

ST. LOUIS POST-DISPATCH

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Discount brokerage is an alternative way to sell a house

By Riddhi Trivedi-St. Clair
Of the Post-Dispatch

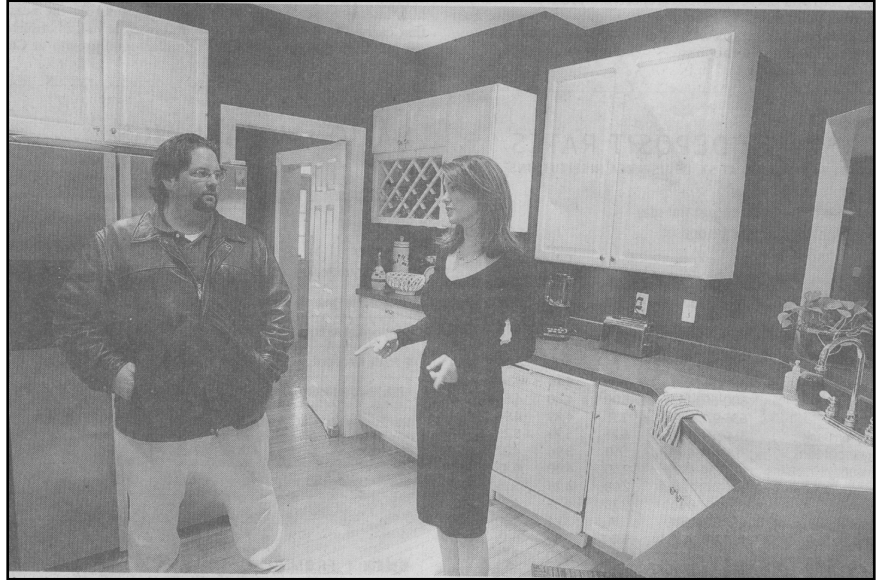
Keri Delaloye felt it was ridiculous to pay up to a 7 percent commission to a real estate agent to sell her home. So she decided to do it on her own.

Delaloye listed her house on www.forsalebyowner.com and waited. Nothing happened for about a week. Then Mike Johnson saw her listing and gave her a call.

Johnson and his wife, Cheryl, own Johnson Realty.

Delaloye ended up hiring the Johnsons because she liked what they were offering — a coveted spot on the Multiple Listing Service for a flat \$500 fee plus brokerage services for one-third of 1 percent.

What the Johnsons are doing is one of the many new "models" of real estate brokerage emerging with the advent of new technology, said David Norman, president of the St. Louis Association of Realtors. Realtors are changing from the old brick-and-mortar way of doing business to more Web-based discount brokerages or even virtual offices that only generate online leads.



Cheryl Johnson, co-owner and operator of Johnson Realty, shows a house in Webster Groves to Mark Wasson, who is being transferred from Indianapolis.

"This is a competitive business and people are always trying to find new ways to compete," Norman said. "In this case, they are using price to compete."

A recent change in state law bans flat-fee brokerages that provide only listing services. In short, real estate firms must provide full service or nothing.

Illinois has a similar law.

That hasn't prevented discount brokerages from cropping up, from websites like HouseValues.com (www.housevalues.com) that help agents reach buyers through the Internet, to more locally based companies.

One local company, "We Sell St. Louis," offers buyers the option of a listing for 4.5 percent commission if "the buyer is certain their home will sell during the contract period.

The seller is charged a one percent non-refundable fee, and the brokerage makes a total of 1.5 percent commission.

Most offer online advertising, photographs posted on websites and in some instances, limited marketing.

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Cheryl Johnson said she provides all the services a traditional Realtor would. She advertises the house, shows it to prospective buyers and negotiates the contract.

"We are the answer for people who want to save money," Cheryl Johnson said. "We are a full-service company. We have just figured out how to do a lot of volume and so we can save our clients a lot of money."

For Delaloye, going it alone meant she had no access to the MLS — a system used by most real estate agents to buy and sell houses.

Using Johnson Realty, Delaloye's house sold in eight days, which she says is good for a slow market.

"I don't think Realtors sell your home anyway," Delaloye said of why she was looking for cheaper alternatives to paying a full 7 percent commission.

Norman has his doubts about the services provided by discount brokerages.

"I hate to say it, but there is some truth in the saying, 'You get what you pay for,'..." Norman said. "If the majority of companies are getting 2.5 to 3.5 percent commission and you are doing it for, say, half a percent, either they have large margins or you are losing money or you are compensating through less service."

Delaloye doesn't see it that way.

For her \$205,000 house, the buyer's agent commission cost her about \$6,000, Delaloye said. She paid \$707 for the Johnsons' services, saving more than \$5,000 compared to a full-priced seller's agent.

When the purchase of another house that Delaloye was looking at in Florissant fell through, Cheryl Johnson also assisted her in buying another house.

"She was more knowledgeable than the seller's agent," Delaloye said.

She also referred her sister Emily and Emily's husband, Jeremy Burcham, to Johnson Realty. They were looking to move from Lake Saint Louis to Florissant.

"We were going to use a Realtor so we had looked at other companies when we decided to sell," Jeremy Burcham said. "They were just overpriced."

The Burchams listed their house with Cheryl Johnson. She also put up signs, advertised the house on major websites and showed the home to prospective buyers. They liked her work so they hired her to help them find and buy a house in Florissant as well.

"She did everything that any Realtor I have ever known does," said Burcham, who is assistant vice president of operations for American Home Mortgage. "It is ideal for someone who is looking to sell their home and not be overcharged."

Johnson Realty is able to provide the service it does through low overhead and high volume, Cheryl Johnson said. She is a certified broker and a Realtor, and handles all the company's transactions herself.

"An average agent does five transactions a year, we see 100," Cheryl Johnson said. "Based on the volume of business I do, I have more experience than someone who has been in the business for years."

Johnson Realty incorporated in June 2005 and got up and running in December 2005. Since then, it has had 110 listings and closed 50 transactions, including 40 sales.

"As a traditional agent, you are in this big, behemoth corporation, you can't move quickly, you are not nimble," Cheryl Johnson said. "You tend not to want to change. We are so small, we can change on a dime."

That ability allows her to handle a lot of clients even while giving them full service. Services like hers may not replace traditional agents, but the "usual" way of doing real estate is certainly taking a hit, Cheryl Johnson said. As more people find out about other available options, she said, they will take those options.