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Includes graphic boxes with more info that I wrote, we don't need the graphics on the site, just the tips

Real Estate Agents: Sink or swim in tough waters

After six years as a stay-at-home mother, Melissa Silver entered the real estate sales game last year, when the market still boasted a boom.

Talk of home prices included words like "record breaking" and "skyrocketing," as buyers outbid one another, making both sellers and sales people happy. While Silver got her feet wet in the rising tide, selling \$400,000 homes in Framingham, Mass., little did she know the market would soften before she got a chance to pull in the big bucks.

As the nation's five-year real estate boom loses its bang, real estate agents -- who saw their ranks swell with the same tide that elevated housing prices -- will likely see their numbers recede, along with sales and home prices.

But, it's not all gloom and doom on the other side of the boom. Flexible hours, commission-based income and the opportunity to be your own boss are still attractive to many, including Silver. She says she's still on track to earn the \$30,000 she projected for this year, working 15 to 25 hours per week, far more than the \$9,800 she grossed in 2005. However, Silver does make it a point to lower sellers' expectations when she lists homes. "We're telling our sellers that their home will be on the market six to nine months," she says.

Silver, of course, isn't the only person who jumped on the real estate bandwagon.

According to the Association of Real Estate License Law Officials, or ARELLO, which accredits state real estate license exams in the United States, last year 2.64 million people in its 47 member states held a real estate license. (The only states not represented in ARELLO's survey are Minnesota, Wisconsin and Iowa.) That's up from 2.4 million in 2004 and 2.1 million in 2000, says ARELLO Chief Executive Debbie Campagnola.

Any homeowner can sell his or her own property in the U.S., but to sell someone else's, a license is required, and each state sets its own requirements. Once the license is obtained, about half of the agents join the National Association of Realtors, the professional group that trademarked the name "Realtor."

Last year, NAR added 163,117 people nationwide, pushing its membership numbers to a record 1.2 million people by year's end. Tom Stevens, president of NAR, says the group has added 500,000 new members since 2000. "That usually happens when there's a good market, and we've had five record years of sales. There's a lot of interest in the business."

Now Stevens expects the slower real estate market will curb the influx of new real estate agents. "I think less people, over the next year or two, will get into it," says Stevens, who is based in Vienna, Va., a suburb of Washington, D.C.

Stevens insists the nation isn't going through an all-out real estate bust. Instead, he says, different pockets of the country are experiencing different levels of activity. Some overheated markets have cooled, while others that were lukewarm during the height of the boom are heating up. For example, formerly scorching-hot Miami only saw home prices inch up 2 percent in the second quarter of this year. But El Paso, Texas, had double-digit gains of 16.3 percent, and the Virginia Beach, Va., area saw a whopping 23.6-percent rise, as did parts of Florida, including Tampa and Gainesville, with roughly 20-percent gains.

"Florida is one of those markets that had 20, 30, 40 percent appreciation. You can't sustain that year after year," says Stevens, who has been in the industry 34 years. Investors have started selling their investments, thereby increasing supply in areas where demand has stayed the same or waned, he says.

Whether the nation's sales are up or down, peddling real estate means more than hanging out a shingle and putting up "for sale" signs.

Agents encounter fierce competition, making it difficult for some to earn top dollar. On top of that, most real estate agents operate as independent contractors, meaning they run their own small businesses and pay myriad expenses that staff employees don't. And many point to the recent interest rate hikes and a softening housing market as harbingers of an exodus from the profession.

Marketing a must

To make it in this business, agents have to market constantly to compete, says Martha Rooney, a real estate agent in New England. She says the intense competition turns some new agents away from the business.

Rooney has been selling homes for eight years. During her first six months as an agent she grossed \$20,000; last year, she pulled in \$75,000 before subtracting her expenses -- that's well above average. In 2004, the average gross income for members of NAR was \$49,300. And the NAR members spent a median of \$8,200 on business expenses, up from \$6,900 in 2002.

Rooney's advice: "You have to be creative to get business. A lot of business came through our Web site, and I sent out announcements to everyone I ever knew."

As independent contractors, many agents must market themselves and pay for business cards, postcards, ads and other materials. Whether the industry is at a high or a low point, she spends \$864 per year on newspaper ads to keep the business coming.

"We do a lot more than ride around and show people houses," Rooney says.

Then there's the follow-up work.

"You have to be in the background making sure people get their financing done," Rooney says. "I've heard of people having deals fall apart at the closing table. It's bad if you've already spent the commission."

A missing pay stub, an overdrawn bank account, a dip in the credit score on the buyer's part could kill a deal through no fault of the agent.

These factors often weed out agents that aren't up to par, regardless of the market cycle, says NAR's Stevens.

"Twenty percent of Realtors do 80 percent of the business," he says. "It's a real tough, competitive business. The people that understand the business work smart and work hard and make the majority of the money."

"You have to be a self-starter. No one calls you to ask why you haven't punched the clock. If you don't work, you don't make the money."

Call for tougher licensing requirements

Anthony Marguleas, broker and owner of high-end realty firm Amalfi Estates in Los Angeles, thinks the industry shouldn't be spitting out low-producing agents. Instead, it should be harder to become one.

Marguleas researched the number of hours it takes to become a licensed real estate agent, which varies by state. In California, he says, getting a license calls for a 45-hour class. Nationwide, the requirements range from a low of 24 hours in Massachusetts to a high of 120 hours in Ohio, according to ARELLO. He says it takes 9,000 hours to become a doctor and 1,600 hours to become a cosmetologist.

"To dye someone's hair it takes 20 times more studying than to help someone sell the largest investment of their life," he says.

"Real estate agents typically get ranked right around used-car salesmen. The bar is so low to get a real estate license," says Marguleas, who operates in a high-end market in Pacific Palisades, Calif., and has been in the real estate business for 15 years. "I

would love to make it as hard as it is to become a doctor or lawyer to raise the professionalism. So many people who do this are part-time and not very knowledgeable about what they're doing. It's why consumers have such a poor image of real estate agents."

Many people who enter the profession don't realize the amount of work it requires -- including negotiating high-dollar contracts and being on call during evenings and weekends, he says.

"They may be better off managing a fast-food restaurant, making more money," says Marguleas, whose five agents have an average of 10 years' experience and typically make \$200,000 per year.

Not an easy way to make a living

J. Andrew Hansz, whose own credentials include the prestigious Chartered Financial Analyst designation and a Ph.D. in real estate, has taught graduate-level real estate classes at the University of Texas in Arlington since 1999.

He says he's seen an uptick in the number of students seeking out the program and the number of companies seeking out students.

"This summer we had more companies contact us for interns than we had students to provide them. My first graduate class in the fall of 1999 had three students; now the typical graduate class has about 15 to 20 students."

Hansz says the cyclical nature of real estate may thin out the herds of agents. "A lot of people flood in when times are good, and a lot of people flood out when times are bad. When the market isn't booming, there isn't a lot of money to be made. A lot of agents make very little money, and for a lot of them it's a second or third job or they're semi-retired. Others hold it as a credential," says Hansz, who has a Texas real estate broker's license to add to his own credentials. "Students listen to me since I hold the license they're pursuing."

However, Hansz is optimistic about people entering the industry now.

"This is a good time to learn," Hansz says. "You don't want to start when business is booming, because once you get up and started the boom is over."

"It's a tough, tough job to make a living at," he says. "The people who succeed are happy, healthy and wealthy. With sales down, the pie will get smaller. It will be harder for newer agents to arrive or maintain their income."

Side bar

What it takes to be a real estate agent

Otesa Middleton Miles

Bankrate.com

The run-up on housing prices nationwide caused many to salivate. Double- and sometimes triple-digit gains made real estate not only trendy, but über-lucrative. Some turned to investment property to get their piece of the pie, while others opted to sell the pie by becoming real estate agents.

There are several steps necessary to become a real estate agent. Although the exact requirements vary by state, Bankrate spoke with industry experts to get an overview of what is needed and what it will cost you if you want to sell residential real estate.

Typically in the U.S., homeowners can sell their own homes without a license. But to sell someone else's home usually requires a state license.

Pat Vredevoogd Combs, president-elect of the National Association of Realtors, or NAR, suggests that wannabe real estate agents first interview brokers. In most states, agents must work under a broker.

"Talk to real estate companies and find one you want to associate yourself with," says Vredevoogd Combs, a 35-year real estate veteran based in Grand Rapids, Mich. During these meetings you should find out the company's advertising policy, office culture, location and, most importantly, how the commission is split between the agent and the broker. Although a 6-percent commission is common for real estate sales, half of that goes to the seller's agent and the other half to the buyer's agent.

Then, each agent must split his or her part with his or her broker. Some brokers split the commission evenly with the sales agent, while others boast taking only 5 percent from agents.

New England agent Martha Rooney, who has a 50/50 split with her broker, urges would-be agents to find out what expenses agents must pay out of their commission. Some items, such as office costs (i.e., a desk, photocopying, marketing, phone calls, postage) may be the responsibility of the agent.

"In some offices you pay as much as \$2,000 a month just for your desk," Rooney says.

Next, NAR's Vredevoogd Combs, who is a partner in AJS Realty, says after interviewing real estate firms, take prelicensing classes.

Courses are offered online, through real estate firms, professional schools or community colleges. Each state sets the requirements for classes. In New Hampshire the courses are 40 hours, while other states, such as Louisiana, require up to 90 hours of classes.

Then there's the test. Once you pass it, you become licensed through the firm you choose to affiliate with.

Many companies have their own form of in-house training to help new agents, Vredevoogd Combs says. Some require more classes, while others pair a newbie agent with a seasoned pro. "Others offer no training at all and whatever happens, happens," she says. "If you're new, you need some type of training."

Once licensed, Vredevoogd Combs recommends joining real estate associations and taking additional classes. NAR lobbies Congress on behalf of real estate agents and provides training and a code of ethics for its members.

To keep up with new laws and trends, many states require agents to take a certain number of classes each year. In Michigan, six hours of continuing education classes are required each year.

Despite the classes, the test and the fees, Vredevoogd Combs still considers the real estate sales game easy to enter and a "great business to be in." And from the looks of things, she isn't alone.