

THE REAL DEAL

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Rutenberg seeks to upend New York commission model

Monthly fees instead of splits may draw brokers; Braddock + Purcell to partner in new office

By Lauren Elkies

New York real estate brokers may soon flock to a commission model that promises them a much larger share of the commission pie.

While most New York City residential real estate companies allow their brokers to keep about half of the commission, Charles Rutenberg Realty, a Chicago-based company, offers its employees 100 percent of their slice of a transaction, a difference of many thousands of dollars. Rutenberg joins the ranks of real estate companies that are trying to overturn the traditional commission structure, a group that includes RE/MAX and City Connections Realty.

Rutenberg opens its first New York City office in Midtown Manhattan this month.

The company requires brokers to pay a \$99 monthly fee and transaction fees for each deal -\$1,000 for a sale of up to \$1.5 million and \$2,000 for a sale above \$1.5 million.

"Our focus is truly on the real estate broker," said Kathy Mayer Braddock of real estate consultancy Braddock + Purcell and a partner in the new Rutenberg business in New York City. "We say we take the 'broke' out of the broker."

Rutenberg is cutting overhead costs at the 127 East 56th Street fourth-floor office -- slated to open Nov. 15 -- by providing fewer tangible resources and more virtual ones. The company will provide an office with desks, terminals and an in-house manager, but no personal office space. The Web site, under development for the last six months, will offer links to for-fee services.

"This is providing all of the service with not much of the overhead," Braddock said.

The New York Rutenberg venture is the brainchild of Braddock and her partner at Braddock + Purcell, Paul Purcell, as well as Jeffrey Markowitz and Richard Friedman of the money management business RFJM Partners.

Markowitz said that although other New York City brokerages like RE/MAX and City Connections offer 100 percent and 90 percent commission splits, respectively, Rutenberg has a flat model fee.

"We hope to become the model for real estate in New York City," Markowitz said.

Top-earning brokers would have no incentive to move to Rutenberg because they have the financial backing of a big-name company, but Rutenberg is not aiming to entice them. "You're never going to get a Dottie Herman," Markowitz said. "For them to leave there's no real benefit."

How will Rutenberg stay afloat?

Braddock noted that if Rutenberg has 2,000 brokers that each pay \$99 a month, that amounts to \$200,000 per month in the company's coffers. In addition, the company receives individual transaction fees.

"You're not layering and layering all of this overhead on top," Braddock said.

Purcell of Braddock + Purcell and a Rutenberg partner, said the model works, as evidenced by the success of Rutenberg's two offices in Florida, one in Chicago and one on Long Island.

"I think it is a no-brainer, quite frankly, for the agent, in light of the fact that they will virtually double their earnings and have all of the tools needed to successfully run their businesses," Purcell said. "The current model is set up to always have friction between agent and company. This model does not seem to be built to experience that friction."



Kathy Braddock

Paul Purcell