

AFPC Review of Minimum Wage Arrangements in the Real Estate Industry

Real Estate Industry Piece Rate Submission

**A Joint Submission
to the Australian Fair Pay Commission
by the Combined Real Estate Industrial Group**

May 2007

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1 Preliminary Matters

1.1 Title of Submission

This joint submission to the Australian Fair Pay Commission by major industry stakeholders shall be known as the “Real Estate Industry Piece Rate Submission” (the “**submission**”).

The submission has been prepared by the Combined Real Estate Industrial Group, which is made up of the following registered industrial organisations:

- The Property Sales Association of Queensland.
- The Real Estate Employers’ Association (Queensland).
- The Real Estate Association of NSW.
- The Real Estate Employers’ Federation of NSW.
- The Real Estate Employers’ Federation of South Australia.

1.2 Definitions

The following definitions and abbreviations are used in this submission:

- **ABS** means the Australian Bureau Of Statistics.
- **Act** means *The Workplace Relations Act 1996* as amended.
- **AFPC** means the Australian Fair Pay Commission.
- **Agency** means, for the purposes of this submission, an employer’s business.
- **APCS** means Australian Pay & Classification Scale.
- **CBSN** means Competency Based Safety-Net.
- **Commission Only** means remuneration based on performance without any underpinning wage guarantee.
- **Commission Only Real Estate Employee** has the same meaning as an APCS Piece Rate employee.
- **Exchange**, in respect of a property, means the exchange of a properly executed contract for the sale of land between the seller of the property and another party.
- **FMW** means the Federal Minimum Wage under the Act.
- **Listing**, in respect of a property, means the execution of an Agency Agreement or Agency Appointment in relation to a property.
- **NAPSA** means Notional Agreement Preserving State Awards
- **Non-Residential Leasing Transaction** means the entire process of leasing a non-residential property from the listing, listing management, obtaining an agreement to lease and effecting a lease, to finalisation of that lease.
- **Piece Rate** means a new APCS Piece Rate.
- **REIG** means the parties who adopt and support this submission, known as the Combined Real Estate Industrial Group.
- **Sales Transaction** means the entire process of selling a property from the listing, listing management and sale, to settlement of that sale.
- **Settled Sale**, in respect of a property, means completion of a contract for the sale of land relating to the property, as required by the contract for the sale of land.
- **We** means the Combined Real Estate Industrial Group.
- **WorkChoices** means the *Workplace Relations Amendment (WorkChoices) Act 2005*.

2 Executive Summary

2.1 Objective of this Submission

The Combined Real Estate Industrial Group (REIG) asks that the Australian Fair Pay Commission, based on the reasons and evidence contained herein, establish a new minimum APCS Piece Rate of Pay for the real estate industry.

2.2 Background Information

Real estate businesses operate in an environment where income is determined in accordance with results. Income is not generated unless the real estate business and its employees successfully execute sales and/or leasing transactions. It follows that the industry's very nature is best described as "incentive driven".

A real estate business will derive income from sales transactions by way of:

- (a) an agreed percentage of the selling price (called "commission"), where there is an agency/client relationship; or
- (b) where there is no agency/client relationship, income will be derived from the sale of land or land and home packages by a builder or property developer.

For leasing transactions of a non-residential nature, the business will receive from the property owner an agreed percentage of the (usually first year's) rent.

The income generated by a real estate business could therefore be referred to as a "success-based fee". For this reason, remuneration to salespeople on a purely commission only basis has evolved in all jurisdictions. Such remuneration arrangements generally allow an employee greater capacity to share in the commercial success of the business.

Regrettably, commission only remuneration arrangements were, for all intents and purposes, rescinded on 27 March 2006, with the introduction of WorkChoices.

As a result of industry demand, we respectfully commend this submission to the AFPC and invite it to establish a new minimum APCS Piece Rate of Pay, as particularised herein.

The establishment of a new APCS piece rate as proposed in this submission, will create an environment that provides a restricted class of real estate salesperson and his/her employer, a greater opportunity for financial success. To this extent, it will create a fair and honest payment system, while providing an appropriate safety net for more vulnerable salespeople.

2.2.1 Piece Rates Only

This submission deals exclusively with the establishment of a Basic Piece Rate of Pay. The REIG does not seek to make a submission in relation to the establishment of a Basic Periodic Rate of Pay under this APCS.

The REIG supports the view that at this stage, existing arrangements in relation to minimum Periodic Rates of Pay should not be disturbed by the AFPC. This would mean that the minimum wage rates applicable in the real estate industry will be determined by either the preserved APCS Periodic Rates of Pay in particular jurisdictions or, where no such rates exist, the FMW.

3 Introduction

The parties who adopt and support this submission welcome the opportunity to present to the AFPC:

1. the reasons for the establishment of a minimum APCS Piece Rate of Pay of pay for the real estate industry; and
2. the proposed composition of an appropriate minimum APCS Piece Rate of Pay.

We trust that the AFPC will find favour with this submission and make an equitable decision in relation to this important industry issue.

3.1 A Joint Submission

The REIG has consulted over many months with the objective of reaching consensus on the principle, composition and implementation of a minimum APCS Piece Rate of Pay for the national real estate industry. These discussions now enable us to present this joint submission to the AFPC on behalf of the wider Australian real estate industry. In so doing we have ensured that both employees and employers have a “voice” in the decision-making processes.

3.2 Industry Organisations Supporting this Submission

The following industry stakeholders also adopt and support this submission:

- The Real Estate Institute of Australia.
- Century 21 Australia.
- Chesterton International.
- Raine & Horne (Queensland).
- Ray White Real Estate.

3.3 The Motivation for a New APCS Piece Rate

The public perception that real estate agency is a highly profitable and easily managed business is a fallacy – the reality is, hard working professional real estate agents make good profits in boom markets and, during the rest of the typical seven- to ten-year business cycle, make modest profits at best.

Real estate businesses operate in an environment where income is determined in accordance with performance. Real estate agencies receive income in the form of commission for the selling or leasing of property, which, in relation to sales, is paid at the time of settlement. It is a success-based fee which is not payable, either in whole or in part, if the agency does not sell or lease the property. Despite the best efforts of the agency on behalf of its client, other factors, including prevailing economic conditions, may prevent the property from being sold or leased within the period granted to the agency by the client. Real estate is one of the few industries where its participants may not be rewarded for the work performed or the effort put in.

At the outset we make the observation that if WorkChoices is to provide genuine benefit to our industry, our activities need to be directed towards establishing an employment environment where employers in the real estate industry are able to run their businesses without unnecessary interference, thereby creating a healthy employment environment, whilst also providing appropriate protection for the vulnerable.

The submission presents the AFPC with an overview of how the real estate industry functions. In relation to the real estate industry, we see the AFPC's role, as being pivotal in returning genuine employment flexibility to the industry, especially set against the background of how the industry has historically functioned.

Prior to the commencement of WorkChoices, workplace relations in the real estate industry operated primarily within state-based jurisdictions. There were some exceptions – employers and employees bound by the *Clerical and Salaried Staffs' (Agribusiness) Award 1999* ("Agribusiness"); Victorian employers; and employees engaged under Australian Workplace Agreements. There were varied forms of remuneration arrangements for real estate salespeople across these jurisdictions. Under the Agribusiness Federal award, for example, employees remunerated by commission or other incentive basis (including real estate) could negotiate all the terms and conditions of employment with their employer. Under the award, by written agreement, the salesperson (without restriction) could be remunerated by way of commission only, in lieu of being paid a minimum wage.

Common rule industrial awards applied to employees and employers in NSW, South Australia, Queensland and Tasmania. These awards have become NAPSAs under the WorkChoices legislation. Either independent statutory regulation or common law contracts regulated employment within the other states and territories.

All of the awards that applied across both State and Federal jurisdictions had been constructed to ensure flexibility and to encourage the industry's entrepreneurial spirit. The omission, or at least the ability to rescind, common industrial provisions **such as hours of work, overtime and hourly rates of pay** was not accidental – in fact it was very deliberate. The architects of these awards (being both employer and employee organisations) were highly focused on providing workplace arrangements that met the needs and cultural aspects of the industry while at the same time providing appropriate industrial protection against dishonest employment practices.

Regrettably, with the introduction of WorkChoices, the real estate industry has been forced to accept a loss of several of its flexible, refined workplace arrangements, including most notably, the ability to engage salespeople on a commission only basis.

This concern, we say, can be addressed by the AFPC establishing a new minimum APCS Piece Rate of Pay for real estate salespeople. Consequently, this submission focuses on:

- outlining the employment "culture" and practices of the real estate industry;
- informing the AFPC of those aspects of the industry that necessitate a different approach to industrial relations than that which applies to other industries;
- introducing an agreed position with respect to piece rates developed by both employer and employee representatives; and
- presenting the AFPC with the necessary evidence to enable it to exercise its powers under the Act to establish a new minimum APCS Piece Rate of Pay for the industry.

Part 3: Summary

- The real estate industry has a self-perception of being "incentive driven".
- There has historically been a matrix of employment regulation (or non-regulation) depending on the particular jurisdiction.
- WorkChoices has delivered the industry **much less employment flexibility than it previously enjoyed!**

4 The Legislative Framework

We contend the AFPC has a general power under s. 214 of the Act to determine a new APCS for salespeople in the Australian real estate industry. For the purposes of this section, the power is subject to certain considerations, some of which have relevance to the industry.

The AFPC's power to determine an APCS is subject to various other provisions contained in Part 7, Division 2 of WorkChoices, referred to in s. 214(2), namely:

"The power to determine a new APCS is subject to:

- (a) sections 176 and 177; and*
- (b) section 190; and*
- (c) section 191; and*
- (d) section 192; and*
- (e) section 193; and*
- (f) section 202; and*
- (g) section 203; and*
- (h) Subdivision M; and*
- (i) Section 222."*

Of the provisions referred to above, the following appear relevant to the determination of the AFPC's power to make piece rates: sections 191, 193, 202 and 203.

Section 191(1) states:

"This section applies if:

(a) the AFPC proposes to exercise any of the following powers (subject to subsection (4):

- (i) adjusting the standard FMW;*
- (ii) adjusting a preserved APCS;*
- (iii) determining or adjusting a new APCS;*
- (iv) revoking a preserved or new APCS; and*

(b) either or both of the following subparagraphs apply in relation to a particular employee who will be affected by the exercise of the power:

- (i) immediately after the exercise of the power takes effect, there will, under section 182, be guaranteed basic piece rates of pay for the employee;*
- (ii) immediately after the reform commencement (and after any relevant adjustments mentioned in sections 209 to 212 took effect), there would, under section 182, have been guaranteed basic piece rates of pay for the employee had at that time been in his or her current circumstances of employment."*

Section 191(2) then states:

"The AFPC must exercise the power in a way that it considers will not result in an employee of average capacity, after the exercise of the power takes effect, being entitled to less basic pay per week than he or she would have been entitled to because of this Division immediately after the reform commencement if the employee had at that time been in his or her current circumstances of employment."

Section 191(4) states:

“This section does not limit the AFPC’s power to make APCSs for the purpose of section 220 or 221, or to adjust APCSs made for the purpose of either of those sections.”

Accordingly, the AFPC can determine piece rates pursuant to s.191(1), but the exercise of that power is subject to the condition outlined in s.191(2). We contend that an employee of “average capacity” could expect to receive a basic rate of pay not less than that to which they were entitled prior to the exercise of the AFPC’s powers to establish a new minimum APCS Piece Rate of Pay.

Section 191(2) has been inserted into the legislation to both regulate the parameters around which the AFPC exercises its powers outlined in s.191(1) and to afford some protection for employees. Furthermore, as we understand it, the AFPC is not constrained by the way in which piece rates are set and to whom they apply.

Section 193 then states:

“(1) Subject to subsection (3), when exercising its power to make an APCS, or to adjust an APCS, the AFPC must ensure that the rate provisions in the APCS are such that the resulting APCS basic periodic rate of pay for each employee:

- (a) whose employment will be covered by the APCS immediately after the exercise of the power; and*
- (b) for whom there will be an FMW immediately after the exercise of power; and*
- (c) who will not be an APCS piece rate employee immediately after the exercise of the power; (our emphasis)*

is not less than that FMW.

This provision deals with the role of the AFPC when the AFPC is setting Basic Periodic Rates of Pay (but excluding piece rate employees).

It is clear from the above that the legislative intent is to separate wage setting parameters as between “wages” employees and piece-rate employees.

Finally, s.203(2) provides that rate provisions in an APCS must be such that Basic Piece Rates of Pay determined by the provisions are expressed as a monetary amount. We do not foreshadow that this will present itself as a difficulty given that the resounding feature of the real estate industry is the commission based remuneration schemes used for paying employees who work in the industry.

We submit that the APCS determined for the industry could be struck as an identified set percentage of commission received on the sale/lease of a property or as a percentage of the selling price of the property.

Part 4: Summary

- The AFPC's powers to establish the piece rate as proposed in this submission are clear and unambiguous.
- Section 181(2) allows for a rate provision to be established as proposed in this submission.
- The power of the AFPC to establish a new minimum APCS Piece Rate of Pay is limited only by its consideration of the legislative requirements under s.191 of the Act.
- The Competence Based Safety Net, together with the evidence presented in this submission, and in the REIG's confidential supplementary document, should assure the AFPC that the requirement under s.191 has been satisfied.

5 The Real Estate Industry at a Glance

5.1 Composition

The Australian real estate industry is predominantly comprised of small businesses, around 72% of which are incorporated and therefore effected by the WorkChoices legislation. Figures contained within the Australian Bureau of Statistics (ABS) 2002-2003 publication "Real Estate Services" show that 30% of agencies employ four people or less, while 73% of agencies employ nine people or less.

Of the 77,000 people employed within the industry, approximately 55% are female and 45% male. The average age of a real estate salesperson is 36 years.

The ABS figures show that over 73% of real estate agency income is derived from commissions relating to property sales, 17% is derived from property management fees and the remaining 10% is derived from other business activities. Labour costs account for approximately 55% of all agency expenses not including other associated expenses such as training, provision of motor vehicles, phones, computers, office space or payments to employment agencies.

The average annual operating profit margin during 2002-2003 across all real estate agencies before tax or appropriations to owners, was 11.1%. The average profit before tax, average employee salary and average salary expressed as proportion of profit margin for agencies of differing sizes, is illustrated in the table below.

Employees in the Business	Average Business Profit Before Tax or Appropriations to Business Owners \$	Average Employee Salary (including payments to directors but not partners) \$	Average Salary as Proportion of Average Profit Margin % ¹
0 – 4	\$34,943	\$30,591	88%
5 – 9	\$63,897	\$39,868	62%

5.2 What Makes the Real Estate Industry Different?

There are two key, defining issues that separate the real estate industry from others. One is a "cultural" aspect, the other, commercial:

5.2.1 The Cultural Difference

The cultural difference is the **entrepreneurial spirit that the real estate industry embodies** – not just in its employers but in the majority of its workers, especially salespeople. Salespeople, especially those who are experienced and successful, see themselves as being "self-employed" but without the responsibilities associated with business ownership. They demand flexibility in their working hours and tend to be quite individualistic in nature. These people have had **choice** in their employment arrangements curtailed by the WorkChoices legislation.

5.2.2 The Commercial Difference

The commercial difference relates to product availability. In other industries where payment by piece rates might be considered appropriate, an employee is supplied, from the moment they start work, with product, or stock, from which they can generate an income. Not so in the real estate industry.

¹ Average Employee Salary as Proportion of Average Agency Profit Margin for Real Estate Businesses with 0-4 and 5-9 Employees. Source – ABS Real Estate Services 2002-2003.

Unlike almost all other industries, the “stock” for a real estate agency cannot be purchased from a manufacturer, supplier or financial provider – it must be sourced and then procured as a result of the agency’s own commercial efforts, or those of its employees.

Before they are in a position to complete a real estate sales transaction, employees are generally expected to secure their own product (listings). And it is the time, skill, perseverance and, one might say, plain good luck in securing an employee’s *first* real estate listings that creates such immense commercial pressures at the commencement of the employment relationship.

5.3 Salespeople in the Real Estate Industry

“Nobody wants a job; he wants the good things in life a job will earn for him. Since in the final analysis the worker can only be paid out of what he produces, it follows that the more he produces efficiently the more his value and the more he can be paid.” (source unknown)

There is no industry where the above quote would be more apt than real estate. As stated previously, ours is an industry where remuneration is largely incentive driven. Real estate agencies are paid commission for selling or leasing property. It is a success-based fee. Salespeople traditionally share in this success through an agreed commission structure. Real estate salespeople fall into two broad categories:

- The Experienced Salesperson.
- The New Salesperson.

5.3.1 The Experienced Salesperson

The experienced salesperson is generally quite individualistic, likes to work with others but not for others, and generally doesn’t want the responsibilities and/or ties of business ownership.

The experienced salesperson will generally be expected to attend the two hours-per-week sales meeting and where applicable, the two-hour weekly stock run. They will do ten to fifteen hours a week “on roster” for enquiries, and run a number of open houses, usually on a Saturday. He or she is also expected to attend training, canvass for listings, prepare listing presentations, give written feedback to sellers and comply with lawful directions of the Principal Licensee regarding obligations and services to customers and clients. In order to be successful, the salesperson must also list property for sale, market it, take it to auction, negotiate the sale, attend the property with various valuers, building inspectors and pre-settlement inspections. The salesperson will almost invariably work autonomously for the majority of the working week. For many salespeople this freedom is attractive, as it provides an environment where the person can have greater control over their own financial destiny.

Usually, the only required hours of work are those where the employee is given specific instruction by the employer to attend to allocated tasks or appointments. Outside of that time the salesperson is commonly free to organise their working week as they choose and as the demands of the public permit, but the employer reasonably would expect the salesperson to work, in the case of a full-time employee, in the vicinity of 38 hours per week.

5.3.2 The New Salesperson

In addition to all the obligations imposed on the experienced salesperson, a new salesperson has a number of hurdles to overcome:

- they have not yet established credibility amongst friends and associates (the potentially most-lucrative source of income in the longer term) as a real estate salesperson; and
- they generally have no client base to work from.

Their first challenge is to obtain listings, in competition with numerous, better-connected, more polished, more experienced and more confident operators. This takes time and, we might say, a large amount of self-confidence and patience.

The new salesperson may have spent a considerable amount of money on training/licensing, a new set of clothes, a laptop computer and perhaps a better car. He/she may not be used to the vagaries of commission-based employment – especially the financial ups and downs, let alone the competition for business (both within and outside the office). In the first six to twelve months, he or she will, in all likelihood, expend huge amounts of energy for little reward.

For these reasons, we believe, the new salesperson should be protected against engagement on a commission only basis. This is a key feature of our piece rate proposal.

Realistically for most real estate salespeople, from day one until the first commission cheque arrives, at least three to four months will pass. Assuming the salesperson goes on to become a good, long-term employee, the commissions they generate will eventually cover their wages, and the business owner may make a profit.

5.4 Analysis of “An Employee of Average Capacity”, in the Real Estate Industry

5.4.1 The Bevan Research

Robert Bevan is recognised throughout Australia (and New Zealand) as an expert on the subject of real estate agency practice. His business, Best Practice, conducts regular research into real estate agency practice issues; most notably, Sales Benchmarking, and Interfirm Comparisons. A copy of his publication, *Best Practice Australasian Residential Sales Department Benchmarks 2006*, is annexed to this submission², and a one-page extract from the document is included below. We commend this research and its findings to the AFPC.

In 2006, Bevan conducted research into sales benchmarking and key performance indicators in Australian (and New Zealand) real estate sales departments. Page twelve of Bevan’s publication outlines the methodology used to conduct the research. Real estate agencies throughout the region were invited to participate in a survey to assess a range of activities and levels of sales performance. Paragraph 5.4 of the Bevan publication details the statistical integrity of his research.

While the sampling used in the research may be considered modest, it does relate to sales departments employing 1797 sales consultants across a homogeneous mix of real estate agencies and real estate markets. In other words, it provides a very good basis for determining “average capacity”, as contemplated under s.191 of the Act.

For the purposes of the research, Bevan categorises businesses into three income-based sectors. As identified in the Bevan summary below (page eleven of the publication), in agencies with sales revenue up to one million dollars per annum, the

² Used with the permission of the publisher.

“average” number of sales made per selling person was 17.76 per annum. Based on the average commission per sale (\$7,612.97), the salesperson was responsible for generating \$135,203.01 of gross commission to the agency per annum. In applying the REIG’s proposed minimum APCS Piece Rate of Pay, the employee would receive \$47,321.05 per annum in commission. This amount is clearly in excess of both the FMW and the minimum periodic rates that apply in different jurisdictions around the country.

The AFPC will observe that the average sales per person and level of generated sales commission increases in businesses with greater total revenue (see 4.3 and 4.4 of the Bevan summary, below). In the AFPC’s consideration of its legislative responsibility under s.191 of the Act, the evidence provided in this publication is, we say, compelling.

One-Page Extract (Summary) from Robert Bevan's 2006 Research

The Best Practice Australasian Residential
Sales Department Benchmarks 2006

4.2 REVENUE UP TO \$1 MILLION PER ANNUM

Table 10

Key Performance Indicators	Bottom 10%	Average	Top 10%
(i) Net Advertising	7.44%	6.88%	4.36%
(ii) Salaries – Employees	54.13%	38.36%	21.68%
(iii) Sales Per Selling Person	16.67p.a	17.76p.a	28.23p.a
(iv) Commission Per Sale	\$6,441.41	\$7,612.97	\$8,004.65
(v) Commission Per Selling Person	\$107,356.89p.a	\$135,203.01p.a	\$225,981.63p.a

4.3 REVENUE ABOVE \$1 MILLION TO \$2 MILLION PER ANNUM

Table 11

Key Performance Indicators	Bottom 10%	Average	Top 10%
(i) Net Advertising	3.82%	3.85%	(-0.34%) *
(ii) Salaries – Employees	61.62%	43.94%	38.32%
(iii) Sales Per Selling Person	16.80p.a	20.19p.a	19.83p.a
(iv) Commission Per Sale	\$8,807.91	\$7,764.42	\$10,647.95
(v) Commission Per Selling Person	\$147,972.93p.a	\$156,799.64p.a	\$211,184.33p.a

* The surplus in net advertising resulted from an irregularity in accounting periods with respect to advertising paid and advertising received.

4.4 REVENUE ABOVE \$2 MILLION PER ANNUM

Table 12

Key Performance Indicators	Bottom 10%	Average	Top 10%
(i) Net Advertising	4.53%	3.62%	(-2.18%) *
(ii) Salaries – Employees	52.11%	46.45%	38.98%
(iii) Sales Per Selling Person	24.89p.a	23.92p.a	38.89p.a
(iv) Commission Per Sale	\$8,354.44	\$8,218.22	\$7,652.49
(v) Commission Per Selling Person	\$207,987.75p.a	\$196,580.21p.a	\$295,345.17p.a

* The surplus in net advertising resulted from an irregularity in accounting periods with respect to advertising paid and advertising received.

5.4.2 Statistical Analysis from Industry Stakeholders

To further support the proposition that an employee of “average capacity” will be able to earn remuneration at least equal to the FMW or the employee’s relevant preserved minimum APCS Periodic Rate of Pay, the REIG sought to obtain relevant information from several real estate industry groups, most of which operate nationally.

Given the commercially-sensitive nature of this material, this statistical information will be separately provided to the AFPC, as a confidential document.

Part 5: Summary

- The Real Estate Industry is predominantly comprised of small businesses, employing less than ten people.
- Amongst both employers and employees (especially salespeople), the industry is especially characterised by its **entrepreneurial spirit**.
- Unique to the real estate industry is the essential fact that **salespeople must first source and procure their own stock, before they have anything to sell**.
- The Bevan research, together with the statistical information provided from the franchise groups, supports the proposition that an “employee of average capacity” should be able to earn at least the FMW or relevant preserved minimum APCS Periodic Rate of Pay.

6 Remuneration in the Real Estate Industry

6.1 An Historical Perspective

There have been two common methods traditionally used to remunerate real estate salespeople.

- Payment of a wage (often referred to as a “retainer”), plus commission calculated on an agreed basis; or, alternatively
- Payment on a “commission only” basis.

Prior to WorkChoices, where remuneration comprised wage plus commission, the wage rate was generally determined by reference to the appropriate industrial instrument applying in the particular State where the employee worked.

Excluding the Agribusiness award and commission-only employees engaged under Australian Workplace Agreements (as previously identified), the diversity of the remuneration arrangements across the different jurisdictions can best be appreciated by reference to the following table:

State/Territory	Pre-WorkChoices Remuneration Arrangements for Real Estate Salespeople
New South Wales	<ul style="list-style-type: none"> • The relevant industrial award prescribed a minimum weekly (periodic) rate of pay; or • Alternatively where the salesperson held a real estate agent’s licence pursuant to the appropriate state legislation, the employee could be engaged on a “commission only” basis without any underpinning wage guarantee.
South Australia	<ul style="list-style-type: none"> • The relevant industrial award prescribed a minimum weekly (periodic) rate of pay; or • Alternatively where the salesperson fulfilled certain criteria, they could be engaged on a “commission only” basis without any underpinning wage guarantee.
Queensland	<ul style="list-style-type: none"> • The relevant industrial award prescribed a minimum weekly (periodic) rate of pay; or • Alternatively, where the employee met certain conditions, he/she could be engaged on a “commission only” basis without any underpinning wage guarantee. These conditions were that the employee: <ul style="list-style-type: none"> ○ had held a real estate agent’s licence for a minimum of 2 continuous years; or ○ had at least 6 months’ equivalent experience within the real estate industry and had earned in excess of 125% of the award rate; or ○ could demonstrate a personal work history which would provide a reasonable expectation of an earning capacity of at least 125% of the award rate; or ○ is guaranteed by the employer to earn at least 125% of the award rate during the next year or part thereof.
Western Australia	<p>There was no industrial award that applied to real estate salespeople in Western Australia. Generally such employees were governed by the Minimum Conditions of Employment Act 1993 (the MCEA). This Act set minimum conditions of employment, one of which relates to minimum hourly rates of pay. However, the regulations that accompany the MCEA provided that salespeople wholly remunerated by way of commission were not to be treated as employees for the purposes of the MCEA. Accordingly, real estate salespeople who were wholly remunerated by way of commission were subject only to common law contracts.</p>

Victoria	There was no award that applied to real estate salespeople in Victoria. Conditions of employment were regulated by the provisions of Schedule 1A of the Workplace Relations Act 1996.
Tasmania	<ul style="list-style-type: none"> • The relevant industrial award prescribed a minimum weekly (periodic) rate of pay; or • Alternatively a salesperson may be remunerated wholly by way of commission (in lieu of minimum salary) provided that if the employee received by way of commission payments, less than the minimum salary prescribed in the instrument, the employer had to make up the shortfall.
Northern Territory	There was no industrial award that applied to real estate salespeople in the NT. Remuneration by way of commission only for such employees, was provided for in common law contracts.
ACT	There was no industrial award that applied to real estate salespeople in the ACT. Remuneration by way of commission only for such employees, was provided for in common law contracts.

As the above table shows, some states had pre-reform wage instruments containing provisions that accommodated the engagement of salespeople on a “commission only” basis, albeit with certain restrictions. In the other parts of Australia that were not so regulated, remuneration was largely based on the commission only principle, under common law contracts of employment.

6.1.1 Commission Splits

Typically, in an agency environment, commission arrangements for an individual salesperson (whether wage plus commission or commission only) will be calculated as a percentage of the net commission received by the business from the sale/lease of property. This commission is almost invariably divided into a “listing” portion and a “selling” or “leasing” portion. The splits recognise that a real estate transaction may involve work by more than one salesperson. In such circumstances, it is not uncommon for the listing of the property to be obtained by a different person than the one who “finds” the buyer/lessee for the property. It is important to point out that a “bias” is commonly applied to these splits. The splits will not necessarily be apportioned equally, based on a number of critical issues:

Varying Economic Conditions

At a time in the business cycle where the real estate sector is faced with a contracting housing market and listings are becoming scarce, the split will be more heavily weighted towards the salesperson who can procure stock to sell or lease (listings). The reverse will be true in a buoyant housing market.

The Type of Agency

The type of Agency Appointment (Open, Exclusive or Auction) will also ordinarily determine the bias in weighting for listing and selling/leasing. In an Open Agency arrangement, it would be common for the split to be more heavily weighted in favour of the salesperson who sells/leases the property. The reverse will apply in an Auction Agency situation.

For the reasons detailed above, the REIG submits that the proposed minimum APCS Piece Rate of Pay provide the necessary flexibility to properly recognise the respective and distinctly different activities performed by a salesperson involved in listing, sales and leasing.

6.1.2 Commission after Termination of Employment

The problem of how to calculate an employee’s commission entitlement after termination of employment, has long been a problem that the industry has had to face.

Historically this issue has been dealt with either through regulation in the form of the relevant industrial instrument, or via a common law agreement.

The commission complication arises because the "sale transaction" is one that may take many months to complete (in the industrial/commercial setting or in some residential circumstances this may extend to several years). A salesperson who procured a listing of a property for sale may have terminated his/her employment prior to completion of the transaction and the employer's receipt of commission from the sale. In such circumstances, another person would generally be appointed by the employer to "manage" the listing. Similarly, a salesperson may have been responsible for the introduction of the eventual buyer of the property but the employment is terminated prior to completion of the transaction. Again another person would need to be appointed to get the sale to the point of completion.

Given these situations, the industry, by and large, has established a common sense approach to managing the problem. An employee's post-employment commission entitlement is maintained for any property where contracts for sale have been executed by the buyer and seller (commonly called "exchange" in some conveyancing jurisdictions). The execution of a non-residential lease similarly activates the entitlement in the commercial/industrial property management sector.

It is this arrangement, well understood in the industry, that we ask the AFPC to adopt as part of the operative provisions of the proposed minimum APCS Piece Rate of Pay of pay. It is our submission that without such a provision, the post-employment commission arrangements will prove to be unnecessarily complex, if not unworkable.

6.2 The Future

The industry has long enjoyed the flexibility of being able to adopt a remuneration arrangement comprising either a base wage plus commission or, in the alternative, commission only. It is this flexibility that the industry seeks to re-establish by asking the AFPC to establish a new minimum APCS Piece Rate of Pay for the real estate industry, as prescribed below.

A salesperson engaged on a commission only basis, will generally have his/her commission entitlement calculated at a higher percentage than a salesperson who is engaged on an alternate remuneration arrangement that incorporates a minimum wage component. Any salesperson prepared to back his/her ability to succeed, has the potential to reap greater financial rewards for their efforts when engaged on a commission only basis. The lower percentage afforded a wage-earning salesperson, is a reflection of the commercial risks that the business experiences when engaging a person on such a basis.

The AFPC will observe that we propose that the new minimum APCS Piece Rate of Pay be limited in its application to certain classes of salespeople. Accordingly, and in circumstances where the salesperson is not qualified to be classified as a piece rate employee, or chooses not to be so classified, the salesperson will continue to be paid the minimum preserved APCS Periodic Rate of Pay or where this does not apply, the FMW. To this extent, it is our submission that any new minimum APCS Piece Rate of Pay established by the AFPC should not operate to the exclusion of relevant minimum Periodic Rates of Pay, but rather as an alternative.

Part 6: Summary

- **Flexibility in employment arrangements for salespeople is of paramount importance to this unique industry.**

7 A Proposed APCS Piece Rate of Pay

7.1 Synopsis of the REIG's Piece Rate Proposal

This submission requests that the AFPC establish a new minimum APCS Piece Rate of Pay, based upon the following principles:

1. The piece rate will apply to people employed in real estate sales and non-residential leasing throughout Australia. The person will need to be qualified to work as a salesperson in the appropriate state or territory.
2. The person will need to have a minimum 12 months experience as a real estate salesperson, before being classified as a piece rate employee.
3. In a twelve month period prior to being engaged as a piece rate employee, the person will need to be able to demonstrate the capacity to earn commission at least equal to the minimum weekly rate of pay for that period. This will form a Competence Based Safety Net.
4. The APCS Piece Rate of Pay will not operate to the exclusion of any APCS Periodic Rate of Pay or the FMW, but rather as an agreed alternative.
5. The minimum APCS Piece Rate of Pay payable to an employee classified as a piece rate employee shall be:
 - From each sale transaction for which the employer receives commission from the client, a total of 35% of the Employer's Net Commission (where the employee both listed and sold/leased the property);
 - From each sale transaction which does not involve an agency/client relationship, 0.5% of the selling price of the property;
 - For each non-residential leasing transaction, 17.5% of Employer's Net (leasing) Commission (this does not include management fees);
6. The APCS Piece Rate of Pay shall contain operative provisions and frequency of payment provisions.

We submit that the principles above are adopted by the AFPC. The REIG's proposed decision is styled as set out in Schedule A.

7.2 The Competence Based Safety Net

Under our proposal, an employee may only be classified as a commission only salesperson (or, more correctly, a "piece rate employee") if particular, strict criteria are satisfied. Prime among these criteria is a test relating to the employee's earning capacity as a real estate salesperson. For the purposes of this submission this test will be referred to as the Competence Based Safety Net (CBSN). To pass this test and hence be classified as a commission only salesperson, the employee's sales and/or leasing performance will firstly need to be assessed. The assessment must be made against either the employee's preserved APCS Periodic Rate of Pay or, where no such rate applies, the FMW. If

- the proposed minimum APCS Piece Rate of Pay; or
- where the employer and employee have agreed to a higher piece rate, that higher rate,

had been applied to the employee's sales or leasing transactions in any 12 month period in the five years prior to the assessment, and that assessment reveals that the employee would have earned by way of commission the minimum periodic rate of pay or FMW for that period, then re-classification is possible (subject to agreement) as a piece rate employee.

We submit that this CBSN should underpin the minimum APCS Piece Rate of Pay of pay for a real estate salesperson. The CBSN is a method by which a salesperson's competence to make decisions about their employment opportunities is assessed, on the basis of their proven track record of success in a commercially-competitive environment. The fundamental assumption of a CBSN is that the person can competently judge the probability of reward versus risk, and should be allowed the opportunity to succeed, whilst being able to take a risk on failure. In an environment such as real estate sales, a CBSN option creates employment opportunities that may not otherwise exist.

We also submit to the AFPC that for employees who satisfy the CBSN, the traditional safety-net model of minimum wages is defective, as it denies motivated, goal-driven, free-thinking salespeople and the employers who have need for their services, the opportunity to make a valid assessment of risk versus reward.

Furthermore, it is our view that:

- there is a need for a risk versus reward approach to employment of salespeople in this industry;
- many current and potential salespeople are competent in making a valid assessment of such risks; and
- there is a substantial potential for abuse of commission-only employment if such a system is left totally unregulated.

It is proper to acknowledge that the CBSN cannot guarantee financial success for each individual salesperson. It does however provide a very promising alternative for those who can satisfy the strict criteria of the proposed APCS Piece Rate and are motivated to undertake this endeavour.

7.3 The APCS Piece Rate in Real Terms

The AFPC will observe that the REIG's proposed minimum APCS Piece Rate of Pay for a real estate sales transaction is a total of 35% of the Employer's Net Commission (where the employee both listed and sold/leased the property). The REIG submits that this figure has arisen from a comprehensive understanding of employment agreements that have been registered/lodged with the industrial organisations over the years.

The recommended minimum APCS Piece Rate of Pay percentages for listing and selling embrace the national average property sale price, average commission yield and the minimum acceptable number of sales/listings per salesperson per annum required to achieve a minimum income not less than the Basic Periodic Rate of Pay or FMW. In real terms however, the amount paid to an employee is considerably higher. Under WorkChoices, in addition to payment of the minimum APCS Piece Rate of Pay, the employee will be entitled to certain additional payments arising from employment, and based upon his/her level of remuneration:

Piece Rate	35.0%
Superannuation	3.2%
Annual Leave	2.7%
Personal Leave	1.3%
Notice ³	1.3%
Equivalent All-Up Rate⁴	43.5%

³ This contingency provision is based on 2 weeks notice, using the formula $2/52 \times 35$ (being the proposed minimum piece rate).

⁴ Allowance has been made here for contingencies (Personal Leave and Notice) that may or may not eventuate.

The above table provides an analysis of the cost, in real terms, of employing a commission only salesperson on a minimum APCS Piece Rate of Pay of 35% (where the employee both listed and sold/leased the property). It reflects the “on-costs” such as notice, superannuation, annual leave and personal leave that an employer must consider when determining a piece rate. At the minimum APCS Piece Rate of Pay level of 35% (where the employee both listed and sold/leased the property), the employee’s “real” share of commission will be approximately 43.5%. Before variable and fixed costs are applied, the share of commission to the employer would be approximately 56.5%.

To assist with a better recognition of what this proposed minimum APCS Piece Rate of Pay means in monetary terms, the following table provides a guide to the number of property transactions a salesperson might need to effect each year if they were to receive remuneration at least equivalent to the preserved APCS or the FMW (as the case may be):

State	Median House Price (2 nd quarter 2006) ⁵ \$	Agency's Average Gross Commission ⁶ %	Average Net ⁷ Agency Commission Per Sale \$	Salesperson's Share of Agency's Net Commission (at 35%) ⁸ \$	FMW or Preserved APCS Periodic Rate of Pay \$	Number of Transactions to receive APCS or FMW
NSW	469,000	2.5	10,552.50	3693.38	28,492.42	7.71
Queensland	302,500	5% first \$18,000 and 2.5% thereafter	7,211.70	2,524.10	27,133.66	10.75
South Australia	270,000	2.5	6,075.00	2,126.25	26,688.38	12.55
Tasmania	236,000	2.5	5,310.00	1,858.50	26,688.38	14.36
Victoria	359,500	2.5	8,088.75	2,831.06	26,688.38	9.43
Western Australia	340,000	2.5	7,650.00	2,677.50	26,688.38	9.97

The table above reveals that an employee in Queensland, for example, would need to sell 11 properties in a 12 month period, in order to earn the equivalent of the minimum Periodic Rate of Pay applicable in that State. Based upon Bevan’s research previously referred to, employees who work for employers in the lower revenue band, on average, will sell 17.76 properties per annum. In such circumstances employees will earn remuneration well in excess of the minimum Periodic Rate of Pay. A similar outcome is observed across all jurisdictions.

⁵ The median house prices are based on figures released by the various state Real Estate Institutes for the quarter ending March 2006.

⁶ Agent’s commission fees in all states except Queensland have been de-regulated and will therefore vary between agents. Whilst limited empirical evidence exists to establish an “average rate”, our information reveals that 2.5% is a moderate rate that can be properly applied.

⁷ The Net Agency Commission has been calculated by taking the Gross Agency Commission received by the employer from the sale and deducting an amount of 10%, to accommodate legitimate debits such as franchise fees and agreed marketing costs.

⁸ The salesperson’s share of the agency’s commission is based upon a minimum APCS Piece Rate of Pay of a total of 35% (where the employee both listed and sold/leased the property) as sought by this submission. Where the employer and employee negotiate a piece rate at an increased level (as we respectfully suggest will commonly occur) the number of transactions that a salesperson would need to effect in order to receive remuneration at least equal to the preserved APCS or FMW, will drop accordingly.

Part 7: Summary

- The REIG proposes the establishment of a new minimum APCS Piece Rate of Pay.
- The piece rate shall apply to real estate salespeople in all States and Territories.
- To protect vulnerable salespeople, the application of the piece rate shall be limited to salespeople who can meet certain qualifying criteria.
- An employee's minimum APCS Piece Rate of Pay shall be calculated as a total of 35% of the Employer's Net Commission (in the case of an agency relationship) where the employee both listed and sold/leased the property, 0.5% of selling price (in the case of no agency relationship) and 17.5% of net leasing fee (in the case of non-residential leasing).
- The all-up cost to the employer of engaging a salesperson on a commission only basis is, in real terms, greater than the proposed minimum APCS Piece Rate of Pay.
- Based on an examination of statistical data concerning average property values, commission rates and total income produced, an employee of "average capacity" can expect to earn at least the FMW or the preserved APCS Periodic Rate of Pay.

8 Conclusion

The Australian Fair Pay Commission has the legislative power to establish a new minimum APCS Piece Rate of Pay for this industry.

The REIG would like to see a regulated commission-only employment system, containing an appropriate Competence Based Safety Net, established as an employment alternative for salespeople in the real estate industry.

We submit that the REIG proposal satisfies the legislative considerations imposed on the AFPC by the Act for the following reasons:

- The evidence presented as part of and in addition to this submission, supports our belief that a real estate salesperson of “average capacity” will earn at least the preserved APCS Periodic Rate of Pay or the FMW; and
- The “piece rate employee” classification is limited in its application to salespeople who:
 - have a specified minimum level of real estate sales experience;
 - agree in writing to being so classified;
 - can demonstrate an earning capacity over a 12 month period that justifies being able to be remunerated on a commission only basis.

We further submit that these restrictions have regard to the AFPC’s objectives under s.23 of the Act, by providing a safety net that is appropriate to the real estate industry.

The REIG respectfully asks the AFPC to establish a new minimum APCS Piece Rate of Pay for the real estate industry, in the terms prescribed in Schedule A to this submission.

In conclusion, if the AFPC requires further clarification regarding any element of this submission, the REIG respectfully requests the opportunity to address the AFPC further in relation to any such matter.

9 Schedule A

9.1 The REIG's Proposed New Minimum APCS Piece Rate of Pay

1 *Application and Scope*

- 1.1 *Pursuant to section 214 of the Act, the AFPC establishes a new minimum APCS Piece Rate of Pay for a Commission Only Real Estate Salesperson, as defined in clause 2 herein.*
- 1.2 *This minimum APCS Piece Rate of Pay applies in all States and Territories of Australia to Commission Only Real Estate Salespeople employed in real estate sales both residential and non-residential (which term shall include assigning) and/or non-residential leasing by a real estate agent, stock and station agent, business agent, builder or property developer.*

Unless otherwise prescribed, for the purposes of this minimum APCS Piece Rate of Pay, "property" shall mean land (either improved or unimproved) and irrespective of size, buildings (whether built or to be built), homes including project or volume homes and packages of land and home (whether built or to be built), businesses, retirement villas and units and time share.

2 *Coverage of this APCS Piece Rate of Pay*

- 2.1 *This minimum APCS Piece Rate of Pay applies only to an Employee who:*
 - (i) *has been issued with a real estate agent's licence or is appropriately registered or qualified to perform the duties of a real estate salesperson by the appropriate regulatory authority in the State or Territory in which the Employee is employed; and*
 - (ii) *is employed in the real estate industry in sales (either residential or non-residential) and/or non-residential leasing; and*
 - (iii) *has agreed in writing to be remunerated on a Commission Only basis and to be covered by this APCS; and*
 - (iv) *has been employed as a salesperson and/or in non-residential leasing in the real estate industry for a minimum period of 12 months prior to entering into the agreement in writing, and*
 - (v) *satisfies the following criteria:*

if the minimum APCS Piece Rate of Pay prescribed under clause 3.1 herein (or a higher piece rate as agreed between the Employer and the Employee) had applied to the employee's sales/leasing transactions in any 12 month period in the five years prior to entering into the agreement, the Employee would have been entitled to receive commission at least equal to the Employee's preserved APCS Periodic Rate of Pay for the period or, where the Employee is not covered by a preserved APCS Periodic Rate of Pay, then an amount at least equal to the Federal Minimum Wage.
- 2.2 *An Employee covered by this APCS Piece Rate of Pay is:*
 - (i) *defined as an APCS Piece Rate Employee; and*

(ii) referred to herein as a Commission Only Real Estate Salesperson.

3 Rate Provision Determining Basic Piece Rate of Pay

3.1 In determining the minimum Basic Piece Rate of Pay for a Commission Only Real Estate Salesperson, reference must be made to the following provisions:

3.1.1 Sales Transactions involving an Agency Relationship

(i) Where there is an agency/client relationship the Employer's Net Commission (as defined in clause 4 herein) that is received from a sales transaction, will be apportioned between listing and selling as has been agreed in writing between the Employer and the Commission Only Real Estate Salesperson. In default of prior written agreement, the listing and selling portions will be divided equally.

(ii) Where the Commission Only Real Estate Salesperson is responsible for either listing or selling of the property (but not both), the Commission Only Real Estate Salesperson will be paid as a minimum, 35% of the applicable listing or selling portion of the Employer's Net Commission. Where the Commission Only Real Estate Salesperson is responsible for both listing and selling of the property, the Commission Only Real Estate Salesperson will be paid as a minimum, 35% of both the applicable listing and selling portions.

3.1.2 Sales Transactions **NOT involving an Agency Relationship**

Where there is no agency/client relationship the Commission Only Real Estate Salesperson will be paid as a minimum, 0.5% of the selling price of the property.

3.1.3 Non-Residential Leasing Transactions

The Commission Only Real Estate Salesperson responsible for leasing of a non-residential property, will be paid a minimum of 17.5% of the Employer's Net Commission (as defined in clause 4 herein) from the leasing agreement. For avoidance of doubt, this will not include commissions or fees under any management agreement.

4 Definitions

For the purposes of this minimum APCS Piece Rate of Pay, the following definitions apply:

4.1 'Employer's Net Commission' means:

(i) the Gross Commission received by the Employer from a client with respect to any sale or leasing transaction;

(ii) less GST;

(iii) less any other costs or expenses agreed to in writing between the Employer and the Employee.

- 4.2 *'Listing' includes but is not limited to the following activities: sourcing, securing and/or managing a client's property for sale on behalf of the Employer;*
- 4.3 *'Selling' includes but is not limited to the following activities: managing the sale process, finding a buyer, executing a sale contract and/or dealing with all matters connected with settlement of a sales transaction.*
- 4.4 *'Non-Residential Leasing Transaction' means the entire process of leasing a non-residential property from the listing, listing management, obtaining an agreement to lease and effecting a lease, to finalisation of that lease*

5 Frequency of Payment

- 5.1 *If prior to termination of an Employee's employment, contracts for the sale of a property have been executed (or "exchanged" as it is referred to in some jurisdictions), or a lease (or agreement to lease) executed for a non-residential property, the Employee is entitled to commission in the event the sale or lease proceeds to completion and the Employer receives its commission or selling price from the client. There is no entitlement to commission in other circumstances upon termination of employment.*
- 5.2 *Unless otherwise agreed in writing, an Employee's entitlement to be paid a piece rate of pay shall be made no later than 30 days after the Employer has received its commission from the client or, in circumstances where there is no agency/client relationship, the full selling price of the property has been received by the Employer.*

9.2 Explanatory Notes

The REIG particularly wishes to bring to the AFPC's attention a number of issues associated with the proposed minimum APCS Piece Rate of Pay:

1. The term "Commission Only" has been used in our proposal because of its identification and recognition within the industry. We say it is analogous with the technical term used under the Act: "Piece Rate Employee".
2. It is important to note that the REIG believes that remuneration by piece rates should be restricted in its application to those who have a demonstrable commission-based earning capacity. Such a restriction, we say, aids in satisfying the criteria contemplated by s.191 of the Act.
3. The minimum rate provision related to a real estate sales transaction where an agency/client relationship exists, is 35% (where the employee both listed and sold/leased the property). For reasons explained in this submission, the REIG has constructed the proposed minimum piece rate to recognise that any sale/leasing transaction may involve more than one salesperson. Under the REIG proposal, the piece rate employee will be entitled to receive a minimum 35% of the Employer's Net Commission, split between listing and selling/leasing. We propose that in the absence of a written agreement between the employer and the piece rate employee concerning this split, a default split will be 50% for listing and 50% for selling/leasing.
4. Clause 3.1.2 concerns sales that are made where there is no agency/client relationship. This principally concerns sales on behalf of a builder or property developer. An employee who works in this industry sector will have their rate provision of 0.5% calculated against the selling price of the property.
5. The rate provision that determines the Commission Only Real Estate Salesperson's rate of pay is based upon a minimum percentage of the employer's "net commission". We have provided a definition of Employer's Net Commission under clause 4. The parties to this submission recognise consideration must be allowed for particular deductions from the office "gross" commission to achieve an equitable outcome. Such deductions would include, without exception, GST and, in particular circumstances, franchise fees paid on the sale, advertising expenses for the property that are not recoverable from the client, and other intrinsic marketing costs. Any deductions that will be applied to commission from the sale, must be agreed in writing between the parties.
6. As raised earlier in this submission, clause 5.1 is a necessary operative provision to give the piece rate efficacy and certainty. It provides certainty of outcome in situations where an employee's employment comes to an end prior to completion of any given transaction (either sales or leasing). The Commission Only Real Estate Salesperson will be entitled to payment from the sale/lease in relation to any property, where contracts for sale/lease have been executed (exchanged) prior to termination of employment and not otherwise. This is a provision well understood in the real estate industry.

The Best Practice Australasian Residential Sales Department Benchmarks 2006



This product is provided for information purposes only.

It is essential that prior to it being introduced into agency practice you ensure it complies with all governing regulations, awards & legislation.

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1. FOREWORD

The sales department of the typical Australian and New Zealand residential estate agency generates eighty percent of the business's revenue. As such it is essential that the industry has available to it a documented analysis of benchmarks and key performance indicators upon which owners and managers can compare their results and plan for cost effective growth and development.

This research paper provides Australasian estate agency practice with the most comprehensive study of the residential sales department available today.

I would like to place on record my sincere thanks to

Tas Demos from BDH & Co Chartered Accountants of Epping NSW who provided valuable feedback and advice on the conduct and completion of this interfirm comparison.

Graham Crews from Auckland, New Zealand who acts as a constant sounding board and point of reference regarding the New Zealand marketplace.

The 388 Australian and New Zealand agency principals who authorised their sales managers, book-keepers and accountants to complete and return the survey forms which enabled this report to be completed.



Robert Bevan

CONCLUSION.

A careful reading of this document leads to two conclusions

1. The most effective way to improve agency profitability is to introduce business systems and employee skills which mirror those employed by top 10% operators.
2. The most effective way to improve revenue/turnover is to cost effectively increase the number of income generating employees (sales consultants).

Those wishing to take either of these two steps are urged to turn to section 11 (WHERE TO NOW?) on page 17 of this document and then use the research data provided herein to improve the department's level of revenue, cash flow and profitability.

A handwritten signature in black ink, appearing to read 'Robert A. Bevan'.

Robert A. Bevan F.R.E.I., R.E.I.V. (AUST).

Managing Director
www.bestpractice.com.au
5 July 2006

2. EXECUTIVE SUMMARY

An integral part of this study was to analyse five key performance indicators.

2.1 Net Advertising

As a general rule net advertising, expressed as a percentage of turnover, fell as revenue increased. Businesses which comprised the Top 10% were much more successful at recovering advertising and promotional expenses from vendors than the 90% majority.

2.2 Salaries - Employees

Business comprising Bottom 10%, Average and Top 10% were clearly identified via the percentage of total revenue paid to employees as salaries and commissions. Top 10% business paid a significantly lower percentage than the 90% majority.

2.3 Sales Per Selling Person

As revenue increased this performance indicator became a hallmark of Top 10% businesses. Sales consultants employed by Top 10% businesses with total revenue above \$2M per annum were demonstrably more successful than those employed by business with revenue below \$2M per annum.

2.4 Commission Per Sale

This performance indicator remained comparatively constant across all revenue categories.

2.5 Commission Per Selling Person

Top 10% business produced significantly better results than the 90% majority, this was due to their better Sales Per Selling Person performance (2.3 above).

2.6 CONCLUSION

The key performance indicators which were most illuminating when researching the reasons for the success of an Australasian residential sales department were

- Salaries - Employees
- Sales Per Selling Person

3. THE BENCHMARKS

3.1 REVENUE UP TO \$1 MILLION PER ANNUM

3.1.1 Average levels Of Performance

Table 1

Revenue	\$	%
1.00 Residential	494,843	88.53
2.00 Commercial	16,726	2.99
3.00 Recoverables / Advertising	31,917	5.71
4.00 Other	15,502	2.77
5.00 Total Revenue	558,988	100.00
Expenses	\$	%
6.00 Advertising, promotion	70,346	12.59
7.00 Bank charges	2,901	0.52
8.00 Equipment, technology	12,209	2.18
9.00 Group fees	11,754	2.10
10.00 Insurance	8,137	1.46
11.00 Interest	3,934	0.70
12.00 Motor vehicles	8,863	1.59
13.00 Personnel, training	6,065	1.08
14.00 Postage, couriers	3,141	0.56
15.00 Premises	31,931	5.71
16.00 Printing, stationery	8,599	1.54
17.00 Professional fees	9,867	1.77
18.00 Recoverables	1,818	0.33
19.00 Referrals, conjunctions	8,958	1.60
20.00 to		
23.00 Salaries – employees	214,440	38.36
24.00 Salaries - principals	0	0.00
25.00 Subs, licenses, donations	4,788	0.86
26.00 Telephone, fax	14,204	2.54
27.00 Travel, parking	1,923	0.34
28.00 Total Expenses	423,878	75.83
29.00 Operating Surplus (Deficit)	135,110	24.17
Includes 24.00 Salaries – principals		
30.00 Operating Surplus Per Principal	98,620	
Personnel No's		
31.00 Principals	1.37	
32.00 Sales Consultants	2.79	
33.00 Personal Assistants	0.35	
34.00 Admin (Clerical)	1.55	
35.00 Total No. of Personnel	6.06	
Sales		
36.00 Total No. of Sales	65	

3. THE BENCHMARKS

3.1 REVENUE UP TO \$1 MILLION PER ANNUM

3.1.2 Operating Surplus Per Principal Bottom 10% Levels Of Performance

Table 2

Revenue	\$	%
1.00 Residential	483,106	87.86
2.00 Commercial	0	0.00
3.00 Recoverables / Advertising	66,454	12.08
4.00 Other	311	0.06
5.00 Total Revenue	549,871	100.00
Expenses		
	\$	%
6.00 Advertising, promotion	107,319	19.52
7.00 Bank charges	2,702	0.49
8.00 Equipment, technology	18,977	3.45
9.00 Group fees	9,098	1.65
10.00 Insurance	8,773	1.60
11.00 Interest	7,935	1.44
12.00 Motor vehicles	6,186	1.13
13.00 Personnel, training	10,871	1.98
14.00 Postage, couriers	5,526	1.00
15.00 Premises	35,295	6.42
16.00 Printing, stationery	11,284	2.05
17.00 Professional fees	4,753	0.86
18.00 Recoverables	3,565	0.65
19.00 Referrals, conjunctions	22,583	4.11
20.00 to		
23.00 Salaries – employees	297,640	54.13
24.00 Salaries - principals	0	0.00
25.00 Subs, licenses, donations	13,078	2.38
26.00 Telephone, fax	21,110	3.84
27.00 Travel, parking	606	0.11
28.00 Total Expenses	587,301	106.81
29.00 Operating Surplus (Deficit)	(-37,430)	(-6.81)
Includes 24.00 Salaries – principals		
30.00 Operating Surplus Per Principal	(-31,192)	
Personnel No's		
31.00 Principals	1.20	
32.00 Sales Consultants	3.80	
33.00 Personal Assistants	0.60	
34.00 Admin / Clerical	2.40	
35.00 Total No. of Personnel	8.00	
Sales		
36.00 Total No. of Sales	75	

3.1.3 Operating Surplus Per Principal Top 10% Levels Of Performance

Table 3

Revenue	\$	%
1.00 Residential	664,386	91.82
2.00 Commercial	5,088	0.70
3.00 Recoverables / Advertising	52,917	7.31
4.00 Other	1,206	0.17
5.00 Total Revenue	723,597	100.00
Expenses		
	\$	%
6.00 Advertising, promotion	84,438	11.67
7.00 Bank charges	915	0.13
8.00 Equipment, technology	12,563	1.74
9.00 Group fees	3,657	0.50
10.00 Insurance	7,575	1.05
11.00 Interest	420	0.06
12.00 Motor vehicles	3,374	0.47
13.00 Personnel, training	5,293	0.73
14.00 Postage, couriers	3,800	0.52
15.00 Premises	27,949	3.86
16.00 Printing, stationery	6,322	0.87
17.00 Professional fees	16,935	2.34
18.00 Recoverables	302	0.04
19.00 Referrals, conjunctions	6,295	0.87
20.00 to		
23.00 Salaries – employees	156,855	21.68
24.00 Salaries - principals	0	0.00
25.00 Subs, licenses, donations	2,882	0.40
26.00 Telephone, fax	12,108	1.67
27.00 Travel, parking	1,247	0.17
28.00 Total Expenses	352,930	48.77
29.00 Operating Surplus (Deficit)	370,667	51.23
Includes 24.00 Salaries – principals		
30.00 Operating Surplus Per Principal	308,889	
Personnel No's		
31.00 Principals	1.20	
32.00 Sales Consultants	2.24	
33.00 Personal Assistants	0.20	
34.00 Admin / Clerical	1.00	
35.00 Total No. of Personnel	4.64	
Sales		
36.00 Total No. of Sales	83	

3. THE BENCHMARKS

3.2 REVENUE ABOVE \$1 MILLION TO \$2 MILLION PER ANNUM

3.2.1 Average Levels Of Performance

Table 4

Revenue	\$	%
1.00 Residential	1,288,893	84.97
2.00 Commercial	40,902	2.70
3.00 Recoverables / Advertising	131,986	8.70
4.00 Other	55,030	3.63
5.00 Total Revenue	1,516,811	100.00
Expenses		
	\$	%
6.00 Advertising, promotion	190,334	12.55
7.00 Bank charges	5,295	0.35
8.00 Equipment, technology	24,710	1.63
9.00 Group fees	32,844	2.17
10.00 Insurance	14,526	0.96
11.00 Interest	7,002	0.46
12.00 Motor vehicles	16,704	1.10
13.00 Personnel, training	23,071	1.52
14.00 Postage, couriers	7,794	0.51
15.00 Premises	55,812	3.68
16.00 Printing, stationery	25,619	1.69
17.00 Professional fees	15,215	1.00
18.00 Recoverables	8,158	0.54
19.00 Referrals, conjunctions	36,733	2.42
20.00 to		
23.00 Salaries – employees	666,416	43.94
24.00 Salaries - principals	0	0.00
25.00 Subs, licenses, donations	7,455	0.49
26.00 Telephone, fax	28,704	1.89
27.00 Travel, parking	4,376	0.29
28.00 Total Expenses	1,170,768	77.19
29.00 Operating Surplus (Deficit)	346,043	22.81
Includes 24.00 Salaries – principals		
30.00 Operating Surplus Per Principal	213,607	
Personnel No's		
31.00 Principals	1.62	
32.00 Sales Consultants	7.10	
33.00 Personal Assistants	0.99	
34.00 Admin (Clerical)	3.14	
35.00 Total No. of Personnel	12.85	
Sales		
36.00 Total No. of Sales	166	

3. THE BENCHMARKS

3.2 REVENUE ABOVE \$1 MILLION TO \$2 MILLION PER ANNUM

3.2.2 Operating Surplus Per Principal Bottom 10% levels of performance

Table 5

Revenue	\$	%
1.00 Residential	1,109,797	82.72
2.00 Commercial	0	0.00
3.00 Recoverables / Advertising	224,635	16.75
4.00 Other	7,166	0.53
5.00 Total Revenue	1,341,598	100.00
Expenses		
	\$	%
6.00 Advertising, promotion	275,906	20.57
7.00 Bank charges	9,124	0.68
8.00 Equipment, technology	25,444	1.90
9.00 Group fees	9,998	0.75
10.00 Insurance	11,464	0.86
11.00 Interest	9,752	0.73
12.00 Motor vehicles	10,787	0.80
13.00 Personnel, training	33,857	2.52
14.00 Postage, couriers	4,362	0.33
15.00 Premises	63,920	4.76
16.00 Printing, stationery	26,202	1.95
17.00 Professional fees	20,033	1.49
18.00 Recoverables	7,671	0.57
19.00 Referrals, conjunctions	8,277	0.62
20.00 to		
23.00 Salaries – employees	826,741	61.62
24.00 Salaries - principals	0	0.00
25.00 Subs, licenses, donations	6,209	0.46
26.00 Telephone, fax	29,976	2.23
27.00 Travel, parking	387	0.03
28.00 Total Expenses	1,380,110	102.87
29.00 Operating Surplus (Deficit)	(-38,510)	(-2.87)
Includes 24.00 Salaries – principals		
30.00 Operating Surplus Per Principal	(-22,006)	
Personnel No's		
31.00 Principals	1.75	
32.00 Sales Consultants	6.25	
33.00 Personal Assistants	0.50	
34.00 Admin / Clerical	4.00	
35.00 Total No. of Personnel	12.50	
Sales		
36.00 Total No. of Sales	126	

3.2.3 Operating Surplus Per Principal Top 10% levels of performance

Table 6

Revenue	\$	%
1.00 Residential	1,267,106	82.53
2.00 Commercial	822	0.05
3.00 Recoverables / Advertising	77,782	5.07
4.00 Other	189,527	12.35
5.00 Total Revenue	1,535,237	100.00
Expenses		
	\$	%
6.00 Advertising, promotion	72,657	4.73
7.00 Bank charges	4,996	0.33
8.00 Equipment, technology	17,415	1.13
9.00 Group fees	30,637	2.00
10.00 Insurance	18,237	1.19
11.00 Interest	3,686	0.24
12.00 Motor vehicles	22,311	1.45
13.00 Personnel, training	10,937	0.71
14.00 Postage, couriers	12,899	0.84
15.00 Premises	49,173	3.20
16.00 Printing, stationery	19,087	1.24
17.00 Professional fees	11,108	0.72
18.00 Recoverables	1,578	0.10
19.00 Referrals, conjunctions	36,643	2.39
20.00 to		
23.00 Salaries – employees	588,317	38.32
24.00 Salaries - principals	0	0.00
25.00 Subs, licenses, donations	5,630	0.37
26.00 Telephone, fax	29,597	1.93
27.00 Travel, parking	3,807	0.25
28.00 Total Expenses	938,715	61.14
29.00 Operating Surplus (Deficit)	596,522	38.86
Includes 24.00 Salaries – principals		
30.00 Operating Surplus Per Principal	497,102	
Personnel No's		
31.00 Principals	1.20	
32.00 Sales Consultants	5.30	
33.00 Personal Assistants	0.60	
34.00 Admin / Clerical	2.80	
35.00 Total No. of Personnel	9.90	
Sales		
36.00 Total No. of Sales	119	

3. THE BENCHMARKS

3.3 REVENUE ABOVE \$2 MILLION PER ANNUM

3.3.1 Average Levels Of Performance

Table 7

Revenue	\$	%
1.00 Residential	3,048,959	84.77
2.00 Commercial	118,703	3.30
3.00 Recoverables / Advertising	291,020	8.09
4.00 Other	138,094	3.84
5.00 Total Revenue	3,596,776	100.00
Expenses	\$	%
6.00 Advertising, promotion	421,035	11.71
7.00 Bank charges	17,319	0.48
8.00 Equipment, technology	58,187	1.62
9.00 Group fees	47,016	1.31
10.00 Insurance	24,404	0.68
11.00 Interest	10,660	0.30
12.00 Motor vehicles	26,622	0.74
13.00 Personnel, training	25,044	0.70
14.00 Postage, couriers	13,615	0.38
15.00 Premises	105,517	2.93
16.00 Printing, stationery	45,582	1.27
17.00 Professional fees	25,666	0.71
18.00 Recoverables	72,037	2.00
19.00 Referrals, conjunctions	59,532	1.65
20.00 to		
23.00 Salaries – employees	1,670,857	46.45
24.00 Salaries - principals	0	0.00
25.00 Subs, licenses, donations	12,527	0.35
26.00 Telephone, fax	52,865	1.47
27.00 Travel, parking	8,815	0.24
28.00 Total Expenses	2,697,300	74.99
29.00 Operating Surplus (Deficit)	899,475	25.01
Includes 24.00 Salaries – principals		
30.00 Operating Surplus Per Principal	418,360	
Personnel No's		
31.00 Principals	2.15	
32.00 Sales Consultants	13.86	
33.00 Personal Assistants	2.44	
34.00 Admin (Clerical)	7.22	
35.00 Total No. of Personnel	25.67	
Sales		
36.00 Total No. of Sales	371	

3. THE BENCHMARKS

3.3 REVENUE ABOVE \$2 MILLION PER ANNUM

3.3.2 Operating Surplus Per Principal Bottom 10% levels of performance

Table 8

Revenue	\$	%
1.00 Residential	2,431,143	84.87
2.00 Commercial	15,776	0.55
3.00 Recoverables / Advertising	330,941	11.55
4.00 Other	86,980	3.03
5.00 Total Revenue	2,864,640	100.00
Expenses		
	\$	%
6.00 Advertising, promotion	460,606	16.08
7.00 Bank charges	94,377	3.29
8.00 Equipment, technology	50,564	1.76
9.00 Group fees	6,467	0.23
10.00 Insurance	24,960	0.87
11.00 Interest	9,334	0.33
12.00 Motor vehicles	30,539	1.07
13.00 Personnel, training	10,999	0.38
14.00 Postage, couriers	8,926	0.31
15.00 Premises	86,452	3.02
16.00 Printing, stationery	34,563	1.21
17.00 Professional fees	19,460	0.68
18.00 Recoverables	47,125	1.64
19.00 Referrals, conjunctions	64,498	2.25
20.00 to		
23.00 Salaries – employees	1,492,773	52.11
24.00 Salaries - principals	0	0.00
25.00 Subs, licenses, donations	7,404	0.26
26.00 Telephone, fax	41,120	1.44
27.00 Travel, parking	6,820	0.24
28.00 Total Expenses	2,497,027	87.17
29.00 Operating Surplus (Deficit)	367,613	12.83
Includes 24.00 Salaries – principals		
30.00 Operating Surplus Per Principal	106,865	
Personnel No's		
31.00 Principals	3.44	
32.00 Sales Consultants	8.75	
33.00 Personal Assistants	1.25	
34.00 Admin / Clerical	5.50	
35.00 Total No. of Personnel	18.94	
Sales		
36.00 Total No. of Sales	291	

3.3.3 Operating Surplus Per Principal Top 10% levels of performance

Table 9

Revenue	\$	%
1.00 Residential	5,593,972	84.50
2.00 Commercial	225,865	3.41
3.00 Recoverables / Advertising	735,155	11.10
4.00 Other	65,375	0.99
5.00 Total Revenue	6,620,367	100.00
Expenses		
	\$	%
6.00 Advertising, promotion	590,436	8.92
7.00 Bank charges	9,316	0.14
8.00 Equipment, technology	70,800	1.07
9.00 Group fees	123,595	1.87
10.00 Insurance	17,490	0.26
11.00 Interest	30,492	0.46
12.00 Motor vehicles	25,151	0.38
13.00 Personnel, training	39,456	0.60
14.00 Postage, couriers	22,793	0.34
15.00 Premises	115,411	1.74
16.00 Printing, stationery	79,291	1.20
17.00 Professional fees	38,437	0.58
18.00 Recoverables	545,425	8.24
19.00 Referrals, conjunctions	37,462	0.56
20.00 to		
23.00 Salaries – employees	2,580,393	38.98
24.00 Salaries - principals	0	0.00
25.00 Subs, licenses, donations	8,655	0.13
26.00 Telephone, fax	81,381	1.23
27.00 Travel, parking	14,587	0.22
28.00 Total Expenses	4,430,571	66.92
29.00 Operating Surplus (Deficit)	2,189,796	33.08
Includes 24.00 Salaries – principals		
30.00 Operating Surplus Per Principal	1,751,837	
Personnel No's		
31.00 Principals	1.25	
32.00 Sales Consultants	18.00	
33.00 Personal Assistants	6.50	
34.00 Admin / Clerical	7.25	
35.00 Total No. of Personnel	33.00	
Sales		
36.00 Total No. of Sales	731	

4. KEY PERFORMANCE INDICATORS

All key performance indicators are expressed as a percentage of total revenue (Line 5.00)

4.1 DEFINITIONS

4.1.1 Net Advertising.

Advertising / Promotion expenses (Line 6.00) less Recoverables / Advertising (Line 3.00).

4.1.2 Salaries - Employees.

All monies paid to sales department employees as wages, commission, allowances, superannuation, taxes and long service leave (Line 20.00 to 23.00).

4.1.3 Sales Per Selling Person.

Total number of sales (Line 36.00) divided by the total number of principals and sales consultants (Lines 31.00 and 32.00) less half of one person for principals time spent on non revenue generating activities managing the business.

4.1.4 Commission Per Sale.

Total residential (Line 1.00) divided by total number of sales (Line 36.00).

4.1.5 Commission Per Selling Person.

Total residential (Line 1) divided by the total number of principals and sales consultants (Lines 31.00 and 32.00) less half of one person for principals time spent on non revenue generating activities managing the business.

4.2 REVENUE UP TO \$1 MILLION PER ANNUM

Table 10

Key Performance Indicators	Bottom 10%	Average	Top 10%
(i) Net Advertising	7.44%	6.88%	4.36%
(ii) Salaries – Employees	54.13%	38.36%	21.68%
(iii) Sales Per Selling Person	16.67p.a	17.76p.a	28.23p.a
(iv) Commission Per Sale	\$6,441.41	\$7,612.97	\$8,004.65
(v) Commission Per Selling Person	\$107,356.89p.a	\$135,203.01p.a	\$225,981.63p.a

4.3 REVENUE ABOVE \$1 MILLION TO \$2 MILLION PER ANNUM

Table 11

Key Performance Indicators	Bottom 10%	Average	Top 10%
(i) Net Advertising	3.82%	3.85%	(-0.34%) *
(ii) Salaries – Employees	61.62%	43.94%	38.32%
(iii) Sales Per Selling Person	16.80p.a	20.19p.a	19.83p.a
(iv) Commission Per Sale	\$8,807.91	\$7,764.42	\$10,647.95
(v) Commission Per Selling Person	\$147,972.93p.a	\$156,799.64p.a	\$211,184.33p.a

* The surplus in net advertising resulted from an irregularity in accounting periods with respect to advertising paid and advertising received.

4.4 REVENUE ABOVE \$2 MILLION PER ANNUM

Table 12

Key Performance Indicators	Bottom 10%	Average	Top 10%
(i) Net Advertising	4.53%	3.62%	(-2.18%) *
(ii) Salaries – Employees	52.11%	46.45%	38.98%
(iii) Sales Per Selling Person	24.89p.a	23.92p.a	38.99p.a
(iv) Commission Per Sale	\$8,354.44	\$8,218.22	\$7,652.49
(v) Commission Per Selling Person	\$207,967.75p.a	\$196,580.21p.a	\$295,345.17p.a

* The surplus in net advertising resulted from an irregularity in accounting periods with respect to advertising paid and advertising received.

5. ADDITIONAL INFORMATION

5.1 *Invitation To Participate*

During April 2006 every Australian and New Zealand real estate agency residential property management department was invited to participate in a survey to research a range of activities and levels of performance. Participants were asked to complete the survey form which appears on page 13 of this report. The survey included definitions which appear on page 14 of this report.

5.2 *Businesses Surveyed*

Survey participants were Australian and New Zealand real estate agency sales departments which derived the majority of their income from acting as agent in the sale or purchase of residential property.

5.3 *Period Under Review*

Participants were asked to provide historical data covering the last consecutive twelve month period for which the sales department had completed a financial report of revenue and expenses.

5.4 *Statistical Integrity*

Every returned survey form was checked for accuracy and consistency. Where any apparent anomaly or inconsistency was identified that form was removed from the sample.

The voluntary self-completion basis of data collection inevitably means the sample will be based on those businesses sufficiently well organised and motivated to participate. It is possible this could lead to a non-representative sample. However the results published in this report are considered to be representative particularly when analysed against previously published reports on Australasian real estate agency performance.

The sample is considered to be representative of Australasian residential sales departments by both revenue and location. The sample utilized in the preparation of this report enabled an analysis of sales departments employing 3,374 persons being 388 principals, 1797 sales consultants, 286 personal assistants and 378 administrative/clerical personnel. The businesses transacted 45,552 sales, traded from 227 locations, had total revenue of \$429,172,556.00 of which \$365,673,846.00 (85.20%) was sales commission.

The business expended \$51,563,026.00 on advertising and promotion of which \$34,422,507.00 (66.73%) was recovered from vendors. The single greatest expense was salaries and commissions to employees which total \$193,079,617.00 (44.90% of total revenue or \$52.80% of sales commissions).

Statistical data contained in this report represents averages calculated from information collected and carries limitations inherent in any information obtained by sample. As such it is subject to a degree of sampling error. However the degree of sampling error is considered to be within limits which do not infringe upon the statistical integrity for a survey of this nature.

6. COMPLEMENTARY RESEARCH

6.1 *The Best Practice Australasian Real Estate Agency Interfirm Comparison 2005.*

Residential real estate agency's definitive analysis of financial performance. This 35 page document provides the benchmarks against which a business can be measured according to location, revenue, expenses, personnel, sales completed and properties managed. Businesses are categorised according to top 10%, median and bottom 10% plus the key performance indicators which produce the most effective results are discussed in detail.

6.2 *The Best Practice Australasian Real Estate Agency Residential Property Management Benchmarks 2005.*

Today's Best Practice property management department is managed as an independent profit centre. This 13 page research paper provides the data necessary to enable planned growth and development against researched benchmarks and points of critical mass.

These documents (6.1 and 6.2) are available only through www.bestpractice.com.au.

7. SURVEY FORM

**Australasian Residential Sales Department
Survey Form 2006**

Period under Review: The last consecutive 12 month period for which the business has a financial report of revenue and expenses for the residential sales department.

Please complete this one page form, ensuring that a figure appears on lines 1 to 36 (except line 24), and that you tick your location on line 37.

Revenue	1.00	Residential	_____	
	2.00	Commercial	_____	
	3.00	Recoverables / Advertising	_____	
	4.00	Other	_____	
	5.00	Total Revenue	\$ _____ p.a.	
Expenses	6.00	Advertising, promotion	_____	
	7.00	Bank charges	_____	
	8.00	Equipment, technology	_____	
	9.00	Group fees	_____	
	10.00	Insurance	_____	
	11.00	Interest	_____	
	12.00	Motor vehicles	_____	
	13.00	Personnel, training	_____	
	14.00	Postage, couriers	_____	
	15.00	Premises	_____	
	16.00	Printing, stationery	_____	
	17.00	Professional fees	_____	
	18.00	Recoverables	_____	
	19.00	Referrals, conjunctions	_____	
	20.00 to 23.00	20.00 to 23.00	Salaries - employees	_____
		24.00	Salaries - principals	_____ Include in 29.00
		25.00	Subs, licenses, donations	_____
		26.00	Telephone, fax	_____
		27.00	Travel, parking	_____
		28.00	Total Expenses	\$ _____ p.a.
	29.00	Operating Surplus (Deficit) Includes 24.00 salaries - principals	\$ _____ p.a.	
	30.00	Surplus (Deficit) Per Principal	\$ _____ p.a.	
Personnel No's	31.00	Principals	_____	
	32.00	Sales Consultants	_____	
	33.00	Personal Assistants	_____	
	34.00	Admin (Clerical)	_____	
	35.00	Total Number of Personnel	_____	
Sales	36.00	Total Number of Sales Completed For The Year	_____	
Location	37.00	Please tick your location <input type="checkbox"/> NZ <input type="checkbox"/> QLD <input type="checkbox"/> NSW <input type="checkbox"/> ACT <input type="checkbox"/> VIC <input type="checkbox"/> TAS <input type="checkbox"/> SA <input type="checkbox"/> WA <input type="checkbox"/> NT	Please tick your location	

Please complete this one page form, ensuring that a figure appears on lines 1 to 36 (except line 24), and that you tick your location on line 37. Postal Address: All returns will remain anonymous and confidential. Please supply a postal address only so that the Final Report can be dispatched to you in July 2006

Postal Address

Return this form in hard copy, as a disc, via email or fax to Bestpractice, PO Box 404, Springwood NSW 2777, Tel: 02 4751 5555, Fax: 02 4751 5211, Email: rb@bestpractice.com.au, Website: www.bestpractice.com.au



COMPLETE AND RETURN SURVEY FORM ONLINE:

Visit www.bestpractice.com.au and click on **Sales Department Survey** listed below **Other Services** then complete the form online.

8. DEFINITIONS

DEFINITIONS

The Residential Sales Department

Residential Sales Department means that profit centre within a real estate agency which derives the majority of its income from acting as an agent in the sale or purchase of residential property.

- 1.00 Residential** means all income, fees and commissions received from services provided which resulted in the sale of residential property but excludes any amount received for advertising and / or promotion.
- 2.00 Commercial** means all income, fees and commissions received from services provided which resulted in the sale of commercial, industrial or retail property but excludes any amount received for advertising and / or promotion.
- 3.00 Recoverables / Advertising** means all monies received from clients for advertising, marketing, auctions, certificates & keys.
- 4.00 Other** means income, fees and commissions received from services including insurance, valuation and other income categories not being sales (1.00, 2.00 above) or any amounts received for advertising and / or promotion. (3.00 above)
- 5.00 Total Revenue** means the aggregate of items 1.00, 2.00, 3.00 & 4.00.
- 6.00 Advertising / Promotion** means all monies paid for advertising or promotion in areas such as newspapers, magazines, brochures, signage and for canvassing / prospecting.
- 7.00 Bank Charges** means all monies paid for banking charges but excludes interest.
- 8.00 Equipment / Technology** means all monies paid for leasing, interest, provision for depreciation, repairs and maintenance on all plant and equipment but excludes motor vehicles.
- 9.00 Group Fees** means all monies paid to franchise, marketing and multiple listing groups for the provision of services but excludes advertising and promotion.
- 10.00 Insurance** means all monies paid for insurance cover including loss of profits, cash in transit, premises, contents / equipment, public liability, professional indemnity, workers compensation and motor vehicles.
- 11.00 Interest** means all monies paid as interest on funds borrowed to operate the business but excludes interest on equipment/plant, motor vehicles and premises.
- 12.00 Motor Vehicles** means all monies paid for motor vehicle leasing, interest, provision for depreciation, repairs and maintenance but excludes insurance and parking.
- 13.00 Personnel / Training** means all monies paid for personnel to attend training, seminars and conferences plus uniforms, petty cash and staff amenities.
- 14.00 Postage / Couriers** means all monies paid for stamps, postage, document exchange and couriers.
- 15.00 Premises** means all monies paid for leasing, interest or provision for depreciation on premises, plus rates, taxes, electricity, fuel, cleaning, refuse removal, repairs, maintenance and security.
- 16.00 Printing / Stationery** means all monies paid for printing, stationery, copying and binding.
- 17.00 Professional Fees** means all monies paid for accounting, auditing, legal, valuation or other professional services plus any associated costs such as stamp duty.
- 18.00 Recoverables** means all monies paid for services and products such as certificates, reports and keys which are recoverable from clients.
- 19.00 Referrals, conjunctions** means all monies paid to others as a referral or conjunction fee.
- 20.00 to 23.00 Salaries - Employees** means all monies paid to employees as wages, commission, car allowance, telephone allowance, uniform allowance, superannuation, fringe benefits tax, group tax, payroll tax and long service leave.
- 24.00 Salaries - Principals** means all monies paid to principals as wages, commission, car allowance, telephone allowance, uniform allowance, superannuation, fringe benefits tax, group tax, dividends or share of profits. It is included in item 29.00 Operating Surplus (Deficit).
- 25.00 Subs / Licenses / Donations** means all monies paid for licensing, registration, association membership, professional literature, donations and subscriptions.
- 26.00 Telephone / Fax** means all monies paid for telecommunication services but excludes telephone allowances paid to personnel.
- 27.00 Travel / Parking** means all monies paid for travel and parking but excludes travel and parking related to training.
- 28.00 Total Expenses** means the aggregate of items 6.00 to 27.00 inclusive.
- 29.00 Operating Surplus (Deficit)** means items 5.00 less item 28.00
- 30.00 Surplus (Deficit) Per Principal** means item 29.00 divided by the number of principals.
- 31.00 to 35.00 Personnel No's** means all full time, part time and casual employees. Round non full time employees off to the nearest half a person.



9. BDH & CO. CHARTERED ACCOUNTANTS

Our Philosophy

At BDH & Co, we strive to be your business partners. We take a proactive approach, continuously seeking opportunities to meet all of your business and personal financial needs.

We place high importance on customer service and we are committed to providing you with solutions in a timely and professional manner. To do this, we work in partnership with you to provide advice and assistance that adds value to your business and, most importantly, obtains results.

Our Firm

BDH & Co is a partnership that draws on the skills and experience of its partners, all of whom commenced their accounting careers in differing divisions of the "Big 5" accounting firms.

The high level of skills and experience that the partners of BDH & Co have enable the firm to offer business consultancy, accounting, taxation, financial planning and superannuation services to suit small to medium businesses of all types.

At BDH & Co you can be assured that your advice will be prepared by a qualified and experienced professional. Our partners and staff work with you to understand your business and the issues you may be facing and provide the best possible financial advice in any situation.

BDH Business Solutions

BDH Business Solutions is a management consulting company committed to delivering innovative solutions to real estate agencies. We work closely with clients to help them become high performance businesses.

Where external advisers are required, BDH Business Solutions is able to draw on support alliances including firms in such areas as Law, Accounting, Finance, Information Technology, and Training that have real estate industry experience.

Contact

If you would like to discuss having your agency's financial performance analysed against this interfirm comparison please contact

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Tas Demos

10. THE CULTURE OF BEST PRACTICE

Best Practice subscribers are part of a business system which

- 1. Cultivates**
a network of agency principals, employees and their advisers who are keen to swap with other subscribers the secrets of their success in a spirit of trust, integrity and mutual regard.
- 2. Communicates**
to subscribers proven, successful policies, systems and activities.
- 3. Encourages**
subscribers to meet regularly at both Best Practice events and at each others offices to learn from one another.
- 4. Focuses**
on improving the residential real estate agency business's

Market Share
Turnover
Cash Flow
Profitability
Capital Value

For more information visit



The Website for
Best Practice Real Estate Agents

11. WHERE TO NOW?

This Research paper provides residential sales department owners and managers with four opportunities

1. **COLLECT DATA.**

Have your accountant / book-keeper prepare trading results for your sales department ensuring that a column is printed showing each income and expense item as a percentage of total revenue. Use the survey form on page 13.

2. **COMPARATIVE ANALYSIS.**

Compare your trading results against the industry wide bottom 10%, average and top 10% benchmarks and key performance indicators produced in this document.

3. **IMPROVE PROFITABILITY**

Based upon the results obtained from the above comparative analysis introduce and develop business systems and employee skills.

NOTE

(i) **BUSINESS MANAGEMENT 101.** This Best Practice product comprises a 62 page workbook and 86 minute 2 CD pack which provide the business management systems, policies and templates of Australasia's top 10% residential agencies.

(ii) **RESIDENTIAL SALES 101.** This Best Practice product comprises a 24 page workbook and 76 minute CD which provides all of the activities and skills currently being used by top 10% sales consultants when prospecting, listing, negotiating and selling.

4. **DRAMATICALLY INCREASE REVENUE / TURNOVER**

Based upon the results of that category comprising the top 10% of agency performers introduce a financial model and develop strategies to double the turnover of your business.

NOTE

DOUBLE YOUR AGENCY TURNOVER. This Best Practice product comprises a CD and workbook which sets out the philosophy, strategies and financial models of top 10% agencies which have doubled the size of their turnover and dollar profitability.

All Best Practice products are available only via www.bestpractice.com.au