



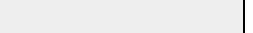
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April 10, 2005

## Real estate agents flood a hot market

By **JENNIFER PITTMAN**

*Sentinel correspondent*

### SANTA CRUZ

The number of houses for sale in Santa Cruz County is at an all-time low for the season while a record number of real estate agents are flooding the industry, vying for a piece of the much smaller pie.



New real estate agents fill out forms as they begin a training session at Baily Properties' Soquel office. (Shmuel Thaler / Sentinel)

"There's a huge impact," said Dan Sedenquist, president of the Santa Cruz County Association of Realtors. Not only is there more competition but the business is changing as agents find it's harder to dabble in real estate than it used to be, Sedenquist said.

"We're at our all-time high as far as membership now. It's a smallish pie that's being very finely divided. There are certainly more people chasing (sales) than I've ever seen," he said.

The flood of new agents in Santa Cruz County means only the most dogged agents with savvy salesmanship and a serious marketing budget have a chance to make a decent living, agents say.

"It's extremely competitive," said JoAnn Gibson, a new agent who joined Keller Williams Realty, an Austin, Texas-based nationwide franchise that opened a Santa Cruz office in January. "There are far more agents in Santa Cruz County than there are homes that can be bought and sold. It doesn't take much to do the math."

Last year, 2,820 single-<sup>Advertisement</sup> family houses were sold. The Santa Cruz County Association of Realtors has 1,473 members — almost 400 more than five years ago.

The numbers reflect a spike in real estate licensees throughout California. In January 2000, the California Department of Real Estate reported 303,351 licensed agents and brokers in the state. That number skyrocketed to 423,315 by January of this year. That number

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isn't showing any sign of slowing yet. In the previous 12 months alone, the state licensed more than 52,000 real estate agents and brokers.

Gibson, who left the tech industry a few years ago and freelances as a graphic artist, said she is confident her marketing and management skills will serve her well in her new job as a Realtor. She continues to do graphic design on the side but is working full-time toward her first real estate deal.

Yet Gibson says a new agent, on his or her own would probably need a year's worth of living expenses in the bank to make it through the lean times of the first year. She has a supportive husband to back her up and says her goal is more about building client relationships than making money this year.

## Signing on

Some people with real estate licenses work in related fields such as property management or mortgages, but the numbers are still staggering, said Tom Pool, a spokesman with the Department of Real Estate. The number of California licensees has never been so high. Demand has been so strong that the department just added online registration for people wanting to schedule licensing tests. New testing sites around the state also have been added.

The new online features have drawn more than 90,000 hits per day to the Department of Real Estate site rendering it inaccessible at times, Pool said.

"It's kind of snowballed," Pool said. "There's no end in sight."

Nationwide more than half the new agents will quit the business in their first year, said Robert Bailey of Bailey Properties in Santa Cruz.

"I think it's actually a higher number because of the population explosion in our industry now. The opportunity for success is what everybody looks at when they're thinking about a career in real estate," Bailey said. "What they don't look at is the risk of failure. This is no longer a place for somebody to dabble or work part-time."

But Bailey Properties, which has 114 agents in the county, is growing quickly, hiring about four new agents per month. Bailey says he expects to have 40 additional agents by year-end primarily to fill a new Scotts Valley office opening in June. Despite the competition, the rising housing prices still leave room to grow, he said.

"We're very frank with people considering a career in real estate," Bailey said. "A new associate is looking at a 45- to 55-hour week, and they can anticipate spending up to \$12,000 in the first year beginning their new career. This is a very tough business, and it's gotten tougher. The bar is raised."

An agent's wages are based strictly on commission, and they pay for their own listing expenses, licensing fees, educational associations, marketing expenses, software and brokerage fees.

Bailey expects first-year agents to sell five or six properties a year and make between \$30,000 and \$50,000 annually. He said 80 percent of his new agents make it into their second and third years.

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Bailey Property agents Jorge Alvarez and Oscar Gutierrez both got their real estate license in September. They say the competition isn't that bad and the job is enjoyable.

Alvarez was a student and worked as a sales assistant for Costco. Gutierrez worked in sales at Cisco Systems. They've managed to average at least a sale each per month since the start. They said they benefit from serving the Spanish-speaking population in addition to the English-speaking population.

"I do work a lot but it's not as hard for me," Alvarez said. "Most of the agents have families they have to get home to. I'm single and young. I don't get any stress from it even if I've been working seven days a week."

### **Young and energetic**

Changes in the industry include an infusion of younger agents with more education, according to Bobbi Nelson, an Aptos Realtor. Nelson serves as president-elect of the Santa Cruz Association of Realtors.

"In my book that's what we want — educated people who are willing to make it a career," Nelson said. "I would say 'Hey, c'mon in if you are willing to work hard.' "

According to Robert Kleinhenz, deputy chief economist for the California Association of Realtors, housing sales are expected to drop this year about 2.5 percent from 2004 but the median price will rise 15 percent statewide.

In Santa Cruz County where the record-high median home price in February was \$727,500 and the average home price was \$765,650, a smaller piece of an increasingly valuable pie may not be hurting agents financially. Some agents, however, say their fee rates have dropped in part because of all the new agents and discount brokers or fee-for-services companies such as Help-U-Sell Real Estate and ZipRealty.

"We're already on the cutting edge, at the forefront of commissions coming down because the values are going up," said John Hickey, a broker and agent who is buying Monterey Bay Properties, a company founded 25 years ago by his father, Walter Hickey.

The usual agent fee rate of 6 percent per sale has dropped to 5 percent for the majority of transactions in town and, in some cases, is down to 4.5 percent, he said.

"People are really feeling the pinch," Hickey said. "It's actually getting more expensive for agents to do their job."

Hickey says the business seems to be concentrating more with fewer agents getting a larger share of the sales and more agents scrambling for a smaller portion.

"There's a big shift. You've got to be full-time," Hickey said. "You've really got to put in the time."

And while there are no statistics to back this up, anecdotally, local industry observers say the bulk of the sales are completed by a small percentage of the work force.

Adding to the sales challenge is the few number of houses on the market, which is at an eight-year low, according to Gary Gangnes of Real Options Realty of Santa Cruz. Gangnes posts the latest housing statistics and on his company's Web site, [www.ror.com](http://www.ror.com).

In February, typically a slow time of the year in the industry, 140 houses closed escrow. During the rest of the year, sales ring in between 225 to 275 a month.

The county's Unsold Inventory Index for February of 3.2 months is "considerably below normal and puts upward pressure on prices, particularly in the lower price ranges," according to Gangnes. For someone who has been in the business a long time, most of Gangnes' clients are referral but he said he's noticed more people in the industry.

In January, Carol VanAusdal, an agent for nearly five years, helped open the new 21-person Keller Williams office in Santa Cruz. Keller Williams is a quickly growing franchise with more than 380 offices nationwide. Half the agents in the Santa Cruz office are new.

"I don't think it's harder now," VanAusdal said. "If it's harder, it's because the inventory's lower. We have to put our nose to the grindstone. Personally I feel that if you're experienced and knowledgeable about the market, and you're educated in your profession, you're going to do fine regardless of the competition. You get out of it what you put into it."

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## **No. of Realtors, houses sold in Santa Cruz County**

Year Realtors Houses sold

2000 1,056 2422

2001 1,083 1784

2002 1,099 2290

2003 1,250 2355

2004 1,452 2,801

2005 1,473 294

Note: Realtors is a trademark term and means the agent has met the requirements to be a member of the National Association of Realtors.

Source: California Association of Realtors/Santa Cruz County Association of Realtors.

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