

How Much Will It Cost to Open a Real Estate Office?

The cost of opening a real estate office can vary greatly depending on location, setup and size of the office. While it is virtually impossible to pinpoint what any individual's specific cost will be in a generalized format such as this, we are able to bring your attention to the key areas that you must be aware of prior to opening an office.

Franchise Fee

One of the easiest ways to get a good idea of what a real estate office will cost you is to get involved with a franchise. While the franchisor will not be able to tell you an exact amount, they should be able to give you a rough idea. In addition to giving you some assistance with cost, a franchise may also provide you with systems and tools to help get your office going much faster than you could on your own.

In exchange for this knowledge, tools and systems, franchises often have an initial franchise fee. If you decide to go the way of a franchise, you will have to factor in this cost.

Office Lease

Depending on where you choose to lease, how much space you choose to lease or if you choose to buy a location will factor largely into your startup costs. Typically, when you enter into a lease you will have to be mindful of first and last month's payment as well as a security deposit. Each lease situation varies and depending on market conditions. Be sure to shop around to ensure that you are getting a fair deal.

Office Build Outs

As with the lease, build out costs will vary greatly. In some instances, you are able to take over a turnkey location that will require minimal changes before you can start your operation while in other cases major renovations are necessary. Depending on the building and landlord, at times brokers are able to successfully negotiate to have the landlord pay for the build outs. In situations where you are required to pay for the build outs, this could end up being your greatest startup cost.

Furniture

While it would be foolish to run out and purchase every piece of furniture for every room in the office before you have even opened the doors, there are some crucial elements that must be present prior to your opening of the office.

A conference room, front reception area, manager's office, at least one private/semi private office and an open business area must all be setup in order to successfully attract real estate agents to join your office. Beyond those main areas, it is not necessary to furnish every private/ semi private office nor is it necessary to have multiple conference rooms setup. Those will come later as the office grows.

Equipment Investment

s with the furniture it is crucial to have a sufficient amount of available equipment however every room in the office does not necessarily require its own computer from day one. A commercial copier, front desk computer, manager computer, conference room computer and possibly wall mounted monitor, a phone system, network and a couple of open business area computers are all that should be needed to get your doors open. Once again, as your office grows you will be adding more equipment.

It should be noted that while some brokers believe that every personal office should be provided a computer and printer others do not share that view. We are of the opinion that if an agent chooses to rent an office then they may supply their own computer (which will connect to the office network for Internet and printing) and if desired personal printer.

Office Services

The Internet, electricity and phones obviously must be in place prior to opening your doors. Depending on the service you may be required to pay a deposit upfront. Be sure to look into this prior to signing agreements as deposits are often times very high and can affect your opening budget.

Staff Salaries

Staff salaries can be a major factor on your budget. Depending on if you will be the person running the office or if you will have a manager running the office will vary your budget. It is important not to get carried away on staffing an office with no real estate agents. A front desk administrator and possibly a manager (if you choose not to run the office) are all the staff you should need on day one. With some real estate franchise systems, offices are able to operate with 100 real estate agents with just one front desk administrator and a single manager.

Carrying Costs

Remember that plan you had when you worked out how much money you'd be making versus your expenses? Be sure to keep in mind that when you open your office on day one you are looking at little to no revenue with ongoing expenses in place. Be sure to have at minimum six (6) month's carrying costs available to you. The goal is of course to be breaking even or

profiting well before the six-month mark, but until you are turning a profit it is important to ensure that your business will survive.

In Summary

Although this report does not give a dollar and cent breakdown of what your expected costs will be when opening a real estate office, it does provide a good starting point as to the essentially areas which you must price out when planning your budget. Be sure to pay close attention to these costs and contracts and you want to avoid any costly surprises.

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