



Tongue-tied when explaining your commission? You need this list

Every dollar counts, especially in a tight economy. If you are not explaining the full depth of your services, sellers may want to cut your commission short

BY [CONFIDENCE STIMPSON](#)

Aug. 8, 2022

Our [commissions](#), by law, are negotiable. Most firms ask for a reasonable and fair percentage of the sales price of the properties they sell, bearing in mind the costs of advertising, maintaining and staffing an office, and paying the brokers.

But your [seller](#) doesn't see any of this. All they see is what they consider an excessive amount of the profits from their sale going into the pocket of somebody who only opened doors and said, "This is the kitchen." Understandably, your seller may try to reduce the commission.

How to convince your seller that your commission is fair and should remain intact

For the sake of argument, let us say that the commission your company asks for is [6 percent](#) of the purchase price. Your seller wants you to reduce it to 5 percent. "1 percent!" they say. "That's nothing!"

Well, sure, to them, it's nothing. One percent of the purchase price of a \$500,000 home is \$5,000. That's not even a negotiating increment. They'd probably take it without even blinking if they got an offer of \$495,000 on their \$500,000 home.

But at a 6 percent commission rate, that \$5,000 is 17 percent of your commission. Would your seller consider [dropping their price](#) by 17 percent?

That would bring it down to \$415,000. If they got an offer at that level, they probably would either laugh or be insulted. But that's what they're asking you to do.

Make sure your seller knows about everything they are getting for their commission fees

On your next deal, for future use, keep a detailed log of every [expense](#) you and your brokerage cover and every minute you spend in the process of selling the home, omitting any names and addresses. This may sound daunting. But you only have to do it once.

Your log should include the following:

- A professionally produced website with professional photography and a written description of the property, with all of the relevant information.
- Professionally drawn [floor plans](#), with the artist measuring the total square footage and providing an estimate of it.
- A professional consultation with [comparable sales](#) you have researched and visited where possible to establish the asking price.
- Maximum exposure to every potential buyer in the marketplace via a vast network of brokers and an aggressive [marketing plan](#).
- No strangers are ever in your seller's home without your presence or showing verification.
- Weekly open houses supervised by you.
- Numerous private individual showings by you (and with COVID, there are more of these than usual).
- Weekly or even daily progress reports are put together by you.
- Your attendance at competitive open houses and reports on how they compare with the seller's home.
- Weekly reports on the competition — price drops, contracts signed, closings, closing prices.
- Buyers [qualified](#) by you, so your seller doesn't waste time negotiating with buyers who can't afford your property.
- Your professional advice on if and when to drop the price.
- Your professional skills to help with [negotiation](#).
- You as a professional monitoring the process of securing bank financing, if any.
- You as a professional steering and coordinating the whole process, from first showing through closing.

Your seller should know how much time you're putting into their sale

Also, keep a detailed log of every minute you spend working on your next deal for future use.

[According to Zillow](#), the average time on the market for a home in the U.S. is about 25 days before it goes into a contract or pending status. That's at least three open houses, plus numerous individual [appointments](#) — perhaps as many as 10 a week, maybe even more.

Once the [contract](#) is signed, you'll have to bring the buyers and their team in for [radon testing](#), engineer's inspection and termite inspection. Plus, the buyers will want to measure for curtains at the very least. They may want to bring their architect, contractor and interior designer in.

All of this is in addition to:

- The time spent figuring out what the [price](#) should be.
- The time spent preparing a marketing plan.
- The time spent negotiating the price with your seller and the buyer's broker.
- The time spent preparing the deal sheet.
- The time spent putting together weekly reports for the seller.
- The time spent going to the open houses for the [competition](#) to compare their houses with the sellers' home, tracking their prices to see if they drop, and checking on when their contracts get signed.

Explain how the commission is divided

Another critical point: only a fraction of that [commission](#) goes into your pocket. Let's say that with your help and that of the buyer's broker, your seller and buyer agree on a selling price of \$475,000, or 95 percent of the asking price.

At our hypothetical commission of 6 percent, this would mean a gross commission of \$28,500. Half of that, or \$14,250, goes to the buyer's broker's firm. The remaining half goes to your firm. If your firm gives you [60 percent](#) of that, you get \$8,550. But you don't actually get \$8,550.

There are charges against it for [photography](#), advertising, floor plans and mailings, some of which you will have to pay. Then there are cab fares, car services and refreshments at open houses, all of which you must absorb. By the time you close, your share of the commission could be as little as \$8,000 or even less.

Make your log (or a summary) of the expenses and time involved part of your presentation. And give at least an impression of how the commission is divided up. And don't forget that you're not just arguing for 1 percent. You're arguing for 17 percent.

After all, you're a tough [negotiator](#), or they wouldn't want you for the job. Show your value, and remember that sometimes, if you have to argue too hard in the beginning for your commissions, it may be an ill sign of things to come.