

## Real estate agents: Sink or swim in tougher waters

Page | [1](#) | [2](#) | [3](#) | [Print](#)  [E-mail](#)

"Florida is one of those markets that had 20, 30, 40 percent appreciation. You can't sustain that year after year," says Stevens, who has been in the industry 34 years. Investors have started selling their investments, thereby increasing supply in areas where demand has stayed the same or waned, he says.

Whether the nation's sales are up or down, peddling real estate means more than hanging out a shingle and putting up "for sale" signs.

Agents encounter fierce competition, making it difficult for some to earn top dollar. On top of that, most real estate agents operate as independent contractors, meaning they run their own small businesses and pay myriad expenses that staff employees don't. And many point to the recent interest rate hikes and a softening housing market as harbingers of an exodus from the profession.

### Marketing a must

To make it in this business, agents have to market constantly to compete, says Martha Rooney, a real estate agent in New England. She says the intense competition turns some new agents away from the business.

Rooney has been selling homes for eight years. During her first six months as an agent she grossed \$20,000; last year, she pulled in \$75,000 before subtracting her expenses -- that's well above average. In 2004, the average gross income for members of NAR was \$49,300. And the NAR members spent a median of \$8,200 on business expenses, up from \$6,900 in 2002.

Rooney's advice: "You have to be creative to get business. A lot of business came through our Web site, and I sent out announcements to everyone I ever knew."

As independent contractors, many agents must market themselves and pay for business cards, postcards, ads and other materials. Whether the industry is at a high or a low point, she spends \$864 per year on newspaper ads to keep the business coming.

"We do a lot more than ride around and show people houses," Rooney says.

Then there's the follow-up work.

"You have to be in the background making sure people get their financing done," Rooney says. "I've heard of people having deals fall apart at the closing table. It's bad if you've already spent the commission."

A missing pay stub, an overdrawn bank account, a dip in the credit score on the buyer's part could kill a deal through no fault of the agent.

These factors often weed out agents that aren't up to par, regardless of the market cycle, says NAR's Stevens.

"Twenty percent of Realtors do 80 percent of the business," he says. "It's a real tough, competitive business. The people that understand the business work smart and work hard and make the majority of the money."

"You have to be a self-starter. No one calls you to ask why you haven't punched the clock. If you don't work, you don't make the money."

### Call for tougher licensing requirements

**Anthony Marguleas**, broker and owner of high-end realty firm **Amalfi Estates** in Los Angeles, thinks the industry shouldn't be spitting out low-producing agents. Instead, it should be harder to become one.

[Next: "It's a tough, tough job to make a living at. ..."](#)

Page | [1](#) | [2](#) | [3](#) | 

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Page | [1](#) | [2](#) | [3](#) |

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**Marguleas** researched the number of hours it takes to become a licensed real estate agent, which varies by state. In California, he says, getting a license calls for a 45-hour class. Nationwide, the requirements range from a low of 24 hours in Massachusetts to a high of 120 hours in Ohio, according to ARELLO. He says it takes 9,000 hours to become a doctor and 1,600 hours to become a cosmetologist.

"To dye someone's hair it takes 20 times more studying than to help someone sell the largest investment of their life," he says.

"Real estate agents typically get ranked right around used-car salesmen. The bar is so low to get a real estate license," says **Marguleas**, who operates in a high-end market in Pacific Palisades, Calif., and has been in the real estate business for 15 years. "I would love to make it as hard as it is to become a doctor or lawyer to raise the professionalism. So many people who do this are part-time and not very knowledgeable about what they're doing. It's why consumers have such a poor image of real estate agents."

Many people who enter the profession don't realize the amount of work it requires -- including negotiating high-dollar contracts and being on call during evenings and weekends, he says.

"They may be better off managing a fast-food restaurant, making more money," says **Marguleas**, whose five agents have an average of 10 years' experience and typically make \$200,000 per year.

### Not an easy way to make a living

J. Andrew Hansz, whose own credentials include the prestigious Chartered Financial Analyst designation and a Ph.D. in real estate, has taught graduate-level real estate classes at the University of Texas in Arlington since 1999.

He says he's seen an uptick in the number of students seeking out the program and the number of companies seeking out students.

"This summer we had more companies contact us for interns than we had students to provide them. My first graduate class in the fall of 1999 had three students; now the typical graduate class has about 15 to 20 students."

Hansz says the cyclical nature of real estate may thin out the herds of agents. "A lot of people flood in when times are good, and a lot of people flood out when times are bad. When the market isn't booming, there isn't a lot of money to be made. A lot of agents make very little money, and for a lot of them it's a second or third job or they're semi-retired. Others hold it as a credential," says Hansz, who has a Texas real estate broker's license to add to his own credentials. "Students listen to me since I hold the license they're pursuing."

However, Hansz is optimistic about people entering the industry now.

"This is a good time to learn," Hansz says. "You don't want to start when business is booming, because once you get up and started the boom is over."

"It's a tough, tough job to make a living at," he says. "The people who succeed are happy, healthy and wealthy. With sales down, the pie will get smaller. It will be harder for newer agents to arrive or maintain their income."

You can read more about [what it takes to become a real estate agent](#).

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Page | [1](#) | [2](#) | [3](#) | 

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