

14 August 2018

The Advertising Standards Authority of South Africa
P.O. Box 41555
Craighall, Johannesburg, 2024

Attention: The Chief Executive Officer

Dear Sir

RE: Leadhome – Misleading and Disparaging Advertising Claims against Traditional Estate Agents

REBOSA is an independent, non-profit company (NPC), established in 2012 and represents the best interests of business owners and principals of small, medium and large estate agencies operating in the South African residential real estate sector.

REBOSA's membership includes almost all of the national real estate groupings and hundreds of smaller independent estate agencies. Our members collectively employ more than 16 500 registered, practicing estate agents, making REBOSA the biggest and most representative real estate body in South Africa.

It has been brought to our attention that Leadhome, an online flat fee real estate company, has made numerous misleading, disparaging claims against what they term "traditional estate agents", whom we represent. Leadhome also make unsubstantiated claims about their own expertise. These ungrounded claims are advertised on their website <https://www.leadhome.co.za/what-makes-us-different> under the tab "What makes us different".

We operate in a competitive environment and technology is constantly evolving, resulting in a new breed of real estate agency that use online platforms to market the sale of property. Some of these companies are members of Rebosa. However, when one makes a comparison (if comparisons are even allowed) between what is termed a "Traditional Estate Agency" and an "Online Flat Fee Agency, statements should be factual.

We list below the claims made against Traditional Estate Agencies/Agents, all of which are unfounded and unsubstantiated. Some blatant claims are presented to mislead the public and are certainly not in the public interest.

We trust this will receive your urgent attention and we look forward to your feedback at your earliest convenience. This is of great concern to both Rebosa and the industry at large.

Yours sincerely



Jan le Roux
Chief Executive

Below are claims made against traditional estate agents on Leadhome website (<https://www.leadhome.co.za/what-makes-us-different>) We will respond to each claim below the tables herein.

Lowest price coupled with the best service in the industry!

Traditional estate agency	Leadhome estate agency	Online estate agency
High (5% – 8.5%) commission charged	Low fixed fee of R39,995 (excl. VAT)	Upfront, non-refundable costs
Exorbitant fees	Our fee is all-inclusive	Separate, additional charges
9am – 5pm; Monday to Friday	7am to 8pm on weekdays, 8am to 5pm on weekends	8am – 5pm; Monday to Friday
Agents not always available	24/7 Online service available	No single point of contact
Traditional estate agency	Leadhome estate agency	Online estate agency
EAAB qualifications only	Agents with tertiary degrees and EAAB qualifications	Possibly no qualifications
Agents know your area	Agents that know your area	No physical meetings
Valuations based on gut feel rather than data	Valuations based on data and personal observations	Valuations based on general data only
Agents responsible for sale of home but often with conflicts of interest	Agent responsible for sale of home and receiving the best price	Unclear who takes responsibility for sale of home
Agents are paid by commission, on successful sale	Agents receive bonus incentives based on customer satisfaction	No estate agents, resulting in a lesser service

Traditional estate agency	Leadhome estate agency	Online estate agency
No transparency during the sale process	Full transparency during the sale process	No transparency during the sale process
Lots of paperwork and delivery	No physical paperwork	Some paperwork required online
Compulsory show days	Schedule viewings when it suits you	Little control over viewings
Costly advertising on mediums that don't provide data	Advertising aimed at maximum exposure	Advertising on property portals only
Franchise system that incurs unnecessary expenses	Centrally managed business with focused teams	Small businesses unable to take advantage of economies of scale
Technology developed to increase profit	Technology developed to bring down costs for clients	Small scale does not allow for cost savings

Claim 1

High (5% – 8.5%) commission charged

This is grossly misleading. There is no regulation/guideline in South Africa as to how much commission an agent should be paid per sale. Agent's fees vary according to circumstances. This claim is untrue and unsubstantiated. An estate agent negotiates the percentage commission with the seller that is acceptable to both parties. Insufficient data makes it impossible to determine average commission which may well be less than half of the above "fact". Also, no mention is made of fact that same is only payable on successful transfer of property.

Claim 2

Exorbitant fees

What exorbitant fees? This is a sweeping claim and not based on any substantiated facts.

Claim 3

9am – 5pm; Monday to Friday

This is a factually incorrect. It is well known that estate agents will take an offer from a buyer at any time it suits the buyer and present it to the seller at a time convenient to them. It is considered a norm for estate agents to work outside typical business hours as those are the times when their

clients are available. Showdays take place between 2pm and 5pm on Sundays contradicting the claim made above.

Claim 4

Agents not always available

This claim is not based on any factual evidence. There are almost 50 000 registered estate agents and no one company or person can determine when these estate agents are available or not. See Claim 3 above.

Claim 5

EAAB Qualifications Only

In order to register as an estate agent and be issued with a Fidelity Fund Certificate (licence to trade), every full status agent is required to complete an NQF4 and write the Professional Designated Exam PDE4. A principal is required to complete an NQF5 and write the Professional Designated Exam PDE5. This is a requirement by law. Many estate agents are granted equivalency exemptions for these exams as they hold qualifications which are superior to the EAAB qualification. Many estate agents are qualified lawyers, accountants, economists etc. This can be verified by the Estate Agency Affairs Board. It is a complete untruth that all traditional estate agents only hold EAAB qualifications.

Claim 6

Valuations based on gut feel rather than data

Estate agents base their property valuations on data provided by companies who specialise in residential property research e.g Lightstone. This research is based on information from the Deeds Office and analytical work in respect of understanding the value and history of a property. Reports include legal descriptions, ownership history, size, location, recent sales, amenities as well as a history of transfers in the area. Comparable sales tables list and compare the most recent sales to determine a value on a property.

It is therefore factually incorrect and grossly misleading to claim that traditional estate agents base their valuations on "Gut Feel". Traditional Estate Agents can give testimony to the fact that they all subscribe to these companies for data in order to value a property.

Claim 7

Agents responsible for sale of home but often with conflicts of interest

There is no basis for this comment and neither is it substantiated by any fact. The sale of a home is based on the premise of "Willing Buyer – Willing Seller". As Traditional Estate Agents are remunerated on commission ONLY, payable by the seller only – there is absolutely no reason for them to have any conflict of interest. This statement also does not determine what said "conflict" is,

nor is it clear why Leadhome associates would be less “conflicted”, since the seller pays the commission in both instances.

Claim 8

Agents are paid by commission, on successful sale

This at least is true but charged with innuendo. It is an industry norm that estate agents are paid commission on a successful sale. Sellers only pay the commission agreed upon and only when 100% satisfied with the selling price, saving which they don't accept the offers on their properties.

Claim 9

No transparency during the sale process

For many, buying a home is the biggest investment they will make in their lifetime. It stands that there must be transparency during the sale process. The “Offer to Purchase” which is signed by both buyer and seller is a legal binding document, given effect to by a conveyancer. It is not clear what about the normal process is not transparent. This statement is unfounded, offensive and derogatory. It is unclear why the Leadhome process would be more transparent and same cannot be proven.

Claim 10

Lots of paperwork and delivery

One would expect “paperwork” when one is buying or selling one's largest asset. The sale of unmoveable property can by law, only be effected in writing. Any possible delivery of documents are handled by agents at no extra cost. This statement is refutable and baseless. If Leadhome can reduce paperwork it is only to their own benefit, not the consumers.

Claim 11

Compulsory show days

There is no such thing as a compulsory show day. The seller always dictates the terms. Sellers may wish to sell their home “view by appointment only”. This is particularly prevalent with homes for sale in the higher sales brackets, where privacy and discretion may be required.

Claim 12

Costly advertising on mediums that don't provide data

Almost all properties for sale are advertised on South Africa's 2 main portals, Private Property and Property24 as well as in property publications at the cost of the traditional estate agent and at no cost/risk to the seller. Data is collected in abundance. The implication of the claim by Homelead vis-a-vis their advertising is more effective is unsubstantiated and, if true, only saves them money, i.e.

no benefit to the consumer - yet it is offered as a benefit to the seller. This claim is groundless and unsubstantiated.

Claim 13

Franchise system that incurs unnecessary expenses

There is no evidence to suggest Franchises incur unnecessary expenses. What constitutes an unnecessary expense? Whatever the expense, it is for the traditional agents account. This claim is baseless and refutable and is an unfair “supposed” advantage of the Leadhome system.

Claim 14

Technology developed to increase profit

It is not clear what is meant by this statement but it is loaded with innuendo and is a groundless, baseless and offensive claim against traditional estate agents and estate agencies.