



WHO NEEDS AGENTS?

Do you need an agent to market and let your property, or is it best to do it yourself?

Rachel Newcombe looks at the pros and cons of using letting agents.

According to the 2007-2008 Survey of English Housing, conducted by the Department for Communities and Local Government, the UK private rented sector (PRS) has grown considerably, from 2.7 million to almost 3 million. This equates to an increase of 300,000 properties and with the current increase in the numbers of unexpected or reluctant landlords, who are turning to renting out their properties due to a slump in property sales, the number of rental properties is likely to be increasing even further.

For those new to the property letting world, there is often the temptation to go it alone and handle everything on their own, especially if money can be saved in the process. However, as experienced landlords know, the reality of letting out your property is not always as

straightforward as the inexperienced may assume. There is often a lot of work involved in marketing your property, finding suitable tenants, ensuring the property is kept in good order and sorting out anything that goes wrong.

These are all aspects that Ian Potter, Operations Director at the Association of Residential Letting Agents (ARLA), recognises. In fact, he says there are many advantages to be gained by landlords if they choose to use a letting agent. "If you're using a letting agent you gain the benefits which come from professionally qualified staff. They're experienced in sourcing properties and obtaining guidance on the market and it takes away the stress for a landlord of trying to fit this around their job," he explains.

"You also don't have to do the chasing about, such as obtaining a multiple occupancy license or sorting out the disruption caused by a leaky

roof, and you gain the benefit and protection letting agents can provide, like professional indemnity insurance and client money protection."

It's also important to consider the benefits of using a letting agent if you do not live in close proximity to your rental property, as Chris Norris, from the National Landlords Association (NLA) emphasises. "Employing an agent can prove essential where landlords are separated from their properties by a significant distance," he says.

"An agent is also useful in situations where a landlord doesn't have the time or expertise to handle all aspects of managing their portfolio on a day-to-day basis. To a lesser extent, a lettings service can be valuable in relation to marketing property and, where a new tenant needs to be found quickly, using an agent can be an effective way to reduce voids," says Chris.

Whilst there may be benefits for landlords who decide to use letting agents, do tenants get a better service if a letting agent is involved? "Not necessarily," says Chris. "There is absolutely no reason why a professional landlord shouldn't be able to provide as good a service as an agent, provided they have the knowledge and capacity to do so."

Even where a landlord is new to the lettings business, it's still possible to learn the necessary skills, from marketing to vetting tenants, and give as good a service as an agent would. For

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example, "New credit check services are very easy to use and landlords can do it themselves," says Danny Burgess (a landlord himself) from Discount Letting.

Chris also agrees that tenants can be just as happy renting from an independent landlord. "A great many landlords conduct their letting business as a full-time occupation and therefore commit just as much to managing their tenancies as an agent would do – with the added benefit of a great commitment to ensuring positive outcomes, as it is ultimately in the landlords' interest that their tenants are happy and the property is in good condition," he explains.

It is also worth bearing in mind that there are courses and training opportunities available for landlords, so they can continue to further their knowledge, gain access to the latest information and improve their customer service. For example, the NLA run a Landlord Development Programme for continued professional development, which is ideal for those operating without the use of letting agents.

Although it is often assumed that getting a letting agent on board should make property

management easier for landlords, sadly that isn't always the case and there can be downsides to the arrangement. Unfortunately, there are still rogue agents out there who make huge promises and fail to deliver, or charge steep fees to landlords. It is these agents that tar the image of letting agents, but are generally in a minority.

Part of the problem lies in the fact that anyone can currently set themselves up as a letting agent, regardless of whether they have any qualifications or credentials in the industry. For landlords who are using unqualified agents, all sorts of problems could occur, not least on a financial basis, as highlighted recently by The Tenancy Deposit Scheme. The scheme announced that they will no longer be guaranteeing the deposits of unregulated agents, which could put huge amounts of money at risk, both of landlords and tenants.

"The fact that anybody can work as a lettings agent is ludicrous and, more to the point, dangerous as it may create great risks for consumers in the current climate," commented Ian Potter. "We need to ensure the standards

of the lettings profession are upheld without exception."

It is therefore not surprising that, to help combat the issue of unregulated lettings agents, ARLA are supporting proposals for compulsory licensing of letting agents, as suggested by the Rugg Review, so that cowboy agents and their negative effects can be minimised (in fact, ARLA will be launching their own licence later this year). It's hoped that such regulation will improve the future of letting agents, raise standards and improve consumer confidence.

The Office of Fair Trading v Foxtons case, launched to challenge terms in, the London based agent, Foxtons contract that landlords had to pay a commission on tenants staying in a property, even when Foxtons were no longer in charge of managing the property, is the kind of publicity letting agents don't need and, in theory, could well have an impact on landlords using agents.

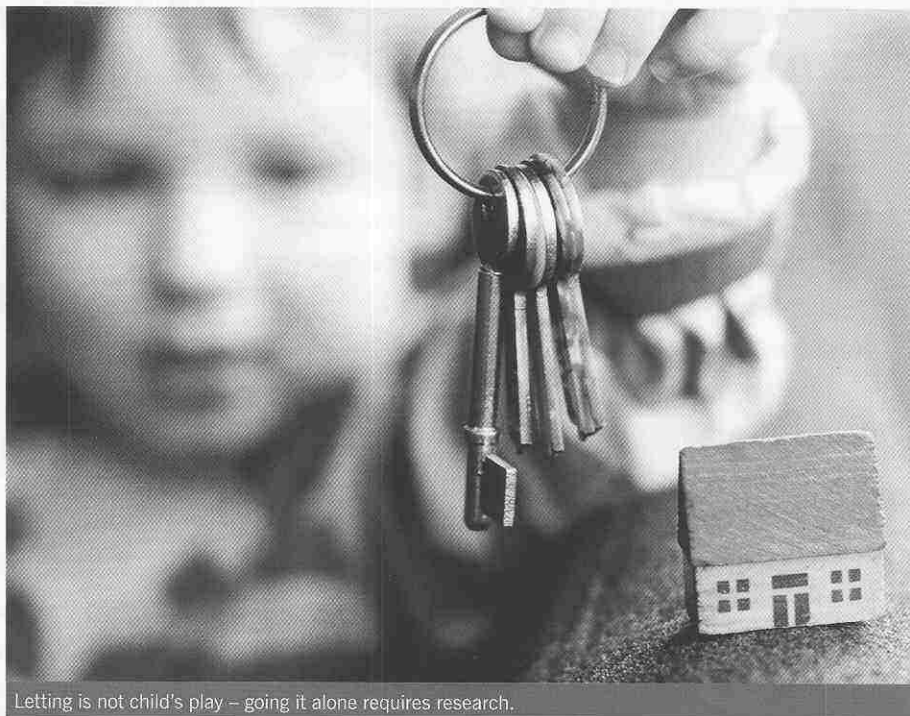
However, as yet, experts are optimistic about its impact. "The OFT case against Foxtons is still in progress and as such it's difficult to ascertain exactly what impact it will have on landlords' attitudes towards letting agents. Additionally, there is, as yet, no verdict, which could have a practical impact on such relationships," explains Chris.

Rather than having a negative impact, there could even be valuable lessons learnt in the long run. "It's interesting to note that this case has drawn attention to the dissatisfaction felt by many landlords concerning 'unjust' renewal fees which fail to represent good value for money and appears to be making landlords more mindful of the agreements entered into with agents. Hopefully the end result will be that landlords are becoming more attentive to small print and, as such, insisting on better service."

The huge growth in the landlords use of the Internet has inevitably had an effect on the lettings world. It has enabled landlords to market their properties to a much wider audience, and on a both local and national level and allowed landlords to access services more easily. For those using agents, extra opportunities have opened up too, as agents often list properties on multiple property portals, giving even greater exposure (and something landlords may not be able to do on their own).

It is also worth remembering that it is not just a case of getting a property advertised in the right place – there are lots of other vital tasks that an agent can provide and a property may well have to be marketed properly, and to the right audience, in order to find the right tenant. As Chris says, "A good agent will offer far more than simple advertising and provide a great many services for landlords who choose not to manage every aspect of their portfolios personally."

New advances in Internet technology are opening up marketing opportunities all the time, with many individual landlords and letting



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agents making the most of features such as blogging, social networking and even the latest Internet crazes, such as Twitter, to promote their property portfolios. At a time when the global economic situation is unclear, it provides all the more reason for both landlords and letting agents to try out novel new ways of marketing and promotion.

As for the issue of whether there are any occasions when it is best to use a letting agent, the experts agree that it depends on the circumstances of the tenancy and the ability of the landlord. "In our view, it really comes down to the type of landlord a person is," comments Keshav Thukaram, Managing Director of Smartlandlord.co.uk, "If an investor is new, or living abroad, and doesn't know how the market works, then the handholding approach of using an agent may be a good way to go."

"Whilst most landlords are very capable of managing their portfolios effectively without the need for an agent, there are various situations which would make the use of an agent preferable," says Chris. "For instance, where a landlord is a distance away from their property or if they cannot ensure they will be contactable for prolonged periods of time, then it's likely to be beneficial to employ an agent to handle day-to-day matters."

There are clearly various pros and cons attached to using agents, but whichever method you choose, remember to do your homework and be sure of everything involved before you make a decision. ●

How to choose an agent

- Always choose a letting agent who are a member of a professional organisation, such as the Association of Residential Letting Agents (ARLA), the Royal Institute of Chartered Surveyors (RICS), the National Approved Lettings Scheme (NALS) or the National Association of Estate Agents (NAEA).
- Ask for recommendations from other local landlords and talk to several prospective agents before you plump for one.
- Find out what services different lettings agents offer and consider which services you need.
- Find out how a letting agent will market your property – will it be done locally or nationally, with newspaper adverts, through a website, via online property portals, online advertising or other ways?
- Give your agent as much information as possible about your ideal tenant. Do you want a single person, married couple, young professional, student or a corporate tenant? And do you want a short-term or long-term rental?
- Ensure you know what fees you'll be paying and when they're due.