

August 5, 2011 | Roland Li

## The new players



In January, Ilan Bracha, one of the top producers at Prudential Douglas Elliman, left to begin a New York franchise of national giant Keller Williams.

In the heady days of 2007, such a move would have been inexplicable. Condos sold like happy hour drinks, and the city's largest firms – Elliman, Corcoran, Brown Harris Stevens, Halstead Property and Citi Habitats –

commanded the lion's share of exclusive listings and top agents, with a virtual monopoly on new developments.

Although the biggest brokerages continue to market the most properties, both in resales and new developments, a new crop of challengers is emerging, while existing smaller firms are expanding. Some are trying non-traditional commissions, while others recruit aggressively. But it remains to be seen if the new players can remake the industry.

For Bracha, the move was an opportunity to expand an existing brand, while still retaining his own identity.

“We are not inventing anything new. We are following a formula,” he said in an interview at the firm's office at the Trump Tower at 725 Fifth Avenue, also home to his development company, B+B Investment Group, which he will continue to operate, along with the Bracha Group.



With over 70,000 agents in the country, Keller Williams is now the second-largest real estate franchise company in the country by agents, behind Prudential, but ahead of RE/MAX and Century 21. It

has 350 agents in Queens, said Bracha, but is only now entering Manhattan, which is often regarded as a separate country when it comes to real estate.

After reading “The Millionaire Real Estate Investor” by Gary Keller, one of Keller Williams’ founders, Bracha was intrigued by the firm’s ethos. A major difference is that Keller Williams NYC gives agents a 70% commission split, higher than the traditional 50%. Fees to the firm are also capped at \$50,000, allowing the agent to take home a larger chunk of commission. In addition, agents receive a smaller percentage of commissions by referring new brokers for the firm to hire, and after three years at the firm, they will continue to receive payments even if they leave. Agents are also allowed to keep their individual brands or companies at the brokerage.

The model will be attractive to top agents, said Bracha, particularly those who feel their existing firms are taking too much of a split. And with a sales market that remains difficult, he said, the time is ripe for brokers to look at new firms.

“We try to make money with the agents, because we are an agents’ company,” said Bracha. “We believe people will stay, and if they don’t, they will come back”

After only three months, Keller Williams NYC has hired around 100 brokers and a total of \$142 million in listings, said Bracha, putting it in the top seven of New York firms with agents with over \$10 million in listings.

Bracha hired Adina Azarian as CEO. She said there was a major emphasis on teaching at the firm, with weekly training sessions. The company is seeking to attract entrepreneurs – current agents have an average of seven years of experience – but it is also involving newer brokers, sometimes putting them in more experienced teams.

“It’s not a company where the agent is dependent on the company,” said Azarian. “You’re definitely given the tools and the training, and you can definitely brand yourself. You can grow as big as you can will it to be.” Azarian will continue to own her rental firm, Adina Equities.

Keller Williams NYC plans to open additional offices, taking advantage of the still-recovering leasing market, and hopes to double its agent roster over the next few months, eventually surpassing 1,000.

“We’re getting referrals every day,” said Bracha, who is currently marketing the Cassa Hotel and Residences, with 57 condos, in midtown.



Andrew Heiberger, founder of Citi Habitats, launched a new firm called Town Residential at the beginning of the year. He told the *Times* that the firm now has 40 staff and 140 licensed brokers. Prominent hires include Robert Dvorin from Elliman, Paula Busch and Ric Swezey from Corcoran, and Wendy Maitland from Brown Harris Stevens.

Town has four offices, including 110 Fifth Avenue, 88 Greenwich Street, 730 Fifth Avenue and in the Charles Gwathmey-designed 26 Astor Place. The firm has over \$250 million in listings, with exclusives that include 1,400 units from the Moinian Group. Joseph Sitt's Thor Equities is an equity partner.

"Town Residential is a full-service real estate firm that continues to see steady, rapid growth, and is one of the city's top brokerages after only six months of operation," said Heiberger. "We have an experienced and innovative management team comprised of seasoned veterans with shared goals and views on how a real estate services firm needs to run in order to succeed and excel in Manhattan's new market."

Some brokerages – the largest being Rutenberg Realty – have created a 100% commission model in which brokers receive the entire commission, but pay regular fees to the brokerage for transactions. New firms are adopting the structure, such as Blu Realty, Kian Realty and Titan Real Estate of New York, in a departure from the traditional brokerage.

Dottie Herman, president and CEO of Prudential Douglas Elliman, doesn't think much of that model.

"That is not, in my opinion, a real estate company. That is a holding company for licenses," she said.

"I'm not rattled by it, because I haven't seen them do anything in my market," she added, citing 100% commission firms in the Hamptons that failed to crack Elliman's market share. "I think there's always room for competition."

With over 4,000 agents in the New York area and around 90 offices, Elliman is one of the largest brokerages in the entire country. Having an established brand – the company opened in 1911 – is an indispensable asset, said Herman. The firm recently relaunched its website and hired Dawn Doherty from StreetEasy to train agents on digital marketing. It also issues regular reports prepared by appraisal firm Miller Samuel and holds training sessions in Manhattan and the Hamptons.



“I couldn’t create that from scratch today,” said Herman.

David Schlamm of City Connections Realty agrees that the 100% commission model has its flaws. His firm instead uses what he calls a high commission model, which charges a flat monthly fee of \$150 or \$950 a month. Brokers earn a 70% split for the first \$60,000 and 90% thereafter for the lower membership, or a 90% split for the higher membership.

Schlamm does not charge fees for transactions, and agents have access to a marketing budget and training.

“You need to have a respectable brand and you need to have support,” he said.

City Connections has two new storefronts in the works and plans to open other locations. It has around 130 agents and currently marketing a new development, the Lantern, in Harlem, and is in talks to market new conversions.

“There is definitely a big change going on in the marketplace right now,” said Schlamm. “I think the perception was, you had to be with the big firms to be successful.”

But now, he said, brokers feel they can succeed anywhere.

**One destination for top brokers has been Core, run by Shaun Osher, also a former Elliman agent, and Jack Cayre, a principal of Midtown Equities.**

**In the past year, Core has hired Vickey Barron, Doron Zwickel and Ogden Starr, all top agents at Elliman, along with Adrian Noriega, a top agent at Corcoran. Core now has around 60 brokers and will soon move its headquarters for new development, management and support staff to a new office.**

**“When you expand at a certain rate, maintaining the same amount of quality**



is difficult,” said Osher. “We’re continually expanding, but it’s very organic.”

**Rather than looking for market share, Core seeks agents that fit with its brand as a boutique brokerage, focusing on high-end sales and luxury rentals. It is particularly meticulous in branding, retaining a staff photographer and appearing regularly in HGTV’s “Selling New York.”**

**Osher contrasts his six-year-old firm with the larger start-ups in that there is no target staff size. Rather, the firm hires when it believes there is a good match.**

**“The right culture takes time to build,” said Osher. “Things certainly don’t happen over night.” By choosing selectively, Osher said that the firm’s dollar volume of listings per agent is the top rate in the industry.**

**“We’re not interested in becoming all things to everyone,” he added. “What we created was a nimble boutique agency that could really customize to our clients’ needs.”**

**Brokers at Core describe the environment as collaborative, rather than cutthroat, and a more positive environment compared to some other companies. “I feel that people have my back,” said one broker.**

**Turnover is rare at the company, said Osher. Three recent departures – Fredrik Eklund and John Gomes to Elliman, Caroline Grane to Nest Seekers – seem at least partially motivated because the brokers wished to appear on Bravo’s “Million Dollar Listing,” which competes with “Selling New York.”**

Although many of the new residential firms focus on sales, one firm has quadrupled its size in six months, while mostly doing rentals.

Last year, Century 21 NYC Metro, a franchise of the country’s third-largest company, closed. Seizing an opportunity, A.C. Lawrence & Co. leased the brokerage’s 13,000 s/f office at 228 East 45th Street.

Anthony DeGrotta and Larry Friedman, co-founders and principals of the firm, partnered with Marc Lewis, Century 21 NY Metro’s veteran top executive, who joined the firm as chairman, along with around 60 former Century 21 agents. It now has 120 employees.

A.C. Lawrence created a proprietary database with 80,000 listings and hired four people to manage the data. Listings are also updated immediately.

Frank Sanchez runs a training session

Frank Sanchez, a principal, trains new agents regularly, ensuring that both veterans and newcomers to the industry are prepared.

“It’s a very hands-on office. Nobody gets lost. Nobody is floundering here,” he said.

Roughly 60% of the firm’s business is rentals, 30% is sales and 10% is commercial. The firm currently does around 300 rentals a month. A.C. Lawrence also runs a commercial leasing division with 11 brokers. It hired Dean Dunbar, formerly of BOND NY, to head a corporate relocation team. With both types of brokers, it has an exclusive at 270 Bleecker Street, for both the residential and retail units.

“We encourage our agents to be hybrids,” said Friedman. “I think we’re in a very unique position.”

The firm’s focus is cultivating relationships with landlords and developers, while providing strong customer service. Rather than focusing on exclusive listings, A.C. Lawrence seeks to be a top choice because of service. It also seeks a positive office atmosphere that is collaborative.

“We don’t tolerate negativity,” said Sanchez. “We’re about teamwork.”

Gary Malin, president of Citi Habitats, the city’s largest rental firm, welcomes more competition.

“I think it’s part of the natural ebb and flow in the business model,” said Malin, president of Citi Habitats. “I think competition is healthy for everybody.”

Malin is confident in his firm’s position in the market. Citi Habitats’ full-service approach has enabled it to win numerous high-profile new developments, said Malin, including Frank Gehry’s 8 Spruce Street and Silverstein Properties’ Silver Towers.

“We pride ourselves on being a full-service firm,” said Malin. “Our belief is that you need to invest in your infrastructure.”

Citi Habitats has around 650 agents in 12 offices and over 3,000 transactions in the second quarter of 2011. As a result, it has a vast database that encompasses the entire city.

Even with such a scale advantage, Malin remembers when Citi Habitats was just another start-up in the mid-1990s, and he continues to focus on constant improvement. Such an attitude will ensure the brokerage’s top spot, he said.

“If I stay vigilant and our firm is always in motion, everything seems to figure itself out,” said Malin.

