

Sell Your Home for \$5,000, Regardless of Price? There's a Reason to Be Suspicious

A successful real estate firm that got its start in Denver is spreading its business model nationwide. I'm not giving its name, only because the company is prone to suing those who speak negatively about them.

How successful are they in the Denver market? Currently they have 147 active listings, 90 listings under contract, and 741 sold listings in the past 12 months. Their roster currently includes 23 licensed agents, only 8 of whom have been with the company over 12 months.

This **non-Realtor** firm's approach is to assail Realtors for "overcharging" sellers, saying they will sell any home, regardless of price for \$5,000. Half that amount goes to them — with \$500 paid upfront, whether or not it sells — and \$2,500 as their suggested commission for buyers' agents. What they don't disclose is that the vast majority of their clients end up paying much more than \$2,500 to buyers' agents.

Agents for this firm work on salary, get 4 weeks paid vacation, health insurance and can turn off their phones after work. It sounds like a nice place to work, but is it a model that provides the best service for real estate clients?

This firm promotes how much it saves sellers by citing 6% as the typical commission — in fact, the average commission is in the mid 5's — comparing that to their \$5,000 flat fee. On their website they boast about the millions of dollars they save sellers by multiplying all their transactions by \$5,000 and multiplying all other transactions by 6%.

That's a great way to get a listing appointment, but that listing appointment typically ends with sellers agreeing to offer a much higher co-op commission. Sounds like "bait and switch," doesn't it?

The proof is in the MLS itself. Of this company's 147 current active listings, only 14 are offering \$2,500 co-op commission. More than three times as many (44) are

offering the typical 2.8% commission, and another 33 offer at least 2%.

Moreover, **all 14** of those listings offering \$2,500 commissions to buyer agents have the following statement under "Broker Remarks" — remarks not seen by the public but visible to every buyer's agent: **"Commission listed is not a fixed rate and is NEGOTIABLE. Buyer and buyer agents can request additional commission if needed by putting the following into Additional Provisions: 'Buyer directs Seller to pay Buyer Agent's Brokerage an additional \$XXXX on top of the MLS advertised XXXX for a total of \$XXXX'."**

Given that explicit instruction, it's reasonable to assume that a majority of those listings offering only \$2,500 to the buyer's agent will end up paying a good deal more. Unfortunately, the MLS doesn't require the disclosure of the buyer agent's commission actually paid at closing.

This brokerage claims to offer full service, but three-quarters of its listings have the following statement under Broker Remarks: **"Seller has requested no Sunday deadlines and that all deadlines be 5 pm. All offers must be received by 8 am for same day response."** Personally, I'm offended by this blatant misrepresentation. The seller did not request no Sunday deadlines, although that "request" might be in the listing agreement signed by the seller. (Remember, their salaried agents are told they can turn off their phones when they go home.) Also, I couldn't find a single listing that advertised an open house. Full service? Not to me.

I should note that my own recent experience selling one of this brokerage's listings was quite positive. For one thing, it paid me a 3.1% commission.

Also, I must say that I was impressed by this company's use of technology and that they communicated and responded more effectively than their Broker Remarks indicated they would.

Notwithstanding this recent experience, I don't appreciate the way this company misleads the public in their advertising and

on their website. They do save sellers on the **listing** commission, charging a flat \$2,500 instead of 2% or more. That's a pretty low amount for listing a home, but then again, they don't spend much in the way of time or money on their listings — I didn't see magazine-quality photos or video tours, for example — and their goal is clearly to make up for their low listing commission with a high number of listings.

Do sellers benefit from their business model? That's debatable given the lack of time and resources that sellers receive from a full-time, experienced agent who can price their home right to draw competing offers and then bid those offers up to net the highest price for their home. For example, they priced a home in my own subdivision for \$100,000 less than my valuation software suggested. (As a non-

Realtor firm, they don't have access to the same sophisticated valuation model, called RPR, that I use.) Then they went under contract in one day. This is not a good idea, because if an offer comes in on the first day it's pretty likely that other offers will soon follow. I'm confident that my neighbor left a lot more money on the table than he "saved" by listing with this "flat-rate" brokerage. (FYI, this seller offered \$12,500 co-op, and may have paid more.)

This brokerage will continue to be successful with their business model, and I will continue to show and sell their homes — getting a pretty good deal for my buyers because of their low listing prices, while earning the kind of commission which any hard-working buyer's agent should expect to earn.

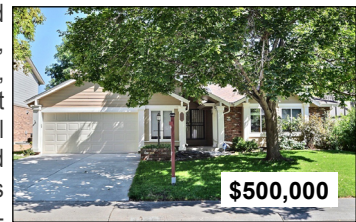
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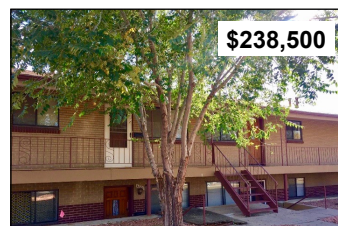
Just Listed: Lakewood Estates Ranch on Cul-de-Sac

Lakewood Estates is a 1980's neighborhood located on the south side of Jewell Avenue, across from White Fence Farm. This home, at 6035 W. Evans Ave., is on a super-quiet cul-de-sac, deep within the subdivision. You'll like the hardwood floors, vaulted ceiling and two gas fireplaces. The private backyard has a spacious patio and storage shed with skylight. The updated kitchen has granite countertops, black appliances and a large eating area, which is in addition to the formal dining room. Multiple skylights bathe the family room and master bedroom in sunlight. You can take a narrated video tour online at www.LakewoodHome.info. Open house is **Saturday, Aug 4, 11 to 2.**



\$500,000

West Denver Condo Just Listed by Andrew Lesko



\$238,500

This affordable 2-bedroom garden-level condo at 4820 W. 13th Ave. could be a nice starter home or great investment opportunity. Not only is it in a transitional neighborhood but it is just one block from the Lakewood Gulch greenbelt, and a short walk from the Sheridan light rail station. Sloan's Lake is just 4 blocks to the north. All appliances are included — even the washer and dryer. It has a reserved parking space and plenty of on-street guest parking. Act now — this will probably sell quickly because it is the lowest priced 2-bedroom Denver condo currently on the market west of I-25. Take a narrated video tour at www.DenverCondo.info, then call Andrew Lesko of 720-710-1000 for a private showing. Or come to the open house on **Saturday, Aug. 4, 11 to 1.**

Two Price Reductions of Note

We have two Arvada listings which have just reduced their listing prices. One is a 7-bedroom home at 7587 Union Court, now listed at \$890,000. (See the narrated video tour at www.ArvidaHome.info). The other is a 3-bedroom ranch at 20062 W. 95th Place, now listed at \$548,900. (See the narrated video tour online at www.CandelasRanch.info.)

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