



Practice relating to Residential Estate Agency (PREA)

Sample Questions and Answers

propertymark
QUALIFICATIONS

PRACTICE RELATING TO RESIDENTIAL ESTATE AGENCY (PREA) SAMPLE QUESTIONS AND ANSWERS

This unit develops some of the principles introduced in the legal units. It looks at the process from market appraisal, taking particulars, taking instructions, marketing, negotiating the sale and progressing the transaction. At all times considering the ethical implications of acting as an estate agent.

Questions, and answers where provided, are correct as at time of publishing.

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ASSESSMENT INFORMATION

Assessment Method	Short essay style exams 2 hours
Availability of assessment	Set times of the year as identified within the qualification page on the Propertymark Qualifications website

Examinations are manually marked by an examiner and moderated by an experienced and qualified moderator.

The pass mark for each unit is **45%**.

The successful achievement of all units will result in either a final certificate showing a Pass or Distinction Grade.

In order to obtain an overall grade of Distinction, you need to achieve an **overall average mark of 70% across all examinations**.

SCENARIO 1

A new negotiator has started work in your office and their parents' house is listed for sale with you on a sole agency basis. The agency also has an appointment to take instructions on the property of applicants interested in purchasing the negotiator's parent's house, although no offer has been made yet.

Question 1

Advise the new negotiator of the correct way to deal with this situation.

Answers may include:

- Must treat both their parents and potential buyers fairly
- Follow the firm's recommended procedures in disclosing a potential conflict of interest
- Need for clear and documented written communication with appropriate filed evidence
- Contractual obligations to sellers
- Common law and ethical responsibilities
- Statutory duty
- Any Professional Body code of Conduct
- Disclosure of confidential information, advising any third parties

Credit can be given by markers for any other valid answer(s).

SCENARIO 1 (CONTD.)

Question 2

Explain the procedures that should be followed when visiting the potential buyers house to take instructions. You are not required to consider the market appraisal procedure in your answer.

Answers may include:

- Money Laundering Regulations
 - Confirm identity of client
- Establish type of agency to be used and give the terms of this agency to the clients
- Go through agency contract and obtain signature
- Advise of cooling off period, if necessary.
- Specific wording for Sole Agency / Sole Selling Rights in Provision of Information Regulations
- Remuneration must be clearly set out in agency contract and no unfair terms, e.g., too long agency period
- Mention if they were to sign contract in your office then no cooling off
- Written notification of Redress Scheme
- Membership of Professional Body

May discuss:

- EPC
- Method of sale
- CPRs

Credit can be given by markers for any other valid answer(s).

SCENARIO 2

You have been appointed as a consultant to an estate agency with three offices dealing mainly with sales of owner-occupied properties by private treaty. The owners of the firm are worried because their market share seems to have fallen significantly over the last 18 months. The owners are also of the opinion that opening an auction department may be beneficial.

Question 1

Explain the six main sources of instruction and how you would advise the owners to tackle their problem.

Answers may include:

- Explaining the following types of instructions:
 - Promotional
 - Consequential
 - Repeat
 - Referrals
 - Reciprocal
 - Professional
- Advice on actions to increase each source
 - Advertising
 - Sponsorship
 - Boards
 - Window
 - Leaflets
 - Chase up applicants with houses to sell, asking why they were not chosen when they have done a market appraisal and not got the instructions
 - Network with other agents
 - Identify whether buy to let market potential
 - Possible commission reduction campaign
- Contact with
 - Solicitors
 - Builders
 - Banks etc

Credit can be given by markers for any other valid answer(s).

SCENARIO 2 (CONTD.)

Question 2

Explain to the owners why auctions may or may not be a viable enterprise.

Answers may include:

Explanation of sale by auction:

- How it differs from that by private treaty
- Reference should be made to the need for trained auctioneers and suitable premises
- Advice as to whether potential clients, property and buyers in offices' catchment area would suit auction
- Advice that if sellers & buyers are in chains selling or buying at auction may not be appropriate. Can be awkward arranging finance/ mortgages if purchase price is not known
- If repossessions are a potential source of instruction or other spec/buy to let properties it may be worth working in conjunction with established auctioneer, but this will require a split of any fee
- Could link up with established auctioneer who offers tie ups with estate agents that don't have an auctioneering department in return for a shared fee
- Loss of market share is not adequate reason to set up auction department

Credit can be given by markers for any other valid answer(s).

SCENARIO 3

Your office offers estate agency, financial services, and surveying. An elderly couple are selling their large detached house. You have undertaken the market appraisal on the house, gained instructions, and the property has been on the market for a month. You have received an agreed offer which has been reported to the sellers, the buyer, and their legal advisers.

Question 1

Explain what you would expect to happen next in the sales process.

Answers may include:

Identifying the process correctly:

- o Land registry office copies obtained by seller's legal team
- o Contract drafted by seller's legal team and checked by buyer's legal team
- o Any enquiries to sellers' team
- o Local searches done by buyer's legal team
- o Approximate length of time a search takes
- o Any mortgage application made and chased by agents
- o Possible referral to financial services team
- o Property inspection by lenders or buyers surveyor
- o Results of searches or mortgage application and follow-up
- o Chain management
- o Exchange contracts and commitment from both sides

Credit can be given by markers for any other valid answer(s).

SCENARIO 3 (CONTD.)

Question 2

If instructions to sell are not received at a market appraisal appointment, explain what subsequent follow up actions would be appropriate.

Answers may include:

- Letter to cover all matters discussed at the appraisal meeting
- Send formal contract with letter if not left at the appraisal meeting
- Send letter same day
- Details of follow up call e.g., 2-3 days later
- Further call 1 week later as appropriate
- Ask for permission under data protection legislation to make contact and by what method

Credit can be given by markers for any other valid answer(s).

SCENARIO 4

You have received instructions to sell a 1920s bay fronted detached house in very poor condition but with extensive gardens and river frontage. The seller informs you that the plot size is 1 acre (0.4047 hectares), there are mooring rights and scope to extend the property. The location is very isolated.

Question 1

In highlighting the property's key selling points in the sale details and other marketing material, explain what measures you could take to ensure compliance with the relevant legislation.

Answers may include:

Explaining what key measures to take to ensure compliance:

- o Explaining the requirements of the consumer protection regulations (CPRs)
- o Leave information out if not verified
- o Use item specific caveats to give a rounded view of the property to help applicants make an informed view of the property
- o Information given must not be false or misleading
- o Confirm information before inclusion (e.g., obtain proof of mooring rights, measure plot size, check if planning permission obtained or is possible)
- o Add "subject to verification" if awaiting relevant confirmation
- o Use of general disclaimer
- o If can explain measures taken to ensure compliance i.e., Disclosure of negative features e.g. poor conditions

Credit can be given by markers for any other valid answer(s).

SCENARIO 4 (CONTD.)

Question 2

Because of the nature of the property the seller has asked you to come up with a marketing plan. Explain how you would go about producing such a plan and the media available to market the property.

Answers may include:

- Explaining how to produce a plan:
 - 4 P's
 - Product
 - Price
 - Place
 - Promotion
 - SWOT
 - Strengths
 - Weaknesses
 - Opportunities
 - Threats
- Explaining where and how the property might be advertised including:
 - Boards
 - Windows
 - Newspapers
 - Websites/Social media
 - Radio/TV
 - Specialist Magazine/websites

Could also include:

- Joint agency approach with specialist focus

Credit can be given by markers for any other valid answer(s).

SCENARIO 5

John and Sarah own a top floor apartment within a purpose-built block of six apartments built in 1975 and held on a 99 year lease.

During the 15 months that you had been marketing this property most of the viewers expressed concern over the remaining term of the lease.

Eight weeks ago, you agreed a sale. You have just spoken to the buyer's solicitor who is getting frustrated because they are still waiting for information about the lease.

Question 1

Explain the steps you should have advised John and Sarah to take, which would have overcome most of the delays and what they could have done to overcome the earlier resistance to the property.

Answers may include:

- Sellers should be advised to assemble leasehold info ASAP, for example:
 - o Copy of the lease
 - o The ground rent
 - Details of service charge
 - The buildings insurance
 - o Details of any reserve/sinking fund
- Overcoming resistance as result of shortening of the lease
 - o Lease extension
 - o Estimate of costs
 - o Possibility of enfranchisement (must be collectively with others in the block)

Credit can be given by markers for any other valid answer(s).

SCENARIO 5 (CONTD.)

Question 2

Your viewing records show that all previous viewings had been conducted by the seller. The viewing by the present buyers had been conducted by your senior negotiator. Explain how your member of staff might have influenced the buyers during the viewing.

Answers may include:

- Staff expertise
- Staff can control the process
- Can judge the likes and dislikes of the applicant
- Can promote strengths
- Be aware of weaknesses i.e.
 - Short lease
 - Difficult to obtain a mortgage
- Offer solutions i.e.
 - Extending lease
 - Enfranchising
 - Assigning to buyer
 - Citing Leasehold Reform, Housing and Urban Development Act 1993
- Staff can organise:
 - Feedback
 - Follow up
 - Encouraging offers

Credit can be given by markers for any other valid answer(s).