

DISCOUNT BROKERS VS FULL-SERVICE BROKERS

WHAT THEY DO AND DO NOT DO FOR YOU

When selecting your Brokerage to sell your home or practice you have more choices than ever.

Commission rates (aka Success Fees) are wide ranging, and the Competition Bureau of Canada has made sure that price fixing is not only illegal but monitored and regulated. In the old days, the real estate industry was heard to say, “the industry standard is 6%” and most home sellers accepted that and listed at 6%. Not anymore. You can list a home for as little as \$500 with a deep discount real estate Brokerage.

Two years ago, I had a unique property to sell, and I offered the Agent 7% knowing it would be a challenging sale. Using a \$1 million property as an example that indicates a commission payable in the range of \$70,000 paid to the broker. Wow! It was worth every penny.

For your practice you have similar choices.

Given trends of the past decade most intelligent consumers know about the limited-service offerings of the deep discount Realtors and stock brokerages. What about the Dental Brokers? Which one might you choose? And why? Our firm receives a 10% Success Fee when a sale closes. Our competitors charge as little as 3%. Wow!

Full Service:

Surveys reveal that higher educated professionals – people who have an elevated business acumen and IQ – have a higher propensity to retain the full-service firm. The less initiated like to try new things and thus engage the discounters or go the DIY route of selling on their own, unrepresented. Everything looks easy from the outside and the temptation is strong.

My amateur study of the many dentists that I have acted for reveals that they want to be hands off with their business matters and hands on with their clinical matters. The fees paid to lawyers, accountants, financial advisor, estate planners, brokers, etc. are not a deterrent even though they appear high. Tax deductibility of advisor fees for the high-income group cuts the fees by 50% and the added service of the high-touch advisor gives comfort in knowing we are in the hands of the best trained or the most educated for complex business decisions.

I am an example of that. I obtained my real estate license in 1984 and in the past 38 years I am not ashamed to admit that I have an addiction – real estate. Not every property bought has been a brilliant decision but with about fifty bought and sold to date – it has certainly been a wild ride. And of those fifty properties one, and only one, was purchased without the assistance of a real estate broker. My cottage.

The owner was a neighbor and good friend of my family and for years I said, “if you ever want to sell, I am ready to make you an offer.” He sent a letter to me about 20 years ago and we made the deal in short order. I paid him \$107,000 for an old cabin on the lake. It was worth a lot more! Poor fellow outright refused to hire a broker – may God rest his kind soul. He liked me and gave me a break. His wife would have done thing differently!



Discount (Low/Less) Service:

For those who are exceptionally well organized (many dentists are) and those who enjoy the art of the deal (negotiating) the low-service offering may be a good fit. Many of these Discounters usually produce a simple valuation to get a price point to allow you to then set your own asking price. They can advertise on their websites (any broker can do that for little or no cost) and get buyers to make inquiries. That is when the rubber meets the road and the amount of service matters. Some buyers are very motivated, well educated and experienced and require little to no broker interactions other than to facilitate entry to the practice. They have a team of advisors and can make and present their own offers. Many also have their own internal appraisal team to set the price they want to pay. They like to drive the deal and oversee timelines. For the sophisticated seller this is manageable.

Other buyers are naïve and new to the process. They are the best “fit” for most of our proud clients, but they distinctly require a substantial amount of time to be guided, ethically and without pressure. Just ask your lawyer or Accountant how much time they invest with first time buyers! A full-service Broker will have held many hands up to the final hours to bring a file to closing and this may be when your full-service Broker will earn his/her keep.

Conclusion:

As a buyer – I want to go direct and pay a lower price. I feel noticeably confident making my own offers and representing myself.

As a seller I will hire the Broker with a reputation for getting the highest price – that is my sole criteria for selection of such Broker. Even if that demands paying a higher commission. And I certainly do not want to sell my own properties – heck no! The Broker can manage today’s buyers better than I.

Note to Reader:

My obvious bias put aside – writing to you today as a full-service Broker - each transaction requires thought as to whom is best suited to serve your interests. Ask your lawyer and accountant what they think before you select your Broker. My service is not for everyone.

Written by:



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Record



**YOU'RE INVITED TO OUR
GRAND OPEN ON
MAY 29TH, 2022**

2pm – 4pm

**Sheraton Parkway Toronto North,
600 Highway 7, Richmond Hill**

