

# Unbundling real estate services: The public wants it now

**F**or many years, I have been fascinated with the future of the real estate industry. As a former independent and then franchised Realtor, I knew 20 years ago that the old commission models were outdated and that the public was changing, but we weren't. In 1999, the National Association of Realtors (NAR) in the United States commissioned the consulting firm Arthur D. Little (ADL). NAR was concerned about the rise in the number of private sellers (FSBOs) and the new threat of Internet services and other outsiders who were starting to provide alternatives to the traditional MLS system. They call these providers aggregators.

The ADL report was undertaken to address the state of the residential real estate market by the Year 2005, based on 1999 trends. I obtained an executive summary of the ADL report and it really opened my eyes. The American model does not appear to be much different from the Canadian.

It shows the American residential market share. In 1999, FSBOs had 25 per cent market share, and Realtors 75 per cent. By 2005, it suggests FSBO will control 40 per cent of the market share, Realtors 40 per cent, and aggregators 20 per cent.

The numbers do not give job security for the Realtor. FSBO growth in the Canadian market has risen steadily over the past years. There are many websites devoted to assisting the public in selling outside of traditional real estate boards and the MLS system. As well, there appear to be too many willing Realtors, who for a nominal fee of about \$500 will list a house on MLS and then let the selling agent and vendor hammer out the final commission. Although discount brokerage has been on the scene since I started, it was usually isolated to one maverick broker. Today, discount brokers are far too common.

I remember being in a seminar in California in the 1980s (it must have been a major seminar, there were more than 1,500 people in the room). The speaker came to the

podium to wild applause, as he was a well known California real estate guru. He just stood there and pointed. Slowly he pointed his finger around the room at the Realtors in the audience. An uncomfortable silence befell the room. In a hushed voice, he said, "The public has changed and you haven't."

Well, here it is 20 years later and finally real estate, as a selling vocation, is going through a major change. Commissions are no longer sacred. The first generation of immigrants who were easily manipulated by salespeople in the past have become sophisticated consumers. Free real estate advice is in abundance and the Internet is nipping at everyone's heels. Do you really believe that the traditional methods of making money as a Realtor will continue in the future? If you answered in the affirmative, I suggest you take a good look around.

Now, before you think that this article is going to bemoan the loss of income of a Realtor, let me assure you that there is a great opportunity for you — a new opportunity that will allow the best Realtors to make a very good and steady income, from sources that are now closed. The best news is that you already have the knowledge, the skills and the tools; all you need is a little honing and education.

In April I became the first Canadian to earn the professional designation C-CREC (Consumer Certified Real Estate Consultant). By accident I tripped across the website of the National Association of Real Estate Consultants, headquartered in Indianapolis. After reviewing their material and speaking to their director, I was so excited that I booked for the next available course and it was without a doubt one of the best investments I have made in my 32 years in real estate.

The founder of NAREC is Julie Garton-Good. I knew of her excellent reputation from my real estate research. In 2000, she was named by NAR as one of the 25 most influential people in the real estate industry in the United States. She speaks annually to more than 25,000 people and is a syndicated real estate

## THE LEBOW REPORT



BY BARRY LEBOW

columnist. As a student of her course, I can also add she is a great educator.

Sitting in Indianapolis during the two days that I took her intense workshop, my clouded thoughts started to narrow. Ideas that I couldn't put into clear sequence before became crystal clear. Julie's course crystallized my wanderings of the past years. A light came on — instead of trying to sell services, I would start to sell the best product I possessed — myself! The years of learning and life experience were what people were willing to pay for. I became a real estate consultant.

Here are some good examples of what a real estate consultant can offer that a Realtor cannot.

**Move versus improve:** As an active Realtor can you really give this consumer unbiased advice? A consultant is paid to listen, analyse and then report on the various options. A Realtor wants a listing.

**FSBO:** Again, in the bottom line, what service can an active Realtor provide to a FSBO, except to try to make them come to their senses and list? As a trained real estate consultant you can help them price their home, advise them on making it marketable, advise them on how to deal with the public, design ads, get paid to negotiate offers, analyse offers, and provide a host of other services. As a consultant you can earn a good living working with one of the largest growth segments in real estate — private sellers. Active Realtors can watch the parade pass by, as their market share declines.

**Commercial:** For the commercial consultant, the opportunities are endless. I just assisted an industrial tenant who had the choices of staying as a tenant in their existing

## Unbundling

*Continued from page 18*

premises, buying their existing building or moving elsewhere. My report focused on their options (they bought their building) and I was paid for my time. No selling, no listing, and I was well paid as a real estate professional.

The unbundling of real estate services is what the public wants. The public is not the same as the public who you sold to when you started your career. The unbundling of real estate services will be one of the most profound changes in organized real estate in years. The public may only want a part of the Realtor's services, not all of them. They may want you to help them list, but they will handle the sale, or vice versa. They may need mortgage assistance or other ancillary services that you will co-ordinate. The future is looking good, but only for those trained to go down a new path, instead of following the pattern of the past 100 years.

That is why I took the course, to maximize my skills and to make them available for rent to the public. This column space precludes me from going into details about the course. I sat in a classroom with top Realtors, a custom builder, two appraisers, a surgeon (yes, a surgeon) and a regional director for one of North America's largest real estate franchises. Many of the attendees had been president of their respective real estate boards.

I have been pressing NAREC to come to Canada and by next issue, I will probably be able to provide details about Julie Garton-Good presenting her course in Toronto around September of this year. If all goes well, the course will be going across Canada by the end of this year and will be held in all major Canadian centres. As someone with great enthusiasm about this program, I just may be your instructor in your community.

Although plans for the first course are still being finalized, you may contact me for more information via email or fax. Continuing education credits for Ontario agents are in the works.

If you love real estate and want the confidence of making a good living in this industry, real estate consulting, combined with brokerage, allows for a secure future. I know — I haven't felt so good about what lies before me in years. I know, for I have a great future.

*Barry Lebow has been a regular contributor to REM since its beginning. (416) 781-5504, fax (416) 781-3333; email [barry@lebow.ca](mailto:barry@lebow.ca); website [www.negotiator.ca](http://www.negotiator.ca)* ■