

AGENT

Is your inability to say 'no' costing you thousands in real estate?

The problem with opportunity costs is that they tend to be hidden

BY BERNICE ROSS
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Key Takeaways

- Taking overpriced listings, lowering your commission, taking out uncommitted buyers, wasting time on the internet and dealing with poor vendors could cost you a substantial amount of money.

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Do you currently have an [overpriced listing](#), or have you shown over 30 properties to your buyers and they still haven't written an offer?

If so, chances are that you are letting thousands of dollars slip through your hands every year due to your simple inability to control opportunity costs by saying "no."

When most [real estate agents](#) evaluate their business, they track their GCI (gross commission income) and net income, but very few agents consider their opportunity costs. An opportunity cost is, "the loss of potential gain from other alternatives when one alternative is chosen."

For example, assume you must choose between working with a buyer or holding a Sunday [open house](#). If you choose to work with the buyer who fails to purchase, you missed the opportunity to generate listings and buyer leads from holding the open house.

Understanding how opportunity costs risk your business

To illustrate how opportunity costs work, assume that you earn \$60,000 per year. This means that your hourly rate is \$30 per hour. If you spend 20 hours working with a set of buyers who do not purchase from you, the opportunity cost to your business is \$600.

The problem with opportunity costs is that they tend to be hidden. The scenario below illustrates how incredibly expensive these can be to your business as well steps to take to minimize these costs. This example assumes a 70/30 commission split and an hourly rate of \$30.

1. Taking over-priced listings

If you take two [overpriced listings](#) that take twice as long to sell as normal, you could have sold four realistically priced homes in the same amount of time that you took you to sell two homes.

What it costs you:

- Hard costs for additional brochures, online and offline advertising for the extra time it takes to sell, mailers, etc., add another \$200.
- Extra miles driven to and from the property to do showings, open houses, and seller meetings at 53.5 cents per mile (assume an additional \$150.)
- Your hourly rate of \$30 per hour for the extra time required for seller meetings, open houses, etc. Assume an extra 20 hours or \$600.

Total lost due to opportunity cost: \$9,350.

The cure: [Overpriced listings](#) result when the agent has failed to master the scripts, dialogues and market statistics necessary to obtain a correctly priced listing.

The other cause is the agent's inability to say "no" and walk away from the listing when the sellers refuse to price their property realistically.

2. Listing properties at 5 percent rather than 6 percent

Assume that you take four listings with an average sales price of \$250,000 at 5 percent rather than 6 percent. If you had taken those same four listings at 6 percent, you would have made an additional \$875 per listing.

Total lost due to opportunity cost: \$3,500.

The cure: Create a premium marketing plan that shows how the wide array of services you provide help the seller obtain the highest possible *net* price at a full commission.

Be sure to use the terms "premium service" versus "limited service." Avoid using the term "discount" because everyone likes discount. On the other hand, virtually no one wants to settle for "limited service."

If the sellers don't see the benefit of premium service, they're not the right clients for you — say "no" to working with them.

3. Taking out buyers who don't buy from you

If you take out four sets of buyers this year who do not purchase from you and spend 20 hours (80 hours total) showing each set of buyers properties, you will incur the following costs:

- \$2,400 in opportunity costs for the showings.
- \$480 to set up showings (one hour per buyer, for four sets of showings, 16 hours total).
- \$214 for vehicle operating expenses (assume 25 miles driven per showing, 400 miles total, at 53.5 cents per mile).

Total in lost opportunity costs: \$3,094.

The cure: Avoid buyers who don't meet [the following criteria](#): first, they must be pre-approved with a lender.

Second, they must be willing to work with you exclusively. Third, they must have the desire, need and ability to purchase in the next 30 to 60 days.

If they don't meet each of these criteria, there's a good chance they're not serious about buying. Say "no" to doing business with them.

4. Wasting time watching cat videos or playing online games

Let's assume you spend an hour a day watching YouTube videos or surfing social media for fun. Assuming you work five days per week, 50 weeks per year, that's 250 wasted hours.

Total in lost opportunity costs over one year: \$7,500.

The cure: [Time block](#). Schedule your activities for the day in one-hour blocks of time, completing the highest priority items on your list first.

Save your recreational (YouTube videos, games, etc., for when you are off work.)

Electing to work with any mortgage, title, escrow or other service provider who does not provide you with excellent customer service can cause a huge profit hole in your business.

Assume that you spend an additional 15 minutes per day (75 minutes per week or 62.5 hours per year) making second phone calls, taking care of errors or apologizing to clients because the service provider still hasn't called you back.

Total in lost opportunity costs: \$1,875.

The cure: Say "no" to working title, mortgage, escrow and inspectors who fail to provide you and your clients with top-notch service.

Make sure that anyone you work with is diligent about staying on top of your deals, that they work well with your clients and are willing to go the extra mile to close your deal when needed.

Total cost if you make all of these mistakes: \$25,319.

The cumulative effect or "lost opportunities" is huge. So, the next time you're about to take an overpriced listing or take out those indecisive buyers for the 10th time, read this column again just to remind yourself how much your inability to say "no" is truly costing your business.

Bernice Ross, CEO of RealEstateCoach.com, is a national speaker, author and trainer with over 1,000 published articles and two best-selling real estate books. Learn about her training programs at www.RealEstateCoach.com/AgentTraining and www.RealEstateCoach.com/newagent.

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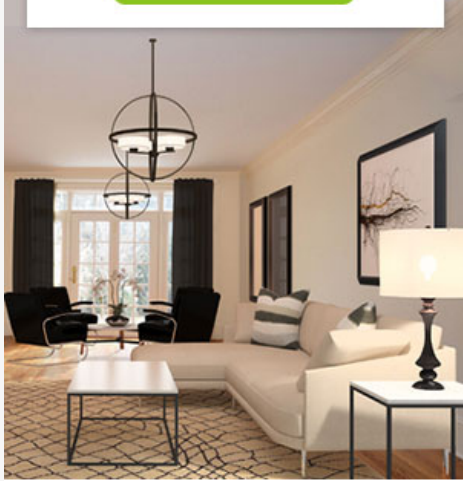
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