

Is It Fair to Charge the Same Percentage Commission on High End Homes?

It doesn't take twice the effort or money to list a million dollar home than it does to list a \$500,000 or \$200,000 home, but sellers in all three price ranges are typically charged the same percentage commission.

Although we can't refer to "standard" or "customary" commission rates, we can talk about "average" commission rates. There have been studies, most recently by Real-

Trends, showing the average listing commission to be about 5.4%.

At one time, before antitrust laws were enforced on our industry, I'm told there was a "standard" commission of 7% in Denver, and it was determined that the proper "co-op" commission paid to buyer's brokers should be 40% of that figure, or 2.8%. When the feds told the real estate industry that we couldn't fix commission rates, the rate started falling under competi-

tive pressure. The co-op commission offered to buyers' agents never faltered, however, because brokers knew that if they offered less than 2.8%, other agents might not show their listings. The result is that nowadays, the listing agent rarely earns as much as the buyer's agent, who still, typically, gets 2.8%. It is this dynamic that in effect will keep listing commissions from going much lower.

Realtors are, as a rule, paranoid about discussing commission rates, so we only learn what a listing agent charged when we see the commission amount on the settlement sheet at closing. Occasionally I see that the listing commission must have been 6%, but usually it's less. Only once did I see anything higher than 6%.

What brings this topic to mind is that I met a Realtor from Calgary at the Realtor convention last

month, and she told me that in western Canada it is common to charge 7% on the first \$100,000 and only 3% above that price, and the commission is shared 50/50 with buyer agents — 3.5% on the first \$100,000 and 1.5% above that figure. Under this formula, the effective commission charged to a seller drops to 5% on a \$200,000 sale, 3.8% on a \$500,000 sale, and 3.4% on a million dollar sale. Listing agents could, theoretically, compete by charging less, but this doesn't happen often because sellers realize that fewer agents will show their home — and sellers consider the 7/3 formula reasonable. Because it's reasonable, I suspect fewer owners try to sell their home without a Realtor.

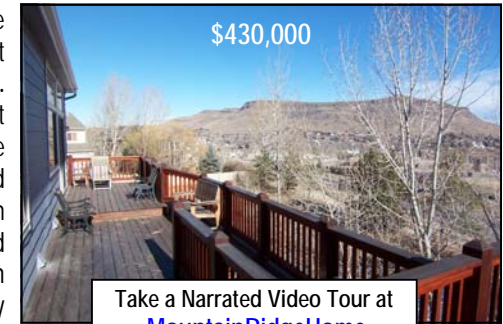
As reasonable as the above formula sounds, Realtors in eastern Canada have not adopted it, and I can't picture U.S. Realtors doing so.

I invite your feedback at JimSmithBlog.com.

This Week's Featured Listing

Price Reduced on Ranch-Style Golden Home

This is the view outside the eat-in kitchen at 327 Canyon Point Cir. in Golden's Village at Mountain Ridge. The far end of this redwood deck is accessed from the master suite — and sweet it is! If you can accept some highway noise (Rte. 93 is hidden in this photo by a berm), this view and a below-market listing price is your reward. Other features include seven skylights in the vaulted main-floor ceilings, and a fully finished walk-out basement. There are 5 bedrooms, including 2 main-floor master suites, one of which is handicapped accessible. A good find for the right buyer! Open Saturday 1-4.



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