The “Orderer-Pays Principle”
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Relief for Tenants or Just Window Dressing?

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Real estate agents (REAs) brokering rent contracts in Germany charged fees only to tenants but not to landlords until 2015. In order to relieve tenants from this burden, German law now requires REAs to only charge landlords. We suggest three reasons for why landlords’ brokerage fees are not simply passed on to tenants but declined substantially after the legal change as did the amount of brokering of rent contracts. First, REAs’ bargaining power declined when landlords replaced tenants as bargaining partner. Second, brokerage fees to be paid by tenants serve as a self-selection mechanism of long term tenants. Third, REAs’ incentives to provide high quality decline when the price is fixed before they produce their service. As a consequence, REAs loose from the legal change while short term tenants will win. Other tenants and landlords may win or lose.

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The German law on apartment tenancy experienced two substantial amendments in 2015. The first was a rent cap for new tenancy contracts in areas of tight housing markets (“Mietpreisbremse”) limiting the rent in a new contract to 110 per cent of the average newly contracted rent of comparable apartments for the last four years. This amendment met with a lively response in the technical journals and media. The German government's second housing policy project referred to the triangular relationship between landlords, tenants and real estate agents (REAs) brokering rent contracts. Here the legislator introduced what the political discussion refers to as the ‘orderer-pays principle’ (Bestellerprinzip), that is the general rule that whoever commissions the REA first, landlord or tenant, pays the brokerage fee. Surprisingly, this caused relatively few waves, although the new principle affects every single tenancy agreement brokered by a REA throughout Germany, which until May 2015 were about 20 per cent of all rent contracts on apartments. There were two main reasons behind the reform of the regulation of brokering of rental apartments promulgated on 21 April 2015. First, the orderer-pays principle is an analogue variation of the generally accepted cost-by-cause principle, which, since the introduction of the new law, now also applies on the market for letting services. And second, it wants to provide relief for tenants, particularly in overstretched housing markets. In the official reasons to the law, the reduced payment burden of the tenants is equated with a diminished economic burden. The fact that these concepts are used practically synonymously is presumably a matter of political opportunity.

To the best of our knowledge, there is no academic study of the economic effects of the new principle. We aim at filling this gap. The following pages will show that separating the economic from the payment burden puts the political goals into question. In the first two sections of the paper we explain the orderer-pays principle in more detail and show that the brokerage fee may be compared to a tax the incidence of which is independent of the payment burden. In Section 3 we show that taking into account that if the amount of the fee is bargained between REA, tenant and landlord, the payment burden may become relevant. In Sections 4 and 5 we offer two explanations for why shifting the payment burden has apparently resulted

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5 Even economically informed political comments are rare, one oft he few exceptions is J. Öztunc and S. Roth: Gutes und bezahlbares Wohnen? – Beim Bestellerprinzip für Makler wird die Rechnung ohne den Wirt gemacht, in: Institut für Wirtschaftspolitik an der Universität zu Köln (ed.), Der Ordnungspolitische Kommentar, No. 04/2014.
in a tremendous decline of both the amount brokerage fees and the frequency of rental apartment brokerage. Sections 6 and 7 shed a little light on tax issues and international comparisons while Section 8 concludes.

1. The landlord is always the “orderer”

The orderer-pays principle introduced as part of Germany's tenancy law reform is embedded in an extensive set of rules governing the brokerage of residential tenancy agreements. The starting point is provided by the general rules of brokerage in Sections 652–655 of the German Civil Code (BGB) and the more specific rules of the residential tenancy brokerage statute (WoVermRG). A REA’s commission is a success-based fee. Section 2 of said statute provides - in line with Section 652 BGB - that the REA only receives a fee for arranging a tenancy agreement if the contract is in fact closed. According to Section 3 WoVermRG, the agent's commission must either be a fraction or a multiple of the monthly rent. If the commission is charged to the tenant, it is capped at two monthly rents plus VAT. If the commission is charged to the landlord, there is no upper limit.

Before the amendment took effect on 1 June 2015, the WoVermRG did not specify which side of the market had to pay the commission. The fact that in practice the payment was usually made by the tenant indicates that this was a market solution. The amended law now requires that the side of the market that engages the agent has to pay the broker's commission. In principle, this can be either the tenant or the landlord, although for all intents and purposes the specific wording of the law precludes the tenant from being the principal.

However, the statute’s requirements for the prospective tenant being the orderer are so strict, that they are hardly ever satisfied. Section 2 Subsection 1a WoVermRG only allows the REA to demand a fee from the prospective tenant if he found the apartment he is offering exclusively on account of the agreement with the prospective tenant. Thus the flat has to be new to the REA’s portfolio and must not have been offered to anyone else yet. If a REA offers a prospective tenant apartments from his existing portfolio – and in practice this is the plausible scenario – brokerage agreements are already in place for these flats with the landlord and the prospective tenant therefore does not have to pay any commission. This rules out any payment of commission by the tenant for all apartments which are in the agent's portfolio.

In order to be able to charge commission to the potential tenant, the REA therefore has to present an apartment that was previously not in his portfolio and a rental agreement has to in fact be signed. Obviously, the latter condition is highly uncertain. If the attempt fails, the time and money involved in the search for a landlord would therefore usually only be worthwhile if
the agent were then to enter into a brokerage agreement with the landlord. This would, however, mean that the landlord would have to enlist the services of the very agent who has just presented a potential tenant to him with whom a contract was not concluded. As this constellation is extremely improbable from the perspective of the REAs, they are unlikely to make any effort to search for such a landlord. Cases where a prospective tenant enlists the services of an agent and the latter then finds a landlord exclusively for him are thus extremely rare. In almost all cases, the REA will thus only receive a fee from the landlord.

The other provisions of the law mainly serve to prevent the circumvention of the orderer-pays principle. They prohibit other payments from being agreed and the use of other payment channels. Should the (prospective) tenant nevertheless pay more than required by law, he can claim back the excess payment as unjust enrichment, independently of whether he knew that he was not obliged to pay or not.

As the orderer-pays principle significantly changes the possibilities available to the agent to structure the contract, some agents argue that the ruling is an unconstitutional intervention in their professional freedom. A constitutional complaint is pending (Federal Constitutional Court (BverfG) Ref.: 1 BvR 1015/15), the decision is expected to be handed down before the end of 2016. However, the application to suspend the rulings by application for interim measures already failed (BVerfG Ref: 1 BvQ 9/15).

2. Incidence of broker's commission

The orderer-pays principle shifts the payment burden from the tenant to the landlord. The first reflex for the trained eye of an observer with a public finance background will be that the commission is to be treated like a tax and because the economic tax incidence is independent of the formal tax incidence, economically there are no substantial changes. The orderer-pays principle is neutral for all the parties concerned, and there is no relief for the tenants.

Whether it is possible to equate commission with tax needs to be explored further, but it does provide a good starting point for the discussion. At the heart of the theory of tax incidence is the distinction between formal and economic incidence. The formal incidence of a tax rests with that party that is liable to pay it to the tax authorities. In the case of an indirect tax, for instance, it rests with the companies.\(^6\) The economic burden, on the other hand, indicates which player ultimately has to raise the taxes by means of tax-driven changes in behaviour. The burden of payment and liability only match if there is no possibility of tax avoidance.

\(^6\) The authors of these lines, neither of whom have ever been self-employed, have never paid a single euro of VAT or mineral oil tax.
Who bore the commission economically in the past? The strength of the avoidance response was or is decisive here and is reflected in the price elasticities of supply and demand. In overstretched housing markets such as Munich or Freiburg, the price elasticity of the demand for rented apartments is relatively low and the part of the commission/tax to be borne by the tenant is accordingly high. In such cases, the commission paid by the tenant could not be passed on to the landlord in the form of reduced rent. On the housing markets in East Germany, by contrast, this transfer did take place, for example by waiving the first month's rent.

If the orderer-pay principle does not change the price elasticities of supply and demand, then logically it should be neutral for the cost burden of the commission. Landlords will use the obligation to pay the commission to increase the rent by an amount equivalent to the commission. Tenants will be prepared to fulfil this requirement as their willingness to pay the rent has been increased by the elimination of the commission. The frequently heard objection “it will not be possible to enforce the higher rent on the market” is equivalent to the claim that the marginal willingness to pay for the package “rent plus agent” had been reduced by the change in burden of payment. However, since the product “rented apartment” has stayed the same, the economic rationality of this argument is difficult to understand. The rational calculation indicates rather that the tenants will use the income components released by the elimination of the commission to pay higher rent.

The literature on model-based real estate economics which interprets rent as the result of a Nash bargain between landlord and tenant confirms the basic logic of this argument, but with certain caveats. In Nash bargaining, each party receives his or her threat point (income or utility level if bargaining fails) plus a fraction of the collective surplus which the tenant is prepared to pay less the threat point of tenant and landlord less the commission payable to the REA. If the burden of payment of the commission is shifted from the tenant to the landlord, this does not affect the collective surplus and thus not the essence of the Nash solution. The commission previously payable by the tenant is converted into a higher rent payment which compensates the landlord in full for the commission that the latter now has to be pay. The economic burden of the commission is determined solely by the respective bargaining power of the parties, and in particular it is independent of the burden of payment.

The neutrality result is based on the assumption of fixed commission, i.e. a fixed amount for a successful brokerage. As mentioned before, however, in Section 3 Subs.1 WoVermRG, the German legislator requires that the commission be stated as a fraction or multiple of the

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monthly rent. Thus the collective surplus is endogenous, casually formulated: the size of the cake depends on the way it is divided up. If the burden of payment shifts to the landlord and the rent increases as a result, the rent-based commission also increases. Consequentially, the REA benefit from the orderer-pays principle via this channel. The reduction of the surplus has to be raised proportionately by the landlord and tenant. For the tenant, the increase in rent is greater than the elimination of the commission, for the landlord the higher rent is not sufficient to compensate for the payment of the agent's commission. Both parties are therefore the losers of the orderer-pays principle. More to the point, the tenant is not the winner, which is diametrically opposed to the intention of the legislator.

3. Negotiating the agent's commission

The agent's commission is not a tax of a legally prescribed amount and thus a fixed sum for the players. The REA's fee is the price for a service, and as such it is generally flexible and negotiable between the parties. However, it should be noted that Section 3 Subsection 2 WoVermRG caps the commission for the tenant at two monthly rents plus VAT. In the past, this legally prescribed maximum price was generally binding which can be interpreted as an indication that the marginal willingness of the tenants to pay for the services of the agent as a rule exceeds the two monthly rents. This interpretation is regularly criticised with reference to the bargaining power of the agent. Before rent negotiations are held with the landlord, tenant and agent have to negotiate the commission (sequential game). In view of the frequently large number of interested parties, the agents have a large choice, in bargaining theory terminology: they have a good threat point. And a good threat point is equivalent to great bargaining power. To take it to the extreme, they have monopolistic power in the negotiations about the commission and can go up to the legally prescribed maximum without “real” negotiations.

With the implementation of the orderer-pays principle, the negotiating partner of the REA for the commission shifts from the tenant to the landlord. From the perspective of the agents, this has definitely worsened their position because they lose their monopolistic power. As a rule, the landlord can choose from a large pool of agents so that it is now the individual agents who can be easily avoided or substituted. This puts the landlords in a good bargaining position. Because the introduction of the orderer-pays principle means that the bargaining partner has

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changed from the relatively weak tenant to the relatively strong landlord, an erosion of the agent’s commission is to be expected. This bargaining theory result corresponds with first impressions from the field where it is often no longer possible to command the two monthly rents. If the commission falls with the introduction of the orderer-pays principle, there is a larger collective surplus in the rent negotiations between landlord and tenant. The surplus will be shared by the two parties based on their respective bargaining power. Tenants and landlords benefit in this way from the orderer-pays principle. It should be emphasized here that the effects outlined are based solely on the assumed difference in bargaining power; the change in the burden of payment effected by the orderer-pays principle does not play any role here.

To draw another conclusion: From the perspective of the agent, the orderer-pays principle has two opposite effects. On the one hand, their bargaining power is diminished, the enforceable fraction (or the enforceable multiple) of the monthly rent will fall. On the other, as a result of the transfer process described, the monthly rent increases and so does the assessment basis of the commission. Whether the net effect for the change of commission will be positive or negative cannot be generalized on a theoretical level. However, this is decisive for the question whether landlords and in particular the tenants benefit from the orderer-pays principle. We expect the first effect to outweigh the second one, i.e. the agents will suffer a drop in turnover, which in turn will put the other parties – landlord and tenant – in a better position. How valid this expectation is, only future empirical studies will show.

Two further points are relevant for the politically intended relief of the tenants. The transfer of the commission cost to the tenant is only possible if the rent increase does not collide with the rent cap introduced at the same time. According to what is referred to in German as the “Mietpreisbremse”, the rent in certain conurbations must not exceed the comparable rent for the area by more than 10 percent. If the landlords hit this threshold in the process of transferring the costs, they not only have to pay a larger fraction of the commission, they have to bear the cost as well. In this case, the desired redistribution from the landlord to the tenant actually takes place. Tenants with limited liquidity will presumably also benefit from the orderer-pays principle. For many households, the commission plus security deposit plus possibly decorating and moving costs represent a significant strain on their liquidity. The orderer-pays principle provides relief in this respect because even if the costs are transferred in full to the rent, the payments are spread over time.

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4. Screening for prospective rental period of the tenant

If the orderer-pays principle is designed not only to put the tenant but also the landlord in a better position, this of course raises the question why the landlord with his greater bargaining power over the agent did not in the past already stop letting agents from demanding a fee from the tenant. Legally he could have done so. In this and in the next section, we outline two economic reasons why landlords left the burden of payment with the tenant in the past.

In the discussion about the transfer of the agent's commission between tenants and landlords we implicitly assumed that flats are a homogeneous good and prospective tenants a homogeneous demand group. Obviously, neither of these assumptions is realistic. In reality, apartments vary in quality and prospective tenants vary in terms of their appreciation for better housing quality. The latter depends largely on the planned tenancy duration: anyone who has lived abroad or in an unfamiliar city for a limited period of time knows that one is prepared to make concessions regarding the quality of the housing for this foreseeable period of time which one would otherwise by no means accept. On the housing market, not (only) the market clearing price for an homogeneous good is found, but also an efficient allocation of different rental properties to tenants with different preferences.

Such assortative allocation of appartments is, of course, also in the interest of every landlord because each quality level of a flat requires appropriate maintenance and investment, the durability of which is frequently limited to the duration of the tenancy (e.g. renovation when the tenant changes). And the landlord only wants to spend these costs to the extent that they are also appreciated by the tenant and thus raise what the latter is willing to pay for the flat.

The appreciation of the tenant for the quality of a flat is, however, personal information as are plans for the duration of the tenancy so that we are facing a classic problem of asymmetrical information. Ben-Shahar (2001) provides the solution for precisely this problem: namely the allocation of the payment burden for the REA's commission between tenant and landlord. A tenant who intends to stay in a flat for a long time is more likely to be willing to pay commission equivalent to two monthly rents than someone who only wants to move in for a few months. Due to the willingness of long-term tenants to pay for an improvement in quality, the separation of short-term and long-term tenants may be worth enough to the landlord to make him prepared to share the tenant's willingness to pay with the REA. Even if the latter did not render any

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10 D. Ben-Shahar: A Study of the Brokerage Cost Allocation in a Rational Housing Market with Asymmetric Information, in: Journal of Real Estate Finance and Economics, Vol. 23 (2001), issue 1, p. 77-94. Ben-Shahar chooses a modeling approach in which the reason for the advantage of separation is missing. He therefore bases his arguments on somewhat daring assumptions about the effects of the brokerage cost allocation on the speed with which flats are brokered. However, this does not need to be discussed here further as the basic argument of the existence of a separation balance through the cost allocation is independent of this.
service, enlisting a REA who charges a fee to the tenant may be worthwhile to the landlord: There is no other legal way to separate short-term from long-term prospective tenants by a revealed willingness to make a substantial down payment on the future rent.\footnote{The German legal system, like many others, for good reasons that do not need to be explored here very effectively prevents a significant part of the rent being paid in the form of an initial payment for residential tenancy arrangements.}

The way the orderer-pays principle is currently structured destroys this separation mechanism. For one thing, it makes enlisting the services of a REA less valuable, and for another it means that investments designed to raise housing quality can be concentrated less specifically on flats for long-term tenants. The former could explain why the demand for brokerage services has dropped to such an extent that not only the fees that can be commanded on the market for letting services have fallen, but also the extent to which agents are being commissioned. The latter is a clear welfare loss that is a direct consequence of the orderer-pays principle. Although the investments for long-term tenants would be just as worthwhile as before the introduction of the orderer-pays principle, they are no longer being carried out at all, or at least to a lesser extent. If one differentiates among tenants, it quickly becomes clear that the orderer-pays principle does not harm all tenants. While those tenants who are seeking a flat for a long tenancy lose an important possibility of signalling this preference, tenants with a short tenancy perspective now have a greater chance of finding better flats. It should, however, be considered that this is not a pure redistribution, first because the higher quality is worth less to these tenants than those with a longer perspective and second, as already mentioned, the average quality of the flats has been diminished.

5. Orderer-pays principle and the quality of brokerage services

The orderer-pays principle not only takes away from the landlord the possibility of differentiating fairly simply between tenants who plan to rent for a short period of time and those interested in a long tenancy, but also harms incentives of the agent to deliver the optimum quality of his service. Similar to the long-term contracts presented by Farrell and Shapiro (1989)\footnote{J. Farrell and C. Shapiro: Optimal Contracts with Lock-In, in: American Economic Review, Vol. 79 (1989), issue 1, p. 51-68.}, the letting agent in the triangular relationship landlord-agent-tenant essentially has two possibilities to exploit his particularly strong position vis-à-vis his contractual partners: he can demand a particularly high price or reduce the quality. While in the case of Farrell and Shapiro the strong position is based on a lock-in of the other contractual party caused by the
costs involved in a change, in the case of the letting agent it is founded primarily on his monopolistic position vis-à-vis the tenant.\footnote{One can see an additional lock-in of the landlord who at the point in time when the agent is just about to present him a potential tenant can only change to another agent with high costs. The costs involved in change also include the possibility that the flat will be vacant for a longer period of time because the new agent has to start the search for a tenant from scratch.}

If in the first brokerage agreement the price and quality of the agent’s services are not effectively fixed, the agent is free to choose whether he exploits the monopolistic position by demanding a higher price from the tenant, or by reducing the quality. In this case, he will always choose to exploit his monopolistic position through the price and leave the quality unchanged. The reason for this is easily found once one has recognized that the profit maximizing estate agent will never choose a quality for which the marginal joint willingness of the tenant and landlord to pay for an increase in quality is less than the marginal costs.

As a consequence, lowering the quality can only save him less than it reduces the joint willingness of both his contractual partners to pay. If, due to the letting agent’s monopolistic position, the tenant’s willingness to pay is larger than without the monopoly, the agent can appropriate this difference by raising the price or reducing the quality accordingly. In the first case, the letting agent appropriates the additional willingness to pay in its entirety and his profit increases by exactly this amount. In the second case, he can reduce the quality to the extent that the additional willingness to pay is fully exploited. His cost saving, and thus his additional profit, is however correspondingly lower. He will therefore also decide in favour of exploiting his monopolistic position via the price, incidentally also the most efficient option from an economic point of view.

And it is precisely this that the orderer-pays principle prevents. If the REA has the possibility to exploit his monopolistic position via-à-vis the tenant, he is precluded from doing so via the price by the orderer-pays principle. This will not, however, stop him from exploiting his position. Instead he will choose the second best possibility and reduce the quality. Of course, one could argue that the legislator should not only prevent the tenant from being charged commission, but also prevent reductions in quality. That would, however, neglect the fact that the quality of the agent's service cannot be verified by the courts. Liability rules would not help here either because the only potential damage from the perspective of the landlord can be that the tenant was worse as a result or it took longer to find one. Practically speaking, however, it would not be possible to attribute these deficiencies to the lower quality of the agent's service.

The offerer-pays principle thus leads to a reduction in the quality of the services provided by the letting agents. In practice, this is reflected for instance in a lower number of viewing
appointments per flat. It is particularly interesting to observe in this context that some REAs are now trying to divide up their service offering into several parts: the pure search for a tenant and the organisation of viewing appointments and the contract negotiations. This could make it easier to observe and to verify the quality of estate agents’ services and thus at least somewhat mitigate the problem presented by Farrell and Shapiro (1989) of inefficient exploitation of lock-ins by quality reductions when price increases are effectively ruled out.

The orderer-pays principle has thus not only – as we argued initially on the basis of a bargaining model – limited the exploitation of the monopolistic position of the agent vis-à-vis the tenant but at the same time caused the quality of the agent's services to fall and, as presented in the preceding section, made the allocation of flats in accordance with the preferences of the tenants more difficult. Before the introduction of the orderer-pays principle, landlords only agreed in extremely rare cases that the tenant did not have to pay a letting agent's fee. This suggests that the reduction in the quality of letting agents' services and the deterioration in the way flats are allocated outweigh the welfare gain created by eliminating the possibility of exploiting the monopolistic position.

6. Tax effects
The shift in the burden of payment from the tenant to the landlord is not neutral for tax purposes. If the tenant bears the burden of payment, he can only claim the letting agent's fee as an income-related expense in two exceptional cases: a work-related move to a new rented apartment or the taxpayer maintains two households for work-related reasons. For the landlord, by contrast, the commission is always deductible when determining rental and lease income. Through the loss of tax revenue, the taxpayer at large is thus also affected by the orderer-pays principle. If the landlord transfers the costs of the commission to the tenant by raising the rent, the rental and lease income would in turn increase, and thus also the tax payments. If the costs are transferred in full, the two effects would ideally equal each other out and the effect on tax revenue would be zero. But even then there is a tax deferral effect because the full cost transfer does not occur within one year but is spread over the estimated rental agreement period, as a rule over several years.

7. International perspective
The triangular relationship – landlord-agent-tenant – is also regulated in detail in the rest of Europe. The most conspicuous difference between German and many international regulations is that in Germany the profession of real estate agent is not legally controlled. A trade licence plus mobile phone and internet access is all it takes to operate as a real estate agent in Germany, no other specific education or qualifications are required. The implications for the average quality and thus for the marginal willingness to pay are obvious. At the other end of the spectrum are the Scandinavian countries such as Sweden where the real estate agents also assume the function of the notary. The profession of real estate agent is therefore preceded by a specialist degree. The commission, which is usually paid by the seller or the landlord, is nevertheless lower than in Germany.

Similar rules apply in France where an agent also performs the tasks of a notary and therefore also has to have a specialist degree. The commission is in proportion to the rent, the fraction is freely negotiable, there are no legal caps. As a rule, landlord and tenant share the commission. In the Netherlands, the party that enlists the services of the agent always pays, i.e. the orderer-pays principle is in place. What has happened here, however, is that the orderer-pays principle has been softened in that the brokerage package for lets has been broken down into individual services such as designing and placing advertisements, apartment viewing, drawing up the contract, etc. and these costs are then paid by the party who ordered them in each case, whether landlord or tenant. The commission underlying the orderer-pays principle is to be seen rather as a success fee.

What is forbidden in the Netherlands, is normal practice in Austria: the work as dual agent. In Austria, the agent will as a rule enter into a contract with both the landlord and the tenant, and receives commission from both sides of the market. Up to three gross monthly rents can be demanded from the landlord. For the tenant, the commission cap depends on the term of the tenancy: for rent agreements of up to three years, the maximum commission is one gross monthly rent, for tenancies of more than three years it is capped at two monthly rents. Another peculiarity of the Austrian legislation is that the respective upper limit is doubled if no agent's fee was arranged with one of the two market sides. If a contract is entered into with both sides of the market, but the maximum amount is not exploited in full by one side of the market, the remaining difference can be imposed upon the other side of the market. Not surprisingly, Austria has the highest brokerage fees in the European Union. The country with the lowest regulatory density is Switzerland even though (or because?) Switzerland has the lowest home

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14 For a good overview see CEPI, The Real Estate Professions and National Housing Markets in the European Union – An Overview of the Practice and Regulation of the Real Estate Professions and the Characteristics of National Housing Markets, Brussels 2013.
ownership rate and thus a very strong market for rented housing. The maximum amount of the commission is not regulated in national law and is freely negotiated between the parties. In the cantons, limitations are, however, possible. In the Canton of Zürich, for example, the maximum agent's fee is 75 percent of the first net monthly rent. The commission is payable by the party that enlisted the services of the agent, as a rule the landlord.

8. Conclusion
For all intents and purposes, the orderer-pays principle makes the legal cap of two monthly rents obsolete because the flat hunter will never be the principal in a brokerage arrangement for a flat or house. That is bad news for letting agents; relatively speaking, they are the losers. Their poorer bargaining position means that they will have to accept lower commission. Both tenants and landlords benefit from the reduced fees. However, to claim that the tenants will benefit from the orderer-pays principle by an amount equivalent to the saved burden of payment is a sham in view of the at least partial transfer of the costs to the rent. Negative repercussions such as poorer matching or reduced quality of letting agent services are to be feared. This would work above all to the detriment of tenants with a long tenancy in mind who would be willing to pay more for higher quality housing. Only future empirical studies will be able to provide reliable information about this.