

## Real Estate Today

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# Real Estate Compensation Is Quite Unlike Other Industries

By **JIM SMITH**  
**Jefferson County Realtor®**



I know of no profession in which competing professionals cooperate with each other the way Realtors do to sell each other's product.

A Pontiac salesman, for example, doesn't say to a customer who won't buy, "I know a Ford that would fit your needs exactly. Let me take you across the street and see if you like it." Nor would that Pontiac sales person expect his counterpart at the Ford dealership to give him part of his commission for bringing a buyer for one of his cars.

Yet that's exactly what happens in real estate. The whole purpose of the MLS is "cooperation and compensation." Every member of an MLS is obligated to share his entire inventory of listings and to specify for each listing the amount of compensation paid to a buyer's agent.

Indeed, major elements of our Realtor® Code of Ethics pertain to how we cooperate with and compensate each other.

It used to be that MLS's and their member companies would dictate the "standard" listing commission as well as the share of that commission offered to buyers' agents, but about 15 years ago the Justice Department told our industry that

such practices were anti-competitive. Nowadays, we agents could be convicted of a crime even for *revealing* to each other what we charge our clients.

The 2.8% "co-op" commission typically offered by listing agents to buyers' agents has its origins in that time of fixed listing commissions. It was deemed appropriate at the time to pay buyers' agents 40% of the then-standard 7% listing commission, which equaled 2.8%. Once the price-fixing ban was introduced, the listing commissions started dropping, but the co-op commission never faltered. While agents are free to offer any co-op commission they wish, few dare to offer *less* than 2.8% out of fear that agents will not show their listings. My own company (like other large real estate franchises) states in our company's policy manual that I *must* offer at least 2.8% co-op commission, and I can understand why — although I'm not sure why this does not constitute price fixing.

As a result of these conflicting pressures, buyers' agents are getting a higher and higher percentage of the commission paid at each closing. We listing agents can only dream of returning to the days when we kept 60% of our commissions.

As a listing agent, I'm resigned to paying the other agent more than I keep myself. As they say, I simply make it up in volume!

## This Week's Featured Listing

### New Listing Will Be Ready to Show Monday

This home in Golden's Village at Mountain Ridge may sell quickly, given its great location and excellent condition. It is on a quiet cul-de-sac and backs to the oversized backyards of other home, creating a feeling of openness and privacy. Inside, the home has a bright garden-level basement (fully finished) and over 3,100 finished square feet. That computes to about \$135 per square foot — a great deal for this premiere community. To fully appreciate this home, take a virtual tour on the website shown.



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