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RealStar rides waves of housing boom in new direction

By Mark Thomton
News Editor

RealStar Realty wasn't content to just ride the waves of the recent housing boom to its current success.

Instead, it made its own.

"Right after I opened up this office a manager from one of the big firms called me up and said that I was really shaking things up," said John Wilt, owner and operator of the Naperville-based independent real estate firm. "I've had other managers walk in here and tell me that I am ruining the business."

It's no real surprise that Wilt's business has been received somewhat less than enthusiastically by a few of his competitors. After all, he entered new territory and took the local real estate industry in a direction it had never gone before.

RealStar is a full-service agency that offers discount pricing. The majority of real estate firms charge a 6 percent commission fee on all transactions. RealStar however, charges less than two-thirds of that, offering a 3.9 percent commission.

Wilt came upon this idea years ago when he was working for a national real estate firm in the DuPage County area.

"After each sale we would send out a survey asking the customer what would be the most important thing to them if they had to do this again," he said. "Almost always they would answer, first, access to the Multiple Listing Service (MLS) and second, being able to find a cheaper commission."

With the rise of the Internet the first answer was taken care of. Years ago only realtors controlled the MLS. Prospective buyers had to actually go into a real estate office to have access to the publication that listed all of the housing opportunities in a selected area. This was a great thing for real estate agents, but not very convenient for buyers.

However, now prospective buyers can access all of this information online through myriad sites.



John Wilt, owner of Naperville-based RealStar Realty, admits he's shaken things up in the local real estate market by offering discount pricing of 3.9 percent on commissions rather than the usual 6 percent. (Photo by Bill Viernum)

Consumers have the information and knowledge now to operate without the assistance of a realtor if they choose. But rather than allowing this new medium to hurt the industry, Wilt saw an opportunity for independent firms to capitalize on the broad exposure that the Internet can bring.

With this information available, it was only a matter of time before real estate agencies would have to adapt, said Wilt.

"A lot of independents are doing very well now because you don't need a national brand name to get exposure on the Internet," said Wilt. "Anyone who is relocating can get on the Internet and see what's out there."

And with the low commission, RealStar offers potential customers plenty of incentive to look in its direction.

RealStar's growth is proof of this. Since the firm opened in 2001 it has expanded to include three offices in the DuPage area and one in downstate O'Fallon in the Metro East area outside St. Louis, and is poised to open another in Oswego in rapidly growing Kendall County.

Revenue growth has also been positive as total revenues were up 49.6 percent in 2004 over 2003 and is currently running 27 percent ahead over last year.

It seems that RealStar has plenty of business coming in, which would be a positive sign for prospective agents, but logic would dictate that a lower commission rate of 3.9 percent would deter most agents from seeking employment there.

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However, the reality is that agents have the ability to make more at RealStar than they would at a big name firm, said Wilt.

This is because most real estate agents have to pay for their own advertisements. If they want to put an ad in a local paper, they have to broker the deal themselves and pay for it out of pocket, which usually comes from a large portion of their 6 percent commission.

At RealStar Wilt takes care of most of the advertising.

“The number one person in a big office probably does about 15 deals a year. My agents do 26 or 27 yearly, so the number one in another office would come here and be my number four. I need about 10 agents to compete with an office of 100.”

John Wilt, owner and operator, RealStar Realty

Quick Facts

RealStar Realty

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Naperville, IL 60540
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Key Contact: John Wilt

Year Founded: 2001

Specialties: John Wilt is the founder of RealStar Realty and heads up a team of educated and experienced professionals who are knowledgeable of each aspect of the buying and selling process. Their innovative marketing approach and the use of cutting edge technology make RealStar unique. Plus, RealStar's Full Service approach at a total commission rate of just 3.9% saves clients thousands while still providing the results they desire most: the sale.

“I pay for the majority of advertisement,” he said. “I want to make my sales as efficient as possible and they can't be selling if they are dealing with advertising.”

By concentrating only on sales, agents at RealStar close around 30 deals a year.

“The number one person in a big office probably does about 15 deals a year,” said Wilt. “My agents do 26 or 27 yearly, so the number one in another office would come here and be my number four. I need about 10 agents to compete with an office of 100.”

Wilt also praises the uniformity that it creates, because his agents are concentrating on sales, rather than a marketing plan.

“Here you get the same spiel from everybody,” he said. “If you call one of the big guys you will get completely different stories from agents because some like advertising one way, while others prefer another. And that changes how each one of them does business.”

Wilt also wanted to make sure that his company was technology savvy. All of his agents have wireless connections for their personal laptops and can connect to the company's file system in any of its locations.

“If an agent has to go over to Glen Ellyn to finish a deal, they can access all of the same files in that office that they can here (Naperville),” he said. “They can even finish a deal in a Starbucks if they want to.”

While other companies may not do business in such a manner, Wilt insists that the industry is going this way and it is better to be in it on the ground floor.

“Other companies are going to have to change,” said Wilt. “The cat is out of the bag. Charles Schwab and Best Buy did the same thing. With all of the data out there, people are much more educated. Homes have appreciated, technology has improved, but the price of doing business has gone down.”