

## BusinessWeek

# Paying a Broker to Sell Your Home Faster

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By Prashant Gopal

Jim McCarty decided a year ago to give real estate agents an added incentive to guide buyers past the clutter of for-sale signs to his vacant four-bedroom house about 20 miles outside of Minneapolis. He agreed to pay his agent an 8% commission, which would be split (55%/45%) with the agent representing the buyer. Full-service agents in the past few years have been charging 6% commissions and frequently less. Discount brokers charge much less.

McCarty's investment property was under contract within a month for just under the asking price of \$324,000 despite competition from about a dozen similar houses for sale in the development, his agent said. "I wanted more agents to show the property," said McCarty, 70, who is a speaker on leadership and business growth strategies. "I was willing to take a little bit more of a hit and pay a higher percentage. But if the house is sitting there vacant, you want to move the house."

Most agents charge 6% and will sometimes agree to less. But more and more agents, especially successful ones, have started charging more than 6%, in part because selling a house is more time-consuming and expensive than it used to be. And fewer homes are selling. Sellers in some parts of the country are paying up to 8% and sometimes more, agents said. Builders, eager to get rid of inventory, sometimes offer more than 10%.

### A Brokers' Market

"When the market was really going crazy, there were sellers out there trying to get any realtor for 4% who would undercut the guy next to him," said Arthur Tassarò of Friedberg Properties in Cresskill, N.J., where he says commissions are holding steady at about 6%. "Now you don't have to do that anymore. Now sellers want the home on the market and sold."

Frank D'Angelo, the broker for EXIT Realty Executive who represented McCarty, says he offers customers a transparent, tiered system of payment. For 6%, sellers get the typical menu of services. Sellers who agree to pay 7% get additional benefits, including a guarantee that if the home isn't sold within 39 days, he'll return up to \$10,000 of his commission (2% of the sales price). For 8%, buyers also get free home-staging and a "media blitz" of advertisements.

But the primary benefit is more buyer traffic and the hope that agents might point out subtle pluses of the home, such as new paint or serene views.

### Bonus Might Raise Red Flags

"If they (buyers' agents) have to choose from 12 homes, they don't have time to see all 12 homes," D'Angelo said. "They're going to select from buyer's criteria so anything that's marginal is thrown out. But (they might say) 'here's a marginal home with a hefty bonus if I show it.'"

D'Angelo said simple cash bonuses for buyer's agents don't work because they raise red flags that the home might be a distressed property and could lead to lower sale prices. Plus the seller's agent can be motivated by a higher commission.

Ilyce Glink, publisher of thinkglink.com, a free Web site that offers real estate and personal finance advice, said sellers should never agree to pay more than 6% and the buyer's agent should always get at least a 50% commission split. Glink said it's better to lower the asking price than put more money in agents' pockets. Glink said the last time she saw 7% commissions was during the downturn in the early 1990s, but only for properties that were particularly difficult to sell.

#### Agents Are Working for the Money

"The whole concept of paying 7% or 8% is silly," Glink said. "It used to be that by not doing any work, agents would have buyers lining out the door and they'd collect a big fat commission. Now they have to do some work. You have to allocate dollars where it's most important."

J. Patrick Lashinsky, president and chief executive officer of national real estate brokerage ZipRealty (NasdaqGM:[ZIPR](#) - [News](#)) in Emeryville, Calif., said commissions seem to be rising in some markets where agents are cautious about taking on listings because of the work involved. His agents are seeing commissions of more than 7% in Atlanta, Minneapolis, and some markets in California.

ZipRealty typically charges 4.5% to 5.5% commission, and slightly more than half of the money goes to the buyer's agent, the company said. "They say they have to charge more because homes are taking longer to sell," Lashinsky said.

#### Higher Commission Might Speed the Sale

Mike Collard, an Atlanta-based real estate agent who trains other agents, said brokers who have a record of selling homes are finding they can charge more for their services. They are "unbundling" services and charging more for additional services, he said. "The sellers' agents have to do more work, more open houses, take better pictures, stage the house, and pay for it all themselves," Collard said.

Melonie Haag, an agent with Exit Realty Leaders in Crystal River, Fla., said agents charge between 6% and 8% and builders are sometimes willing to pay up to 12%. "Sometimes if sellers want to get out quicker, agents charge more commission," Haag said. "The truth is, I'm not going to show a house regardless of the commission, but (for) another agent who sees it (the higher commission) might show it more often, so often times it doesn't hurt."

**Courtesy of JB Goodwin**