



“Australia’s national body representing professional buyer’s agents”

Submission to NSW Fair Trading on the Review of property industry training standards

January 2016

Respondent name:

This response has been prepared by the Real Estate Buyers Agent Association of Australia (REBAA) on behalf of its membership. <http://rebaa.com.au/>

Background:

REBAA is Australia’s only national professional body for exclusive buyers’ agents. REBAA was established in 2000 with the goal to raise the profile of the industry and to establish guidelines for the professional conduct of exclusive real estate buyers’ agents nationally.

Exclusive buyers’ agents are licensed professionals that specialise in searching, negotiating and purchasing property on behalf of buyers. They do not sell real estate nor list it for sale, but instead represent and are paid by buyers.

REBAA’s key roles include providing help and guidance for buyers’ agents while actively campaigning to make the property market more user-friendly for the buying

public.

Previously REBAA has provided strategic advice to the NSW Department of Fair Trading review of the Property, Stock and Business Agents Act, to ensure the activity of buyers' agents was considered in drafting amendments. REBAA members are also actively involved in similar legislation with Government in Victoria, Queensland and Western Australia.

As a leading player in the property industry, REBAA offers significant benefits to both buyers' agents and consumers.

As a respected industry body, REBAA gives exclusive buyers' agents the added credibility of being part of a professional body that provides them with the opportunity to promote qualifications and experience through its membership.

Approach:

In preparing this response, REBAA has considered the terms of reference as outlined in Appendix 1 of the document 'A review of training for licensed occupations in the NSW property services industry' consultation paper dated November 2015.

REBAA further acknowledges that the role of the review panel is to provide advice and recommendations on:

- Entry level standards for the licensed property services industry
- Ongoing training requirements for the licensed property services industry
- How and by whom initial and ongoing training should be provided
- How and by whom initial and ongoing competency should be assessed
- Mutual recognition for the auctioning of property and livestock

As a leading property industry body, REBAA has prepared this response with a specific focus on the real estate licence and certificate categories and training requirements relevant to property services professionals acting as exclusive buyers' agents.

REBAA invites and would welcome further consultation and discussion from the review panel as required.

REBAA's individual responses:

1.1 Are there additional risks that should be included in an assessment of training standards?

Financial or economic risk is one of the greatest risks that exclusive buyers' agents are faced with. They are dealing with a consumer who is arguably making the most significant financial decision of their lives.

One of the most important roles of an exclusive buyers' agent is to secure and negotiate a property for their client at the best price and on the best possible terms. In order to do this, one requires many of the skills similar to that required and expected of a qualified property valuer.

Given this is the case, and a valuer requires something in the order of many years training at a minimum Diploma level, it seems at odds that the current market appraisal component of property services industry training curriculum is covered off in a class room environment over the space of a few days and without any practical application at all.

A perfect case in point of the lack of skill in this area is evidenced by the recent changes made in NSW to address underquoting practices.

1.2 Are there other issues that should be considered in assessing training standards? If so what are they?

It is not just the present day but also the future state of the real estate and buyers' agent industry that should be considered when assessing training standards.

Raising the bar to enter and remain in the property services industry should not be seen as a negative proposition or short-term inconvenience. In the long term, higher training standards will serve the industry well by creating a more skilled, ethical and well-rounded property services professional.

Consumers will ultimately benefit from the end result, which will confirm excellent service practice rather than theoretical knowledge as the key differentiator between property services professionals.

In addition, lessons should be learned from other similar professional services industries such as financial planning and mortgage broking and the challenges they have faced and dealt with over the last few years. In particular, conflicts of interest have featured as a major challenge and brought some of the practices of those industries into question.

1.3 What do you think should be the minimum educational standard for each category and why?

In regards to the entry level Certificate of Registration requirement it is considered that this should be accompanied by a more robust curriculum that also incorporates an experiential component such as an 'on the job' supervisory element.

This could be a set number of hours prescribed per week/month/annum where work must be supervised by an appropriately qualified superior or peer. This approach would place an onus on a licensee to endorse (or otherwise) and develop an employee so that they become suitably qualified and build up their technical skills and experience over time. After training in the core curriculum and having the required number of supervised hours, only then could someone be eligible to apply for a real estate buyers' agent licence.

In regards to the current licensing component, we believe buyers' agent training should encompass the same number of the current modules that a full real estate licence entails, rather than the limited modules required at present. Understanding both sides of the real estate transaction is considered useful, even if not practiced, and thus the training should reflect this.

2.1 Although it is clearly possible to enter the property services industry without any experience, how often does this occur?

REBAA currently have three levels of membership for buyers' agents: Full (minimum 24 months experience), Provisional (12-24 months experience) and Learner (new to industry and less than 12 months experience) with the majority of members being full members (91%). This is a reflection of REBAA membership only, however there are several buyers agencies being set up by principals and directors in NSW with little or no field experience in real estate, valuation or similar fields. Though currently legal, we believe this to be a concern for consumers and clearly needs to change.

2.2 What are the practical consequences of the absence of a time based requirement to enter the property services industry?

In summary, the consequences of having no time-based requirement to enter the property services industry include:

- A lower quality and calibre of buyers' agent entering and representing the property services industry.
- Higher risk of mistakes and poor behaviours emerging through professional negligence and misconduct.
- Misunderstanding the role and perception of an exclusive buyers' agent and what they do, compared with someone who may operate within a real estate sales office as a buyers assistant and call themselves a buyers' agent
- Poor consumer perception of the buyers' agent and property services industry overall.

People without a property background or actual experience entering the property services industry pose a real risk to those they represent. We have heard of cases of mortgage brokers or fanatical property investors setting up shop as so-called

“property experts” and not conducting adequate due diligence on the properties they recommend to clients.

The key risks coming from a lack of time based experience may include:

- Over-paying on property
- Selecting poor investment grade property or locations
- Coercing clients to buy inappropriate properties
- Not listening / understanding client needs (especially home buyer clients)
- Inappropriate auction tactics or behaviour
- Tarnish the reputation of buyers agents.

2.3 What does time based experience achieve?

Time based experience provides a learning-by-doing approach. This provides real life examples and scenarios where skills can be developed and practised, within a supervisory situation under a licensed professional, rather than relying on theory alone.

Field experience is vital to build up knowledge, develop skills and learn from more experienced buyers’ agents.

The benefits of time-based experience include:

- Exposure to industry best practice
- More experienced buyers’ agent (property services) professionals
- Greater chance of a better calibre, more experienced and professional buyer’s agent industry developing.
- Consistency in quality and professionalism available to consumers
- An industry where service and practical knowledge is the key differentiator for consumers when engaging a buyers’ agent.

3.1 What needs do the current CPD requirements meet?

The current time commitment of CPD requirements in NSW seems generally fair.

In terms of content range and accessibility however, they do seem to specifically cater to real estate sales professionals rather than more specialist streams of the property services industry such as buyers’ agents.

Under the current system, without relevant content for all property services professionals, the existing continuing professional development model risks being treated as a box ticking exercise rather than something that encourages professionals to learn and genuinely advance their skills within their relevant fields.

3.2 What are benefits of CPD and what are the costs to business?

The general benefits of CPD where course content is relevant, accessible and is delivered effectively include:

- Future investment in the industry
- More experienced property services professionals who can mentor future members

In terms of the costs to business of CPD these can include:

- down time where staff are unavailable whilst attending training
- lack of return on investment (companies may pay for staff who then leave)
- the actual economic cost (if paid for on behalf of staff)

If CPD courses were more relevant for buyers' agents it is considered that the costs to business would be more readily accepted, recognised and embraced.

3.3 What are the problems or issues with the existing CPD regime in NSW?

REBAA has identified the following problems with the existing CDP regime in NSW:

- Limited CPD courses or training with content relevant to professionals practicing as exclusive buyers' agents
- There is an inherent assumption that all property services professionals start or stem from being a real estate sales professional
- Lack of acceptance of non-property services industry delivered training as suitably meeting CPD requirements (e.g. improving general business skills, negotiation skills) which would arguably be better delivered by external providers outside of the property industry
- Limited policing leads to complacency so an online system where property service professionals must log CPD attendance could be linked to renewal of licence. This is similar to a model that is adopted in New Zealand where a real estate licence will not be renewed if training is not logged.

3.4 Are the current requirements relevant?

In their current form, the existing CPD requirements in NSW in regards to buyers' agents are overall not considered entirely relevant for the reasons previously stated.

Whilst the time commitment required for CPD compliance seems reasonable for existing property services professionals, the content range and therefore suitability for exclusive buyers' agents is currently lacking.

REBAA considers that barriers to entry should increase in the first 2 years of entering the property services industry by mandating a higher CPD commitment that includes an 'on the job' style supervised coaching/training component where technical skills are the focus.

4.1 What are the current problems with the delivery and assessment of training for the property services industry?

There are a very limited number of providers who actually deliver specific training for buyers' agents.

Lack of consistency and quality in the content and depth of specific training for buyers' agents delivered by the limited providers. Typically it is delivered on-line via correspondence or by practising real estate sales agents.

At present, the delivery and assessment of training specifically aimed at buyers' agents is entirely theory based with little or nil practical component required.

The current training requirements for a buyers' agent are such that a person can obtain a buyers' agent licence with no practical experience at all.

Whilst a course to obtain a buyers' agent licence can be obtained in as few as 8 days, there are known cases where training providers delivering the content have shortcut the process to 3 days. This is a great shame and of significant concern for the industry and for those who attend.

4.2 What problems have arisen and what are the impacts on the industry?

Being able to act on behalf of buyers in a fiduciary role on what is often the largest financial decision of their lives requires professionals who are adequately trained, experienced, skilled and highly knowledgeable about the tasks they are performing.

Consumers need to have confidence that their representative has been trained accordingly to manage the buying process and all that it entails, in a professional and diligent manner.

The impact of inadequately trained, inexperienced or previously non-supervised agents being able to open a buyers' agency and immediately act for buyers would include the following:

- Lack of consumer faith in an industry that is already viewed as poorly-trained
- Higher legal risks in terms of professional indemnity and claims from clients and relevant third parties
- Buyers being poorly informed about the process and potentially over-paying needlessly for a property
- Receiving sub-standard service and results

4.3 What changes should be made to the delivery and assessment of training for the property services industry?

REBAA considers that consideration of specific training content suitable for the various streams of property services professionals should be more widely considered.

This potentially would include relevant course content for buyers' agents developed specifically by buyers' agents through professional associations such as REBAA and REINSW and include practical components that are more relevant specifically to buyers' agents roles.

Consideration/credit should also be provided to potentially recognise existing training delivered overseas (either on-line or face to face) developed for buyers' agents in established markets such as the United Kingdom and the United States of America.

In these markets, the buyers' agent industry is well established and advanced when compared with Australia. With the exception of local market knowledge and intricacies the content of available courses could be much better suited.

5.1 What are the key issues in relation to cross border operations of property and achieve?

There are local property services professionals practising as buyers' agent that work in a particular geographic area that spans multiple states, specifically the NSW/Victoria and NSW/QLD state borders.

These professionals are currently required to obtain mutual recognition yet arguably are just as qualified as someone operating in one state. Rather than penalise these local operators, greater focus should be placed on interstate operators who have a faux presence in multiple states.

There should be a greater focus placed on training requirements and assessable demonstrated knowledge of the local regulations and property laws before interstate licences are effectively rubber stamped as mutually accepted.

5.2 What are the current barriers to achieving mutual recognition?

It would appear there are currently limited barriers to mutual recognition for buyers' agents. In many states, the mere payment of a fee will secure mutual recognition of a real estate licence permitting someone to operate in another jurisdiction.

REBAA considers that greater emphasis should be placed on an applicant to be able to demonstrate they have the required local market knowledge before they can secure mutual recognition and practice in another jurisdiction.

5.3 How might we improve mutual recognition for auctioning of property and livestock?

REBAA does not feel this question is relevant to buyers' agents.



Thank you for your consideration of our submission.

Prepared by members of the **Real Estate Buyers Agent Association of Australia.**

Rich Harvey
President
REBAA

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