

Demystifying Commissions

People recoil at the thought of paying a Realtor a commission to sell their home. It seems like just another cost. In fact, entire brokerages market themselves as being able to minimize this cost.

As a Developer who has hired and paid many Realtors to sell new projects, I more than sympathize with this sentiment. However, as a Developer I understand the value of hiring an agent to represent me, and as a Realtor, I endeavor to educate my clients about the importance of a commission in selling their home. In this newsletter, I will address:

1. Why is a commission important in selling my home?
2. Is there a 'standard' commission?
3. What should I expect my Realtor to do in return for the commission I pay?

Why is a commission important when selling my home?

When you list your home for sale, you will sign a Listing Agreement with your Realtor which discloses how much commission is payable. What you may not realize, is that this same document also discloses how much of this commission, which you are paying, will be offered to the Buyer's Agent. Personally, I offer nearly half of the commission you pay me to the Buyers' Agent, as I know how hard they work to find their client the perfect home.

Why is this so critical? In a nutshell, it is this commission that attracts Buyers' Agents (and their buyers). In fact, this commission is the only way in which Buyer's Agents

earn an income, as buyers generally do not pay a commission directly. If your Realtor is not offering up a reasonable portion of "their" commission to the Buyer's Agent, this could influence the Buyer's Agent's decision to bring their clients to view your home.

Is there a standard commission?

It is important to understand that there is no typical or standard commission. The marketplace drives competition and Realtors compete fiercely for listings. Although there is no standard or typical commission, I charge a commission of:

**7% on the first \$100,000, and
2.5% on the balance.**

Out of this, I offer the Buyers' Agent an amount of:

**3.255% on the first \$100,000
and 1.1625% on the balance.**

What should I expect my Realtor to do in return for the commission I pay?

While all of the above items are important, nothing beats having your home accurately priced. I like to say that 80% of marketing is accurate pricing! However, once it is priced accurately, MLS is unequivocally the best and fastest way to expose your listing to the widest possible market.

The MLS system instantly exposes your listing to over 9,000 real estate agents in Greater Vancouver alone through a Realtor's version called MLXchange. Because the majority of real estate transactions involve a Buyers' Agent, it is the most efficient way to reach your market.

Please don't hesitate to ask me more about commissions and how they can work in your favour.

Offering a commission to a Buyers' Agent isn't the only expense a Listing Realtor should have. For example, out of the total commission, I also create and pay for a marketing plan that includes:

Advising on pricing

Research and presentation of comparable properties

Professional photos and/or video tour

Home staging and preparation advice

Floor plan creation if beneficial

Direct mail advertising

Listing on Multiple Listing Service (MLS) including MLS.ca and RealtyLink.org

Print advertising

Web site creation and hosting (DavidSetton.com, TRG Realty, Craigslist, etc.)

Social networking sites (Twitter, Facebook)

E-mail distribution and advertising

It's a Buyer's Market Again!

A buyer's market is also the best time to sell if you are moving up in the market.

As I predicted, the Real Estate Board's statistics are now showing "buyer's market" conditions. This means that supply is ample enough to exceed demand and has led to softening prices. As someone who is in tune with the market on a day to day basis, I'd like to emphasize that the perception of the market has changed to a greater degree than the most recent statistics are showing, because the statistics lag by up to a month.

While you may be inclined to wait until the market "bottoms out," keep in mind that as sellers are also thinking, "I may as well wait until the market improves before listing my home." This ultimately leads to lower inventories, which means less choice for buyers and a firming of prices - causing the pendulum to swing.

Currently, there is still a lot on the market and prices are more negotiable than at any time in the past year. Now is the time to watch listings closely and make offers that would have been

futile only a few months ago.

A buyer's market is also the best time to sell if you are moving up in the market. Although you may take a discount on selling your current home, the market will allow you to get the same percentage discount on whatever you purchase, which equates to a greater absolute amount.

While moving up is ideal in a "buyer's market," you can't go too wrong by simply buying and selling in the same market, either.

For those of you who still prefer the numbers, here are some quotes from the May statistics out of the Real Estate Board of Greater Vancouver:

The Real Estate Board of Greater Vancouver (REBGV) reports that residential property sales in Greater Vancouver totalled 3,156 in May 2010, a decline of 10.4 per cent compared to

the 3,524 sales in May 2009; 5.1 per cent more than the 3,002 sales in May 2008; and 27.1 per cent less than the 4,331 sales in May 2007. May 2010 sales also represent a 10.1 per cent decline compared to last month's sales.

The number of properties listed for sale in Greater Vancouver continued to rise in May, while the number of sales showed a year-over-year decrease.

In terms of number of property listings, last month marked the third consecutive month during which more than 7,000 homes were listed for sale on the Multiple Listing Service (MLS®) in Greater Vancouver.

At 17,492**, the total number of property listings on the MLS® increased 10 per cent in May compared to last month, and is up 28.2 per cent compared to this time last year.

**Note: a balanced market is 16,000 listings in Greater Vancouver, anything more is a buyer's market.

• Running for Juvenile Arthritis with •

We are once again participating in the 2010 Scotiabank Group Charity Challenge at the Scotiabank Vancouver Half Marathon on June 27. This time, my wife Alison Setton will be running on our behalf while I cheer her on with our daughter, Hannah. You can help support me to support Cassie and Friends by making a secure online donation using your credit card. Tax receipts will be issued. In addition, if you refer a client to me by June 27 who ends up buying or selling a home this year, I will donate \$1,000 from my commission earnings to the Cassie and Friends Fund.

Team Cassie and Friends!



When you have questions,
you need Answers. In Real Estate

- David Victor Setton

