

Bucking tradition: 3 business models

With the real estate industry's traditional business models under scrutiny, REM looks at how three non-traditional companies across the country are faring. By Kathy Bevan



One Percent Realty

One Percent Realty in B.C. is now one of the “veterans” of Canada’s non-traditional brokerages. With a network of 140 salespeople serving most of B.C., the firm’s business model has changed very little since it first started up in 1998 in Vancouver. The company’s share of commission is still its namesake one per cent, but as of January 1, the minimum charge increased to \$6,000 from its original \$5,000. The firm also charges \$900 per listing for MLS fees, title searches and a set amount of advertising; if the vendor wants more ads, there’s an additional fee.

“I come from a project marketing background where the developer paid all your costs, so that’s where the business model came from,” says company founder and broker/owner, Ian Bailey. “I’d show them a book and say, ‘Here’s what an ad in the *Real Estate Weekly* costs, here’s what a virtual tour costs, what do you want to do?’”

Bailey points to the addition of Schedule A to B.C. listing agreements, about four years ago, as a big plus for his business model. “Schedule A basically says what you’re going to do – are you going to hold open houses, have a lockbox, advertise, what’s the deal? It’s been perfect for us, because prior to Schedule A, other Realtors could say, ‘You don’t get the level of service that we offer,’” says Bailey. “It puts everything on the table and that’s what we’re all about. Realtors don’t really like discussing what the commission is, but we do. We talk about everything, what we’re going to do, what you’re going to get for that.”

Bailey says One Percent had about 2,000 sales last year – a recovery year for the B.C. mar-

ket – and notes that his business model does particularly well working with consumers in small towns. “These are people who, if we’re saving them \$10,000, know what that looks like and how long it takes them to get that \$10,000.”

Donald Hewie Real Estate

Ottawa Realtor Don Hewie had been working in real estate sales for more than two decades when he decided to start up a flat fee brokerage in 2006. His business model was based on unbundling all aspects of the real estate transaction.

“I estimated that, from the time I listed a house to the time it sold, on average it took about 11.5 hours of my time per listing,” Hewie then came up with an hourly fee of roughly \$150/hour and let his clients choose which services they wanted him to provide.

“I wanted to be the Canadian Tire or the Home Depot of Realtors,” says Hewie. “If a real estate company is a pure real estate company, they would be offering whatever services consumers wanted. They’d be selling the marketing tools, the signs and the lockboxes – providing consumers with whatever services they could to help them sell successfully privately. If I go to Canadian Tire, they’ll either fix my car or they’ll sell me the parts and show me how to fix it myself. So does Home Depot. I want to be that for real estate.”

Hewie revised his business model in 2007, when CREA introduced its MLS interpretations. Today his three-person office offers three different fee structures, with the highest commission at 3.5 per cent for full services – Hewie retains one per cent and selling agents get 2.5 per cent.

Hewie says, “In real estate, we’re all the same – we have the same tools at our disposal, there is no difference with MLS, the sign, the lockbox. So in order to distinguish ourselves from everyone else, we have to market ourselves. That’s why you see a lot of agents marketing themselves – the girl with the hat, the guy with the dog. There’s this team, that team. We’re all the same, there’s no difference. My marketing strategy is, I offer lower fees and that resonates with consumers more than the girl in the hat and the guy with the dog.”

ViewPoint Realty

Halifax-based ViewPoint Realty is one of the newest non-traditional real estate operations in Canada. The company launched its technology-driven real estate services in January,



Bill McMullin

after more than 12 months of software development and data acquisition. Its full service listing package is priced at three per cent, of which two per cent goes to co-operating brokers and one per cent goes to ViewPoint. The company has three people working as Realtors, including founder and CEO Bill McMullin, plus a half-dozen people working behind the scenes in technology support. A key differentiator for ViewPoint Realty – all salespeo-

ple and staff are on salary, none are working on commission.

“We don’t believe in the commission model of real estate, we really don’t – there’s a simple reason for that,” says McMullin. “We don’t believe Realtors can sell houses – and I want to be clear: Realtors can help market a house, but we’ve yet to find a buyer who ever bought a house because of something the Realtor told them or some sales pitch the Realtor gave them. Almost 100 per cent of the time buyers indicate they bought because No. 1, they knew it was for sale – that’s a marketing challenge. No. 2, it was in the right location. No. 3, it was the right price. It obviously met their needs, of course. None of those involve selling.”

McMullin describes his firm as a traditional real estate brokerage focused on streamlining the transaction process for consumers. “Everything the consumer wants to be easier, we want to make it easier – that’s our mission. Not to get rid of the Realtor, because the consumer will decide, okay, I need a human to help me with that negotiation and a human to help me with pricing and a human to deal with a scenario or situation in a counter-offer,” says McMullin. “You’re not going to have a self-service checkout where you take your house, put it on the conveyor and go through with your debit card. I really do believe there’s going to be a role for the professional for the foreseeable future. All we’re doing is streamlining the front end – the explore stage for buyers and sellers – and the back end.”

Looking ahead

McMullin doesn’t foresee ViewPoint Realty changing its business model, regardless of any future ruling by the Competition Tribunal, but he questions what

a changed MLS would look like. “This national central MLS works really well; it’s an efficient system of disseminating information. If we break up that, how does that help the consumer?” McMullin asks.

He adds that he’s seen the MLS changes CREA had shared with the Competition Bureau in January. “I’m still at a loss: what is the Competition Bureau looking for? I’d like to know. I’m not skeptical or critical, I just want to know – what is it, what outcome do they want? Because, except for taking the Realtor completely out of the listing process of listing MLS, I don’t know what’s left.”

Ian Bailey of One Percent doesn’t anticipate his business model will be impacted by any changes to MLS access, as long as the MLS information itself remains intact. “What I hope it doesn’t do is destroy the data. What if you’ve got all these For Sale By Owners on there and they’re not reporting their sales? What’s wonderful right now is our access to information. We know what every house sold for, we can look at the pictures, the digital photos for everything that’s been on MLS for the last 10 to 15 years and go and see the guy’s living room. You know the dimensions of the place, you know everything about it and what it sold for in 1996 and 1998 and 2002. And now, it could turn into a mess, which would be a shame.”

Meanwhile, Donald Hewie of Donald Hewie Real Estate is anxious to see changes to MLS access, so his business model can work the way he wants it to, offering everything “from full service to no service”, serving FSBOs as well as full-service clients. ■ **REM**