

## Thinking of a Career In Real Estate? Consider Some Facts

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In last week's column (published in *YourHub.com*, archived at [www.JimSmithCol-mns.com](http://www.JimSmithCol-mns.com)), I discussed several kinds of real estate scams designed to separate you from your money.

Reflecting on that column, I believe I left out one of the biggest scams of all — the real estate career scam. The message is simple: get your real estate license and get rich making big commissions.

There are many real estate schools, some owned by real estate companies, that are licensed by the real estate commission and do a fine, accredited job of teaching real estate law so that their students can pass the Colorado state licensing exam. That is their only job. None of them teaches how to succeed at listing and selling real estate.

What is glossed over in the student recruiting process is the enormous drop-out rate of first year agents who have failed to create an acceptable income for themselves. By some estimates, over 90% of first-year licensees in Colorado do not renew their license at the end of the year. They have invested roughly \$1,000 in education and licensing expense, another \$1,000 in E&O insurance, Realtor membership fees and signage, and upwards of \$3,000 in computers, digital cameras, cell phones, printers and other hardware, and they have endured an average of 6 to 9 months with little or no income. They have been so discouraged by the low return on their investment that they decide that renewing their license is to "throw good money after bad." They give up.

I, too, had first-year expectations that were not met, but I had the time and the resources not just to survive those lean first months of my profession but to invest substantially so that future years would be more successful. It worked.

Occasionally, someone will ask me for advice about entering real estate as a career. Like most people, he or she has seen our fancy cars and noticed our advertising and says "That can be me!"

Yes, it can, but be realistic about your chances of success and about how long it might take.

Even at RE/MAX, the most successful real estate franchise in the world, the average agent is making just over \$100,000 in gross commissions per year — before expenses, which can be substantial. From that gross commission income, we have to pay over \$12,000

per year in office fees to RE/MAX. We pay for our own advertising.

My budget is higher than most, but if you're not spending at least

\$5,000 to \$10,000, you probably won't succeed and what you did spend was wasted if you ultimately give up. You'll spend additional money on websites, cars, cell phones, software, etc.

There are hundreds of vendors targeting Realtors with their products and services "to make you more successful."

Starting agents tend not to work for a company like RE/MAX, which charges high monthly fees but lets agents keep their entire commissions. Starting agents tend to work for a company like Coldwell Banker, which offers free desk space and no monthly fees in return for keeping 50% of their commissions plus a 6% franchise fee.

New agents find it easier to be a buyer's agent than a listing agent, but it's a truism in real estate that "listors last." We last because people have heard of us. They see our "For Sale" signs, whereas buyer's agents can be very successful and be a complete unknown to the general public. Yet, consider how few listing agents are successful by looking at these statistics for 2005 (year-to-date) in my own marketing area, the City of Golden:

As of last Thursday, there were 192 sold listings of single-family homes in Golden. For 115 of those listings, it was the only sold listing in Golden for that listing agent. Sixteen agents had 2 sold listings each, and only six agents had 3 or more sold listings. I had 23 sold listings, and my closest rival had only 9. The total sold volume was \$74.5 million, of which I had \$10.5 million. (By the way, my 23 Golden listings sold at 98.1% of original listing price, according to Metrolist. The other agents' listings, combined, sold for an average 89.5% of original listing price.)

To be fair, many of the agents reflected in these statistics had additional sold listings elsewhere and additional income as buyer's agents (as did I), but it's fair to say that the vast majority of them are not having the kind of year that would inspire a friend to get licensed. Many of them, indeed, will not bother renewing their licenses.

Returning to the point I made in my first paragraph, I would wager that more people each year lose more money by investing in a poorly thought-out real estate career than by falling victim to the real estate scams mentioned in my previous column.



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