

New guys on the block

Company founded by veteran real estate brokers has lured 595 agents in 2 years by charging a flat fee for sales, says Tony Wong

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When ReMax International entered the Canadian market with one franchise in the late 1970s, it changed the face of the business.

By aggressively offering agents a bigger share of commissions, the Denver, Colo.-based real estate sales company attracted more top agents, shaking up the established players and propelling the firm to the top spot in Canada in only 10 years.

Since then, despite radical changes in technology, the structure of real estate brokerages hasn't fundamentally changed.

But a tiny Toronto brokerage that started slightly more than two years ago could once again represent a sea change in the way realtors do business in the future – by putting more power and commission in the hands of agents.

The company's generous fee structure has already poached agents from other companies. And if the company continues to grow, some insiders feel it could represent the biggest threat yet to established brokers, causing a fundamental shift in the way they will have to do business.

In just two years, Right At Home Realty Inc. has grown to 595 agents, making them, they say, the fastest-growing brokerage in the GTA and the second-largest independent brokerage at the Toronto Real Estate Board.

While the real estate board doesn't make a comparisons of member agencies, the sheer size of Right At Home would certainly put it in the top 10 in the GTA. Not bad for a couple years' work.

One big problem for partners Arthur Bartram and Howard Drukarsh when they first started the firm was persuading skeptical agents to join because the deal sounded too good.

"The question we always get is, what's the catch? But there is no catch," says Drukarsh, vice-president of the company. "We don't earn the commission, our agents do."

Real estate agent Sergei Serebrianskii admits that he was dubious about Drukarsh's claims at first. After all, he was being told he could keep not just a greater share of the commission structure, but the whole pot.

"You couldn't beat that formula, but it really sounded unbelievable," says Serebrianskii.

Right At Home's premise is simple. It allows agents to keep 100 per cent of their commissions, but it charges a flat \$69 monthly fee and each sale costs the agent \$275.

That's a radical concept in the realty world, where commission splits between broker and agent vary

widely. In some companies, agents may earn 60 per cent of their commission, while star agents may make as much as 90 per cent. So 100 per cent is as good as it gets.

As a result, Right At Home is growing at the rate of about 30 new agents a month, a figure which president Bartram boasts makes it the "fastest-growing company out there. There hasn't been a company that has grown this quickly."

With the average home in Toronto in the \$350,000 range, an agent could theoretically take home about \$8,750 a sale without having to share it with a broker – twice that much if he both listed and sold the home.

Serebrianskii, a popular television personality in his home town of St. Petersburg in Russia who has a Canadian radio show aimed at the Russian community, said the decision to move from his old brokerage – which he doesn't want to name – to Right At Home was the equivalent of "giving myself a raise. I literally saved thousands." The savings can be even greater on higher ticket items. One agent sold a \$12.4 million, 178-unit apartment building in St. Catharines last year. He paid the same fee as any other agent would – \$275 for the deal, said Bartram.

"He kept asking me if I was angry that I was only getting a fee from him, but every deal is the same to us," says Bartram. The agent ended up buying designer purses for the secretaries on staff, which cost more than the fees, Bartram said, laughing.

More commission also means more room for agents to negotiate with clients on fees. It also gives agents more cash to spend on advertising and promoting their clients' homes if they wish, but that's ultimately up to the agent.

Agents also seem to like the fact that neither Bartram nor Drukarsh sell property, so they're not competing against their sales people. And there is no "prima donna" system where some top-performing agents get a bigger commission split than others. This makes for more relaxed office politics, says Drukarsh.

Right At Home's survival depends on volume. Bartram estimated that their break-even point was 300 agents, which they hit in January 2006.

"We had to do this on scale. There was no other way to make the numbers work," he said.

Bartram's credibility with the business community helped him raise seed money for the company.

He had been vice-president and general manager of upscale realtor Johnston & Daniel in 1985, before moving on to co-found Chestnut Park Realty, another upscale brokerage house geared toward the Rosedale and Forest Hill set.

The concept for Right At Home, like ReMax, originated in the United States. Bartram was vacationing in Florida when he found out about a company called Charles Rutenberg Realty, which was growing at a rapid clip because of the 100 per cent commission structure.

"It was really phenomenal to see that kind of growth."

The idea wasn't entirely original. In Canada, some companies have offered 100 per cent commissions, although monthly and deal-closing fees were much higher than Right At Home's, according to Bartram.

"We didn't invent the wheel, we just created a transparent, simplistic deal that was easy to understand and fair to everyone, and it seems to be working," he says.

After meeting the owner of Charles Rutenberg, Bartram decided to quit his job as a vice-president and division manager at Royal LePage to start his own company.

With his carriage trade connections, he raised initial seed capital of \$550,000 from 20 investors. He says the company is now profitable, which allowed it to open a second office, in Mississauga, last year.

But the partners realize the bigger they get, the bigger a target they become.

One issue brought up by competitors is that Right At Home has virtually no brand presence compared to the big operators.

Don Lawby, president of Century 21 Canada, with 385 offices and 3,900 agents, says Canadians are more comfortable entrusting "what is typically the single largest transaction in their lives" to a well known brand.

"They want a certain comfort level. This is a big transaction for them," says Lawby. "It will take an awful lot to change an industry and to capture a position in the minds of consumers."

Gary Hockey, president and CEO of Coldwell Banker Canada, agrees, saying the Canadian landscape is "littered with the tombstones" of brokers who do well in good markets but poorly in the inevitable down cycle.

"Competition is good for everyone. But when you boil it down, there is only a 100 cents in any dollar, no matter how you slice it, and (brokers) need those cents to sustain a top quality operation to get the proper services," Hockey said. Bartram argues that it's about the agent, not the brand. "I tell agents, if that brand is so important to you, then stay where you are. But ask yourself, how many deals in the last year has the brand provided you?" he says. "The clients care about the agent first, not the brand."

Right At Home's Drukarsh says the dynamics of running a brokerage are radically different today with the advent of new technology. Individual offices, for example, are no longer needed because many agents can work from home.

Whether Right At Home will be the ReMax of the 21st century is up for debate. ReMax took a decade to hit the Number 1 spot. By that yardstick, Right At Home has another few years to shake things up.

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