

**EXCLUSIVE REPORTS**

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## **Keller Williams bites into home market**

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Staff reporter

An Austin, Texas-based residential real estate company has quickly gained a foothold in the east metro and is being closely watched by the biggest firms in the Twin Cities.

About 165 agents have joined Keller Williams Realty Inc. since the company opened its first Minnesota franchise in early 2002, said Pat Mancuso, president of Paradigm Real Estate Group Inc. in Woodbury, the Twin Cities' first and largest Keller Williams franchise.

Keller Williams offices have opened or will soon open in Woodbury, Burnsville, White Bear Lake and Coon Rapids.

Within five years, Keller Williams plans to have between 1,200 and 1,400 agents in the Twin Cities -- projections competitors say are between aggressive and unrealistic.

Keller Williams has grown by luring agents away from well-established companies, including the firms that together control two-thirds of the Twin Cities market: Coldwell Banker Burnet, Edina Realty and Re/Max.

When Keller Williams opened its offices in January 2002, it started by luring eight real estate agents that, when combined, sold \$80 million in homes the year before, Mancuso said.

### **Firm successful elsewhere**

A recent advertisement by Coldwell Banker Burnet in the Minneapolis Star Tribune showed Keller Williams as having less than 1 percent of the market in 2002.

Considering the office had been open for less than a year, it's "a heck of a compliment, to be even acknowledged," Mancuso said.

In 2002, Keller Williams sold about \$120 million worth of homes in the Twin Cities. Through mid-June of this year, the firm's sales volume was just shy of \$100 million, Mancuso said.

In contrast, Edina Realty and Coldwell Banker Burnet each had 2002 volume nearing \$6.5 billion.

On a national scale, Keller Williams has grown to become the sixth-largest franchise in the real estate industry, said Blanche Evans, an editor with a national real estate trade publication called Realty Times, published in Dallas.

Other than in Texas, Keller Williams has a strong presence in Denver, Atlanta and northern California, Evans said.

It's not easy to grow in new markets that may operate differently with a different set of regulations and customs, she said, "but Keller Williams has certainly done that."

For example, since the first Keller Williams franchise opened in Denver in 1993, the firm has become the third-largest player in the area, with 22 offices and 2,000 agents.

### **What competitors are saying**

The entry of Keller Williams can't be ignored in the Twin Cities because it is a national firm that's been around for about 20 years, said Leonard MacKinnon, senior vice president of marketing and communications for Coldwell Banker Burnet Realty in Edina, which has about 2,900 agents in the Twin Cities.

MacKinnon's impression of Keller Williams is that it overemphasizes agent recruiting instead of selling houses.

"If they were to achieve (their agent) objective, which I would admit is possible, I'm curious as to how much real estate they'd be selling," MacKinnon said.

Edina Realty, which has 2,900 agents and is a subsidiary of Omaha, Neb.-based Berkshire Hathaway Inc., isn't worried about the competition, said Bob Peltier, Edina Realty's president.

"They are such a small player," he said. "It doesn't mean we're not watching them, but they're not affecting the market at this point."

If Keller Williams succeeds here, it won't be the first national firm to do so. Denver-based Re/Max has enlisted about 1,200 agents in the Twin Cities since the company entered the Twin Cities about 12 years ago.

But Keller Williams' growth projections will be difficult to achieve in such a short time frame, said Jeff Scislow, a broker associate with Apple Valley-based Re/Max Results, a franchise of Denver-based Re/Max International.

Scislow was solicited to join the firm, but chose not to because of his long-standing relationship with Re/Max.

Keller Williams will "have a decent impact" on this market because it offers another option for brokers who are tired of traditional real estate commission structures, Scislow said.

#### **How it works**

One of the advantages offered to new agents is the lure of profit sharing.

A spokesman for Keller Williams said the profit-sharing checks range from \$400 to about \$5,000 per year, depending on production level.

Profit sharing is a hot button in the industry today, said Edina's Peltier, who said his company is developing a profit-sharing program. He also criticized Keller Williams' program as "smoke and mirrors," an accusation Keller Williams officials disputed by saying the program retains the agents it attracts.

Coldwell Banker Burnet, a division of Parsippany, N.J.-based NRT Inc., has had a profit-sharing program in place since 1998.

There also is an incentive for the agents to bring in new agents, because senior associates get a share of revenue brought in by their recruits. The system has been compared to other tiered compensation models, such as those used by New York-based Amway Corp.

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