THE REAL DEAL
NEWYORKREALESTATENEWS

Firms upping fees for brokers

03/31/2009

As real estate prices fall and the pool of once-thriving Wall Street buyers dries up, brokerages are re-examining their business models — and, in some cases, upping fees they charge their agents.

These charges, which are sometimes called "marketing" or "technology" fees, cover services like administrative assistance, business cards and Web site listing maintenance. Unlike a "desk" fee, which usually refers to a charge for keeping a permanent desk in a company's office, the marketing and technology fees have angered some agents, because they essentially cover services that were formerly free.

Agents who talked to *The Real Deal* said Prudential Douglas Elliman, Corcoran and Sotheby's International Realty all charge these fees. Several brokers who asked to remain anonymous said Corcoran recently upped its fee from $1,500 to $1,950; Elliman charges $1,200, and many brokers at Sotheby's pay a $4,000 yearly fee.

Brokers at Brown Harris Stevens and Bellmarc said their agencies do not charge similar fees. Representatives for Corcoran did not return calls for comment and officials at Elliman declined to comment.

Andrew Wood, a spokesman for Sotheby's, said the firm does not charge a set fee for all the company's agents. "Each of our offices may tailor their marketing mix and fee structure to suit the listing and market conditions. There is no flat fee or set arrangement that applies to all," he said.

One long-time Sotheby's agent, who asked not to be named, said all the agents in her office are paying a $4,000 yearly marketing fee that was instituted in 2007. In addition to that, she said there's also a yearly $1,250 "legal assistance fee." The agent said she finds the mandatory marketing fee so "offensive" that she's considered leaving the firm, especially now that the economy has turned and the impact of the fee is beginning to sting.

"I'm paying begrudgingly. I'm not happy about it, and I'm not the only one," she said.

Ira Goldspiel, an agent with Sotheby's in Connecticut, says he doesn't mind the charge. Goldspiel moved to Sotheby's in December from a small Connecticut firm and says that the power behind the big name is well worth a yearly fee.

"It's actually a pretty good deal when you think about it," said Goldspiel, who points to the perks of working at Sotheby's, such as advertising in publications like the Wall Street Journal and the New York Times, free tech assistance, an administrative staff that works on Web site copy, and printing the brochures and signs he needs to sell in a tough market.

Glenn Norrgard, senior vice president of sales with the firm, agreed. "The reason I'm here is because of the brand," he said. "The fee covers advertising, photography, business cards, messengering. It helps the company defray the costs of all that."

Meanwhile, the changing market prompted William B. May to rethink its business model and charge agents between $50 and $250 a month to be franchisees of the company rather than taking part of their commission.

"The bricks-and-mortar concept just doesn't work that well anymore," managing partner Craig Lamb said. "You don't need to sit in an office — everything's online — so there's no need for the company to take money from the agents to pay rent on the building."

But dismantling a decades-old business model isn't as feasible for every firm. And for some of those firms fees are now more standard.

"It makes sense from management's point of view," said one Elliman agent, who told *The Real Deal* that this is the second year Elliman has charged a $1,200 fee. "There are a lot of brokers who don't do much work, but they keep a desk and cost the company money. There is obviously a reduction in revenue, but the company's overhead is the same and they're just trying to stay above water."

Paul Purcell, partner at Braddock + Purcell and co-founder of Charles Rutenberg Realty, declined to comment on specific firms, but said he understood why some big agencies with properties across the country have decided to levy extra fees on their agents.

"Real estate firms don't have huge margins," said Purcell, formerly the president of Elliman.

"They have pressure from so many different directions," he added. "For every deal, the first 60 cents goes to agents. Then [management] keeps 40 cents, but 10 of that goes to rent, 10 to salaries and 10 to marketing, leaving just 10 cents in [their] pocket. Any time one of those numbers moves, [management] suffers."

Purcell said brokers are obviously not thrilled at the idea of shelling out the additional money for services like filing their contracts and paying for receptionists and marketing listings, especially since those services were free before the downturn.

One former Corcoran agent who recently moved to Elliman said she is worried that fees will keep going up annually.

"Corcoran came up with the fee about two years ago and said it was to maintain the Web site, but we figured it was to shore up the bottom line," said the agent.

"Brokers don't feel happy that they keep coming to us to take it out of our pockets," she said. With the market already slow, some agents feel they're "getting hit at both ends."

At firms that aren't charging a marketing fee, the idea prompts negative reactions.

"Oh my God, we don't have one and we never have," said Janice Silver, executive vice president and sales manager at Bellmarc Realty's East Side office.

Barbara Fox, founder of Fox Residential, also said her company doesn't charge a marketing fee.

"When a company isn't making enough money, it's a way of making additional money from the brokers," she said. "Fortunately, knock on wood, I haven't had to do that. I suppose if I got in that situation, that's something I might consider."

Another Corcoran agent, who also asked to remain anonymous, said he's fine with the $1,950. "I think charging this fee is fine based on the quantity of support and technology they offer us," said the agent. "It sounds high, but it makes sense."

Indeed, some agents figure that it's better for the company to charge extra fees than have its bottom line severely hurt.

Unlike other boutique or New York-centric firms, Corcoran and Sotheby's are both operated by Realogy, which also owns Century 21 and Coldwell Banker. *The Real Deal* reported in February that Realogy has taken a major hit as a result of the national housing crisis.

Julia Hoagland, a former Corcoran agent who moved to Brown Harris Stevens in February, says she understands that firms have to cover their expenses, but "if you have to charge your agents so you don't go out of business, what does that say about the sales you're doing?"
Source: TRD-0409
Author: Julia Dahl
