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Realtors: Home buyers still getting what they pay for

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In seconds, an Internet search can produce personalized results that once took hours for real estate professionals to compile, a scenario that has led to questions about what customers are getting for their commission dollar.

With home listings now a keystroke away from the browsing public, Realtors who once drove potential clients from neighborhood to neighborhood are seeing more and more customers who have a deeper understanding of the market and the properties they want to buy. They're also seeing changes in the ways some Realtors are being compensated.

"Customized Internet searches store favorite properties and give buyers an idea how quickly things are moving," says David Houston, president of New Leaf Real Estate. "You learn the market and you learn how fast things disappear and how quick you need to be."

Houston, who has a background in mortgage finance, began his real estate career only two years ago. While working in finance, he says he was surprised at how discerning customers are when it comes to new home loans.

"But I was amazed how little negotiating was going on with other fees that were even bigger," he says. "I had a friend who found his own home and only took one look with the Realtor and paid him \$15,000."

Like many companies that want to keep up with technology, Houston's model allows customers who use the Internet to successfully circumvent part of the real estate process -- finding the property -- to use it to their financial gain. Those who close on one of the first 10 houses shown by the Realtor receive a rebate on Realtor fees; those who close on one of the first five properties receive a larger rebate.

"On a \$300,000 home, if it's the first one we see and we write the contract," Houston says, "we collect 3 percent as commission (\$9,000), but we rebate them 2 percent, or \$6,000."

If the Realtor has shown at least 10 houses to a potential buyer, he will collect a regular "full-service" commission with no rebates.

Houston's model is similar in some ways to others that are popping up around the country and allowing home buyers to come closer to getting the service they pay for, which Houston says hasn't always been the case. During the "pre-Internet" era, he says, only a small number of homes shown by Realtors went through as a sale.

"We would take out 50 clients and only five of those close," Houston says. "I think for the five that closed, we were being overpaid for the amount of work; the ones that closed were subsidizing all the others."



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ELECTRONIC COMPETITION?

In addition to creating more savvy home buyers, the Internet also has spawned a tier of companies that want to grab a portion of commissions in the form of referrals.

"Third-party Internet clients entice people to work with them and they in turn work with Realtors," says Rob Cook, chairman of the Houston Association of Realtors and president of Robert Cook Properties. "They also have different mortgage companies they work with."

Despite all the cyber-competition for customers, however, the Internet has proven to be a valuable tool for Realtors.

"The Internet has made my job easier, because there are educated buyers out there," Cook says. "They know where they want to be and they know what they want to spend. In some cases they may even have their houses picked out. But the real work for us begins after you find the house. I always say that you can get the information, but you can't get the experience. I've spent thousands of transactions negotiating, working through repairs and handling all sorts of problems and situations."

Despite some "do-it-yourself" businesses and sites that say all the tools necessary for buying or selling a home are now at customers' fingertips and thus "traditional" Realtor fees are no longer justified, there will always be a need for Realtors, Cook says.

"You're always going to have people who want to do it for less money, and you'll always have those who want the 'hand-holding' through negotiations and paperwork because they just don't want to deal with it. It's just like moving companies. Some just have bare bones service and some will disconnect and reconnect your utilities for you and pick you up at the airport. People who charge higher amounts are giving higher levels of service."

Houston agrees wholeheartedly.

"When you are on the loan side, you think you're the one doing all the work, and of course the Realtor is thinking he's the one doing all the work," Houston says. "But having worked both sides, I see a vital need for the Realtor in transactions."

BASICALLY UNCHANGED

For many Realtors, the Internet has changed little except to add convenience and reduce legwork.

"I used to try and do everything myself," says Realtor Liz Carter of Liz Carter & Team Realty, "from listing homes to showing homes to handling all the paperwork necessary to market homes for sale to inspections and closing. One person simply cannot do it all."

In addition to having instant access to both customers and listings worldwide, Carter now relies on her team whose members separately handle duties such as listings, closings and showings.

"I have people and systems in place to make the transaction much less stressful on the client and on myself."

Just as in the past, a potpourri of work environments exists for Realtors, from firms that handle all marketing and expenses and collect a larger part of Realtors' commission, to firms that collect only a small portion and leave more expense to the Realtors.

"Firms vary," Cook says. "Some are strong in the interviewing and selection process and some just give you a place to hang your license and see how you do."

No matter the pay structure, Houston says, eventually consumers will sort out the most service for a fair price.

"Like any other business," he says, "you try to find inefficiencies and attack those." The concept is not to be overpaid, but not to be underpaid.

Pay, many Realtors agree, is more and more commiserate with the work being done.

"Real Estate is still the same as it was back then," Carter says. "Give great service and you will be rewarded with a great income."