

# Is the end of real estate brokers near?

While various online avenues shrink the role of property brokers, technology can help them stay relevant

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A real estate broker is a person whom few like but have to deal with at some point. For many, a broker is a necessary evil if the aim is to buy, sell or rent a property, simply because no one else knows about available properties and the legal requirements.

At present, anyone can become a broker in India—no licence or certificate is needed, and there are no rules (only norms). Countries with advanced markets have registered brokers, and one can become a property adviser only after clearing examinations. This may happen in India, too.

With the Union cabinet approving the Real Estate (Regulation and Development) Bill, 2013, the way has been paved for a real estate regulator, and all property agents will have to register with it. The move is expected to bring a lot of clarity to the otherwise opaque market, where it is thought that brokers ignore the interest of buyers and favour sellers.

Now, there are a few people who believe that technology can be used to abolish the need for brokers. But there are also those who believe that brokers will not only remain but will, in fact, use technology to their benefit.

## No need for a middleman

A simple online search will throw up a number of names, such as Nobroker.in, Grabhouse.com and Homers.in. These allow users to select a house either to rent or buy, without the involvement of a broker. In fact, some property portals, such as Makaan.com and Commonfloor.com, give the option to filter out properties and browse only for those that are posted by owners. "Our business is a market disruption; we do not have brokers and we have seen our business grow 10 times in the past three months," said Amit Kumar, co-founder, Nobroker.in. The company currently offers services in Pune, Mumbai, Bengaluru and Chennai.

Not just property portals, other segments of the market are also going the no-broker way. Some of the recent online real estate sales, such as the Indian Realty Flash Sale (organized by 99acres.com and Amura Marketing Technologies Ltd) and the upcoming Great Online Home Festival (jointly organized by Magicbricks.com, Group M Worldwide Inc. and Google India Pvt. Ltd) do not involve brokers. Here, developers put up properties online and customers can directly interact with builders through their marketing teams. Vikram Kotnis, managing director, Amura Marketing, while talking about the relative success of the flash sale had told Mint that one of the reasons behind the positive response was that customers felt in control as there were no brokers involved (see: <http://mintn.ws/1HrsmO>).

The main reason why most people distrust property agents is unprofessional behaviour. Often, local brokers work through a network and without having any direct contact with the house owner. This leads to incomplete knowledge about properties. Also, as they tend to deal with multiple properties at the same time, they do not know about smaller details of a house such as the condition of plumbing and wiring.

Intense competition within the area and a tendency to close deals at whatever cost leads to property agents hoodwinking ignorant buyers or those looking to rent a house. Often, since buyers have little to no knowledge of a property's location, or if the house has a particular problem, brokers are able to sell these to unsuspecting customers.

Take the case of Bengaluru-based Arun Premlal. When he moved to the city in 2003, he went through a broker to rent a house. "That time, I was new to the place, and I didn't have a choice, even though it was expensive," said Premlal, manager, sales operation team, Genpact. Now, he is all set to move to another house in the city which he has bought, but he contacted the developer directly this time. "Buying a house through a broker would have been quite expensive as I would have had to pay 2% as commission," he added.

## Forming a bridge

Many, however, believe that the broker community is an integral part of the system. "They may be unorganized, but are definitely an essential link between buyers and sellers," said Nirav Gosalia, co-founder, Realty Redefined, a firm that provides technological solutions to real estate brokers. According to Gosalia, since anybody can become a broker, and the competition is high, technology can help those who want to differentiate themselves from the crowd and provide enhanced customer service. So, the old-school broker may get wiped out but the tech savvy ones will adapt.

Apart from technology, what local brokers lack is training to provide professional service. Various agencies are making an effort to fill this void. For instance, Tata Housing Development Co. Ltd recently launched a platform called "Bandhan" that will provide training and certification to brokers. "We are looking to train around 1,000 brokers a year through workshops. We will provide customized training," said Devina Ghildial, deputy managing director-south Asia, Royal Institution of Chartered Surveyors, a partner in the project.

## What customers need

For most people looking to buy, sell or rent a house, a broker is the bridge to getting the right house or the right seller. "Real estate is a very local subject and consumers mostly belong to the same area," said Pankaj Kapoor, managing director, Liases Foras, a non-brokerage real estate research firm. What this essentially means is that when a person is looking for a property in a particular area, brokers are the ones with the required information—which apartment blocks do not have legal issues, where the owners want to make a quick sale, which projects are closer to the Metro station, which building has a ground floor house available, and many such factors that play a role when an individual goes to buy or rent a house.

Brokers play an even more essential role in the resale property market—they are the most effective way for owners to reach customers. "A builder, for example, can afford to publish advertisements. But individual home owners may not have that capability. This is where brokers become the essential channel," said Kapoor.

It may be argued that online channels can be used to find buyers, it is a fact that most buyers do not have the required skills, knowledge or time to go through the entire due diligence process before buying a house. Here is where good brokers can be of help. Moreover, the proposed real estate law provides for penalizing errant brokers.

High real estate prices, too, create a need for brokers, said Kapoor. "In an efficient market, their role is limited. Their role rises and falls in sync with the industry cycle," he added. As real estate prices rise, people reach out to brokers to help them find houses within their budget.

Kapoor cites a study conducted by his firm in Bengaluru. It found that while the city is a hub of information technology (I-T) professionals, few units are bought by them. "Houses are being bought mostly by entrepreneurs or the self-employed who are either looking for an upgrade or investment. The salary levels of most I-T professionals do not allow them to buy houses," said Kapoor.

Market inefficiencies, too, create the need to go through brokers. For instance, price inefficiencies lead people from Dubai to buy in Mumbai and people from Mumbai to buy in Pune as the other market is affordable. "Real estate is an immobile asset; you cannot export yourself to the location. So, you have to depend on brokers," said Kapoor.

Love them or hate them, as of now, there is no escaping brokers. Till the time prices rationalize and/or the real estate market becomes transparent in its dealings, the dependence on brokers will remain. But to remain relevant, the community will have to improve customer service and efficiency.