

RAISING THE STAKES

From cash to cars, developers sweeten the pot to draw agent attention to their properties.

BY BRIAN KLADKO
JOURNAL STAFF

For real estate agents who had grown accustomed to a frenzied housing market, the last year has been a bit of a come-down. But the slackening demand and a glut of new condos has actually yielded bigger paydays for some as developers bolster incentives to jockey for agents' attention.

Sometimes it's in the form of a higher commission known as a "co-broke" for the buyer's agent. Other times, it's a bonus on top of the commission. One developer is offering to pay half of the agent's commission up front, at the signing of a purchase and sale agreement, rather than waiting for a closing that could be a year away. And then there is the occasional BMW or trip to Portofino.

"It's a marketing tool," said Michael Carucci, president of ERA Boston Real Estate Group, which is preparing to offering fatter commissions for an East Boston condo project his firm is selling later this year. "Market conditions change and you have to adapt to them. Would I have had to do this two years ago? No. It's about creating awareness."

But not everyone agrees that such incentives are an effective tool. And for some developers and agents, even those who use or benefit from them, the strategy raises questions about agents' alle-



The Regatta Riverview Residences in Cambridge has been offering a 4 percent commission to outside agents to draw attention to the complex's units.

giances to their clients.

"I think it can cross ethical issues," said Heather Kim, an agent with Coldwell Banker near Porter Square in Cambridge. "Do you show your buyers something because it's at a higher co-broke? The answer should be clearly 'no.' That shouldn't be the force that drives you to a particular property. As far as how it affects agents realistically, it's hard to say."

The incentives are perhaps the most telling sign that the residential market has flipped, giving buyers the upper hand. Two years ago, the best a buyer's agent could hope to get was 2.5 percent of the sale price — that is, half of a typical 5 percent commission. Sometimes, developers would offer just 1 percent or 2 percent.

"Basically, their position was, 'It's my listing, we're going to get five offers on it in one week. You could take the point or two points or get nothing,'" Carucci said.

How times have changed. When his agency begins selling a 137-unit complex in East Boston later

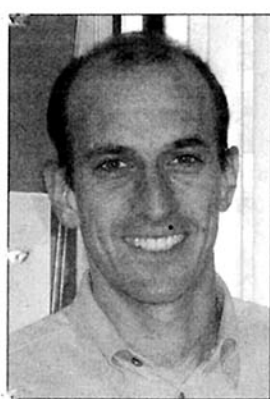


this year, he plans on paying 3.5 percent to outside agents, also known as "co-brokers."

"We want to be out of this project in a year, and we understand what it's going to take to get out of it — and that is, sweeten the pot," he said.

The Regatta Riverview Residences in Cambridge has been offering a 4 percent commission to outside agents for the last four or five months; on a \$500,000 unit, that's the difference between a \$12,500 commission and a \$20,000 commission. Sales manager Tony Zarbano believes the higher co-broke induces agents to take clients to his project first, helping

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INCENTIVES: Developers sweeten lures as competition increases

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sustain what he calls a "steady" sales pace, with 17 units going under agreement in July.

"We're doing everything possible we can to let them know that we're here," he said. "On the flip side, we don't want them to come here just because it's a 4 percent commission."

The "flip side," as Zarbano calls it, is something that developers and agents approach cautiously, aware that the extra money could make a buyer's agent more of a seller's agent — that is, working for the developer than for the client. But they insist the incentive will only do so much. Even those who believe it increases the chance of a visit don't believe it will help close a deal.

Other developers, or sellers of individual high-end homes, offer cash bonuses for as much as \$5,000, Carucci said. The advantage: The agent gets to keep all of it, as opposed to commissions, which are shared with the agent's office.

Agents are not required to disclose to their clients that they are getting an incentive from the seller of a property.

The developers of the Waterworks at Chestnut Hill are playing to agents' yearning for immediate gratification, offering to pay half of the commission at the purchase and sale signing, rather than the closing. Karen Fish-Well, the vice president for Peabody Properties Inc., would not discuss the tactic, but a spokeswoman said it worked for the company in Florida.

Others have brought some creativity to the game. Carucci, for example, is offering a three-year lease on a BMW — worth \$60,000 — to the agent who helps him sell his listing of a Weston home with an asking price of \$9 million. That perk would be on top of a 3 percent commission for the buyer's agent.

So far, there are no takers, but Carucci thinks the move may yet pay off.

"It accomplished what I wanted it to do," he said. "It created awareness."

Kevin Ahearn, president of Otis & Ahearn, had the same goal in mind when his real estate and sales firm offered a trip to Portofino, worth \$10,000 to \$15,000, to the agent who consummated the most deals at Strata 234. But Ahearn insists it wasn't an incentive. Instead, he says, it was a "branding strategy" that highlighted the project's proximity to the North End's Italian ambiance.

Ahearn actually doesn't have much faith in financial incentives, even though he offered a 5 percent co-broke at 50 North Beacon in Allston/Brighton to move its last few units last spring. It was the developer's idea, and he figured it couldn't hurt. But he would have preferred to use that money for more advertising.

Another skeptic of agent incentives is Jeff Brooks, a partner in the Abrams Group LLC, which is building the Atlantic at Marina Bay in Quincy. His firm tried \$1,000 bonuses in the fall, then upped the ante with 5 percent co-brokers in the winter. "If they were going to get an extra \$10,000 on a sale, naturally what project do you think they're going to push? They'll push ours," he said.

But it didn't work, leading Brooks and partners to conclude that agents don't have much influence over their clients. So Brooks and his partners began offering upgrades and cutting prices — its lowest-priced unit is now \$259,900, from \$329,900. The result: an uptick in sales.

"It's been much more beneficial to give any possible incentive we have to the buyer," he said.

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