

# Does my Real Estate Agency sales business have a value?

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This was a question I was asked by a Real Estate Agent the other day. My response was ..... ‘*Why do you place little to no value on what you do?*’

Most agents entering the real estate industry do so because they love helping people, are prepared to work really hard and are genuine, fair and honest people.

The skill set required to be a successful agent will include; negotiator, solicitor, accountant, town planner, psychologist, marriage counselor and taxi driver, whilst sacrificing family and personal commitments, often without a fair expectation of financial reward.

It is a commonly accepted belief in the industry that a real estate sales business has no goodwill and is next to worthless. I don’t understand why agents propagate this line of thinking as it is detrimental to the industry as a whole when it comes time to sell.

General business sales (e.g. wholesale, distribution, manufacturing, service, news agency, Tattsлото, post office, retail etc.) hold a sales value. Usually this will involve a multiplier of PEBITDA (Proprietors Earnings Before Interest Tax Depreciation & Amortisation). I don’t see why real estate should be any different – a profitable office must be worth something.

Most businesses without structure, market share and profit are unlikely to sell or will be worth very little.

What are the key factors to ensuring a real estate sales business has value?

1. The owner must not be the sole driver in generating income for the business. If the owner is an active salesperson and responsible for a high percentage of income within the sales department, in the buyer’s mind this will be perceived as high risk. Ideally, an owner would directly generate less than approximately 20% of the income.
2. A valuable sales business must have brand awareness in the local community and will hold considerable market share. A market share of over 25% would be ideal.
3. A buyer will always insist on seeing your profit and loss so you must be able to show a profit.
4. An experienced, consistent and good performing sales team, committed to the brand and culture, and which performs over a period of time, provides a buyer with comfort. A buyer is likely to consider paying a premium when they can budget.
5. Your database is critical in generating repeat and referral business. You need to be able to demonstrate how your database generates a consistent level of enquiry to the business.

Finally, an operational manual for each department, with job descriptions for all staff members, should be in place. A business must operate within a structure that ensures consistency, accountability and clear instructional guidelines for all team members.

Gary Lay is Victoria’s leading Broker to the real estate industry. Contact him now on (03) 9888 6488 / 0407 526 431 or email [gary@wollermann.com.au](mailto:gary@wollermann.com.au) to discuss how he can ensure confidentiality in the sale and the best possible market price.