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For Brokers

COMPANIES TO WATCH BY ROBERT FREEDMAN

Volume players

Sales employees make full-service brokerage affordable.

Realty Select Inc.
www.realty-select.com

Ryan Hess and his partners are hoping to knock down two of the toughest challeges facing brokers today: keeping talent and competing with fee-for-service pricing.

Hess, Quentin Miller, and Ron Felpel are holding on to new talent by hiring sales associates as employees, complete with a group health plan and 401k retirement accounts. "We are very fortunate to have a group of associates who have stuck with us from the beginning and who really believe in the company and vision," says Ryan Hess, broker of the company, which is located in Lancaster County, PA, outside Philadelphia.

The company, Realty Select Inc., starts associates at a $15,000 salary with a 20 percent commission split. As they gain experience, associates trade in their salary for a higher split, up to 50 percent. The company pays marketing and technology costs.

"New associates can focus their energy on working with customers without having to worry about covering their costs," Hess says.

To attract cost-conscious sellers and create a competitive edge, the company provides listing services for $1,500 with a 3 percent commission to selling salespeople. The fee covers the listing, several open houses, and marketing – print and online – over six months. For extra fees that total a few hundred dollars, sellers can obtain additional marketing.

Strong volume, an emphasis on ancillary business, such as mortgage lending and title services, and a high company dollar enable the company to charge the $1,500 fee, says Hess.

The company's listing pipeline is generally full, with each associate typically handling some 30 listings a year. Plus the company also generates income through its mortgage and title services, with capture rates of 65 percent and 90 percent, respectively, Hess says.

Meanwhile, Realty Select's retained dollar per transaction (what's left after commissions, salaries, and taxes) is fairly high, at about 55 percent. That said, the company pays out a good deal to cover associate costs. But there's a positive side to that: control. "We bring costs per transaction down because our associates don't need to buy anything on their own," says Hess.

To help its mostly rookie sales force manage a high volume of business, the company takes a team approach. Experienced associates work with three to four associates and originator from the mortgage company. The leader, accountable for team performance, helps associates stay on task. A leader who's performing well receives a cut of commissions generated by the team. The company hasn't been shy about releasing non-performers. "Because of the volume of work," says Hess, "they have to perform."

In 2003, the company's first full year of operation, it closed 670 transaction sides–at an average $160,000 sale price–and ended the year with about 30 associates. Hess expects to keep a strong listing volume, because sellers are increasingly attracted to the low listing fee. Even if interest rates rise, he says, "we'll be a stronger player."

TEAM APPROACH From left, Ryan Hess, Ron Felpel, and Quentin Miller trade high commission splits for security to make money with fee-based business model.