

Business Start-Up fact Finder Manual

REAL ESTATE AGENT

Published By Digital Media Solutions Ltd

Real Estate Agent

Vital Information

Start-up Investment

Low - \$1000 (to become licensed)

High - \$30,000 (to open a brokerage firm)

Break -even time - One month to two years

Estimate of Annual Revenue and Profit

Revenue \$300,000 - \$10 million

Profit (Pre-tax) - \$18,000 - \$300,000

Your Piece of the American Dream

In 1986, the National Association of Realtors' census indicated there were 1.2 million real estate agents in the United States. Since most Americans dream of owning their own home, and 82% of all homes sold are sold via real estate agent, there is plenty of action to go around and you may be ideally suited to cash in on it.

In view of the tax changes coming into effect in the next five years and the current economic slump, one would expect the number of homes changing hands to have decreased but with the drastically lower interest rates, the residential market is still going strong. No matter what is happening nationwide, households are still being formed and everyone of them needs a place to live.

Two Years to Takeoff

Because real estate is a regulated industry you can't just decide to become an agent one day and go into business the next. There are three steps you must follow before you can open your brokerage firm:

- 1. Licensing:** You will need to spend, at a minimum a few weeks, perhaps a few months, preparing to take your state's real estate exam which leads to a license. Many community colleges and universities offer night or evening courses you can take in preparation.

- 2. Apprenticeship:** Most states require a set apprenticeship period (2 years or so) with an established broker. Your apprenticeship will teach you the practical aspects of real estate brokering that you couldn't possibly have picked up in school. You will want to take your time and pick an established brokerage firm with abundant listings so you can earn a living while you learn the business, and don't forget to find out what benefits are available to you such as in-house training programs. Remember, agents get paid on commission, so put aside enough money for essentials such as groceries and rent to tide you over until you receive your first commission check. Most agencies pay an average of 6 percent commission on residential properties.
- 3. Brokerage:** Many agents never opt to set up their own brokerage firms, but if you want to establish your own business, you'll probably be ready after you have completed your two year apprenticeship. You will have to be approved by your state's licensing board who will look at your performance record (listing, etc.) and the number of sales you've closed. You may be required to take some additional courses before you receive the go-ahead to hang out your own shingle.

You have a few more questions to ask yourself before you begin your business. Do I want to hire other sales agents or do I want to maintain a one-person office? Shall I Become part of a franchise (about 15% of agencies are franchised)? You will also want to decide how dramatic and elaborate your campaign to bring in buyers will be. Do you want to use video-listings or television spots? You will want to factor these costs and any other advertising you are going to implement into your start-up budget.

Three Keys to Success

In order to be successful in the real estate industry, you will need to have an abundance of the following: product knowledge, a willingness to hustle and inborn sales ability.

Product knowledge amounts to understanding your market, the particular types of homes you represent and perhaps most importantly, the financial capabilities of your area.

Interest rates are the Achilles heel of every real estate agent and you will have to stay on top of the myriad of financing techniques available. And interest rates and financial packages change all the time. Staying on top these facts, taking classes in financial techniques and knowing where to look to get the facts you aren't familiar with will keep you from getting stuck with clients who can't afford to buy or alienating a good client by letting them walk into a bad deal.

Part of the service you will be providing is to steer your clients into the appropriate financing package that will allow them to buy even when the market is soft and there

isn't much money around. A good agent will be able to help a buyer decide whether they want a 15 year mortgage or 30 year mortgage. You will need to be able to talk **"finance" as well as "real estate"**.

Real estate agents don't just show a house and sign a contract. They must act as liaison between the buyer and the lender. The agent has to understand all aspects of the process in order to make the best deal for his client and steer them into the type of deal that will make them the happiest.

Hustling: You must have a lot of energy and time to dedicate to your business. You will not only be constantly trying to bring in new clients, but also trying to sell your current listings. The location speaks well for your business and draws more customers than a storefront in an unsavoury part of town. Be sure to check out the ration of real estate offices to houses before you establish your office location.

You won't be in business long if you wait for buyers and sellers to come to you. You have to go out and get them. There are many different approaches you can take, for example, some real estate agencies sent a regular newsletter to all the homeowners in a particular zip code so that when the homeowner is ready to sell, the agency's name and capabilities will already be known to the homeowner. Other agencies send post cards to all the homes in a six block radius of any listing they get. Be creative and vigilant. You can get good ideas from watching what the competition is doing.

Inborn sales ability: If you are an old hand at selling large ticket items such as cars or insurance you've got a leg-up in the real estate business. But even if you've never sold big items before, remember a sale is a sale is a sale. If you can sell thimbles, you can sell houses.

Life as a real estate agent can often be a roller-coaster ride. Many factors influence the success or failure of real estate agents: interest rates, season, taxes. Housing fluctuates in tandem with the economic climate of the nation but no matter what is happening nationally, there is always a market, people are always buying homes.

Real estates agents need to have a sure hand and a stout heart, but can be highly successful with perseverance, knowledge and concern for their clients.

Resources

Industry Associations:

National Association of Realtors, 430 N Michigan Ave., Chicago, IL 60611 (312) 329-8200

National Association of Real Estate License Law Officials, P.O. Box 129, Centerville, UT 84014 (801) 531-8202

National Association of Real Estate Brokers, 1101 14th St.,NW, Suite 900, Washington, DC 20005 (202) 289-6655

Publications:

Real Estate Today, 430 N Michigan Ave.,Chicago, IL 60611 (302) 329-8200

Real Estate Business, Commercial Investment Real Estate Council, 430 N Michigan, Suite 500, Chicago, IL 60611 (800) 621-7035

For additional information helpful in setting up your new business, information about licenses, permits, the legal structure of your business, taxes, insurance and much more refer to the Business Start-Up Fact Finder Manual