

REAL *Trends*

The Trusted Source

COMMENTARY

Seasonal, Cyclical and Structural Change

With spring hope springs eternal. Housing markets have improved in some areas since March. Certain areas where foreclosures and bargain priced housing are prevalent have seen enormous increases in unit sales. In others, even mid-tiered priced segments are starting to see movement. The high end is soft most everywhere and should you read the survey on affluent households in this issue you can sense their reluctance to reenter the housing market.

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Brokerage firms and sales professionals survive and prosper through these seasonal changes every year and have done so forever. There may be fewer or more firms and sales professionals at the spring pick up but the business goes on.

We are now approaching the start of the fifth year of the current housing downturn. Unit sales first started drifting downward in July of 2005 in some markets and reached almost every market by the first quarter of 2006. Past downturns (1981-1983 and 1990-1992) were shorter in duration and less severe (although the 1981-1983 was much sharper and faster.) The recovery from both was long in taking hold. As we have said before the industry sold over 4 million existing home sales in 1979; it took nearly 17 years for the country to reach that level again, 17 years.

Brokerage firms and sales professionals have survived such cycles before. There may be fewer or more than before the cycle took place and they may look a little different than they did before but business recovers.

There have been a few changes in the way brokerage firms and sales professionals run their businesses over the past thirty years. The rapid growth of the high commission concept coupled with the demise of the prohibition of the anti-recruiting codes of the Realtors® in the late 1970's forced brokerage firms to shift substantial amounts of commission revenues to recruiting and retaining sales professionals. One outcome was larger offices and larger branch networks evolving since that time.

Another restructuring wave hit in the late 1990's with a wave of consolidation not seen since the days of Merrill Lynch Realty and Sears/Coldwell Banker. The advent of the acquisition activities of HFS/Cendant/Realogy, followed by Prudential and HomeServices forced brokerage firms to focus more on profitability as a means to an end. At the same time the phenomenon of sales professional "teams" started to reorganize the potential of larger "companies within a company." The maturation of Core services among a growing group of brokerage firms broadened their revenue and profit sources.

The boom of 2000-2006 was unprecedented in its scope and permitted realty firms and sales professionals to reach heights of revenues and profits never before imagined. For some time in the 2001-2003 period, the American housing market was one of the major growth engines for the entire world's economy.

Brokerage firms and sales professionals have survived and prospered through such structural changes before. There may be fewer of them or they may work in different or new ways but the practice of real estate has not changed all that much in the terms of how real estate professionals serve housing consumers.

This cycle and the structural change that is taking place feel different than those that have come before. Not to the extent that brokerage firms and sales professionals won't still be the dominant delivery channel to housing consumers. They will be for some time to come. This time, the cycle of recovery and the nature of the structural change seem to be more profound than any we have seen before.

In the past, cyclical and structural change occurred mainly due to changes within the industry. Larger and fewer offices. Higher splits. Public capital chasing growth

in brokerage. Legalization and rationalization of mortgage and settlement services delivery by realty firms. All within the purvey of the residential realty industry.

Now we face a recovery from the steepest and most painful cycle in our histories and also face the largest structural changes we have yet seen. At the foundation of this structural

change are the rise of consumerism, the introduction of the Internet and the influence of a new generation of consumers and real estate professionals. While consumerism was on the rise before the Internet arrived, the Internet strengthened the movement incredibly. The rise of Generation X and Y and the attendant cultural change has heightened it further.

The Next Wave

We used this title last fall to express our belief that the recovery from this down cycle would be different than in the past, the start of a new epoch if you will. Why?

For the first time since the advent of the Internet, leaders from all segments of the residential brokerage industry seem to be putting away their fears of the Internet and embracing how to engage it and integrate it into their businesses;

For the first time, leaders were willing to admit that consumers were impacting the way they delivered service and how they interact with brokerage firms and sales professionals;

For the first time leaders grasp that their relationship with housing consumers has changed, and is changing in ways that offer great opportunity for realty firms to re-engage directly with consumers.

At the recent REAL *Trends* Gathering of Eagles, our guests heard from a wide variety of speakers and presenters with examples of new models that are taking advantage of the structural changes. Yes, taking advantage of them:

- *Less office space, more mobility*
- *Less print, more online;*
- *More transparency and less complexity;*
- *More investment in services for sales professionals and consumers, less emphasis on traditional realty structures;*

And on leadership, Mike Staver of The Staver Group stated:

You should be very scared if you believe that things will get back to normal; you believe that you can't tell independent contractors what to do; you allow yourself or others in your company to criticize new or different business models before looking at their merits.

You should be ecstatic if you believe that this a new era that requires new thinking and new doing; you have comprehensive performance standards for every person in your organization; you are focused on increasing efficiency and decreasing complexity.

And the really big questions:

- *What are we pretending not to know?*
- *If you were going to build your most lethal competition what would it look like?*
- *Where do I apply the right amount of energy to get the right amount of movement to get the desirable result?*

The Next Wave is not a slogan. It is the expression of the fact that we are faced with enormous "structural change" and not just cyclical or seasonal change. The Next Wave expresses the fact that the cyclical change has created a time when it is acceptable to admit that it is not just cutting costs but reorganizing your entire organization that is really the answer.

ANALYSIS

What Are You Doing for Sales Associates?

In today's unpredictable market, smart brokers are reassessing business plans, getting creative about the services they offer and ramping up for the next boom. *REAL Trends* spoke with three brokers who shared with us what they're doing right and where they see challenges. Here's what they had to say:

Michael McGavisk, Operating Partner
Keller Williams Realty Wilmington
Delaware
7 offices, 703 sales associates

REAL Trends: What are your brokerage's strengths?

McGavisk: We think our strongest attribute is the vision to make a difference. We have experienced strong sales associates who are our core. It's the agents' company and we want to make a difference in their lives and in the community. We don't just want to sell real estate.

One of our goals is to help sales associates grow their businesses. Through all of this, we've maintained our low expenses model, so we haven't had to cut a lot of services or staff.

REAL Trends: What do you want to improve about your brokerage?

McGavisk: We want to improve our bottom line! Realistically, we need to improve our per-agent productivity and help them do better in that regard. That means we need to do better with lead generation, lead capture, growing and finding the business. We're really concentrating on helping them work the market.

Our #1 thing is to grow strong leadership for the next generation of real estate.

REAL Trends: What should/could brokerage leaders focus on for their sales professionals?

McGavisk: The biggest thing to do in this market is educate sales associates on how to build a profitable business and train them to do it. You have to get out there and actually show sales associates how to do this. You have to help them focus on building life. We have to take that education process and build accountability into it through coaching.

REAL Trends: What do you do for sales associates? What could you do more for sales associates?

McGavisk: We're bringing some of the coaching in-house and building an accountability model. We're trying to provide coaching, training and a strong vision of where they need to

go. Sales associates have to have a reason to get out of bed everyday. They need a purpose and we help them move toward that purpose. We give them a great economic model where they can build brand and business but we have to help them with a business plan. And that business plan must be a living, breathing thing, not just a piece of paper that you stick in a drawer.

We're spending a huge amount of time helping them grow the technology side of the business. We also have a mortgage arm that's becoming aggressive in helping agents sell the product. The thing that agents have to see right now is that we appreciate them. If we can communicate to them that we appreciate the struggle they're in and we give them programs to offset those struggles then we're doing great.

Rei Mesa, Principal
Prudential Florida Realty
Florida
43 offices, 2,000 sales associates

REAL Trends: What are your brokerage's strengths?

Mesa: The No. 1 strength is that we're a full service brokerage. We offer a family of services and provide consumers and sales associates with mortgage, title insurance, e-marketing and commerce.

REAL Trends: What do you want to improve about your brokerage?

Mesa: As an industry we need to improve the way we deliver information to consumers. We need to be a more consumer information driven industry. Today's consumers have unique challenges and brokers who can deliver solutions will win. To me, the real estate industry must be an information provider. After all, a well-educated consumer is the best consumer that we can work with.

REAL Trends: What should/could brokerage leaders focus on for their sales professionals?

Mesa: It starts with communication. Leaders have to communicate more. In fact, over communication is called for—not "rah, rah, rah"—but getting information out to sales teams that helps them communicate the facts about opportunities in the market and helps alleviate some of their anxiety and concern. We have to give sales associates information on how to service customers. It's about restoring consumer confidence and restoring our own confidence first.

(Analysis continued from page 3)

There's a great deal of opportunity in working with first-time homebuyers. The planets have aligned for the first-time homebuyer—between government incentives, low interest rates and a great amount of choices. If it's a great time for buyers, then it's not good for sellers, right? However, sellers must realize that they too can take advantage of the buyers' market when they've sold their home and are ready to buy again.

REAL Trends: What do you do for sales associates? What could you do more for sales associates?

Mesa: I do four road tours per year and visit all of our offices. I come with an agenda—a message. We're rolling out a couple of new initiatives to becoming more productive. We'll rollout a new price guarantee. So, if you buy a listing through Pru Florida and decide you want to sell the property in the future, if the seller is losing on the purchase price, we will not charge a listing fee.

I'm convinced that buyers buying today will not sell next year. They'll be holding longer and value will go up. Historically in Florida—1993-2000— we've had a 6.6 percent increase and that's sustainable. We're also coming out with an unemployment guarantee. If a buyer loses his or her job after closing on one of our homes, we'll pay the mortgage up to \$2000 a month. This program is seller paid, about a \$650 one-time cost and shows the seller we have confidence in real estate values.

In addition, we're asking sales associate to promote the \$8000 first-time homebuyer tax credit, and asking them to focus on properties that are priced to sell. When I look at the oldest inventory about 30 percent is overpriced. Just say no to overpriced properties. If we did that it would dramatically reduce the amount of inventory and most of it will be salable.

The one initiative we haven't yet implemented but are thinking about will require buy in from sales associates. We want to re-educate every sales associate on technology, customer service and more. We need to be the conduit of that information. We need to become the providers of that information for both buyers and sellers. Media aside, headline news aside—look at the facts of the market we're in, it's pretty good!

Al Young, Broker/Owner
RE/MAX Professionals
Illinois
1 office, 110 sales associates

REAL Trends: What are your brokerage's strengths?

Young: We recently upgraded our facility. We built the building in 1988 and we just did a total rehab of it. We changed things to accommodate today's sales associate. We upgraded technology, created five conference rooms and put 24-inch flat screens in there. We also created areas for home office agents. We also bought all new furniture. It really had an impact in our market because it shows we're here to stay and are making the long-term commitment. Since we did the rehab, we added about 15 new sales associates.

Our staff has been with us a long time. Good people make me look good. We pay attention to that and offer those staff members benefits such as a pension profit sharing. We take advantage of the technology and training that RE/MAX offers us. We schedule Webinars and sessions for agents. Two years ago, I started hiring a college intern who's available for sales associates who need technology training.

I'm available and approachable to my sales associates. I encourage in-person visits, calls, texts, e-mails—I'm there to help them. We also have a title policy company in-house.

REAL Trends: What do you want to improve about your brokerage?

Young: I'd like to make the transition to a paperless office. We're working toward that. I'm always looking at ways to get a good return on marketing dollars, I need to improve my Web site, and I've hired an SEO consultant to improve search engine placement.

REAL Trends: What should/could brokerage leaders focus on for their sales professionals?

Young: This business is a contact sport. You need to get face-to-face with people. I encourage agents to stay in communication with sellers. We've seen an increase in activity. I also think brokers should offer coaching. We use the "100 Days to Greatness" program through Brian Buffini.

I'm also looking at voice tab technology. We do one thing different—all leads on our Web site go to the listing agents. They're better equipped to handle the lead on their own listing. We found that to be pretty positive. I don't try to capture leads and scrub them and resell them. I get leads to the agents directly. They have two hours to respond or the lead goes to someone else.

We need to do some training to help response on the Internet—how to do it and handle those leads.

REAL Trends: What do you do for sales associates? What could you do more for sales associates?

Young: We use a hybrid-marketing concept, most of RE/MAX's original concept along with other commission splits. We're trying to provide an environment so we're taking more of the cash flow burden away from the sales associate.

We offer Webinars every week. In fact, we had two or three Webinars this week on topics such as short sales, foreclosures—anything we think is timely. I'm out there gathering education through different consultants; then I bring the concepts and ideas to the office. I recognized one thing in 37 years—to survive you must change and you can't change unless you're constantly learning.

I'm pretty upbeat on the market. We have fewer listings and we're seeing some activity. We're near the bottom of this and turning a little bit.

Survey of Affluent Households Reveals Why Recovery Is a Ways Off

These are the results of the fifteenth in an ongoing series of twice-yearly surveys of the most affluent 10% of U.S. households. These surveys are conducted by the **American Affluence Research Center**, a private research organization dedicated to providing information- about the values, lifestyles, attitudes, investments, and purchasing behavior of the most affluent segments of the U.S. population- through both custom and multi-client research studies.

For the first quarter of 2009:

The index of 11 for current business conditions represents a significant drop of 36 points (77%) from the fall 2008 survey, which had already dropped steeply from the fall 2007 survey. The current index is at an historic low for this series of surveys, as are the indexes for future household income and savings.

Surprisingly, all demographic groups indicate an expectation that business conditions will be about the same (index of 100) in 12 months. There is also an expectation that personal income will be lower (index below 100) in 12 months. This is especially true among the older, higher income, and higher net worth segments. These indexes, plus the indication of reduced savings, suggest there is no expectation of a real economic recovery over the next 12 months. This is a particularly gloomy outlook among the affluent respondents who are often a leading indicator of economic conditions, as when they called the recession in our spring 2008 survey, well ahead of others.

The composite Affluent Consumer Expectations (ACE) 12-Month Economic Outlook Index of 90 is the first time this index (which averages the 12-month outlook for business conditions, the stock market, and household income) has been below 100 since this study's inception.

A slightly positive outlook for the stock market is offset by the outlook for business conditions and personal household income. This concern about future business conditions and personal income (and the ability to save) is likely to have influenced the future spending plans that are presented in this report.

Women are more optimistic than men in their 12-month

outlook for business conditions, the stock market, and household income.

Reflecting losses in their home value and investable assets/savings, preservation of capital is now the primary investment objective of the majority of respondents. This is a major reversal from previous surveys, where capital appreciation/growth was the dominant objective of most. The current study provides a stark contrast to the spring 2007 survey.

Preservation of capital is of particular importance to those over 60 years of age. While a distant second across all demographic segments, capital appreciation/growth is a higher priority to those under 60 and with incomes over \$200,000.

More than 7 in 10 of those with annual incomes under \$200,000 or net worth under \$1.5 million have no plans to make any of the 8 major purchases in the next 12 months. The strength of future purchase plans lies within the highest (\$6M+) net worth group.

Plans to acquire either a primary residence or a vacation home have declined further from fall 2008 to record lows.

The 3 spending indexes for home durables, leisure, and vacation travel declined substantially from the fall 2008 survey and are at historic lows. The strongest of the three, vacation travel spending, is under 100 for only the second time since this study's inception.

Over 80% of the respondents indicated they had reduced or deferred expenditures in the past 12 months, would make a conscious effort to do so in the next 12 months, or had both done so in the past and would continue to do so in the future.

The decline of home purchases can be tied directly to the focus on capital preservation by this key demographic segment. Until this segment of consumers regain faith in the valuations of residential property in the upper fifth of the market and the cost of financing returns to normal we cannot expect a robust home purchase activity to occur.

Interest in Purchasing Foreclosed Homes Spikes

NEW SURVEY FROM TRULIA AND REALTYTRAC SHOWS 55% OF U.S. ADULTS WOULD CONSIDER BUYING FORECLOSED PROPERTIES

Trulia.com and Realty Trac released the latest results of a tracking study conducted on their behalf by Harris Interactive® showing notable gains in consumers' willingness to buy foreclosed properties, with 55 percent of U.S. adults indicating that they are at least somewhat likely to consider purchasing a foreclosed home in the future, compared to the 47 percent of U.S. adults who indicated the same in November 2008.

In the current market, U.S. adults believe foreclosed homes are an even greater bargain opportunity than before, with 40 percent expecting to pay at least 50 percent less for a foreclosed home, compared to only 31 percent of U.S. adults surveyed in November 2008 who expected that type of discount. The May 2009 survey also found that 74 percent of U.S. adults familiar with President Barack Obama's Mortgage Relief Program are at least somewhat confident it will give home owners the incentive to renegotiate with mortgage lenders in order to prevent their homes from going into foreclosure.

While overall consumer interest in buying foreclosed homes has increased, the current wave of the study also found higher levels of negative sentiment around purchasing foreclosed properties. In November of 2008, 80 percent of U.S. adults felt that there were negative aspects to purchasing a foreclosed home. However, in the current survey, that number has risen, with 85 percent of U.S. adults concerned with the negative aspects. Among those 85 percent, 71 percent cite hidden costs as their top concern, 46 percent believe the process is risky and 31 percent are concerned that the home will lose value. Not surprisingly, consumers expect hefty discounts on foreclosed homes, with 83 percent believing they should pay at least 25 percent less for a foreclosed property, perhaps to compensate for perceived risks.

"As interest in purchasing foreclosed homes increases, competition is heating up with traditional sellers competing with bank-owned prices. Across the U.S., 24 percent of existing homes for sale on the market have seen at least one price reduction in order to stay competitive creating a tremendous opportunity for consumers to buy homes at significantly lower prices," said Pete Flint, co-founder and CEO of Trulia. "Competition amongst sellers, along with the newly created economic incentives, has created the most significant discounts that we've seen in decades presenting opportunities for first-time home buyers, and for families looking to trade up to a bigger home."

Most Likely to Buy Foreclosures

Two-thirds of U.S. adults between the ages 18-44 (66 percent) would consider purchasing a foreclosed home, compared to a little more than one third of those ages 55 and older (38 percent). Respondents aged 45-54 fell in between, with 53 percent indicating that they would be at least somewhat likely to consider a foreclosed property. Current renters (68 percent) are more likely to consider purchasing a foreclosed home than current homeowners (49 percent). U.S. adults with children under 18 living in their household also show an increased likelihood to consider foreclosure properties, with 66 percent indicating they would be at least somewhat likely to purchase one, compared to 49 percent of those without children under 18 in the household.

Confidence in Mortgage Relief Plan

74 percent of U.S. adults familiar with President Obama's Mortgage Relief Program are at least somewhat confident it will give homeowners the incentive to renegotiate with mortgage lenders in order to prevent their homes from going into foreclosure.

U.S. adults aged 18-34 familiar with the program have the highest confidence level in the Mortgage Relief Program - 84% are at least somewhat confident in the plan, compared to 71 percent of those aged 35-44, 69 percent of those aged 45-54, and 71 percent of those aged 55+.

Interestingly, women familiar with the program are more likely to be at least somewhat confident in its ability to give homeowners the incentive to renegotiate with their mortgage lender in order to prevent their home from going into foreclosure than men familiar with the program (79 percent vs. 69 percent, respectively.)

This May 2009 survey was conducted online within the United States by Harris Interactive via its QuickQuery(SM) online omnibus service on behalf of Trulia between May 1-5, 2009 among 2,397 U.S. adults aged 18 years and older. Results were weighted to be representative of the total U.S. adult population on the basis of region, age within gender, education, household income, race/ethnicity, and propensity to be online.

April REAL Trends Housing Market Report results

APRIL 2009 HOME SALES INDICATE THAT THE HOUSING MARKET CONTINUES TO STRUGGLE TO FIND A BOTTOM WITH RESULTS OFF SOMEWHAT FROM MARCH 2009 RESULTS

The recovery in home sales slowed somewhat on a year-over-year basis in April. The results indicated that homes sales continue to suffer from overall weakness in the general economy and the weakness in middle and upper tiers of the home price segments. Unit sales were down 11.1 percent from April 2008 to April 2009 that compares unfavorably with March numbers that showed sales down only 5.8 percent from March 2008 to March 2009. Prices of sold homes were down 20.5 percent from April 2008 compared to the March report that showed closed sales prices being down 18.1 percent.

The best region for sales units was the western region where unit sales continued their run of increased housing activity although the increase is less than previous months. Unit sales in the western region were up 9.9 percent in April 2009 compared to April 2008. Other regions saw sales decreases of between 13.3 and 20.5 percent with the Northeast region having the largest unit decline compared to last year.

Prices continue to be soft with every region reporting

continued price declines. The western region showed the largest decline with April 2009 prices down 31.7 percent from April 2008. The best region was the South where prices were down 15.8 percent from the same month a year ago. The national average price of homes sold was down 20.5 percent from a year ago. Much of the decline in the average sold price is due the inordinately high number of lower priced foreclosure and short sales and the impact of the first time homebuyer sales which typically are focused on lower priced home segments.

“April 2009 results show that low interest rates, soft home prices and high levels of affordability are having a positive effect but that the lack of affordable mortgages for the middle and upper tiered home priced segments and weakness in the general economy continue to be a drag on the housing recovery.” said Steve Murray, editor of *REAL Trends*. “As we said in our last report, there are several factors that will subdue housing sales in 2009. The April results show strong evidence that a true broad based housing recovery is a ways off.”

REAL Trends April/March Housing Market Report (Versus same month a year ago)

| | April 2009 Closed Sales | April 2009 Avg. Price | March 2009 Closed Sales | March 2009 Avg. Price |
|------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| National | -11.1% | -20.5% | -5.8% | -14.7% |
| Regional Report | | | | |
| Northeast | -20.5% | -16.8% | -16.2% | -9.7% |
| South | -18.4% | -15.8% | -12.5% | -7.9% |
| Midwest | -13.3% | -18.4% | -10.3% | -12.6% |
| West | +9.9% | -31.7% | +18.7% | -23.0% |

Profit, Accountability, Leadership and Opportunity; a Mantra for the New Era

It is always a unique and singular event. It never fails to reflect and scrutinize the moment in time that the American real estate industry finds itself in. It has always fairly and correctly represented the image of an industry, its spirit and, yes, its ego. It is the annual *Gathering of the Eagles* conference.

The 2009 edition of the venerable gathering was everything promised and more. As a starting point there was a new venue, the incomparable Four Seasons Resort & Club Dallas at Las Colinas outside Dallas, Texas. It was almost as if host Steve Murray was telling the attendees that they had suffered enough and deserved something very special as they welcomed the new era in American real estate. As always the Four Seasons played out its role perfectly.

Without explanation or apology regarding whatever happened to the old business model the program started by plunging into what is working today for brokerages nearly four years after the industry first began to meet its greatest challenge.

Four years ago, Mike Golden was a beginner, a neophyte trying something different in one of the country's most competitive and hostile markets. Today, Mike and his partner Thaddeus own and operate one of the largest firms in the city of Chicago; @properties. At first blush their business model looks traditional but within moments of the start of his presentation it was obvious that only the outline was the same. Virtually everything else has been modified and customized to a whole different type of market, agent and consumer. Gone were the competitive trappings of the boomer era brokerage and in their place were all of the collaborative, transparent, integrity focused and entertaining features of the emerging classic generation "X" brokerage.

Next up was Pat Lashinsky, CEO of ZipRealty. Eight years ago Zip represented the Star Trek side of the industry; today it is a model of consumer centricity and success with over 3,000 agents and units in major markets across the country. Gone are the assumptions of what might work or what could have worked. Today's Zip is into creating traditions and experiences of its own. When the history of this period is written it will be said that Zip led the industry out of fifty years of agent centricity into the new consumer age.

If @properties and Zip represent the design and philosophical edge of the new era, Kevin Levent, CEO of Metro Brokers in Atlanta has to be the Nike "just do it" side of the new industry. Kevin's presentation set what would turn out to be a major theme for the entire event that being the role of focused and powered leadership in today's brokerage environment. With 26 offices, 2,300 sales associates Metro Brokers is the largest company in Georgia and it is all about motion. As Kevin spoke,

one could not help but remember back to the days when brokers would take the podium and declare how their agents were their "customers" and all else was just process. It was obvious that Kevin and his team, including his agents, understand the realities of the new era and the role of the consumer-centricity and leadership in today's industry environment.

The three firms participating in the opening general session demonstrated that 2009 represents a new opportunity and a new era in American real estate. Each proudly announced their profitability, their teamwork and their singular focus on the basic rules of business and success in a free enterprise economy.

The program continued to build on the basic themes of contemporary success during its second session entitled *The Accountable Internet Meets the Unaccountable Brokerage Model – Driving Business Online*. This session demonstrated the partnership that has developed between successful firms and the Internet.

As the program unfolded, the real message emerged. After all those years of contemplating (and arguing) whether the agent empowered firm would triumph over the Internet-centric approach a resolution had been reached. These four presentations all demonstrated that the Internet/brokerage relationship has become a partnership that works for the benefit of the consumer. Jim Zellmer, Marty Frame, Bob Bill, and Eddie Krebs were all gracious and effective in explaining how collaboration with the Internet rather than competition was the new wisdom and that every element of the brokerage team must be accountable to both the bottom line and the consumer experience.

No one will ever suggest that Steve Murray is not a belt and suspenders kind of guy. Just to be sure that the attendees were getting the finely tuned messages of this year's *Gathering* he had behavior psychologist Mike Staver review the basic rules of leadership in a transitioning environment. Staver, of course, is the commensurate presenter because he combines his professional insights, humor and day-to-day experiences as a business coach and conveys it to high performance executives and corporations.

His message is clear and concise. The changes are real, your business world is forever changed, you are responsible for leading your team through a successful transition and there is no reason why you can't make this happen, so get your butt in gear. Please hold your questions for the end! The remainder of the day featured a finely tuned series of breakout sessions each of which provided the attendees with information on how to affect the details of the new market era. Critical information on updated competencies in the

areas of core services, distressed properties, marketing, video, and 7th generation brokerage Web sites ensured that attendees would return to their companies with concepts, philosophies, and, most importantly, tools for immediate implementation.

Unsurpassed opportunity was the theme of the *Gathering's* second day. A presentation by Steve Harney, delivered with the spirit and energy of a General Patton briefing made it clear that if one is looking for an historic level of opportunity in real estate today one need merely look about for it is everywhere. Harney examined the statistics behind the statistics and took the audience through the industry from the perspective of consumers, investors, agents and brokers. He was both emotionally and intellectually embracing and stimulating. If one missed Steve's points retirement might be indicated.

Finally, industry consultant Jeremy Conaway concluded the program with an insightful briefing designed to put the

attendees on the ground running. He pointed out that this was an historic time in the industry in that every attendee in the room now faced the common challenge of rebuilding their "slashed down" company and that the choice was theirs; return to 1985 or move forward in the exciting new industry and transaction environment so clearly set forth by the conference program. He suggested that from an historical perspective it was not the attendees' duty to perpetuate the traditional brokerage business model but rather it was their destiny to move it to the next level. The events of the past four years simply set the stage for their triumph.

Once again for 2009 the *Gathering* was not a conference but rather a collaborative experience. It was created by one man but was shared and enhanced by over 200 of the industry's best minds, imaginations and innovative spirits. The *Gathering* once again served as the spring rain that stimulated the industry's intellectual and business growth and success moving forward.

Brokerages Offer Job Loss Protection

In an effort to get buyers off the fence and into a new home, many brokerages around the country are offering job loss protection. "This helps relieve some of the concerns people have today with everything that is happening in the economy," says Mark Steele, president of Howard Hanna Mortgage Services. "This gives a homebuyer who loses his or her job a chance to regroup and have some breathing room when finding a new job."

Howard Hanna Mortgage is just one of the companies offering job-loss protection insurance. So far, the company has about 40 customers who are interested in coverage. "This is a seller-paid product available on listings and offered through our mortgage company." Life of the South Insurance Company is underwriting the program.

For the Howard Hanna program, it works like this: If a buyer loses his or her job involuntarily, they could qualify for \$1,500 per month for six months. "It does have a vesting period of six months from the date of closing," says Steele. Sellers pay \$329 to offer the insurance to buyers. "It's hard to find a seller who will resist this. We think it makes good sense for sellers; it gives them an edge on the market. Cost wise, the buyer can buy the insurance themselves but the premium will be much higher," says Steele.

Steele says that the company is now marketing it to all Howard Hanna sales associates as well as through a television show, newspaper advertising, e-mails to people who are registered on the Howard Hanna Web site and anyone who's indicated a desire to work with Howard Hanna.

Prudential Florida Realty is getting ready to roll out its own version of job loss protection. "If a buyer loses his or her job after closing on one of our homes, we'll pay the mortgage up to \$2,000 a month. This program is seller paid, about a \$650 one-time cost and shows the seller we have confidence

in real estate values," says Rei Mesa, broker of Prudential Florida Realty.

In addition, Long & Foster's new Job Loss Protection program, part of the service called HELP (Homeowner Education and Loan Protection) from the Rainy Day Foundation, will assist buyers who purchase a Long & Foster listing covered by Job Loss Protection in the event of an involuntary job loss within the first 24 months of the loan. The policy covers mortgage payments up to \$1,800 per month for up to 6 months. HELP also offers six months of phone counseling and monthly educational e-newsletters. The coverage is underwritten by Virginia Surety Company Inc.

Even state Realtor associations are offering programs. Through it's Housing Affordability Fund, the California Association of Realtors is offering mortgage protection insurance, administered through Real Care Insurance Marketing Inc. CAR said it would provide buyers with up to \$1,500 per month for six months, and co-buyers with up to \$750 per month for up to six months, in the case of layoffs. The program also includes benefits for accidental disability as well as a \$10,000 death benefit, CAR said.

According to HousingWire.com, North Carolina-based Brookside Homes will pay up to \$1,000 per month for six months in the event of job loss due to layoffs. The catch? Under Brookside's program, only homes purchased in a specific community, Leland, N.C.-based Ashton Place, will qualify for the program, which only applies to 25 buyers. Other builders offering job loss mortgage payment plans include Lennar Corp., Pulte Homes Inc., The Ryland Group Inc. and Toll Brothers Inc.

In addition, other brokerage and mortgage companies offering this type of protection are Pensacola, Fla.-based Gooden Homes, Pittsburgh, Penn.-based Westpointe Mortgage and Keller Williams Realty in South Florida.

NEWS

Long-time Century 21 Regional Owner George F. Kettle passed away April 15, 2009 at his home in Potomac, MD. In 1958, George began selling real estate in northern Virginia. Recognizing the need for small- to medium-sized brokers to compete against the larger real estate chain operations, in February 1973 he purchased the master franchise for Century 21 Real Estate for Maryland, Virginia, Delaware, Eastern Pennsylvania and Washington, DC. In April 1996, he sold his Century 21 regions to the HFS Companies. At the time of the sale, the regions had over 6,000 sales associates and 430 offices.

Mergers and Acquisitions

Better Homes and Gardens Real Estate LLC announced that Rand Realty has signed a long-term franchise agreement and will now operate under the name Better Homes and Gardens Real Estate Rand Realty.

Dilbeck Realtors recently announced that Baldwin Realty of Arcadia, California has joined the Dilbeck real estate family. With the addition of Baldwin Realty's 50 agents, the company now has over 700 sales partners in 15 offices.

Walters Gottlieb/Partners Inc. and Compass Realty Companies, both based in West Palm Beach, have announced that they will combine their businesses to create WGCompass Realty Companies, effective May 1, 2009. The new company will have a staff of 50 and consolidate operations.

Saul Cohen recently finalized a deal with Brookfield Residential Property Services, which acquired GMAC Residential Services in 2008, to buy back all eight of his Hammond Residential GMAC Real Estate offices. Cohen also added four Carlson GMAC Real Estate Offices in Lexington, Concord, Winchester and Framingham, Mass.

Executive Appointments and Announcements

Newly-appointed Fannie Mae President and CEO Michael J. Williams announced the appointment of three new executive vice presidents as the company fills key positions and rounds out its new leadership team. Timothy J. Mayopoulos has been appointed executive vice president, general counsel and corporate secretary. Edward G. Watson has been appointed executive vice president, operations and technology. Kenneth J. Phelan has been appointed executive vice president, Enterprise Risk Management.

Rick Turley has been named president of Coldwell Banker Residential Brokerage in the San Francisco Bay Area. Turley most recently was president of the company's operations in the North Bay, San Francisco and the Peninsula. In his expanded role, he will now also oversee the East Bay, Silicon Valley and Monterey Peninsula. Turley will oversee the daily operations of 49 offices and more than 3,000 sales associates.

Engel & Völkers Florida, the first U.S.-based master franchisor of the 30-year-old Germany-based brokerage Engel & Völkers (E&V), is expanding rapidly into Miami. Engel & Völkers has 555 franchises worldwide and only expanded to the United States three years ago. The six new shops will be located in Downtown Miami, Lincoln Road, Bal Harbour, South Beach, Brickell and Key Biscayne, bringing our total number of Engel & Völkers locations in Florida to 30.

Christie's Great Estates announces that Harry Norman, Realtors, of Atlanta, Georgia, one of the area's oldest and largest brokerage firms, has been awarded exclusive affiliate status. Harry Norman, Realtors recently joined forces with Jenny Pruitt & Associates, Realtors, a Christie's Great Estates affiliate since 1998.

EDITOR'S NOTE

The REAL *Trends* 500 magazine is now available. While the market was down 9 of the top 50 brokerage firms in the country increased their transaction sides from 2007 to 2008. Amazing when you think that the market overall was down nearly 15%. The average commission rate for all of these firms stayed steady at 5.2 percent indicating that the market is still rewarding full service professionals for their work.

The *Wall Street Journal/LORE* 400 rankings of the 400 best individual and team sales professionals in the country will be out the first week of June. It will be posted at the *Wall Street Journal* Web site (www.Realestatejournal.com) and at both www.realtrends.com and www.loremagazine.com. We had over nearly 1,200 applicants this year from all over the

country and their results continue to amaze. Can you imagine sales professionals still doing >\$400 million in one year; or a sales professionals who did more than 800 transactions in one year. Look for *The Wall Street Journal/LORE* 400 report in early June.

Based on reactions from our *Gathering of Eagles* conference held early in May we have changed the focus of our fall conference from marketing and technology to Innovation. The 2009 REAL *Trends* Innovation conference will bring leaders from management and sales into a unique new format of small and large groups, round tables and other more interactive forums. The dates are September 23rd through the 25th in Dallas, Texas.

Special Note from the Editor

In the recently issued REAL *Trends* 500, we inadvertently left the results for NRT out of the national brand/independent review. We apologize to our readers for this oversight and have recalculated the data and provide it to you in the chart presented below.

NRT results are spread over four different brands: Coldwell Banker, ERA, Sotheby's International Realty and Corcoran. We have updated the three national brands with the results from NRT, which changes the results of the table listed on page 69 of the REAL *Trends* 500 as follows:

Franchise/Independents Breakdowns of REAL *Trends*

| Firm | # of firms | % of firms | # of sides | % of sides |
|--------------------------------|------------|------------|------------|------------|
| Keller Williams | 143 | 25.4% | 213,509 | 11.3% |
| RE/MAX | 133 | 23.7% | 243,777 | 12.9% |
| Leading RE | 94 | 16.7% | 463,445 | 24.6% |
| Coldwell Banker | 64 | 11.4% | 429,733 | 22.8% |
| Prudential | 39 | 6.9% | 166,694 | 8.8% |
| Independents | 33 | 5.9% | 226,042 | 12.0% |
| Century 21 | 21 | 3.7% | 54,606 | 2.9% |
| ERA | 14 | 2.5% | 30,968 | 1.6% |
| Realty Executives | 7 | 1.2% | 23,673 | 1.3% |
| Sotheby's International Realty | 5 | 0.9% | 11,091 | 0.6% |
| GMAC | 3 | 0.5% | 23,662 | 1.3% |

On a related note, we received an incorrect number for the settlement services closed by NRT. Their related title services organization closed 146,355 transactions in 2008 not the 41,898 reported in the REAL *Trends* 500. This changes the results shown in the table on page 76 and means NRT finished

No. 1 among "Top 500 Firms Ranked by Title Closings." The lesser number first reported did not include all title closings. Thus the total of settlement services closings handled by NRT and its mortgage and title affiliates was 215,205 and the total of their real estate and core services closings was 490,845.