

Anonymous 6 – 24 October 2021

I have been of the opinion for well over a decade that Estate Agents should be regulated.

Other industries are regulated in Jersey and/or the UK, such as finance, telecoms, power, water, legal, retail, builders, etc. For decades, Estate Agents in Jersey have been able to decide the value of a property.

Estate Agent staff also earn a commission on sales, which is often the bulk of their earnings, so they have a vested interest in valuing properties at higher and higher prices over time.

In my opinion, a good example of how out of control Estate Agents are, is the house price rise of 2020. At the time, Jersey was in lockdown, so not many properties were being put on the market other than vacant ones, either due to social distancing restrictions, or worries by home owners of having strangers visiting their home. The Estate Agents knew that this was a temporary situation, and that once lockdowns were lifted the housing market would return to normal. But instead of allowing for that temporary effect to play out, they used the shortage of properties coming to market to rapidly increase their valuations, quoting supply and demand, despite knowing that this was only a temporary supply shortage.

Houses were not worth more, but prices were pushed up nonetheless by Estate Agents.

Also, when you consider that there were not many properties coming to market, the Estate Agent staff would not be earning much commission. But if they increased the value of properties that came to market, they could claw back more commission that way.

The issue is that nobody ever questions the Estate Agents, people assume that if an Estate Agent values a property at £500k, then it must be worth £500k. In the UK this is dealt with by RICS valuations, where a qualified and regulated surveyor gives a qualified valuation for the property. My opinion is that Jersey needs RICS regulated Surveyors to value all properties that come to market, taking control of prices out of the hands of Estate Agent staff that have a vested interest in higher prices.

The other issue with Estate Agents is that they created the rental 5% return, which has now become the norm and has caused Jersey rental prices to become unsustainable.

Just because house prices have risen, potentially due to Estate Agents vested interests, does not make the rental worth 5% of that. Rental properties are all very different, and based on a 'you get what you pay for' many are not worth 5% of the now excessive value of the property, yet buy to let landlords are told by Estate Agents to charge 5%, whereas prior to the Estate Agents creating this 5% 'rule', the landlords would have priced the property based on a 'you get what you pay for' method, and prices were far more realistic.

Estate Agents have no qualifications as financial advisors, so they should not be acting as financial advisors by telling investors how much to charge for rent, or advertising properties as "great investment for buy to let", which they often do. In my opinion Estate Agents are already in breach of FCA regulations, and should be told to cease this activity immediately.

As with other industries there is also the possibility of collusion on pricing, as many sellers list their property with different agents, and when listing with any Estate Agent one of the first questions is "which other agents have you listed the property with, if any", so immediately the Estate Agent can potentially collude with the other Estate Agents that are listing that property and fix the price between them.