

Embargo: 00:01 Tuesday 17 January 2017

The great £4bn commiserary sleepwalk

- High street estate agents earned £4 billion in commission fees in the year to September according to Land Registry stats
- Average fee paid by sellers is £4,055 – up 8% in the last year
- In high-priced areas such as London, the commission paid has almost hit £11,000.

High Street estate agents have broken through the £4 billion a year barrier in earnings from commission fees charged on house sales.

Over the past 12 months, the average fee paid by a seller has soared by 8% - way higher than inflation - to an average £4,055 including VAT.

In areas with high property prices such as Inner London the amount paid has topped almost £11,000.

The figures, based on official Land Registry statistics, follow the launch of Purplebricks' new ad campaign to raise awareness of how much commission householders have been paying to traditional estate agents when moving home, and how they can avoid it.

Property expert and TV presenter Amanda Lamb who is backing the campaign, explains: "This campaign will open people's eyes to commiserary – the misery you feel when you've forked out thousands on commission and haven't got anything more for your money.

"Research shows that 95% of people don't realise exactly what they are paying in commission, until the bill hits* and this needs to change. It is virtual money because it isn't paid up front and in some ways the amount is hidden until the last moment. Factoring in VAT is something people forget to do as well, so what starts as a low percentage on paper adds up into a considerable sum in commission paid.

"Purplebricks want people to feel smart, like the thousands of people who already instruct them to sell their home and avoid paying these expensive and unnecessary charges."

The money pocketed by traditional agents has skyrocketed as house prices have risen. In the 12 months to September 2016 the total value of houses sold in the UK through high street agents was £227 billion, on which they earned £4.089 billion, the equivalent of £4,055 per sale.

In the previous 12 months the average commission earned from each sale was £3,761 while in 2014 it was £3,449 – as house prices have gone up, so has the amount of commission paid, up 15% in two years.

While the level of service is similar across the country, the amount earned by agents differs according to the local housing market.

In Inner London where the average property price soared to an average £581,000, traditional agents earned an average commission of £10,871 this year. In the UK's most expensive borough Kensington and Chelsea where the average property price is £1.27m, agents have picked up an average £24,600 per sale.

In the North East, the cheapest region in Great Britain where the average price of property is £124,750, traditional high street agents have still made £48 million this year on fees, taking an average commission of £2,352 per sale.

In the West Midlands, where a home costs an average £177,937, sellers paid £3,286 in fees per transaction when using traditional agents.

In the South East where houses sell for an average £312,509, the typical commission was £5,750. In Scotland where house prices average £143,131, the typical commission paid out per transaction over this year was £2,633, while in Wales it was £2,718 and Northern Ireland £2,302.

The average commission charged in the North West of England was £2,763, in the South West it was £4,415. In the East Midlands the typical commission charged by estate agents was £3,193, in the East of England £5,005 and Yorkshire and Humberside £2,796.

Traditional agents' charges can be as high as 2.5% but a typical fee is 1.8% (1.5% plus 20% VAT). Purplebricks believes in a fairer way to sell and charges a flat fixed rate of £849, or £1199 in London and surrounding areas for its estate agency service.

Michael Bruce, CEO, Purplebricks said: "People too often engage an estate agent without realising or thinking about whether there is a better alternative. The service they receive is the same whether the house is valued at £100k or £1m, therefore the fee paid for securing the sale should be the same."

END

Notes:

Figures calculated from Land Registry December 2016 statistics on total sales and total value of sales
Commission calculated on 95% of sales – the number sold through traditional estate agents
Average commission 1.8% (1.5% plus VAT)

Region	Average price Oct 2016	Total sales (value Jan-Sept 2016)	No of sales through traditional agents	Total commission paid to traditional agents (2016)	Average commission paid per sale (2016)
East of England	£279,148	£17.53b	63,049	£315.5m	£5,005
East Midlands	£176,084	£8.281b	46,680	£149.1m	£3,193
Greater London	£474,475	£28.92b	58,862	£521.5m	£8,860
North East	£124,749	£2.708b	20,727	£48.7m	£2,352
Northern Ireland	£124,093	£5.105b	39,910	£91.9m	£2,302
North West	£148,586	£9.696b	63,156	£174.5m	£2,763

Scotland	£143,131	£8.704b	59,502	£156.7m	£2,633
South East	£312,509	£28.89b	90,446	£520.0m	£5,750
South West	£240,322	£14.515b	59,180	£261.3m	£4,415
Wales	£147,065	£3.811b	25,231	£68.6m	£2,718
West Midlands	£177,973	£8.828b	48,366	£158.9m	£3,286
Yorks and Humberside	£150,401	£7.372b	47,466	£132.7	£2,796

*Omnibus Survey of 566 UK homeowners, November 2016