

HOW AGENTS GET FREE ADVERTISING And how home-sellers can too!

by Neil Jenman

Apx Reading time: 10 minutes

BACK IN THE 1980s, I OPENED MY OWN REAL ESTATE AGENCY. I was keen to succeed. I wanted to know the best way to become the best agent, make the most sales and, of course, make a good profit.

I read books, I listened to audio-programs (and nearly developed an American accent), I attended real estate courses and motivational seminars plus I visited as many of the 'leading agents' of the time. I also read many business and sales books.

But it was the other agents from whom I got the most conflicting – and appalling – advice.

Let me tell you about one agent in my area who could best be described as a "loveable rogue". As W Somerset Maugham once wrote about such characters, "I didn't like him very much, but I thoroughly enjoyed his company."

This agent, who I'll call Larry, should have been known as Larry-the-Liar. He proudly told me his business motto: "I just wanna make money without going to gaol."

One day, I got an excited call from Larry. "Mate," he said in a breathless tone, "Have you seen my ads in the paper lately?"

Sure, I'd noticed. Instead of his usual half-page ad, Larry now had four pages. Impressive stuff.

"Well, listen to this," he said, "I don't pay anything for those ads. They don't cost me a cent."

"How do you get the paper to give you free advertising?" I asked suspiciously.

"Mate, buy me lunch and I'll tell ya how to do it. I'm not kidding; it'll change your life."

The next day, as soon as we sat down at a restaurant, Larry pulled that week's edition of the local paper out of his bag.

"Have you seen today's local rag?" he asked me.

I said I hadn't seen it yet.

"Then look at this will ya?" he said as he excitedly opened the paper. He began to count as he pointed to each page with his ads on them and his name splashed across the top of the page. "One, two, three, four, five. How's that?" he beamed.

I told him that instead of having eight, ten or 12 houses on each page, he only had four houses on each page. So, even though he had five pages, he only had 20 houses advertised.

"Mate, you're missing the point," he sneered. "Fact is, I got five pages and you've got half

a page." I told him that I didn't have any ads in the local paper that week. We had enough enquiries from buyers.

"You gotta understand, mate," Larry said, "No agent advertises to find buyers, we advertise to impress sellers. See, now that I've got five pages in the paper, I look like the biggest agent in town. This brings more sellers to me. It's sellers you want in real estate, mate. Listings. The agent who has the most listings makes the most sales, get it?"

Yea, I got it. So I asked him how the paper was letting him advertise for free.

"Nah mate, the paper's not giving me free advertising," he said.

"But you told me on the phone that you were getting your ads for free," I replied.

"No, I didn't," he spat back, "I said they weren't costing me anything. But someone has to pay. The papers want their money. They are not going to run five pages for nothing." He paused and smiled, as if he was challenging me to figure out what was going on.

What was he up to this time, I thought? This man whose main aim in business was to make as much money as possible without going to gaol.

"Well. Who's paying for the ads then" I asked, "Tell me, will you?"

He leaned across the table and gave me the cheekiest smile and said, "The vendors."

"The vendors? But how does that work and why should they pay for the advertising? Isn't that included in the commission?"

Now, back in the 1980s, the average commission in my real estate office was \$3,250. That was more than enough to include any advertising needed. Today, 30 years later, the average commission at a real estate office in the same area has hit a stratospheric \$27,000; plus, these days, of course, sellers ("vendors" as agents call them) are expected to pay at least one per cent of the sale price of their home in advertising costs. With an average price of \$900,000, that adds another nine thousand dollars to an already hefty commission of \$27,000 making the total payment to the agent of \$36,000. I have two words to describe such an amount being paid to most agents – rip off.

But back to my lunch-date with the grinning, scheming, Larry-the-Liar.

Larry explained that he was using a new method called "VPA" which stands for

"Vendor Pays Advertising". He had attended a seminar and learned slick lines to persuade sellers to cough up for advertising costs. And, given that the sellers were paying instead of agents, well, obviously that meant that a lot more money could be spent on advertising. He then explained that his aim was to get sellers to pay one per cent of the estimated selling price of their home for advertising expenses.

"But you and I both know that no agent needs that much to advertise a house," I told him.

He looked at me like I was an idiot. "Mate," he said, wagging a stumpy finger at me, "you're still missing the point. If it's free, why not get as much of it as you can? And, besides, the more advertising you do the more you promote yourself and your office. F--- the houses mate, we are advertising ourselves and the vendors are paying. It's beautiful."

"But it's very unethical," I told him. To which he gave me the excuse commonly given to justify dodgy behaviour. "Mate, who gives a toss about ethics, it's legal, that's all I care about. And, look what it's doing for my business. Suddenly I look like the biggest agent in the area. And that's great for when we're pitching to new sellers to get them to sign-up with us."

He then told me about another benefit of getting sellers to pay for advertising: "rebates". For every thousand dollars he collected for the newspapers, he got a 'rebate' of three hundred dollars.

"Hang on," I said, "are you saying the newspaper gives you 30 per cent of the money you get from the sellers?"

"That's right," he said, grinning more widely than ever.

"But that means you're getting a bigger percentage from the newspapers for selling advertising than you're getting from sellers for selling houses," I told him. I then added: "You are now an advertising agent AND a real estate agent!"

I will never forget his reply: "Jenman, you have a strange way of looking at things."

"Strange, maybe," I said, "but it's wrong. You know full well that we don't need to advertise every house on our books to attract enough buyers to buy all the homes we've got. What you are doing is purely for your own motives. It's selfish, it's unethical and it's wrong."

I left lunch that day feeling sick in the stomach. And, no, it wasn't the

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food, it was what this unscrupulous, unconscionable and greedy agent had told me. I vowed that I would never use this 'VPA scam' on my sellers – even if it did mean that my "profile" was not as big as his. But I made sure of one thing: Every time I offered my services to home-sellers, I told the truth about real estate advertising and how they didn't need to spend their own money and that my commission was enough to cover all the costs of selling their home, including any advertising that may be needed.

The part that most sickened me at that lunch-meeting – and still sickens me today, 30 years later – was when I asked Larry what happens when sellers pay money to advertise their homes and then their homes don't sell or they decide not to sell. His reply was instant, "They lose their money."

So, let me get this right, I thought. An agent persuades sellers to spend their money advertising their home. The agent uses a slick sales spiel that basically says: "The more money you spend advertising your home, the more money you'll get when it sells." But the agent knows that the real reason for advertising their homes is to advertise the agents, at the sellers' expense. In my book, that's not just unethical, that's fraud.

Well, today, 30 years on, real estate advertising has exploded – and so have the tricks to persuade sellers to over-spend on unnecessary advertising. Despite the decline in newspaper advertising (due to the Internet) there is far more newspaper advertising in 2016 than in 1986. Today, of course, there is the Internet, where just one of the big real estate websites raked in more than half a billion dollars (that's right \$555 million!) in the past 12 months.

The Internet, as we know, didn't exist 30 years ago and yet, despite this explosion in real estate advertising, there has not been a corresponding explosion in real estate sales.

Does anyone really believe that if one of the major real estate websites ceased to exist that there would be less property sales in Australia? Of course not.

These days, however, real estate agents – especially behind-the-scenes and among themselves – don't even pretend that real estate advertising is helping sellers. They openly brag about how it's helping them to "raise our profile". There are now countless videos on-line where real estate agents are being interviewed by a rep from the newspaper.

A typical interview goes like this:

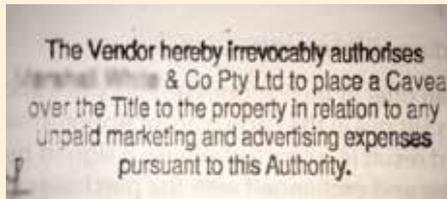
Newspaper rep: *So tell me, what has advertising in our newspaper done for you?*

Real estate salesperson: *Oh, it's been wonderful. It's enabled me to become very well-known and I am getting so many sellers calling me because they have seen me in your paper.*

Newspaper rep: *And how are you able to do so much advertising in our paper?*

Salesperson: [Almost laughing]. *Well, of course, we are big believers in VPA (Vendor Pays Advertising) so it doesn't cost me anything to advertise myself.*

And on it goes. Agents blatantly talking about how they deceive sellers into paying thousands of dollars for needless advertising, just so that they can make themselves look good. Sometimes some sellers wake-up to what's going on. Especially when their homes don't get sold. They realise the agents have been making themselves look good and now they expect the sellers to foot the bill. Some sellers refuse to pay, only to discover that the agent has a clause in the selling agreement (or has placed a stamp on the agreement) authorising the agent to place a caveat on their home if they do not pay the costs of advertising the home. [See [illustration](#) of one real estate agency's nasty caveat clause.]



Never mind, of course, that the enquiries from one home may have given the agents many more contacts who bought and sold other homes, the agents will still slug the sellers for any unpaid advertising costs.

And whoever came up with the absurd notion that every home for sale needs a huge advertising budget? It's nonsense.

As any skilled negotiator will tell you, often a home that has never been advertised will sell for a higher price than a home where an agent has spent thousands of dollars (of the owners' money) "advertising it to death".

The first question that many buyers ask about a home for sale is: "Why has it been advertised for so long and not been sold?" This can lead to a terrible question: "What's wrong with it?"

Many of the major websites have a button that shows how many "visits" have been made to each home. But if the "visits" number several hundred, the question that instantly comes into the mind of buyers is, again: "What's wrong with it?"

If you are lucky enough to meet an honest and competent agent, however, they will explain what's known as an "Off-market sale" or a "Silent Listing" and how such sales almost always get a much higher price for the owners' homes.

To give you an idea of the depth of the real estate advertising scandal in Australia today, here is what happens thousands of times in hundreds of areas: An agent will tell a seller that they need to spend say, six thousand dollars advertising their home. The sellers hand-over the six thousand dollars and the agent advertises the home. This leads to a number of enquiries about the home, let's say forty buyers. And then, the following week, the agent visits another seller in the next street and gives them the same pitch about how they must spend six thousand dollars to advertise their home. Once again, the ads are placed but, guess what happens? The same forty buyers enquire!

An entire book could be written about the real estate advertising scams in Australia today, but hopefully this article has told you enough to convince you that you do not need to pay an agent any money to advertise your home.

If the agent feels that your home needs to be advertised, let the agent pay the costs. After all, commissions are now so huge that ethical agents almost always 'carry' the advertising costs.

I hate what goes on behind-the-scenes in the real estate world. I hate seeing and hearing agents laughing at naïve and trusting home-sellers. I hate the incredible greed of the web portals that keep increasing their rates until they are making hundreds of millions of dollars profit and just telling agents not to worry about any advertising costs because they can just "pass it on to the vendors". It's disgusting, it's appalling, a huge rip-off.

Well, enough is enough. Today's smart sellers, the ones who have done their research and understand the real estate tricks are now standing up to deceitful agents and saying: "If you want to sell my home, I will pay you one fee – the amount of your commission. And I will not pay you a single cent for any reason until you find a buyer and I am happy with the price."

Smart sellers of today tell agents: "If you don't like my terms, I will find another agent."

Stand firm, home-sellers. Agents have been getting free advertising at your expense for more than 30 years. It's your turn to get free advertising now.

FOOTNOTE: An agent you can trust is **KNOX FAMILY REAL ESTATE** in Gordon.

They never charge any up-front advertising costs. They proudly claim to be the "best value" agent in Gordon and believe that **NO ONE CAN GET YOU A BETTER PRICE!** Try them.

NB Kickbacks are now illegal in some states where advertisers find other ways to "reward" agents.