

A Reader Asks: With Home Prices So Much Higher, Shouldn't Commissions Be Lower?

That is a reasonable question, which I'm happy to answer. The fact is that listing commissions have been dropping ever since the Department of Justice told Realtor associations and their MLSs that they can't dictate listing commissions. Prior to that, the Denver Board of Realtors, I'm told, dictated a 7% listing commission — 4.2% for the listing agent himself and 2.8% for the agent representing the buyer.

Since then, thanks to free market competition, listing commissions, on average, have dropped well below 6%, according to the National Association of Realtors, but the 2.8% "co-op" commission offered to buyer agents has hardly budged.

(Note: Brokerages advertising a 1% listing commission do so as a ploy to get a listing appointment, at which time they'll explain the need to add 2.8% for the buyer agent's commission.)

This week I got an anonymous letter from a "long-time reader" who asked why commission rates haven't fallen as the selling prices of homes have risen. Since I can't reply by mail, he (or she) will get to read my response here.

First of all, commission rates *have* fallen as alluded to above, but typically they are not progressive, meaning they don't fall further as listing prices rise into the millions.

That does not mean, however, that you can't make agents compete against each other based on commission. Indeed, you should do that. But don't make the mistake of thinking you don't need an agent, *especially* when it's an "easy" time to sell homes. And remember that, because of the 2.8% given to buyer agents, even a 4% listing commission would only net the listing agent 1.2%, which is not a reasonable compensation if the agent is to do a proper marketing job.

A good agent doesn't just get a listing, take snapshots of the house, put it on the MLS and wait for another agent to sell it. If you hire an agent like that, you *are* getting ripped off, and shame on you for hiring him or her!

I can't speak for my associates, because that would constitute illegal price-fixing, but I myself charge well under 6% for the full service which I (and all Golden Real Estate agents) provide.

REAL ESTATE TODAY



By JIM SMITH, Realtor®

"Full service" for us includes promoting your listing on this page with its 200,000 circulation in five newspapers, magazine quality photos, narrated video tours including drone footage, free staging consultations, free use of our moving trucks and boxes for both seller and buyer, Centralized Showing Service, lock-boxes, solar-powered yard signs, custom listing websites with their own URLs, well-supported pricing consultation, and effective negotiation with competing buyers, often resulting in a sold price that more than covers what we charge in commission.

The anonymous reader boasted of owning 18 homes which he/she has sold "successfully and safely." I don't doubt that at all, but he or she likely left money on the table by doing it without a Realtor who possesses the tools and expertise which my fellow Golden Real Estate agents and I bring to the process.

The key to getting the most money for your home is to price it right and then maximize exposure so it attracts the most buyers who will compete with each other on price. That process starts, but does not end, with being on the MLS.

Let me put some numbers to this discussion. When homes sold for \$75,000, let's say the listing agent netted 3% commission after deducting the 2.8% he paid to the buyer's agent. That equals a \$2,250 commission. Let's say there were 50,000 transactions per year and 25,000 MLS members, as there are now. With two sides to each transaction, that equates to 4 paychecks per year per agent, or just under \$10,000 income per

year for the average agent. *And that's without subtracting the 15 to 50% split taken by the agent's brokerage.* Nowadays, agents' expenses alone can exceed that amount with our higher car, cell phone, computer and software expenses, plus MLS fees, showing service fees, Realtor dues, and errors and omissions insurance. Then add the per-listing cost of professional photos and videos, staging consultation, etc.

Our living costs have gone up, too. The homes *we ourselves* buy cost more than \$75,000, and insurance and taxes have gone up just like yours.

Now consider today's typical home sale price of \$400,000. I charge 5.6% on such a listing, so I get the same 2.8% as the buyer's agent. (I reduce it to 4.6% if I sell the home myself.) That nets me about \$10,000 after deducting the per-listing expenses mentioned above. For the average 4-transaction agent, that's an annual income of \$40,000 *before* deducting the fixed costs and fees and the brokerage split mentioned above.

On a million or multi-million dollar listing, you should certainly feel free to ask any listing agent you interview to justify or reduce the commission rate he or she quotes you. Negotiate as you would with any service provider. The bottom line, however, is that a *great* agent earns what he or she is paid.

A video of last week's Sustainability Series session on home heating methodologies is now posted on YouTube. There's a link for it at www.SustainabilitySeries.info.

EV's in Winter: Lower Range, But Offsetting Benefits

Maybe you saw the coverage last week of AAA's warning that electric cars lose up to 30% of their range in very cold weather. This happens because the battery in an electric car is also used to warm both the cabin and the battery itself. This loss of range matters more in EVs with only 100 miles of range than it does in the newer electric models with over 200 miles of range.

Having driven EVs for seven years now, I can report that an EV is, in fact, the *best* car for winter driving. Here are just a few reasons:

You'll never have trouble starting your car. It's a battery and motor! Turn it on, put it in drive and go — no warming up. Also, you can warm up the cabin before you unplug. Even if you don't, the cabin will be warm in less than a mile.

You'll never stall or get stranded. And you'll never break down. There are only 50 moving parts in an AWD Tesla. The only time you'll find an EV on the side of the road is when it has a flat tire or has been in an accident.

You won't have to gas up in the cold. Think of your EV like your smartphone. Plug it in at night and you always leave with a full charge in the morning.

It handles better in snow. An AWD EV has a 50/50 front/back weight ratio and a lower center of gravity, which translates to great traction.

If stranded in a blizzard, you'll have heat. Even if your EV is upside down in a snow drift, the heater will keep you warm, burning only 5 miles of range per hour.

Talk to any EV owner to learn more.

Readers Have Donated \$740 to Mark's GoFundMe Campaign

As we go to press this week, the total of donations to Mark Stenberg's GoFundMe campaign has topped \$700. Thank you all for your generosity.

This Tuesday, Mark went into surgery to remove the steel bar that kept his broken leg in traction. We're told he can't put any weight on that leg for three months, plus additional time in rehab, so his financial need is great. You can see pictures of Mark and his injury on the GoFundMe page. A short web address is www.gf.me/u/qvfut5. Thanks for donating!



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