

REAL *Trends*

The Trusted Source

COMMENTARY

2009

The year draws to a close with the strongest month of sales increases seen since the 2003-2005 period. In fact the increase from November 2008 to November 2009 (42.9 percent in units closed) may be the largest month over month increase in history. While the average sales price nationally was still down nearly 5 percent, it is also one of the best

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reports seen in the last four years of sinking unit sales and declining prices.

And, yes much of it was due to the stimulus provided by the lower-than-normal interest rates (courtesy of Uncle Sam buying up a trillion dollars of mortgage backed securities) and the first-time homebuyer tax credit that originally was to have expired November 30. At this point leading brokerage firms will take the largess and count themselves fortunate that this kind of one time supply-side stimulus was available.

The tax credit has been extended for first-time homebuyers through April 30, 2010, for contracts and June 30, 2010, for closings. We also have an expansion of the \$6,500 tax credit for move up buyers to add fuel to housing sales.

Foreclosures will be with us for a while. Estimates of the inventory of foreclosures range as high as 2 million currently; the same sources indicate we may see as many as 2.4 million additional foreclosures in 2010. Foreclosures in the higher priced brackets are just starting to become a factor and should prices drop further we will see more damage of this kind.

The number of Realtors® shrank but not as much as expected. Unit sales are down from the peak by 36 percent as of this point; Realtor membership is down less than 15 percent thus far. No one we know has a good explanation for this— why so many who are doing so little continue to pay their license fees and Realtor dues.

What else took place of significance in 2009, what else have we observed:

There are no magic bullets

Cutting costs has become a way of life for brokerage firms and sales professionals. Getting and staying efficient on the cost side is a new way of life. It's not a given that sales will improve hugely in the years ahead thus leaders will plan to stay lean in the next few years. Growth will only come through sustained focused effort. Turns out that recruiting and productivity tools (education, mentoring, etc.) are still the most effective ways to grow.

Core services can be established as an agent service program

With the mortgage market establishing much tougher standards for underwriting for all purchasers and the valuation models currently deployed (HVCC) it would seem more important than ever that sales professionals first get their buyers pre-approved by a reputable lender. Otherwise too much time and effort will be wasted and there will be bad will with housing consumers on both sides of the aisle. Firms that focus on developing CORE services where it is not just a "nice" addition to profits but rather true services to sales professionals will find themselves on the winning end of more closed deals.

Social media is another word for staying in touch

I think Facebook, Twitter and the many other social sites are great. They're fun. They can be very useful for staying in touch and communicating with the community of those who are interested in what you have to say about housing and markets. They're relatively efficient in reaching large numbers of members of your community. They're just that, a new way of staying in touch. Snail mail, newspapers and phone may be considered by many to be passé but even these

are effective ways to stay in touch—depends on your relationship with your friend and clients and how they want to “stay in touch.”

It is possible to grow in a ferocious market

Believe it or not there are several firms that grew their business in 2009. We expect to highlight some of them in the months just ahead. How did they do it? Some did it through the limited number of acquisitions that got done this year. Most did it through those old-fashioned growth tools called recruiting, training and mentoring.

2010

Sales in the first quarter will be somewhat better than those of the first quarter of 2009. Sales in the second quarter of 2010 should be hugely better than the second quarter of 2009. The last half of 2010 may well be flat with results in the last half of 2009 due to higher interest rates and the removal of tax credits from housing at June 30.

We expect that existing sales may be up to 5.4 million next year and new homes another 400,000 to 450,000 units. Call it a 5.9 million-unit year up from 5.4-5.5 million pace this year. We do not yet know how many sales are being pulled

forward due to the tax credit but it's not a small number.

Brokerage firms will begin to focus on how technology can create incremental business for their firms—with a vengeance. While there are only a few firms that have mastered how to convert online presence and marketing to closed business, more than a few CEO's have expressed that being able to create more actual business from these activities will be key to recruiting and retaining sales professionals next year and for several to follow— not “perceived value” but real value.

It is not enough to add the technology. Brokerage firms and sales professionals will be looking for those tools and systems that can deliver results. Further leading firms will begin the process of rearranging their business models and systems to address the great gap between their online promises and the delivery of actual service to consumers.

Looming on the horizon are challenges to CORE services via the Busby case and the impact of expected Congressional action through the Consumer Finance Protection Act. A cursory reading of the bill shows several areas that would impact how mortgage and insurance can be delivered to consumers. An unfavorable ruling in Busby could lead to more legal challenges to brokerage firms who have different means of charging commissions. ■

A Web of Housing Subsidies Threatens the Recovery

by David Lereah, Real Estate Economy Watch

Don't let recent good news about the nation's housing sector lull you into believing that the housing market is firmly on the road to recovery—because it isn't. There is a long and winding road ahead.

It is difficult to ignore the good news. The housing sector scored a trifecta in October: home sales were up; home inventories were down; and home values were stabilizing. Existing home sales surged 10.1 percent to 6.1 million annualized units in October compared to a month earlier, while new home sales gained 6.2 percent to 433,000 in October, representing the strongest pace since the fall of last year. More encouraging was that the months' supply for existing homes posted a cyclical low of 7 months in October, while the months' supply for new homes registered a cyclical low of 6.7 months.

The median price for existing homes fell 7.1 percent in October compared to October 2008, the second consecutive month where the decline was in single digits. More heartening was the meager 1 percent decline in the median home price in October compared to September. The median price for new homes fell only 0.5 percent in October from a year earlier.

Pushing good news aside, the housing sector remains fragile and its fate is very much subject to the whims of the federal government. After a year of unprecedented government intervention, the housing sector is now propped up by a maze of federal housing programs, direct housing subsidies, lenient government underwriting practices (e.g., FHA), and an enormous mortgage-backed security purchase program. Combining this convoluted web of subsidies with a backlog of foreclosures due to hit the streets next year, paints a fragile and tenuous picture of the housing situation.

To illustrate the magnitude of housing's vulnerability, consider the impact of this past year's first-time homebuyer tax credit on home sales. Economy.com estimates that **the original tax credit resulted in an additional 500,000 home sales** that would otherwise have not occurred in the absence of the tax credit. As of October, aggregate home sales were 6.53 million annualized units (6.1 million existing sales; 433,000 new sales.) If the tax credit never existed, it is likely that October's aggregate home sales number would be closer to 6.03 million (6.53 million minus 500,000) annualized units rather than today's 6.53 million number.

To further illustrate the strength of government subsidies on housing activity, consider the impact of the Federal Reserve's mortgage security purchase program. Most economists

believe this program has brought mortgage rates a full percentage point below where rates would have been in the absence of the security purchase program. Under normal market conditions, a **one percent drop in mortgage rates usually translates into an additional 250,000 home sales.** It follows that when the Federal Reserve ends the security purchase program (due to expire early next year), mortgage rates will gradually rise by a percentage point resulting in about 250,000 less home sales.

Sometime early next year, the homebuyer tax credit and the Fed security purchase program will cease to exist and the housing industry will have to pay the piper. The homebuyer tax credit which is due to expire in April 2010 is projected to add an additional 500,000 home sales; the same estimate as the previous tax credit. Assuming everything else stays the same, the expiration of the tax credit and the Fed security

purchase program would result in 750,000 less home sales on an annualized basis. That number would be difficult for the markets to digest and would likely curtail the housing recovery.

Of course, everything else does not stay the same. The government is betting that the economy is healthy and growing by early next year, generating monthly job gains rather than losses. Increased job security and rising consumer confidence are expected to partially offset the negative impact of removing the two housing subsidy programs.

Eliminating subsidy programs is no trivial task; timing is critical. The government needs to unwind the web of subsidies that it has spun to keep the housing sector afloat with caution and careful timing. A successful housing recovery depends on it. ■

Preparing For the Newest Force on the Consumer Front?

by Jeremy Conaway, contributing editor

This is an incredible time in history. Our world is moving so Meredith Publishing, a marketing partner of the real estate industry through its relationship with Better Homes and Gardens Real Estate, has made yet another powerful contribution to real-estate-related knowledge through the work of Marissa Miley and Ann Mack. Miley, a *New York Times* best-selling author and Mack, a senior executive and visionary with JWT, have produced a definitive work on the female consumer demographic entitled *The Rise of the Real Mom*.

The story begins in 1968 with Phil Morris' introduction of the Virginia Slim cigarette, one of the first non-garment product lines produced specifically for women. Virginia Slims were sold into a market that was characterized by the then-recent success of the woman's movement and onto a demographic landscape in which the vast majority of women were still living in the shadow of the 1950s but increasing numbers were escaping to the potentials of a new "liberated" environment.

Since that event some 40 years ago, women have discovered that while the "liberated" environment improved on the previous option it was still less than ideal. Among the several ominous features of that new world was the perfection standard that required the women who opted to be "liberated" to be the perfect mother, professional, wife and lover. This unfortunate situation was quickly followed by what became known as the "mommy trap," where a woman was forced to choose between a career with nanny or becoming a super-mom stay at home.

Now 40 years later, women are creating a satisfying experience now referred to as being "real moms." Real moms celebrate the "trade offs" inherent in living within a compromised work/parenting environment and, more importantly, understand that there is a third designation to be dealt with, that being an individual, a woman.

So it is this "real mom" that American business is currently focusing on. The objective of this article is to provide real estate professionals with the slightest of glimpses into this new world and to provide notice that extensive reading and research will be appropriate if brokerage firms intend to capitalize on this new market demographic.

Nothing in this article should be interpreted to suggest that real moms have it all figured out for, like all of us, the ultimate lifestyle remains elusive. As a starting point, brokerages would be wise to appreciate the raw economic power of this group. The Boston Consulting Group estimates that women currently control \$4.3 trillion of the \$5.9 trillion currently being spent annually by U.S. consumers.

The immediate challenges to brokerages seeking to work with this group will be to communicate the value proposition, practicality and positive lifestyle attributes of their products while at the same time creating a real estate experience that makes women feel confident and in charge. Our first note of warning is aimed at those real estate professionals whose ultimate objective is to manipulate clients into a situation where the agent exercises all of the control. Bad mistake!

Another important trend that should be reflected in the brokerage consumer experience is assisting real moms to

empower others in their lives so that they will have more time to be where they want to be whether that is at home, at work or in their individual space. Lastly, brokers will have to align their marketing efforts to comply with the hectic but super efficient life style of these ultimate “multi-taskers.”

A more complete understanding of this critical consumer group can be gained from the following.

- Since 2005 women have earned a majority of the college degrees awarded in the United States. (57.4% of Bachelors, 60.6% of Masters and 50.5% of doctoral level degrees)
- Women accounted for 47.7% of the work force in 2008, a number that has been steadily rising
- Between 1990 and 2006 women’s incomes grew by a factor of 32.9% compared to men’s that grew only 6.3%
- In the Miley/Mack study 48% of women identified their current positions as career rather than job in nature
- In the same study 54% of women indicated that careers were the highest priority compared to 61% of men

Viewing the real mom movement from a generational perspective further defines the current female consumer environment. In general terms it could be said that while X generation women were somewhat motivated to success in the three areas, the women of the Millennium or “Y” generation are really focused on these potentials.

The Miley/Mack research also provides some clear lifestyle statements regarding the increasingly powerful millennium generation. (Age 18-30). According to the Census Bureau at mid 2009 this group passed the Boomer generation in terms of population.

- 90% of men and 94% of women rated financial independence as being very important
- 89% of men rated taking care of themselves as being important compared to 94% of women
- 91% of men rated having a career as being very important versus 87% of women

- Owning a home scored as being very important for 44% of men and 76% of women
- Owning their own business scored as being very important with 44% of men and 30% of women
- Being married or in a committed relationship was rated as being very important to 61% of men and 82% of women

Of special interest to the real estate professional is the fact that the Mr. Mom role that seemed to have such potential in the 1990’s and 1980’s appears to have fizzled, perhaps as men discovered the “mind numbing” reality and vulnerability of that status. The statistics seem to suggest that women may have discovered the same thing thus the greater focus on the balanced lifestyle.

For brokerages seeking to recruit women into their ranks the Miley/Mack statistics would seem to paint a picture for these firms to create a new more responsive role and a team environment. While the traditional agent role might provide some financial satisfaction it will fail on almost all counts to provide an appropriate peer and intellectual surrounding. Interestingly enough however firms that move to provide their clients with the emerging lifestyle coaching role may find that this repositioning also enhances their attractiveness to women as a work site.

The Miley/Mack research goes on to provide a wealth of information regarding what factors most influence this increasingly powerful demographic.

In concluding the point to be made here is that as America approaches the second decade of this century it does so with a significantly different population and demographic profile that is presently assumed by the existing industry sales and marketing force. The failure of the industry to come up to speed relative to these factors will create yet another vacuum (like rating and new forms of information) into which new competitors can gain footing.

The next several months are a critical time to practice “heads up” focus. We can do this. ■

ANALYSIS

The Silver Lining...

by Nicolai Kolding, associate editor

Although most brokerages are still facing incredibly challenging times, there are silver linings in these clouds. Over the next several newsletters, we'll discuss some unique ideas brokerages can employ today to build and plan for their future.

Since we're getting into tax season, let's start with the thrilling topic of corporate/tax structures. Now we know this isn't a conversation that gets too many people excited, but the fact is now is the time to review what kinds of corporations you have set up and whether or not they provide you with the best possible protection and tax treatment, especially if you are considering a sale sometime in your future (even if that is years from now.)

A perfect example of this is the C-Corporation. Although this structure provides the shareholders with a high level of personal protection, it is often a hindrance when a sale is contemplated. This is because very few buyers of brokerages are interested in purchasing a company's stock (they instead buy most of the assets but leave the stock, and the liabilities, behind.) The selling shareholders, though, are then "double-taxed": once for the corporation and yet again (as ordinary income) when distributing the money from the sale to themselves. The sellers are often left with less than half of the total consideration on an after-tax basis.

What unfortunately often happens in these situations is the deal falls apart; the seller can't come to grips with the after-tax price and the buyer is neither willing to buy the stock nor

increase the price to make up the difference.

Simply changing your corporate structure right before the sale is not an answer because there is a ten-year "look back" to determine the tax basis. In theory, the government will establish what your corporation's value was at the time of the change and tax you like a C-Corporation up to that valuation point and then at the rate appropriate to your new corporate structure for everything above that value. In practice, though, in the absence of a formal valuation from a third-party, the government will simply assume that the value of the firm has remained unchanged. The result: even though you went through the time and expense of changing your corporate structure, you still get double-taxed for the entirety of the price as if nothing changed.

Here's the silver lining: since now is likely a low point in your corporation's value, now is the time to lock in that valuation so that your exposure to unfavorable tax treatment can be minimized. Then you can comfortably change corporate structures to something that will put far more in your pocket whenever it is that you do sell. The key to this is to have your valuation established professionally so that you have proper "proof" when the tax reaper cometh.

Although we have helped companies successfully employ this strategy, as with any time you are considering tax guidance we strongly encourage you to also seek the counsel of your professional tax advisor to discuss all the implications. There may be circumstances particular to your history that can change the calculus. ■

Leadership Lessons

While a recovery is brewing, real estate as we know it has changed forever. This market has taught us many lessons and forced brokerages to employ new tactics for survival. *REAL Trends* spoke with four real estate executives to find out what was key to their success in a challenging market.

Joyce Bytof, CEO
Coldwell Banker The Real Estate Group
Appleton, Wis.
17 offices
450 sales associates

REAL Trends: What is key to getting your brokerage through these tough times?

Bytof: First of all, as we started to see a major decrease in business, we brought our top management together to discuss our future. The attitude and performance of top management is crucial. We threw conventional thinking out.

We've cut expenses. We had to find a balance as you can only cut expenses so far.

We've merged with other companies; which doesn't require an outlay of money but adds transactions to our book of business. We've been studying other firms' successes and failures. I am also part of a group of owners throughout the country who brainstorm about ideas to get through these times.

We've reworked schedules. For example, between 10 a.m. and 2 p.m. some 60 percent of all calls come into customer service, so from 8 to 10 a.m., we can cut staff a little.

REAL Trends: What are some different techniques, practices you're using?

Bytof: In Wisconsin we have ZIP forms which are free to members of our state association of Realtors®, so instead of paying for a forms company, we're going to all ZIP forms. It eliminates about \$18,000 from our budget.

We're taking control of lead management systems. In the past, we didn't track leads that came through, some agents were very good at lead management and some were poor. We had more business walking out the door this way than any other. Now, we have a top manager who's taken control and redone the whole system.

We're reducing debt and lowering costs. We've cut little things that go a long way when you're taking a look at the bottom line and want to create a profit or break even.

Our trainer will retire at the end of December. We've had a trainer for 20 years and it's nice but I don't think we've used him as well as we should have. So, we've decided not to rehire that position. We'll use contract trainers and managers instead. Who better to teach new people about writing an offer than a manager? That's a \$40,000 to \$60,000 a year savings. We've also consolidated a few of our smaller offices to save on franchise fees and management costs.

REAL Trends: What structural changes are you making in your firm?

Bytof: We're merging and consolidating offices. We've put more people in offices that weren't completely full. One of the things we've done as we've looked at going lean is made choices on cutbacks based on whether or not they're visible to the consumer or to our sales associates. For example, we take 85 senior associates on a trip every year. That trip costs us about \$300,000 but it's the talk of the real estate industry. We refused to cut it as it boosts morale and helps in recruiting. It's an outward sign of a strong company.

REAL Trends: What have you learned in going through these times?

Bytof: We've seen a decrease in company dollar. But, we were fortunate because unit numbers weren't bad because of the stimulus. We just sold less expensive homes.

We're looking forward to the new stimulus. The key task of our leadership is to perform new paradigms. We must be better, more convincing and speedier. We can't continue to force our people to do it the way they did it before.

I'm 73, and I've been through a number of down markets. I'm convinced and determined that we can live without a lot of things that we didn't believe we could. That's what I've learned.

Mary Anne Frolik, partner
RE/MAX Greater Atlanta
Atlanta, Ga.
9 offices
578 sales associates

REAL Trends: What is key to getting your brokerage through these tough times?

Frolik: There have been several keys. One of the things we've done is re-structured. We had seven partners and paid management for our company and a CEO position. We eliminated the CEO position and reduced the number of owners from seven to two. The brokerage is now partner managed. That took off a big layer of expenses. We also consolidated offices and restructured leases for our offices.

We eliminated labor costs where it was possible by reducing the number of staff in each office to three people—managing broker, office manager and receptionist. We're using more of the franchise advertising material. We also purchased equipment to create in-house videos so we can do more Web marketing.

REAL Trends: What are some different techniques, practices you're using?

Frolik: We've really focused on activities in the offices to keep agents' morale boosted. We have mastermind groups going on in most offices. Those are agent-led groups and have been very popular. And, they have an expense side to it. Those groups are held on a weekly basis. We've implemented the Buffini 100 Days to Greatness and the Summer Surge programs. We've done all the Buffini Training. Early in the year, we started short sales training and strategies for working with first-time buyers. We've also trained sales associates on social media and working with investors.

REAL Trends: What structural changes are you making in your firm?

Frolik: Of course, we've restructured from seven partners to two. We moved all accounting to the corporate level, with exception of pushing commission writing out to the branches.

REAL Trends: What have you learned in going through these times?

Frolik: It has definitely taught us that cash is important to a real estate brokerage. In addition, you can't always assume that the good market will last forever. You must prepare for the downside. You have to be aware that the downturn will be around the corner unannounced and you have to be in a positive cash position, ready to weather those downturns.

David Osborn, president
Keller Williams, Guildford
Dallas, Texas
12 offices
1600 sales associates

REAL Trends: What is key to getting your brokerage through these tough times?

Osborn: The No. 1 key is to have positive energy. You must

keep everyone upbeat. Realize that agents and managers are making less money and working harder than ever before. So, you must focus on positive outcomes.

The second key is to focus on the fundamentals. This is a time for taking action, prospecting and education. This is a time for austerity, for paying attention to where you're spending and how. You must cut costs where it makes sense but not being foolish about it.

REAL Trends: What are some different techniques, practices you're using?

Osborn: It's important to understand that many sales associates and managers are getting beat up by the market. We must keep a positive focus. We're doing a lot of conferences, and team-building. We had Fred Akers, head coach of the Texas Longhorns in for motivation. We've had competition between managers. We're supporting the Keller Williams masterminds and mega camps as well as agent retreats for top agents. We're adding fun and service, but keeping it focused on a goal of serving consumers and boosting productivity.

REAL Trends: What structural changes are you making in your firm?

Osborn: Where possible, we've cut overhead. We've done more with less and have people taking on more job responsibilities. We've reduced our space needs. We also sold one of the franchises to a local operator. In fact, we've sold a couple of offices.

We've focused on mergers and acquisitions so we've taken in some companies that were struggling. We've added a commercial division that is doing quite well. We've discussed creating a bonus structure based on things sales associates can control rather than things they can't control. We're doing more with less. We're featuring results-based compensation for some sales associates, rather than flat compensation. We've reduced fixed-base pay and increased performance-based pay.

We've renegotiated leases and that's been effective for us. We've also tried to do more risk prevention. We'll continue to focus on core services and make sure they're being effectively promoted.

REAL Trends: What have you learned in going through these times?

Osborn: This is the first downturn where I've had this much exposure. I've learned that when the sky falls, it's not ever as bad as it seems. If you take correct action and you've been prudent prior to the market shifting, then the consequences that seem dire prove not to be as bad as they seem.

Like everyone, we got carried away with boom times but weren't foolish. Good leadership emerges in tough times. We've learned that tough times are good for you. Tough times help you make good decisions. Tough times increase your level of accountability and reveal areas where you can

improve. The good times mask all of that.

**Doug Rebert, Managing director/co-owner
Prudential HomeSale Services Group
Lancaster, Penn.
19 offices
1000 sales associates**

REAL Trends: What is key to getting your brokerage through these tough times?

Rebert: The key is to pay attention to the details. Find ways to reduce costs without sacrificing what you deliver to the public, to sales associates and to consumers.

REAL Trends: What are some different techniques, practices you're using?

Rebert: We've gotten several of our local Realtor associations to create an area-wide Realtor open house. This allows us to jointly secure advertising, promote through multiple Web sites and dramatically decrease our print media costs while reallocating some of those savings to several new services. One of those new services is Voice Pad, the latest generation of real estate hotlines; which incorporates all IDX inventory in our marketplace. Consumers can access it 24/7 via their cell phones. If the user has a Smartphone they can receive additional info such as text messages and photos.

We continue to focus on buying other companies. We never stopped and in fact have ratcheted it up to focus on mergers. We've acquired five companies in the last 20 months.

REAL Trends: What structural changes are you making in your firm?

Rebert: We consolidated several offices, something we planned to do anyway. We just made sure we did it quicker. Other than that, we made very few structural changes. Right before the downturn, we sold off two unprofitable offices in our eastern fringe.

REAL Trends: What have you learned in going through these times?

Rebert: There are greater efficiencies and cost savings in our company than we realized until we were forced to concentrate on finding all possible options. We saw that our team members were willing to sacrifice with us—by cutting back hours in our title and mortgage divisions and accepting the fact we had no compensation increases in 2009. This all was possible because we built the team dynamic before the downturn.

This may sound simplistic, but we sat back and remembered what we did when we were a smaller company with less business. We made a profit back then, so we looked at that and made changes to return to those practices.

We're a profitable, solid company and our partners are proud of that. ■

Who's Buying Now?

If you're like most real estate professionals, you're familiar with the usual target markets of baby boomers, first-time homebuyers and retirees. Consider this: what if rather than focus on a particular niche based on age or economic status, you focused on who's buying now? That's the premise that Christopher Norton, chief strategist of the Advanced Marketing Institute in Boulder, Colo., is using based on data from a 10-year ongoing study that analyzes the spending habits of 800,000 people in the United States.

"From a marketing and sales perspective, customers are looking for different things. We noticed that the marketing programs we [Norton's previous company which was a real estate sales and marketing agency] were running—that were successful before—were getting lower response rates, even before the market took a dive," says Norton. "We could excuse it early on that the market was changing but it's more than that. After doing a ton of research to figure out what was going on, we realized the problem," he says.

The problem, says Norton, is that most marketing programs are modeling people based on age, stage of life and demographics; when really they should be modeled after those who are spending money today.

"This niche group of consumers, dubbed the NEO or New Economic Order, account for 24 percent of the population," says Norton. "NEOs contrast in a variety of ways with the majority of consumers—traditional—who tend to be measurably more price-driven, brand-focused and reticent to spend in challenging economic times."

According to the research, 88 percent of those indicating they'll buy a home over the next 12 months are NEOs. In

addition, NEOs move from home to home four times more often than traditional; making them more profitable clients over the long term. NEOs are also more optimistic about today's economy than traditional.

"It's a change of approach on multiple levels to understand how they operate, how they research real estate and what they're looking for," he says. Norton suggests that to reach these buyers, real estate professionals must market the property that shows how it is unique and different from all other properties. "This is more than just saying the property has a wonderful garden," says Norton. Instead, your marketing should be focused on the relaxing summer nights spent with family and friends sitting on a long, wooden table in that garden, drinking wine and having intimate conversation. "That is the one thing this house has that no other house has, it's a once-in-a-lifetime experience," says Norton, who notes that Apple does this the best. "It's more marketing and less sales," he says.

Focus on what makes this property unique—great restaurants, architectural features, history of the land, history of the homeowners. "Does the sun shine in the kitchen window just so on a winter's afternoon? Is there a cool bagel shop that's close enough to walk to each morning? It's not about square footage or pricing. It's about being very open and authentic about the property and the consumer who buys it," he says.

The main point, according to Norton, is that you must stop operating based upon a market that no longer exists. You have to get to the edge or it won't work.

For more information about this new consumer, go to www.advancedmarketinginstitute.org.

"Effort is Admirable, Achievement is Essential"

by Mike Staver, CSP, professional speaker and coach

This is what I heard the Fortune 500 CEO, John Chambers of CISCO Systems, say just before I went on to speak. I could have just stood up and said, "Well, that just about sums it up folks. Thanks for coming!"

I didn't, of course, but he did pretty much say it all in that small sentence. I am so, so tired of our culture getting softer and softer around achievement. It is fair to say that the pendulum has swung far too far in the "well, at least they are trying" direction!

'Trying' doesn't get it done. Every kid on the team DOES NOT deserve a trophy because they tried or just showed up. That's just not the way the world works.

May I suggest that we get back to *achievement* as a primary indicator of success? Granted, achievement can be defined in many ways, but just trying is not enough. 'At least you made the effort' is not a compliment. 'It's the thought that counts'

is pathetic weakness.

To what extent do you sometimes hide behind the 'at least I tried' excuse? How often do we feel bad when everyone doesn't feel good? It's normal and necessary to fail; to miss the mark; to fall short. It's what teaches us and allows our minds to stretch. Get back to feeling the strain and stretch that real achievement requires! Aggressively shed the need and desire to feel comfortable and get about achieving.

Here's how:

1. Get clear about what achievement looks like.
2. Set a measurable goal around it so when the time comes you have clarity around the achievement.
3. Set the target at an uncomfortable reach/distance. Make yourself feel the stretch.
4. Surround yourself with people that drive you *and* cradle you.
5. Develop intolerance for simply making the effort.
6. Go crazy celebrating when achievement is realized! ■

TRENDS

REAL Trends Housing Market Report November 2009

HOUSING SALES ROAR IN NOVEMBER WITH UNITS UP 42.9% YEAR OVER YEAR.

**NATIONAL AVERAGE SALES PRICES CONTINUE TO STRENGTHEN,
DOWN ONLY 7.2 PERCENT FROM NOVEMBER 2008**

Report by REAL Trends shows housing finishing strong in 2009

The consumer response to the first-time homebuyer tax credit that originally was set to expire November 30, 2009 caused a huge surge in sales closings in November. Sales units were up 42.9% from November 2008 – the largest increase recorded in recent history on a month over month basis. While the average sales price of homes fell for the 26th month in a row on a national basis, the decrease remained well below [double-digit] declines that had been recorded over the past two years.

Every region showed remarkable strength. The Northeast showed the largest gain in units closed with sales up 53.7% over November of 2008; the Midwest region was up 50.7% and the South was up 47.9%. The Western region, which had shown earlier strength in sales, was up 25.0%.

The average price of homes was down 7.2% from November of 2008 on a national basis. The best region was the South where the average price of homes sold was down only 4.4% from a year ago. The Midwest was down 4.5% on the same basis. The Northeast with an average decline of 6.1% and the West at a decrease of 7.6% still showed improvement over all previous months recorded in the 26 months that REAL Trends has been tracking these results.

“The rush to close before the scheduled expiration of the first-time home buyers tax credit was the main reason for the strength of these results”, said Steve Murray, editor of

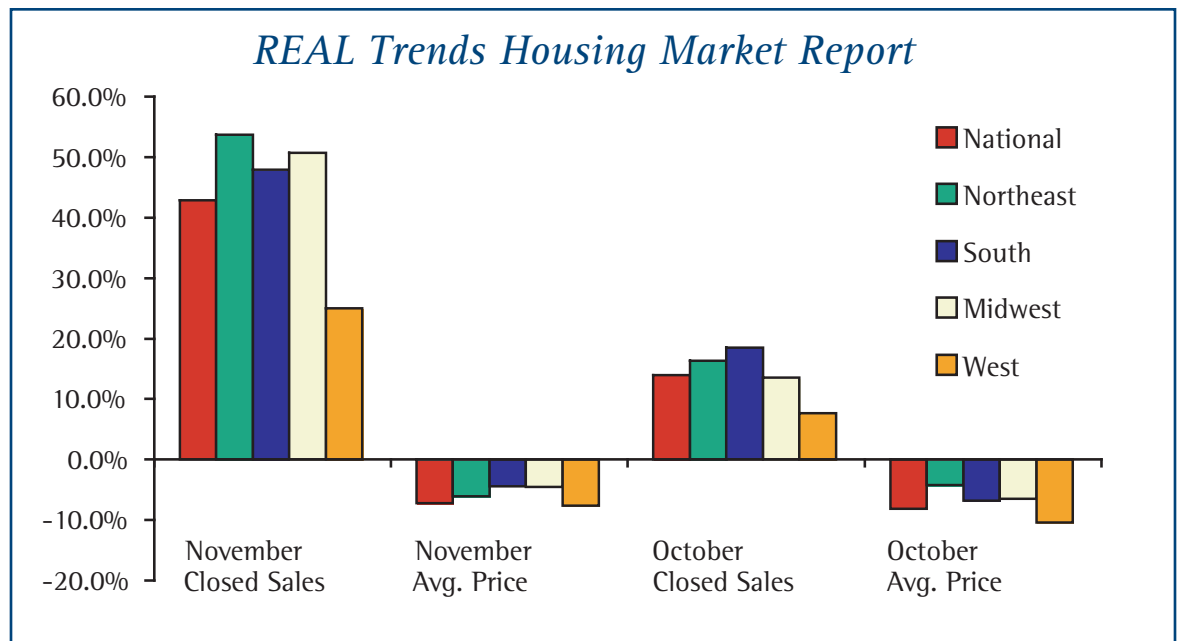
REAL Trends. “In addition, record low interest rates and high housing affordability had significant impacts on these results. Further, November 2008 was one of the worst performing months in 2008 so the substantial improvement was in

REAL Trends November/October Housing Market Report (Versus same month a year ago)

	November 2009 Closed Sales	November 2009 Avg. Price	October 2009 Closed Sales	October 2009 Avg. Price
National	+42.9%	-7.2%	+14.0%	-8.1%
Regional Report				
Northeast	+53.7%	-6.1%	+16.3%	-4.2%
South	+47.9%	-4.4%	+18.5%	-6.8%
Midwest	+50.7%	-4.5%	+13.6%	-6.5%
West	+25.0%	-7.6%	+7.7%	-10.4%

comparison to a particularly weak month a year ago.”

“We do expect that these results will weaken in the next few months as the pressure for homebuyers to act has diminished. Mortgage applications in November for purchases were down measurably.” ■



NAR 2009 Homebuyer Study

The NATIONAL ASSOCIATION OF REALTORS® surveys homebuyers and sellers annually to gather detailed information about the home buying and selling process. These surveys provide information on demographics, housing characteristics and the experience of consumers in the housing market. Buyers and sellers also share information on the role that real estate professionals play in home sales transactions.

Excerpts from the report:

Characteristics of Homebuyers

- Forty-seven percent of recent homebuyers were first-time buyers.
- The typical first-time homebuyer was 30 years old, while the typical repeat buyer was 48 years old.
- The 2008 median household income of buyers was \$73,100. The median income was \$61,600 among first-time buyers and \$88,100 among repeat buyers.
- Twenty-one percent of recent homebuyers were single females, and 10 percent were single males.

Characteristics of Homes Purchased

- New home purchases were at the lowest level in eight years—down to 18 percent of all recent home purchases.
- The typical home purchased was 1,800 square feet in size and was built in 1991.
- Seventy-eight percent of homebuyers purchased a detached single family home.

The Home Search Process

- For more than one-third of home buyers, the first step in the home-buying process was looking online for properties.
- Nine in ten homebuyers and 94 percent used the Internet to search for homes.
- Real estate agents were viewed as a very useful information source by 81 percent of buyers who used an agent while searching for a home.
- Seventy-seven percent of buyers purchased their home through a real estate agent or broker. ■

2009 REAL Trends National Mortgage Alliance Survey

Purpose: Over the past two years, the U.S. mortgage industry has undertaken an unprecedented period of rapid change. As such, REAL Trends set out to capture a snapshot of the changes that have affected the industry. Specifically, REAL Trends wanted to see if there was a material change to the distribution and or customer ratings associated with the mortgage alliance model given the rapidly evolving economic environment.

Methodology: Over the course of two weeks in September, REAL Trends deployed a survey designed to capture the frequency of various business models, the level of satisfaction within the different business model types and to depict any significant changes to the mortgage lending landscape at the alliance or mortgage brokerage level. A survey instrument was developed by REAL Trends and deployed three separate times in September using Zoomerang.

Joint Venture: REAL Trends received 33 responses from the field detailing a named Joint Venture alliance partner. The following frequency was identified as part of this sub group:

Wells Fargo:	10 Joint Ventures
Bank of America:	4 Joint Ventures
Prospect Mortgage:	4 Joint Ventures
Chase:	2 Joint Ventures

PHH: 2 Joint Ventures
Shelter Mortgage: 2 Joint Ventures
And 11 other companies with 1 Joint Venture each

Each company was ranked on a Liechert scale from 1 – 10 (1 being the worst and 10 being the best.) The average customer rating derived from the 33 JV responses with a named JV partner was 7.81 out of 10. While the individual averages would not be statistically valid, it was interesting to note that of those companies with 2 or more responses; Wells Fargo, Bank of America and Shelter Mortgage were the only three companies whose average customer rating was above the group's mean of 7.81 out of 10.

Marketing Alliances: REAL Trends received 32 responses from the field detailing a named mortgage alliance partner with a “live” marketing alliance and or marketing alliance plus desk rental agreement in place. The following frequency was identified as part of this sub group:

Bank of America:	9 Marketing Alliances
Wells Fargo:	6 Marketing Alliances
PHH:	4 Marketing Alliances
Met Life:	2 Marketing Alliances
And 7 other companies with 1 marketing alliance each	

Each company was ranked on a Liechert scale from 1 – 10 (1 being the worst and 10 being the best). The average customer rating for all reported marketing/desk rental agreements was 7.26 out of 10. While the individual averages would not be statistically valid, it was interesting to note that of those companies with 2 or more responses Bank of America was the only company whose customer rating was above the group's average rating of 7.26.

Summary: Given the sample size, it is difficult to draw any clear set of conclusions other than that the market has materially changed. In 2005, *REAL Trends* performed a similar survey which was deployed using very similar techniques (Zoomerang survey sent to list of *REAL Trends* 500 three separate times over a 2 week period). Those results yielded a similar response rate but clearly depicted the market

dominance of Wells Fargo in the JV space. Our 2009 survey, confirms that Wells Fargo still has the strongest JV presence. Among those growing the most since that original study were Bank of America and PHH.

In the Marketing Alliance/Desk Rental survey results show that Bank of America has increased its market share of those responding to the survey as compared to the results of our 2005 survey. Clearly, part of this increase in market share is the direct result of their acquisition of Countrywide Financial in July of 2008.

With the departure of Chase Mortgage from the market for joint ventures and Bank of America's acquisition of Countrywide, competition for broker partners ranked in the *REAL Trends* 500 will likely intensify in the months and years ahead. ■

Create Dialogue with Social Media

It all started with Facebook, says Pete Galbraith, president of sales for Coldwell Banker Select in Tulsa. "I'm 40 years old and reconnected with childhood friends—one of whom I haven't seen in 35 years," says Galbraith. That set the wheels in motion for Galbraith and the team to develop a social media plan for the company's 14 offices and 550 sales associates.

"As time went by, we heard Mike Lyon speak about the social media phenomenon and we decided to be proactive," says Galbraith. Now, some 85 percent of Coldwell Banker Select's sales associates are using social media in their marketing.

Over the past five months, Galbraith and his team have put together a distinct plan and social media strategy. "You want to disseminate as much information as you can. The Internet is only one-way communication. Social media helps you create dialogue."

Here's what they did:

Develop Fan Pages. Coldwell Banker Select encourages sales associates to develop fan pages on Facebook. They train the sales associates on how to create an account, how to join other groups and how to create a dialogue.

Create commercials. "We've created a series of commercials for sales associates. We hired a videographer who develops them solely for Facebook and YouTube," he says. "Five years ago, your only avenue to advertise yourself or your company was to buy TV time. Not anymore," he says. The commercials

cost about \$500 to \$800 a piece.

Provide quality content. Coldwell Banker Select combs blogs, news sites and *REAL Trends* for relevant articles to post on their main fan page. "For example, we put an article on the tax credit expansion on there," he says. From there, Galbraith encourages sales associates to use the information on their own sites.

Have a boot camp. "We offer a social media boot camp that explains the benefits and the how-to's," says Galbraith. More than that, Coldwell Banker Select coaches agents on how to use real life situations on their blogs and social media sites to show value, such as a story and photo of a client who took advantage of the tax credit.

Build relevance. "Quality content is key to building relevance. Social media marketing is about building relationships, not marketing yourself. This won't replace your existing toolbox, but it will enhance it," he says.

Pay attention to ethics. "We're keenly aware of the advertising rules and we go over that with our agents. It's important they know the etiquette and what they can and can't say."

In order to pay for the added costs of training, Galbraith says the company shifted money from newspaper advertising to social media. "The most expensive part has been the consultant. And, this type of campaign takes time. Our motto is, 'Make a friend today; make a sale tomorrow.'" ■

EDITOR'S NOTE

REAL *Trends* will be delivering new tools and services to our clients in 2010. Among these new tools are **Commission Concepts**, a new tool that allows brokerage firms to model the impact of different commission plans on sales associates earnings and on company revenues; a new improved version of the **Brokerage Valuator** where firms can do simple analysis on the value of their firm and those firms they may want to combine with; **Monthly Profit & Loss Analysis** and consultation; **Webinars** on a variety of topics from converting online leads and improving customer service; a **new conference** on developing leaders in recruiting and retention.

Another unique new offering is that REAL *Trends* will make content from its newsletter, E-mail Update, Blog and Facebook postings available to brokerage firms on an **exclusive basis** for use on their own internal communications networks and a firm's social media networks. Additional exclusive content will also be offered to brokerage firms desiring REAL *Trends* assistance in producing this for them.

Our Web site will take on an entirely new look with new functionality. For the first time our clients and customers can

get a look at the entire library of content, from conference power points to research studies, from newsletter articles to outside news reports. And this content will be available through an all encompassing membership or through individual purchase ala carte.

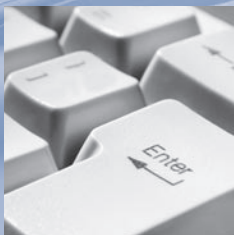
REAL *Trends* is also developing a new CEO group for the younger generation leaders of today. This new CEO group now being formed will be under the direction of Nicolai Kolding, a new partner in REAL *Trends*, and will be launched early in 2010.

We believe it is a time to change and innovate to deliver new valuable tools and content in new ways. What won't change is our commitment to be the "Trusted Source" for insight into the current operation of the brokerage business and thoughts about how to improve your future.

To all our sincere wishes for a Merry Christmas, a wonderful Holiday Season and a Happy New Year.

Steve Murray, editor, REAL *Trends* ■

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- Brokerage Valuation Analysis Tool
- Housing Market Reports
- The Buyer's Guide
- Upcoming Event Information
- The REAL *Trends* 500 rankings
- The Top 400 Professional Rankings
- All the REAL *Trends* Publications

WE AT REAL TRENDS WISH TO EXTEND TO YOU
OUR SINCERE WISHES FOR A WONDERFUL HOLIDAY
SEASON AND A VERY HAPPY NEW YEAR.

*Stene, Nicolai, Doniece, Dani,
Amy and Tracey*