



REAL STEAL

New home-selling biz model plunders agents from long-standing offices

By DAVID WINZELBERG

While Long Island home sales have cooled in the past few years, the competition for top agents has never been hotter, as traditional full-service realty companies battle newer, leaner and higher-commission business models.

While the Island's residential real estate market is still dominated by such familiar national chains as Century 21 and Coldwell Banker Residential Brokerage, and strong local independents like Coach Realtors and Laffey Fine Homes, a new breed of pay-to-play brokerage firms have made significant inroads.

Since 2006, for example, more than 900 real estate salespeople have signed on with Charles Rutenberg Realty, which charges salespeople a monthly affiliation fee of \$39 but pays out 100 percent of commissions earned. Most residential real estate firms offer commission splits of anywhere from 50 percent to 75 percent, depending on an agent's production.

Rutenberg, founded in Clearwater, Fla., in 1989, also charges a \$330 administration fee for each transaction.

Unlike traditional firms, Rutenberg doesn't provide its agents with a desk or an office to do business nearby. The company has only two local offices, in Manhattan and Plainview, to service more than 900 salespeople and their clients. Agents pay for their own advertising and supplies, costs usually covered by traditional firms.

Rutenberg broker/owner Joe Moshe argues that the advancement of the Internet has rendered the real estate office obsolete.

"When everything was localized before computers, the brick-and-mortar office was necessary," Moshe said. "It doesn't need to be like that."

Marian Freundlich joined Rutenberg last year after stints with RE/MAX, Century 21 and Prudential in Dix Hills. The 30-year real estate veteran said she's happy she made the switch to the no-frills brokerage.

"I have an office in my home and it's a great write-off," Freundlich said. "This is the real estate of the future. You don't make money sitting behind a desk at an office."

A newer pay-to-play real estate model called Realty Connect USA opened four offices on Long Island in the last year and has already recruited more than 150 mostly experienced salespeople. Realty Connect has offices in Woodbury, Hauppauge, Setauket and Huntington, where agents pay \$99 a month to sell homes and earn 90 percent commission from the firm.

Realty Connect is owned by a group of prolific real estate brokers who first made their marks at such stalwarts as Prudential Douglas Elliman and Coldwell Banker.

Michael Ardolino, a former top producer for Coldwell, is one of the principals of Realty Connect and its top producer. Ardolino put almost \$30 million worth of homes into sales contracts in 2010, or more than 15 percent of the company's total of \$191.7 million in contracts last year. In fact, the top 10 agents at Realty Connect sold 53 percent of the firm's total volume or more than \$100 million.

Few of the company's other salespeople are as successful. About a third of the Realty Connect sales staff sold nothing in 2010, according to records from an online database.

Nationally known real estate sales trainer Joe Meyer said those numbers show that the converts coming over to the no-frills, higher-commission companies aren't all prolific salespeople. Many are part-timers and some have other jobs.

Meyer said salespeople at these firms av-

eraged about 1.5 transactions in 2010, while the average at traditional realty companies was closer to three deals per agent. According to Broker Metrics, Rutenberg averaged 1.3 deals per salesperson and Realty Connect averaged about two deals for each of its agents.

"The way the model is laid out you'd think the top producers would all go over" to Realty Connect, Meyer said. "In actuality, that's not really happening."

One reason, Meyer said, is that traditional firms are now offering commission splits of 80 percent or higher to keep their valuable players happy and productive. He added that many successful agents get used to the full-service comforts and branding that traditional firms provide.

"They like stability more than anything else," Meyer said.

Carol Tintle, a senior vice president with Daniel Gale Sotheby's International Real Estate, said the pay-to-play model hasn't been much of a threat to her company, and neither Rutenberg nor Realty Connect has had much of an effect on business.

"They're offering a big split and nothing else," Tintle said.

So far, the most successful of the pay-to-play models on Long Island has been RE/MAX, one of the companies that originated the concept in the 1970s. Independently owned and operated, there are 32 RE/MAX offices throughout Nassau and

Suffolk counties and 492 sales associates. The top seven RE/MAX operations on Long Island sold a total of \$608.8 million in 2010. That's nearly twice as much as the \$307.3 million chalked up by Rutenberg, and with fewer salespeople. RE/MAX offices in Nassau and Suffolk averaged 6.4 transactions per agent last year.

Henry Weber, president of RE/MAX New York, credits its success to recruiting only experienced, full-time agents, all of whom receive 95 percent of each commission. The company is not for part-timers, who could hardly afford the pricey RE/MAX office fees, ranging from \$500 to \$1,500 a month. Weber called the newer pay-to-play upstarts RE/MAX wannabes.

"They're really warehouse companies," Weber said. "There's no control, no supervision, and that's dangerous."

Meanwhile, it's not unusual that the slow market has caused movement among those in real estate who may look for greener pastures.

"When people aren't producing they think it's going to be easier somewhere else," Tintle said.

Meyer agreed. "There's a lot of competition out there now," he said, adding there are more pay-to-play companies slated to open in the area soon. "But there are only so many salespeople they can attract. The question becomes, Will they have enough people to make a profit?"

In 2010 the newer pay-to-play firms were outclassed by the larger, traditional real estate companies, at least in terms of contracted home sales on Long Island. Realty Connect ranked 11th in home sales volume last year and Rutenberg ranked eighth in volume behind the leaders: Prudential, Daniel Gale Sotheby's, Coldwell Banker, Coach and Laffey.

"The business is changing," Weber said. "Everybody's trying to figure out what the next hit record is."

But Moshe is convinced his model is already climbing the charts.

"People were skeptical in the beginning," he said, "but now we have some momentum and more credibility."

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| COMPANY | 2010 VOLUME* | MARKET SHARE (Percentage) | NUMBER OF AGENTS |
|-------------------------------------|----------------|---------------------------|------------------|
| Prudential Douglas Elliman | \$2.76 billion | 14.18 | 1,813 |
| Daniel Gale Sotheby's International | \$1.73 billion | 8.9 | 732 |
| Coldwell Banker Residential | \$1.22 billion | 6.3 | 775 |
| Coach Realtors | \$927 million | 4.75 | 640 |
| Laffey Fine Homes | \$867 million | 4.45 | 535 |
| Century 21 Prevette | \$453 million | 2.32 | 338 |
| Century 21 American Homes | \$446 million | 2.28 | 541 |
| Charles Rutenberg Realty | \$307 million | 1.57 | 985 |
| Shawn Elliot Luxury Homes | \$303 million | 1.55 | 83 |
| Century 21 AA Realty | \$194 million | .99 | 144 |
| Realty Connect USA | \$191 million | .98 | 160 |

*Home sales in contract