

New Real Estate Math: How to Slash, Burn, and Rebuild Your P&L

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Five Recommendations



You will get short-term and long-term benefits by changing your view on:

- Office Space
- Commission Plans
- Compensation Plans
- Land Lines and Equipment

Finally, we'll consider a different kind of merger

Office Space



Consolidate Offices

- Either within the company or via M&A

Reduce Space

- Goal of 2,000 square feet per office or 50 square feet per agent in most markets
- Consider buying top agents out of their private offices

Sublease?

- Compare expected profit per square foot vs. sublease rate
-

Commission Plans



Commission Plan Indexing

- Increase thresholds based on a price index

Reset Dates

- Do plans reset at least annually? Are you enforcing this?
- Consider altering dates and/or “Rolling 13 Weeks” plans

Review All Company-Paid Perks

- Are they based on relevant production targets?

Compensation Plans



Ensure that individual compensation is aligned with the most critical metric of all – your bottom line:

- Encourage behavioral change
- Drive down certain costs through inducements

Expand this concept beyond office managers

Office Equipment and Land Lines



How much are you wasting per month on underused and outdated connections?

- Telephone and fax lines

Embrace paperless whenever and wherever possible

- Copiers, printers, faxes, etc.
- Limitations per person and/or based on productivity
- Push the use of shared, multifunctional devices

The “Quasi-Merger”



What if you could realize some of the cost efficiencies of a merger without giving up control of your company?

Seek out other companies to consolidate certain functions:

- Accounting / Finance
- Marketing

Similarly, partner with other brokers or nearby business owners to increase your purchasing power

Measure! Measure! Measure!



Seek efficiencies by comparing across offices, agents, time, etc. Some metrics you may not be measuring but should:

- Marketing Cost Per Closing
- Productivity Per Square Foot
- ABCR and Percent Retained by Price Band
- Modified Company Dollar

Thank you.