1 Failure to achieve highest possible price, this is a level four risk as it has a direct impact on consumer detriment. In the cases of private treaty negotiations, this process has the least transparency, therefore agents have the greatest opportunity to FAIL in their great fiduciary obligations. This should be a mandatory skill and it should be the key skill in order to mitigate against consumer detriment.

1.2 The emphasis on training is far too much on recruits and far too little on recruiters. None of my "managers" have any formal management training, they employed minimal Human Resource expertise and provided almost non-existent mentoring or training. I believe that this "canon fodder" approach was born of decades "hiring" an employee on a purely commission only basis (until 2010 and the Agents Act) and entrenched an attitude that saw investing in training and mentoring as an unjustified "cost". The real estate industry is not used to having to pay its sales staff for their time and they see training as an impost not an investment.

When I entered the industry 10 years ago there was not one single person in the organisation that was paid for their time to train me. I was teamed up with a salesperson, who was not remunerated, and was expected to share their commission with me AND train me at the same time, just because. As you can imagine the motivation for the established sales person to financially underwrite the new unknown person's training is pretty low. As you can imagine the resulting quality of this "training"? Pretty low. Established agents would exaggerate new recruits competencies to be shot of them, they were then let loose, on the public, and because they do their work in people's living rooms never really supervised again. This was consistent practice in my company, and I also know it was in the local network and the wider network of LH Hooker.

LJ Hooker has a training business, it sells training to franchisees, the "training" business supports the growth of the LJ Hooker brand, and its ability to get more LJ Hooker signs into more streets and more suburbs, in order to win market share, and ultimately to increase its franchise fees. For a large hierarchical business model like LJ Hooker, training sales staff to get listings is a priority. Ensuring their staff obtain the highest possible price for their owners is not a priority, particularly when many franchise owners advocate flat fee commissions with a "just get the business" imprimatur. Franchise business need cash flow, they want property transacted, faster. That's the expectation that was placed on me and all my colleagues. I only ever heard the words "fiduciary obligations" mentioned at CPD training, most agents had to be told what it meant. It was certainly never the topic of any of the regular corporate training. LJ Hooker has had many local agents pass through its doors and the many LJ Hooker staff who have left to start their own businesses, have perpetuated and spread the culture "just transact" they were inducted into. Those priorities can be seen very clearly in the poor performance and reputation of our industry.

1.3 I don't feel I have the expertise to comment on the minimum educational standard for each category. I do feel that with the internet at hand being able to find look like you are an experienced agent when applying for a licence is easier today than it ever was. I do feel that the focus should be on the ability to demonstrate supervised application of skills, and have independent assessment of those skills before organisations can deploy sales people to operate as "agents" on their own. This would encourage business owners and managers to have to train recruits properly, building skills which are only acquired in the field, onto the theoretical qualifications. Owners and managers bypass the time it takes to acquire in the field skills under supervision in order to deploy new agents for income earning opportunities as fast as possible.

2.1 In my experience new sales recruits had no previous experience because they were encouraged to apply for the roles with little or no experience. That means they didn't need to be paid much. I was not for any intents or purposes "supervised" after my first three months. I was only ever a registered agent. In 10 years I was never encouraged by my employer to increase my skill level by obtaining my licence. It was considered an unnecessary waste of time. I also believe that my management felt they were protecting their business by me not being licenced and therefore not being in a position to start my own business to compete with theirs. It is only after having studied for my licence I was even aware of the supervision requirements. In my experience new sales recruits were hired for "attitude" with the expectation they would acquire skills required. This approach saw many new recruits leave within 3-6 months or joining our organisation because they were paid minimum wages and expected to work extraordinary hours. They failed to produce regular income and were in "debt" (because they had not made enough commission to cover their monthly \$2000) and many lost heart, and hope and left.

2.2 The practical consequences of the absence of a time based requirement is that business owners and managers can send new recruits into the marketplace as sales agents or apparently supervised by licensees "to sink or swim". The attitude that I was aware of was that lip service was paid to "supervision" and the new sales person was encourage to get out, get prospecting for new business as soon as possible otherwise they would soon be the "red" i.e. they would be in danger of owing the company commission they hadn't made but had been paid as part of a "credit debit" system. This financial pressure has huge impacts on the motivation of salespeople to take the time to acquire excellent skills because it takes time away from making sales. This has massive implications for consumers and the level of service and experience they are really getting.

2.3 Time based experience would achieve a more level playing field in that you can't fudge 6 or 12 months experience. It would also put more onus on managers to demonstrate the practical application of theoretical qualifications through in the field experience. If that was mandated owners would have more pressure on them to uniformly put skills acquisition as a priority in order that those recruits were then free to act as independent agents. The practical effect would to put less pressure on the recruits to start doing deals, less focus on income and more focus on processes and procedures. Business owners can't have better quality without investment, that's why they don't like the time based approach because they have to PAY people they don't feel deserve a salary. They expect anyone they employ no matter their experience to be earning income and producing turnover in order to justify their "job"

3.1 In my experience current CPD requirements rarely do more than meet regulatory requirements for registration and licensing. And I have been meeting my CPD obligations yearly for ACT and NSW for a decade. I once learned some useful facts

about swimming pool legislation, and I mostly understood from CPD how not to get sued. I have never felt that the day spent in answering questions en masse in the shortest time possible has ever made me a better agent. Ever.

3.2 The benefits of CPD in my experience end with compliance. My understanding was the delivery costs were minimal. I think the perception was that because the training added no commercial value that the cost was due to loss of revenue. I think that's a problem of attitude towards CPD and not taking the opportunity to deliver real value to the business. This is a managerial attitude issue.

3.3 I think problems I have observed are the true lack of independence of the RTOs. Businesses want the least downtime and the the most boxes ticked in that time so everyone can go back to doing deals. RTOs have too much invested in commercial relationships with large franchise groups to be able to deliver independent training that is true to the purpose of the exercise and not influenced by business owners influence. In other words they try and make it quick and painless because business owners want agents out doing deals not learning about their fiduciary obligations.

3.4 I think that with large organisations in order to deliver mass CPD across many areas at different times of year the content can vary wildly. There seems to be a focus on doing the least most quickly so a one size fits all approach is often adopted to get the CPD requirement out of the way. This attitude definitely influences most agents attitude to professional development. They will spend 3 days and 1000's of dollars listen to Ivan Bresic tell them the secrets of getting more listings in the Eastern suburbs, how to be a listing warrior, and gain and 60% market share but agents feel put upon when required to spend 9 am to 12 pm discussing ethics in property negotiations, or fiduciary obligations.

4.1 In my experience the problem with the delivery and assessment of the training for the property services industry are:

Lack of independence of the RTOs from large employers like LJ Hooker

Lack of transparency of the delivery of CPD courses

Lack of real engagement and the attitude of "lip service"

Lack of motivation to make it meaningful by business owners who see it as red tape getting in the way of their turnover.

4.2 I think that the same old problems are still evident, they are not new they just hasn't gone away.

1. The training and ongoing professional development of agents is not seen as a legitimate investment by business owners and managers.
2. Failures to deliver good service and poor skills are seen as individuals responsibilities and not the role of managers and business owners to improve through better training programmes because the entrenched attitude to their employees is that they are either hungry enough to "succeed" ( make money) or not.

The impacts are:

1. Low incomes as a result of poorly skilled agents.
2. High risks to consumers due to lack of skills
3. High turnover in staff which results in poor corporate culture, extra costs to business, poorly skilled staff
4. Risks to industry reputation.
5. Loss of trust in the industry and more pressure on regulators through constant complaints.

4.3 I feel that on the job training support and assessment rather than entry level experience or qualifications are the key element to improving the issues that face the

industry. I think that there needs to be more scrutiny of the relationship between RTOs and large real estate businesses and greater independence in the assessment of training for the industry. I feel that the current generation of managers and business owners need to have a change in their attitude towards training that is more modern, and professional and in keeping with the expectations that other professional industries have. I think that there should be a more independent audit or assessment process, like the trust account audits where an outside assessor comes in and looks at whether training requirements are being met and ask the recruits if they feel they are getting the training they need. I think that a time based system with regular milestones that are assessed independently with the employer supporting the new entrant with a guaranteed salary during that time will motivate the business owner to continue to support and nurture his/her investment rather than place new sales people under pressure early to make income, any way they can.

5.0 I do not have any thoughts that I feel are relevant on mutual recognition.

I want to thank you for the opportunity to contribute to this process. I hope that my lengthy preamble will provide you some insight and give the Review Committee some context for my responses to the questions posed. I no longer work at LJ Hooker as I found their values and their culture did not align with mine. I work for myself and I am free to deliver the best service I can and be very proud of my work and the thanks I get for helping people with their most important investment decisions, every day.

I know many great agents who do their job very professionally, very skillfully and very diligently. Unfortunately there is still not enough well trained agents to ensure that my industry is well respected, considered trustworthy and providing a vital professional service. I would like to see that start to change before I retire. I would also like to see agents better equipped and more empowered to be the best they can be. That's why I feel it was so important to make this submission to you. I will look forward to seeing the fruits of your labour.