

# The rise of Rapid Realty

By: Katherine Clarke

Rapid Realty's Brooklyn headquarters was buzzing on a Thursday afternoon last month, as agents jostled for space at computers lining the exposed-brick wall. For an office housing 30 agents, the sleekly designed space is tiny — only around 500 square feet.

But that's the point, explained Rapid founder Anthony Lolli; the young rental brokerage prides itself on being efficient. The black-and-metal bar stools that serve as the only seating, for example, are "not supposed to be comfortable," he said, since agents are encouraged to be out doing deals rather than sitting in them.

In August 2009, Rapid Realty cut the ribbon on its first franchise location in Crown Heights. Since then, the residential brokerage has amassed nearly 800 agents in 51 franchise locations throughout New York City, including seven in Manhattan. (The firm held 25 separate holiday parties this year to accommodate everyone.) Now the company is expanding outside the five boroughs: a Jersey City franchise opened last October, and Lolli said he is in talks with interested franchisees for offices in Washington, D.C., Chicago, Boston, San Francisco and even Brazil.

Due to its recent growth, the aptly named firm is now one of the largest firms in the city in terms of number of agents, Lolli proudly told *The Real Deal*. Though he declined to give specific numbers regarding how much business the company has done, he said it did 20 percent more transactions in 2011 than in 2010.

Still, many industry insiders look askance at Rapid Realty, which operates primarily in the outer boroughs. That's due in part to its franchise business model, which is unusual in the world of Manhattan residential real estate. But Rapid also has a somewhat unorthodox approach to renting apartments: Most notably, it uses an assembly-line system, which isolates certain tasks within each rental transaction and assigns them to different brokers.

One Manhattan brokerage head was skeptical that Rapid has as many agents as it claims. “I don’t see how it’s possible,” said the source, who asked to remain anonymous. “If they have this many people, how come we aren’t hearing anything about them?”

But Lolli said the brokerage has intentionally stayed under-the-radar.

“We preferred to take the approach of being quiet about our growth,” he said. “The goal was to open as many stores as possible and do so without publicizing it to the world and, more importantly, to the competition.”

Lolli, who launched Rapid Realty in 1998 with a single Park Slope office, presents himself as the ultimate entrepreneur and the poster child for franchising.

“Franchising is a healthy way to grow your company,” he said. “You have to ask yourself, do you want to be Steve Jobs, or do you want to own a couple of Apple stores?”

## Rapid growth

Lolli had a modest upbringing in Brooklyn Heights and later in Park Slope.

He’d worked as an agent for several different New York brokerages, including Fillmore Real Estate, when his mother — an Ecuadoran immigrant with whom Lolli is extremely close — recommended that he launch his own firm.

For the first few years, Lolli operated Rapid Realty out of an office at 681 Fourth Avenue in South Slope. At the same time, he built his own personal real estate portfolio, accumulating about 15 multifamily properties in the city, where Rapid Realty agents now handle the rentals.

Then, after watching a friend’s trash removal business go franchise, Lolli grew intrigued. The idea really took root, he said, when he noticed that talented staff members he’d trained were moving on, often to start their own firms.

“I knew that people don’t [just] want to [be managers],” he said. “They want to own their own offices.”

In 2009, Lolli decided to open a pilot franchise in Crown Heights, installing one of his agents, Gabriela Falquez, as the manager. After six months, Falquez decided to become a franchisee, and opened her first office in Bay Ridge. (The Crown Heights office is no longer operating.)

Most of Rapid's franchisees are former agents, Falquez said. Ten of her agents have now gone on to open their own franchises, either individually or in pairs.

As part of his new franchise model, Lolli developed a system in which new Rapid agents are trained to focus on just one part of the rental process: showing apartments, creating listings or closing deals. This system aims to keep things simple for newbies and make the firm as efficient as possible, he said.

Executing a rental transaction from start to finish "is a lot for agents to handle at the beginning of their careers," said franchisee Adrian Cardona, who owns Rapid Realty locations in Bushwick, Williamsburg and Prospect Heights. "You have a higher probability of success if you divide it into parts."

As a result of this system, however, customers often work with two or more Rapid Realty agents during the apartment hunt, an approach that has drawn mixed reviews.

This multi-agent approach isn't "necessarily good for the customer," said Kathy Braddock, cofounder of the Manhattan brokerage Rutenberg Realty and the website TopAgentGuide.com. "You have to look at your broker as you would a doctor. You should be in the hands of someone who can own the entire process."

When Rapid Realty first began franchising a wave of negative comments about the firm appeared on Yelp and other websites.

"We were being attacked online," Lolli recalled. He attributed some of those reviews to online defamation campaigns by local competitors, but he also recognized that the company had to make some changes to better serve its clients.

Rapid issued a statement to apologize to those customers who had been treated poorly in the past, and since then, Lolli said he has "done a lot to increase customer care," including providing incentives for agents who get the best online reviews.

Criticism has also come from others in the industry, who grumble that the firm's seeming tendency to "hire anyone" creates a "chaotic" environment, sources said.

Lolli openly admits that Rapid Realty often hires bartenders and waitresses with no previous real estate experience. Nina Rodriguez, who now owns a Rapid Realty location in North Park Slope, had no real estate experience before becoming an agent with Rapid.

"We try to introduce new people to the business," he said, so they "don't come over with any bad habits."

He added: "We invest a lot of money in training. ... I believe I can train anyone who wants to learn to be successful."

## **Franchise fever**

While Rapid's approach to the business may not be popular with everyone, the firm has spread like wildfire.

Unlike most franchises, Rapid Realty doesn't currently charge franchise fees; instead, Lolli takes a cut of each agent's commissions. That means franchisees pay only to lease and build out an office, which costs anywhere from \$30,000 to \$120,000. By comparison, McDonald's requires franchisees to pay a minimum of \$500,000 in non-borrowed, personal resources as a franchisee fee, according to its website.

Lolli also keeps costs down by securing cheap office space for his franchisees; he said he has personally negotiated every Rapid Realty lease.

Falquez said she invested \$60,000 in the Rapid Realty office she opened in Bay Ridge," with a lot of credit cards and some money [she] had saved." But, she said, she made her money back in the first year. In December, she opened her second location in Sheepshead Bay, investing \$75,000, and she is currently searching for a location in Soho.

Falquez said Lolli takes a 15 percent cut of commissions earned by the agents in her offices, and she takes 18 percent (that's not the case for all franchises; Lolli negotiates these terms separately with each franchisee). Agents throughout the franchise have different incentive-driven commissions, depending on their role in the process and their performance.

Rodriguez said her family “thought I was crazy at first” for opening a Rapid Realty location. “Now,” she joked, “they want me to help pay their bills.”

## **Public plans**

With 50 new franchises slated to open in 2012, Rapid Realty shows no signs of slowing down. Lolli said he is taking some 10 franchisees on a trip to California this month to scout potential locations on the West Coast. There’s even talk of the company going public.

“We’re being [hounded] by several investors [outside the company] to go public,” Lolli said. “They love the fact that a franchise is a modest investment and the overhead is low. We’re seriously considering it.”

Lolli also said interested parties have approached him about buying an equity stake in the company, with a view to help the firm growing nationally.

“We want to take our brand and plant our flag in every desirable area across America,” he said.

It’s a tall order, but Lolli has never let that stop him before.

“I was raised to never bite off more than I can chew,” Rodriguez said, “but Anthony always says ‘just bite it, chew it and swallow it.’”