

# The 2.8% Co-op Commission Is Becoming Less & Less Common

There's a term in journalism called "the buried lead," meaning that the key point of an article doesn't appear until several paragraphs into it.

Well, last week's column had a buried lead. You may recall that the headline spoke about the myth of the 6% listing commission. The point of the column was that it's common for prospective sellers to think there's a "standard" 6% commission that's charged by most listing agents. In fact, as I explained, the listing commission is totally negotiable and has declined over the last 40 years from a 7% commission dictated by the Denver Board of Realtors to listing commissions averaging, according to surveys by the National Association of Realtors (NAR), in the mid-5% range.

What has slowed the decline of the listing commission is the more

resilient "co-op" commission paid to buyer's agents from the listing commission.

## REAL ESTATE TODAY



By JIM SMITH, Realtor®

Until recently, 2.8% was almost universally offered to buyers' agents. If listing agents offered less, they ran the risk of limiting the number of showings and contracts they would receive, since the amount of the co-op commission was prominently displayed on the MLS.

What's now allowing listing commissions to drop to (or even below) 5% has been the freedom that listing agents now feel to offer a smaller co-op commission.

It has been my own practice to list homes for 5.6% because I felt it necessary to offer half of it — 2.8% — to the agent who represents the buyer. With a 2.5% co-op becoming more common (as I showed in last week's column and as evidenced in

the chart at right), I'm more comfortable now listing homes, especially higher priced homes, for 5% instead of 5.6%. I believe next year's survey by NAR will show a big drop in listing commissions, and it will be because of the lowering of co-op commissions.

In addition to being good news for sellers, this is not bad news for listing agents because of the increase in selling prices of listings. Getting 2.5% on a \$700,000 transaction pays \$3,500 more than

getting 2.8% on that same listing when it sold for \$500,000 a few years ago.

### How Co-op Commissions Have Changed Since 2015

From studying 100 random metro area sales under \$450,000 for each time period

Month	2.8% Co-op	2.5% Co-op	Other co-ops <2.8%	Median DOM
Jan. 2015	98%	1%	1%	9 Days
Jan. 2017	93%	5%	2%	10 Days
Jan. 2019	91%	9%	0%	20 Days
Jan. 2020	85%	11%	4%	19 Days
Jan. 2021	89%	10%	1%	5 Days
April 2021	79%	20%	1%	4 Days
July 2021	73%	23%	3%	5 Days
Sept. 2021	74%	22%	4%	5 Days
Nov. 2021	69%	27%	4%	5 Days
Jan. 2022	60%	36%	4%	4 Days
Active Now	67%	27%	3%	5 Days

Source: Recolorado

## 56% of Americans Say They'd Live in a Tiny Home

[Treehugger.com](http://Treehugger.com) is an interesting website which was brought to my attention because of a Dec. 28 posting entitled, "2021 in Review: The Year in Tiny Living." I have posted a link to that post on our blog at [www.GoldenREblog.com](http://www.GoldenREblog.com).

The article contains 10 stories about tiny homes that make great reading and may inspire you to look into building your own tiny home. The headline above was item #1. Here's an excerpt from it:

"... Oft-cited factors behind the appeal of tiny houses include efficiency, eco-friendliness, the minimalist lifestyle, the ability to downsize, with the top motive being affordability, as 65 percent of respondents indicate. Of those surveyed, 61 percent say they would spend \$40,000 or less on a tiny home, compared to 16 percent who would spend more than \$70,000. Seventy nine percent say they would be able to outright buy or finance a tiny home, rather than a traditional starter home."

Here are the titles of the other nine articles:

- ◆ Young Biologist Builds Her Own Tiny House for \$30,000
- ◆ This Steel-Clad Tubular Cabin in the Woods Is Built Like a Ship
- ◆ Couple's Extra Wide Tiny Home

Features Mudroom & Ergonomic Kitchen

- ◆ Family's Fabulous Bus Conversion Has Play Loft and Roof Deck
- ◆ Adaptable Furniture & Mirrored Walls Enlarge a Compact Apartment
- ◆ This Ambulance Conversion Is a 4x4 Overland Rig With Shower, Toilet and Hot Tub
- ◆ Young Couple Builds Sprinter Van Home for \$8,000
- ◆ A Shipping Container Home That Makes Sense.
- ◆ Small Parisian Apartment Revamped With Clever Space-Saving Staircase:



## No Firm Experimented More With Co-ops Than Trelora

Trelora began as an outspokenly anti-Realtor brokerage that also was against paying buyer's agents a co-op commission. (The name "Trelora" was derived from a scrambling of the word "Realtor.") However, Trelora has made an about-face in the last couple years and is now both a Realtor brokerage and a brokerage that offers 2.5% to 2.8% co-op commissions on its listings.

When it started as a non-Realtor brokerage in 2010, its first 96 listings all advertised a co-op commission of \$2.80, an apparent play on the common co-op of 2.80%. Perhaps they wanted buyer agents to misread the co-op on the MLS and only realize later that they had worked for free.

By April 2013, Trelora had adopted the practice of recommending to sellers a flat co-op of \$3,000, although it wasn't universal because many buyers felt their listings might not get shown if they were too miserly in their compensation offer. I myself was paid 3% on a listing during this time because the seller told me that he wanted buyer agents to show and sell it knowing they'd earn a commission equivalent to a million-dollar listing.

Also during this time, one of my broker associates spoke to a Trelora agent who encouraged him to put into the listing contract that the buyer would pay 2.8% instead of \$3,000, and that indeed worked for him, although I've been advised since then that inserting an additional provision related to broker compensation was inappropriate.

In mid-2019, Trelora created a separate Realtor firm that operated side-by-side with their original non-Realtor firm for about two years. That non-Realtor firm appears now to have been phased out. Meanwhile, the Realtor firm has listed over 500 homes and has closed 450 of them. Of its **first 50 listings**, 33 offered 2.8% co-ops, 3 offered 3% co-ops, and 7 offered 2.5% co-ops. Only three of the 50 offered less than 2%.

The **50 most recent** closings reflected the same shift I reported on last week: Only 13 offered 2.8%, 34 offered 2.5%, and none offered less than 2%.

My fellow Realtors will be less surprised by the change in co-op compensation than by Trelora becoming a Realtor brokerage, given its original animus toward Realtors.

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