

## Understanding Real Estate Commissions

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Understanding how real estate commissions are earned and paid will help you make the best choices in engaging real estate agent services, whether you are a seller or a buyer.

### Commission Rates

By far, the most commonly encountered *full-service* listing commission in metro-Atlanta is a 6%, with one-half (3%) being the customary share offered to buyer agents. Listing commissions are negotiable; however, as a practical matter, a minimum 3% buyer agent share must be offered – offering buyer agents less than 3% puts the home at a competitive disadvantage within the real estate marketplace.

### How Real Estate Commissions are Structured

With few exceptions, homebuyers do not pay real estate commissions. The standard Listing Agreement between a real estate agent and a seller commits the seller to pay the listing agent a certain commission percentage (typically 6%) upon the sale of the home. The listing agent then markets the home to other real estate agents, offering to share this commission (typically 3%) with the agent bringing a buyer. If the home sells to an agent-less buyer, the listing agent is contractually entitled to keep the entire (6%) commission – this is sometimes referred to as a *double commission*.

### Commission and Buyer Representation

A common homebuyer mistake is to assume that, by not having an agent, a better purchase price can be negotiated. This assumption is based on the faulty premise that the seller will be paying less commission and can, therefore, accept a lower purchase price. However, because (as noted above) where there is no buyer agent, the listing agent is entitled (per the Listing Agreement) to keep the full commission, the seller in fact has no savings to pass on to the agent-less buyer.

Without an agent, a buyer foregoes the benefits of professional representation and service that would, in effect, be paid for by the listing agent. A homebuyer's best results, economic and otherwise, will come from engaging a competent, skillful agent committed to promoting and protecting the buyer's interests.

### Discount / Limited Service Listings

*Limited-service* real estate brokers offer to put a home on the MLS and set up agent lockbox access for a discounted commission. Most offer additional ala-carte services for additional fees. Limited-service brokers make their money through a combination of high volume and minimal service. Commissions and fees paid using a limited-service broker range from 3.75% to 6% (including 3% paid to the buyer agent) versus a 6% commission for a full-service listing – a cost savings of 0% to 2.5%

Sellers considering a limited-service broker often focus only on commission savings, without considering the value associated with a full-service listing. A quality, full-service listing will generally spend less time on the market and deliver a higher selling price than a limited-service listing. A quality full-service listing is one that includes a research-based pricing strategy, professional home staging and marketing, and skillful contract negotiation on the seller's behalf. Sellers considering a limited-service listing should be aware that limited-service listings generate considerably less agent traffic than a full-service listing, as buyer agents have a bias against showing or promoting limited-service listings to their buyers.

### **Buyer Agent Bonuses**

Listings sometimes offer agent *bonuses* - often thousands of dollars above the typical 3% commission share, to induce agents to *sell* the listing to their buyer-clients. The extent to which buyer agent bonuses are effective is unclear, but the practice of offering them is common – particularly in a soft market. Ethical considerations aside, an agent is legally permitted to steer a buyer-client toward a listing based on the amount of compensation the agent will receive, without disclosing the bonus to the client.

### **Seller Considerations**

Sage's *full-service* listing commission is 6%. We always offer a 3% share to buyer agents. Our Listing Agreement provides that if your home sells to an agent-less buyer, we waive 2% of the commission making the total commission you pay only 4%.

### **Buyer Consideration**

Sage represents homebuyer clients to a [\*True Agency<sup>sm</sup>\*](#) standard. We show you every home meeting your criteria and present it objectively, whether it is a *full-service* listing, a *limited service* listing or a home for sale *by-owner*. We rebate to you any agent bonus paid to us in excess of a 3% commission share – often thousands of dollars.\*

\* There are two reasons for rebating agent bonuses to our buyer-clients:

1. Our commitment to rebate any agent bonus eliminates the financial incentive for us to *steer* you toward one home over another, thereby eliminating a conflict of interest.
2. An agent bonus logically inflates the purchase price of the home by the amount of the bonus. The bonus, in effect, is being paid by you. In rebating the bonus, we are simply returning your money.

