

Options expand for selling a home

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The way homes are bought and sold is changing, even in the Des Moines area, where Iowa Realty/First Realty have for years been involved in two of every three sales.

Real-estate companies acknowledge that Des Moines agencies charge sales commissions that are one or two percentage points higher than the national average. But new forms of competition can help home sellers save money.

The Internet increases the audience of buyers for any given home, while at the same time making it easier for shoppers to find what they want.

Technology has also made it easier for new brokers to enter the market and was instrumental in the creation 10 years ago of flat-fee broker Next Generation Realty.

Now, newcomer People's Co. of Indianola wants to go a step farther by breaking the process down even more and charging separate flat fees to open and close the home sale process.

The trend to unbundle residential real estate services has been around nationally for several years, said Walter Maloney, a spokesman for the National Association of Realtors.

A flurry of interest followed discount brokers when they first came on the scene about a decade ago, he said, but since then their share of the national market has grown more slowly.

One reason, he said, may be that the degree of difficulty in selling a home has increased in recent years with the addition of new protections and regulations by government.

However, anecdotal evidence suggests that more homeowners are interested in saving money by trying non-conventional sales techniques.

That encouraged Steve Bruere, a 2003 graduate of the University of Northern Iowa's real estate program, to try something new.

After graduating, Bruere joined People's, an Indianola brokerage that specializes in farm sales. He persuaded the company to enter the greater Des Moines home sales market by sponsoring a sales package that cuts the real estate pie in a new way, charging sellers flat fees of \$500 at the beginning of the sales process and another \$500 at the end.

There are now at least four ways that homeowners can sell their property:

- "For sale by owner" places all responsibility on the owner to find a buyer. About 14 percent of all homes sold nationally are these sales, according to the National Association of Realtors, but only about 5 percent are sales where the owners and buyers did not have a previous relationship.

- DealYourOwn.com, the creation of People's Co. in Indianola, charges an initial \$500 fee, for which the homeowner receives a for-sale sign and a listing on the Multiple Listing Service of the Des Moines Area Association of Realtors. The company charges another \$500 to handle paperwork to close a sale.

All advertising and showing of the home are left to the homeowner. If the MLS listing produces a buyer, the homeowner pays a 3 percent commission to the real estate agent who brings in the buyer.

- Next Generation Realty is the Des Moines area's only flat-fee broker. It charges \$3,990 to list and advertise the house and to close the sale. The agency will coordinate showing of the house with potential buyers, but the homeowner is responsible for showing the house and open houses. For a separate fee of \$2,000, the agency will handle open houses and showing of the house.

- Commission brokers, which include traditional real estate agencies like Iowa Realty, Coldwell Banker and Re-Max. They charge a commission, typically 7 percent, to handle all aspects of the sale, including listing, advertising, showing, open houses and sale closings. The commission is negotiable, and is typically split between the agent who lists the sale and the agent who finds a buyer.



BILL NEIBERGALL/THE REGISTER New player: Steve Bruere, founder of DealYourOwn.com, shows how an open house insert slides onto a "for sale" sign. The unbundled real estate venture is part of People's Co. of Indianola.

Here are the fees a homeowner would pay for selling a \$150,000 home in three situations

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Residential real estate commissions in the Des Moines area average between 6 percent and 7 percent, agencies say. The national average is about 5.1 percent, according to RealTrends, which tracks the real-estate industry.

Competition, housing costs and new construction are factors that help determine fees, experts said.

The Des Moines market is unusual because one real-estate group - Iowa Realty and its sister company, First Realty - have a combined market share of about 65 percent. Iowa Realty president Mike Knapp said that while commissions in the Des Moines market may be higher than national averages, they are about average for Iowa.

One reason commissions on both coasts are lower is because housing costs are much higher. A house that sells in Des Moines for \$200,000 might sell for \$600,000 or more in parts of California. A 7 percent commission on the \$200,000 house would produce \$14,000 for a broker in Des Moines, while a 5 percent commission on the \$600,000 house would generate a fee of \$30,000.

Commissions are also typically lower on new construction, so average commissions tend to be lower in areas with a lot of new homes. Before signing with a real estate agent to sell your home, ask what the sales commission will be. In the Des Moines market, the average is between 6 percent and 7 percent. But there are situations where lower commissions are possible.

Here are some examples of situations that will give you leverage to obtain a lower commission.

- When the sale price is high. The average price for the Des Moines market is about \$130,000. Don't expect a break on the commission, unless your price is quite a bit higher, \$400,000 or more.

- If your property is expected to sell quickly. A quick sale means less work for the agent.

- New construction is often easier to sell, providing brokers with incentive to take a lower commission.

- Special situations: For example, your agent has an offer that falls below your asking price and that would not provide you with the money you need to buy your next house, unless the commission is lowered.