

REAL *Trends*

The Trusted Source

COMMENTARY

RPR and the Future

On November 6, the National Association of REALTORS® announced the launch of an important new initiative under their wholly owned subsidiary, REALTORS Property Resource (hence RPR). The news was met with both excitement and concern among members and those who supply services to the industry. We talked with several leading brokerage

(Commentary continued on page 2)

ADDITIONAL COMMENTARY:

The 5% Rule

The Walmart Effect

RPR: A Battle for Your Success and Survival

Becoming Social

New Homebuyer Tax Credit Proposal

Offer Spamming

ANALYSIS:

Developing a Social Media Policy a Must

Privacy 101– The Legal Aspects of Social Media

Location, Location, Location

Is There Room for Hate?

REAL *Trends* Housing Market Report

TRENDS:

Brokers Find Challenge Keeping Agents Focused

Bank Owned, REO, and Foreclosure Properties

Exposure for Broker Owners

Leadership Lessons

WAV Group Report Regarding Listing

Distribution

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firms, the heads of several state and local associations of Realtors, the heads of some MLS operations as well as those who provide technology services to the industry. We also attended a presentation by Marty Frame, the newly appointed president of RPR and Dale Ross, the CEO of RPR. Lastly, we talked with leaders of LPS, the firm that made the deal with RPR.

What is RPR and what does it propose to do? RPR has entered into an agreement with LPS, a leader in real property information and brokerage/mortgage/settlement services technology, to license real property records for most of the country and for the system that powered Cyberhomes, an LPS consumer and professional Web offering. In its simplest form, RPR desires to offer participating MLS systems a swap—the real property records for the listings of the MLS. The plan as we understood it was that there would be no charge to either party for this exchange.

RPR will also license other real estate, community and neighborhood data from a variety of sources. This fits with an overall goal to be a one-stop supplier of information for real estate professionals. RPR will then aggregate its real property records together with the MLS data to create a gold standard for AVM and sell these tools to leading mortgage financial institutions and others that may have interest in this kind of data. There is no plan or intent to create a public Web site (presumably they can't compete with Move Inc.'s Realtor.com). Statements that we heard from RPR also indicated that no real estate professional or homeowner detail would be sold to any outside parties.

So RPR proposes an exchange—their real property data and systems for the listings from the MLS's across the country. Their income to pay for this will come from selling valuation tools to financial institutions.

So what are the concerns? First, is this really what they plan and what will happen if the revenues from the sale of its AVM don't cover the costs (and they are said by some to be north of \$30 million for the first five years)? Many MLS's now have property records integrated into their MLSs. Although they pay for them, this isn't considered a large cost. Some MLS operators already have profit-making efforts marketing their own data to their members and others. Some large brokerage firms and national networks see this as yet another endeavor from NAR that while seemingly innocent, will create more of a level playing field. There are technology vendors who think that providing the data is only the first step to entering real estate technology applications (such as CRM's, transaction management and CMA) and that RPR would have a huge unfair advantage over non-RPR providers.

So what do we think?

We assume that most, if not all, MLSs and boards will find a way to accommodate RPR in their offer of an exchange. It could be that RPR will have to work directly with brokers and national networks to do so and there may have to be some revenue sharing to accomplish their goal. Second, we have no particular insight into **whether a Realtor AVM will be competitive** with those that already exist. This is a huge market with several strongly capitalized and entrenched competitors. Lastly, we don't know (and RPR likely doesn't either) how much additional capital it will take to create the AVM and other tools and turn a profit doing so. Yes, they have targets and budgets and projections, but they're not the same thing as actual results—we all know that.

Should their projections fall short of expectations or should RPR just enjoy exploiting the opportunity, they could expand their offerings to the applications

side of the business in addition to the data segment and offer competitive tools. No one we talked to could do more than speculate about this possibility—but it does have several firms' attention.

NAR has a mixed record of attempting these large-scale transactions. The first RIN didn't work as they expected—that led to Move Inc. and Realtor.com, which has had some successes and some failures along the way. The business of business is a different world than the business of a trade association. Few have done both well.

Will the endeavors and future developments of RPR further level the playing field? It could but much depends on whether RPR's announced plans are really all they're going to do. We do believe that the market power of NAR will be greatly enhanced by the successful operation of RPR. Is it possible that they'll find, as time goes by, that members will "ask" RPR/NAR to broaden their offerings in the name of greater member service? And what might those future services look like? NAR generally cannot and will not discriminate between members in its service delivery and pricing.

There are a few curiosities about this launch. First, we discovered that most of the leadership of the nation's large real estate organizations had not been contacted about RPR even several days after the announcement. If you want to launch a new endeavor like this it would seem likely that you

would at least want to clue these leaders in on the plan (with more to follow later of course.) Second, from comments we received at the briefing and elsewhere it seemed like this all came together in a rush to make the convention deadline. Large transactions like this almost never get everything thought through well enough even when there is time. When it is hurried due to an announcement deadline frequently something critical gets overlooked.

There are good solid people involved in this deal. Many know well the talent of Marty Frame of RPR, Dale Stinton of NAR and Jay Gaskill of LPS. These are smart, thoughtful and successful leaders. Having good leadership is always a plus. So one last question we would have is how well the interests of the parties will stay aligned when the inevitable hardships and trials surface? Once again we're not sure how well these interests are aligned even now.

Conclusion

Should the announced intentions of RPR truly be all that are in its plans, it could result in a wider array of information at lower costs for members. Should these plans fail to deliver these benefits to members while also making a profit from the sale of AVM products, then we cannot be sure that they won't use the power that they have in ways that may not be in the best interests of members and the market. ■

The 5% rule

Saw a survey the other day that said that 5 percent of Americans plan to buy a home in 2010. Great news. A study *REAL Trends* did in January 2008 in concert with several academics and MBA's from Wall Street came to the conclusion that what is normal over the last 30 years of housing sales is—you guessed it—5 percent of all households will buy a home in a typical year.

More than 30 years of housing and household data were compared and whether we include both boom years and bust years or take them both out and then average it, the number is really close to 5 percent. So 2010, looks to be a normal year and that is good news indeed. What everyone could take right now would be a sense that we are returning to normality. However let's take a further look.

If 5 percent is considered normal then that means that the rate of growth of housing sales at a normal rate should roughly be the same as the growth of households. The Joint Center for Housing Studies at Harvard says household formation should be about 1.25 million new households per year on average from 2010 to 2020. The U.S. Commerce Department says a little bit more at 1.45 million on average for the next 10 years.

So, if we start at the 2009 number of about 118,000,000 households and add say 1.3 million new ones a year then that is a growth rate of about 1.1 percent per year. There will be some variances on a year-to-year basis. However "normal" housing sales were 5 percent per year for the last 30 years so that might mean that housing sales growth may well track household growth....meaning growth in housing sales of—you guessed it again—of 1.1 percent per year.

If we take out the stimulus of lower-than-normal interest rates, the purchasing of mortgage securities by the Treasury and the first-time/move-up buyer tax rates and have inventory levels and prices become "normal" again we might see annual rates of growth for the country of 1.1 percent.

As we've said before, the race is not to the fastest nor the battle to the strongest—but that is the way to bet. So, should you be betting on annual rates of growth in housing sales to average, say 5-10 percent a year for the next decade, you'd better check your forecasts and expectations. It may well be 2022-2024 before we see sales back near what they were in 2004-2005—perhaps longer. ■

The Walmart Effect

For nearly 14 years, we've been searching for the hurricane effect of the Internet on the brokerage business. It would lead to the disintermediation of the broker and sales professional; it would lead to lower commission rates; it would cause a significant drop in the number of Realtors; and so on and so on. MLS's would become outdated, housing consumers would buy homes online, the whole process would be online and take with it millions of jobs and billions in fees that are earned yearly by mortgage, title insurance, settlement services suppliers and brokerage professionals. And there were other dire results predicted.

Well that hasn't happened—yet. And it may not happen soon or for a long time.

What has happened is that the influence of real estate professionals and sellers over the prices of homes has been flattened. Now the buyers have the greatest influence on housing prices. Regardless of what real estate professionals or sellers think about housing values, the buyers dictate what values are in the market.

The Internet has made housing prices and price trends almost totally transparent for buyers. Housing consumers are insatiable in their appetite for housing market data. They now know what sold and for how much; the typical price per square foot; the number of homes on the market; the number of foreclosures on the market; the past and future trends and

directions of prices and all kinds of other data. There are 12-15 times as many people going to housing Web sites as there are transactions (as near as we can figure and we may be well on the low side of the actual count.) Real estate is a real-time, always-on market place.

So when we talk with sales professionals and brokers the comment is that buyers are shopping for “value” (cheap) deals, all the time every time. They know about conditions in the market and know they have the power. They think they will have it forever. Now when markets tighten and inventory shrinks that may change somewhat. But we don't think so. Once Americans realize they have the power to know for themselves what a market price looks like they won't let go.

And complicating this will be newly stringent restrictions on valuations and on the price and terms of credit. Surely there will be pockets where prices will move sharply when supply is low relative to demand but financial markets will just as likely put a brake on allowing this to get out of hand. And remember what the buyers can see, so too can the financial markets and the regulators.

So it seems at least one outcome of the Internet is that the real estate profession does not now and perhaps never again will have the influence they once had where the clarion call “now is great time to buy” could turn markets. ■

RPR: A Battle for Your Success and Survival

by Jeremy Conaway, contributing editor

This is an incredible time in history. Our world is moving so quickly that we often fail to notice events and circumstances that will make a huge difference in our lives. The current circumstances of our industry and the real estate marketplace have further slowed our senses and dulled our reactions. For these reasons many in real estate may have missed one of the most important moments in our recent history. Last Friday, the National Association of REALTORS® announced the launch of its new REALTOR® Property Resource project.

The big release came seconds before the end of last week and moments before this week's National convention in San Diego. The news hit the industry media and the Blogosphere like bacon on a hot griddle; it was sizzle time. Knowledge of the event immediately became the acid test for how effective everyone's communications systems were. As of late Monday, a number of industry luminaries had yet to hear anything about the coming out.

The first task and response is simple. Don't use old data to make your decision on whether or not to support this program. Do your homework; this may be the most important lesson of your career. Learn about what is happening in our industry and

what forces are deploying to deplete and deter the REALTOR® future. Learn about the role of data and information moving forward. Form your own opinion regarding how REALTORS® can best work together to meet this challenge.

As a starting point, it seems that a glossary was in order so that everyone could keep score of the players as the story unfolds:

- Cyberhomes:** Originally created by Fidelity this entity operates Cyberhomes.com now a product of LPS and is regarded as one of the top real estate data sites on the Internet.
- Dale Ross:** The MLS veteran who has now been named CEO of the new entity, REALTORS® Property Resource, LLC.
- Dale Stinton:** The CEO of the National Association of REALTORS®. A really bright man who is very knowledgeable about today's real estate marketplace, its players and what NAR needs to do to if REALTORS® are to remain players.
- HouseLogic:** This will be the consumer side of the equation. What will be provided has yet to be fully disclosed but one must assume that this

unit will be a primary driver for convincing consumers to use REALTORS®.

LPS: A separate publicly held entity that in the past was affiliated with Fidelity National Information Systems (FNIS). LPS is a leading provider of integrated technology and services to the mortgage industry and technology services and products to the real estate brokerage business.

Marty Frame: A former Cyberhomes executive who will now serve as President of RPR.

REALTORS® Property Resource, LLC:

The name of the new entity designed by NAR to be the definitive REALTOR® data solution moving forward.

RVM: The “REALTOR® Valuation Model” which RPR believes can become the “Gold Standard” for assisting sales associates to determine the current market value of specific properties.

The Concept: Provide the REALTOR® with access to property, market and transaction data and tools that are unavailable anywhere else in the marketplace thus providing the consumer with a rational and game changing reason to use a REALTOR®.

The Players: Besides those listed above, the RPR will impact virtually every real estate industry participant in some way or another. This would include agents, brokers, Multiple Listing Services at the local and regional levels, REALTOR® associations at the local, state and national levels, other national players such as First American Title, the mortgage industry and the several quasi public corporations such as Fannie Mae and Freddie Mac.

Overall, this is really an exciting turn of events. As Brian Boero pointed out in his responsive blog, there are way too many existing business and cultural features of the real estate industry that need updating. The RPR movement will be the shot heard around the world. From this day forward all of the rules have changed and survival in this industry will depend upon innovative and creative thinking.

As each of you begin the process of forming your opinions and setting your attitudes regarding RPR keep the following thoughts in mind.

- This is not a time to be a spectator. The ultimate success of RPR may positively impact every REALTOR® in the country. Standing on the sidelines is not an acceptable response. Real estate professionals must engage their intellect, their passion and their voices with respect to RPR. Learn about the big game here, learn about what is at risk,

learn about the strategies and tactics that RPR will use to drive REALTOR success and survival, talk to your peers about it, make sure your association and your MLS is taking a “big picture” view of it.

- It will take several months for all of the facts and specifics to emerge regarding RPR. Use this time to learn about the “other side” of your industry. This is a whole new ball game and for every agent and broker in the industry right now there are a lot of decisions yet to be made regarding the “right way.” Stay positive and give RPR a chance.
- Some industry commentators have suggested that the RPR project is the functional equivalent of declaring “war” within the American real estate industry. Don’t be ridiculous, war was declared three years ago, REALTORS® just didn’t have a recognizable army until now. This is the time to launch the REALTOR® battle plan. Why would we wait for the other side to gain even more strength?
- Some online critics are already suggesting that NAR’s business-related track record does not inspire confidence. Do not underestimate Dale Stinton or his team. In his short tenure as CEO he’s already accomplished a number of amazing achievements. This is no longer our parent’s NAR.
- Do not fail to notice that our industry is not exactly brimming over with success stories right now. The vast majority of our brokers are sweating out payrolls and tens of thousands of our agents can’t feed their children. This is not the time to get in a shooting match over private sector vs. association righteousness. This is a time to place our bets in support of the only REALTOR® force we will have in this struggle.
- Some will question whether or not this project is appropriate for a trade association. The fact is that NAR is no longer a classic trade association. Over the past three years, it’s emerged as one of the most powerful players in the real estate industry in government relations and on the business side. The RPR is more than a business opportunity; it’s medicine for what ails the industry especially at the current agent and brokerage levels.
- This is not a matter of whether or not NAR is going to win the race, it is a matter of whether or not REALTORS® are going to win the race or lose it to a whole new field of competitors.

In the final analysis, RPR’s success or failure will, in all likelihood depend upon the support it receives from the REALTOR® community at the local, state, brokerage and agent levels. There is no doubt that some organizations and individuals within these groups will come to the conclusion that one or more features or factors of the RPR project are in conflict with their immediate interests. Hopefully they will take a longer view and will recognize that having the country’s largest, deepest and broadest real estate property records data base under the control of the NAR is the surest bet on the future prosperity of all members. ■

Becoming Social: A Simple Guide for Real Estate Professionals in Social Media

by David Marne, Coldwell Banker Real Estate

Excerpts from the complete report

What is social media?

Social media is a term that is often viewed as complex, but it's actually a simple concept. According to Wikipedia.org, here's how the public at large views the term social media: "An umbrella term that defines the various activities that integrate technology, social interaction, and the constructing of words, pictures, videos, and audio." In plain English, social media is people having conversations online.

What is socializing? It's what we do every day away from our computers; we share opinions, listen to friends, show photos and videos, ask questions and seek answers from those we know and trust. Move that "socializing" onto a browser, and voila, you have social media.

Is social media the same as social networking?

A lot of people think that social media is the same as social networking. Social media encompasses social networking as well as a slew of other online activities including:

- Blogging
- Photo Sharing (Ex: Flickr)
- Microblogging (Ex: Twitter)
- RSS (stands for Really Simple Syndication)
- Widgets (Ex: Widgets.yahoo.com)
- Social networking (Ex: Facebook, MySpace, LinkedIn)
- Message boards
- Podcasts (Ex: iTunes podcast directory)
- Video sharing (Ex: YouTube)
- Consumer reviews (Ex: Yelp.com, TripAdvisor, Amazon.com Reviews)

Each of these areas has its own community of users, but often times these communities overlap. For instance a Facebook user may post pictures that were also uploaded to Flickr or link to videos uploaded to YouTube. This creates a huge online Web of interweaving communications that helps people to stay connected with others and share the things that are of interest to them.

So what does this have to do with selling real estate?
Excellent question.

The offline concept of social media is something that Coldwell Banker sales associates have already mastered. As sales associates, you're already connected within your local communities.

You know where the best places to live are. You probably know the best restaurants too. Your contact list is as long as a wait at the DMV, and your business grows because of referrals.

That's the very essence of social networking. Your business forces you to be connected with your community of customers. *Social media* is just an outlet for you to expand those connections online.

Why should I care?

Reason #1: Social media will only grow in popularity
But don't take my word for it. Let the numbers do the talking:

- 83% of active Internet users are watching videos online.
- In the United States, there are 31.9 million bloggers.
- 71% of active online users read blogs.
- Nearly 66% of active Internet users have joined a social network.
- 71% of active Internet users are visiting their friend's social network page.

In April 2008, an Internet Advertising Bureau report summed it up succinctly:

If you're not on a social networking site, you're not on the Internet.

Naysayers like to call social media a fad. It's something for teenagers or "techie" types. They are wrong. It's not a fad, but rather a seismic shift in the way people communicate. Remember how just a few years ago there was no such thing as e-mail? Can you imagine running your business today without an e-mail address?

If you feel e-mail is as important to your business as any other tool, think about this: In 2008, social media usage surpassed e-mail usage. That's not a fad.

Reason #2: Social media is the home of your future customer.

Again, let's look at some statistics to make my point:

Three-quarters of Generation Y (Gen Y), or Millennials, use MySpace, 65% use Facebook, 14% use Twitter and 9% use LinkedIn making Gen Y a dominant player with social media.

So Social Media is not a passing fad – it is the way connections will be made and communities built in the future. ■

New Homebuyer Tax Credit Proposal: Impact on the Housing Market

by Stan Humphries, chief economist, Zillow.com

On November 6, President Obama signed a measure to extend the \$8,000 first-time homebuyer tax credit, along with a \$6,500 tax credit for repeat homebuyers who have lived in their current homes for at least five years. To qualify for the credits, applicants must sign a purchase agreement by April 30, 2010, and close by June 30, 2010, and have annual incomes below \$125,000 (for individuals) and \$250,000 (for joint filers). Income limits were previously \$75,000 for individuals and \$150,000 for joint filers. In addition, the home being purchased must be for the applicant's primary residence (i.e., no vacation homes or investment properties) and priced at no more than \$800,000.

Until now, we've been predicting that home values will likely bottom in the second quarter of 2010. But the tax credit could change that substantially, for several reasons.

- Because of the extension to existing homeowners and the doubling of the salary limits for applicants, the new tax credits represent a substantial increase in the pool of eligible buyers, thus translating into more demand for housing.
- This increased demand due to the tax credits will soak up some of the foreclosures expected to flood the market in 2010. We still expect foreclosures to increase over the coming months before peaking next year, bringing more cheap inventory into the market.
- The spur in demand comes during the real estate market's slow winter season, so it may help even out seasonal declines in home sales, which were expected to translate into downward price pressure. Spring and summer 2009 proved good for home values, as they flattened substantially. But fall and winter, even in the best of times, normally bring sagging demand and, this year, it looked like Q4 was shaping up to be a really dismal period in the real estate market. Part of this was due to demand that was pulled forward into Q3 by buyers trying to take advantage of the tax credit that was originally set to expire Nov. 30. The expectation was that this weakened demand would translate into renewed declines in home values. The presence of the tax credits, however, which would expire at the end of June (for contracts completed by April) could bring increased demand to the market during this normally slow season.

The tax credits, however, could be costly. We looked at the possible impact of extending only the \$8,000 first-time homebuyer tax credit for an additional 12 months, and determined the total cost of that would be \$14.86 billion. We also determined that it would spur an incremental 334,000 sales (sales that would not have occurred without the credit; based on a survey, we found that four of five sales of homes to first-time homebuyers would occur regardless of

the tax credit.) The government is estimating that an extension will cost the government \$10.8 billion in lost tax revenue.

Moreover, a large amount of this new demand attributable to the new tax credits will likely be borrowed from the future, which suggests we could pay for it later. And ultimately, these foreclosures will have to move through the system. That said, these policies can change the near-term trajectory of home prices, from one featuring further declines in home values, followed by a more robust recovery in prices to a trajectory featuring a stabilization of home values now, followed by a longer period of flat performance. Either way, we're quite likely to end up at the same price level in several years time, regardless of the path we take to get there.

Finally, don't forget that the extension of the tax credit to existing homeowners brings not just demand into the market, but also an equal amount of supply (i.e., they have to sell their home in order to buy another.) The existing tax credit to first-time home buyers was pure demand. Every buyer that was spurred to enter the market helped push inventory levels down by increasing demand relative to supply. With the existing homeowner tax credit, current homeowners are trading homes between themselves. What will be interesting to see is whether this game of musical chairs unfolds in an orderly fashion (i.e., some homeowners buying a new home before selling theirs; others doing the opposite) or whether skittishness about the market will lead more homeowners to try to sell their home first before buying a new one. The latter scenario could lead to more near-term supply than demand, which will push inventory up and prices down.

Regardless of where one nets out on the particular merits of the tax credit, what's becoming even clearer is the tremendous importance of stemming the tide of foreclosures. Compare the estimated 300K+ incremental home sales the \$8,000 tax credit could bring about next year with the almost three million homes that are estimated to be somewhere in the foreclosure pipeline. It's like draining your bathtub with a spoon while leaving the faucet running. Loan modifications are clearly not making a dent in the problem and we'll never be able to buy enough demand to compensate for all the foreclosures.

This leaves policies targeted at income support and job creation; which can help keep people in their homes in the first place. Compared to the \$10B price tag for the housing tax credits, the \$2.4B Congress spent yesterday to extend unemployment benefits looks like a bargain and ideas are starting to circulate now about how to get more credit flowing to small businesses so they can start hiring now that the economy is officially growing again. ■

Offer Spamming

by Brian Larsen

Imagine you are a real estate broker, and you receive an e-mail like this:

From: Mystery Investment Company, LLC.
To: YOU
Subject: Offer To Purchase

LETTER OF INTENT TO PURCHASE
123 Elm Street [the address of one of your listings]

Hello, Broker:

I am submitting this letter of intent to purchase the property you have listed below. I am making this CASH offer to you, the listing agent, with no other agent(s) involved. Please notify your client of my CASH offer. Should your client find my offer acceptable, please draft my offer on a standard contract form.

As you relay my offer, please emphasize the following:

- ALL CASH OFFER
- 21 DAY CLOSING
- AS IS PURCHASE

1. PARTIES: Mystery Investment Company, LLC as (Buyer) and Owner of Record as (Seller).
2. MLS NUMBER: 1234567
3. PROPERTY ADDRESS: 123 Elm Street, YourTown, Any State
4. PURCHASE PRICE: \$99950 CASH [*less than _ the listing price*].
5. PERIOD: Closing on or before 21 Days.
6. PROVISIONS: Property purchased in "As Is" condition. Buyer and Seller agree to pay normal closing costs. Proof of Funds upon request. Earnest money to be deposited upon acceptance.

Buyer: _____ Date: _____
[Signature line for buyer, but no signature]

Seller Acceptance: _____ Date: _____

Seller Acceptance: _____ Date: _____

Imagine that you receive such an e-mail for each of your active listings and that you learn from your peers that they too have received these e-mails. We understand this is becoming a more common practice all the time.

What do you do? Are you bound by the REALTOR® Code of Ethics or state law to present these 'offers' to your seller? Should the listing broker forward every one of these e-mails to her sellers? Can you get your seller's written instruction not to bother her with such 'offers' when they are below 50% or 60% of the listing price? The answer, not surprisingly, depends...

Is the e-mail an offer?

Under the laws of most states, an offer to purchase is the buyer's proposal, which, if accepted by the seller, would create a binding contract between them. It's unclear whether the 'letter of intent' would constitute an offer under the laws of all states. Issues that jump out immediately include the following:

- The e-mail refers to itself as a "letter of intent" before characterizing itself in any other way. Though it later, and frequently, refers to "this offer," it is unclear whether the recipient would reasonably interpret this e-mail as an offer to purchase (and that reasonableness is typically part of the standard for interpreting an offer in contract law.)
- There is no way to accept the buyer's offer. The e-mail directs the recipient to "please draft my offer on a standard form contract." It is likely that the effort by the seller's broker to do so would legally constitute a counter-offer, as it would necessarily include terms that are not in the e-mail. Consequently, it appears impossible to accept the 'offer'—and that makes it not an offer at all, but an invitation to negotiate, which is binding on no one.
- The e-mail says "Earnest money to be deposited upon acceptance." But of course, there is no earnest money in the e-mail. This again suggests the e-mail may be something other than an offer.

Nevertheless, as we shall see, just the fact that the e-mail is a written communication may be sufficient to require the broker receiving it to forward it to the seller.

Broker's obligation to communicate offers

This section looks at brokers' obligations under the REALTOR® Code of Ethics (the "Code"), which is binding only on brokers and agents who are members of the National Association of REALTORS®; and under the laws of a single state, which govern only brokers and agents in that state. If you are a broker or agent, discuss this matter with local legal counsel before acting on it.

Standard of Practice 1-6 of the Code provides: "REALTORS® shall submit offers and counter-offers objectively and as quickly as possible." Standard of Practice 1-7 goes on: "When acting as listing brokers, REALTORS® shall continue

to submit to the seller/landlord all offers and counter-offers until closing or execution of a lease *unless the seller/landlord has waived this obligation in writing.*”

Taken together, these provisions seem to say two things:

- Brokers must submit “offers and counter-offers” promptly, but no reference is made to communications that do not legally constitute offers.
- The seller can waive this requirement in writing.

Thus, based solely on the Code, if the listing broker concluded that the e-mail was not an offer, she could probably just delete it. If she gets a lot of these, she could ask sellers to give her written instruction (probably on a form that her lawyer creates for the purpose) not to present such offers.

All taken care of, right?

Not so fast. The listing broker may still have an obligation to present the e-mail to the seller under state law. For example, the license law in one state provides the following:

“A seller’s agent owes the seller, *other principals and the principals’ agents... the following affirmative duties: ... (b) To present all written offers, written notices and other written communications* to and from the parties in a timely manner without regard to whether the property is subject to a contract for sale or the buyer is already a party to a contract to purchase.... [A]n affirmative duty may not be waived.” [Emphasis added.]

The duty applies to all “written communications” and is not one the seller can waive, because the duty is to all the parties (including “other principals” – i.e., the putative buyer). At least in this state, the law appears to eliminate the wiggle room that the Code seemed to provide.

How to handle this situation?

If I were a broker, even if I were uncertain whether I had an obligation to present this ‘offer’ to my seller, I think I might do the following: I would draft a standard paragraph of text explaining what is going on, so that my agents and I could easily drop it into an e-mail to my seller. Every time one of these ‘spam offers’ comes in, I would forward it to my seller with the explanatory paragraph and an e-mail subject line of “Probable ‘spam’ offer.” The explanatory paragraph would point out the following things:

- The brokerage firm has received an unsolicited e-mail from a company that has sent similar emails regarding other listings in MLS.
- The e-mail contains what purports to be a ‘letter of intent’ or offer to purchase the seller’s property.
- State law and the REALTOR® Code of Ethics may require the brokerage firm to forward the communication to the seller, and the broker is doing so.
- The broker believes this not to be a serious offer, because the ‘offering price’ is a fraction of the listing price, and there is no earnest money.
- The broker will take no further action with regard to the e-mail or the ‘offer’ unless the seller instructs otherwise.

I would probably try to phrase all this in such a way as to make sure that the seller understands my firm is looking out for her. Taking this step and making a record of it in the file is good risk management for the broker.

What do you think? If you are a broker, I’d like to hear from you whether you are receiving e-mails like this and whether you have a strategy for dealing with them that you think is more effective. ■

ANALYSIS

Developing a Social Media Policy a Must for Brokerage Firm

Interview with Eric Bryn, vice president of strategic development, Leading Real Estate Companies of the World

REAL Trends: What are the issues for a brokerage firm in implementing social media within the firm?

Bryn: There are almost too many to mention but every broker should know this: Anything that is posted on the Internet or sent to others through the Internet—for instance through Google, Yahoo or HotMail—become permanent records somewhere and last forever. Comments, posts, blogs and the like all become like a permanent record that someone can retrieve and repost and re-circulate at almost any time. So, when you have sales professionals and staff who have unlimited access to your Facebook page, they can post comments of any kind (assuming you have no controls). They certainly can post them on their own sites and their own blogs. It can be an open invitation to an online mess.

REAL Trends: What can or should brokerage firms do about this?

Bryn: We developed a guide for our member/brokers on suggested “rules of the road” so to speak. What is proper etiquette for writing and posting on social media sites or through e-mail? What kinds of content will you permit? What controls do you have over what can be posted.

We also advise our brokers that they should always “think” before posting something, especially if in the moment you might think it is funny, irreverent, caustic or otherwise. We developed the guidelines just to get our members thinking about this wide-open frontier and how it can both help their business—but also how it could negatively affect how customers and potential customers perceive them.

REAL Trends: Now you have everyone’s attention, what other thoughts can you share?

Bryn: Remember that your brand is among your most important assets. It is just as imperative, if not more so, that you police how your brand is being used online in the areas you can control. You can’t control what others may say but you surely can control what you, your firm and your people can say and do.

Further when using social media we recommend that you:

- Keep it truthful
- Make it honest
- Short comments
- Make it as positive as you can. ■

Privacy 101- The Legal Aspects of Social Media

by Darity Wesley

“Education is the most powerful weapon which you can use to change the world.” –Nelson Mandela

Here’s a cocktail fact for you—did you know that social media has taken over pornography as the No. 1 activity on the Internet? You probably participate in at least one type of social media, a Web site that is based on participation and user-generated content, in some form personally and/or professionally.

Now let’s count the ways you may be engaged in the social media revolution—social networking websites like Facebook, LinkedIn, MySpace and Twitter; social bookmarking and news sites; Nings that are centered on user interactions; and other myriad technologies and practices that we use to connect with each other and share opinions, insights, experiences and perspectives with each other.

With all of this incredibly accessible information and ability

to interact, have you noticed how the borders between our public and private lives are blurring? Do you ever wonder whether or not to post a cute family photo to share with your network of family or friends? How about expressing your real opinion about someone or something? These are good questions to stop and ask yourself before posting anything online. The best rule to follow is: **Anything you post online is publicly available information that anyone in the world can access.**

State and federal legislators are reacting to this explosion of privacy issues and online privacy has become a higher priority on Capitol Hill. There is a plethora of bills in legislatures nationwide addressing issues such as: Online age verification, creating false online profiles, and requiring warnings that what you post may be used by anyone, anywhere. Also, in Pennsylvania and California the first lawsuits for invasion of privacy for online issues have been tried, and both cases were lost. It’s definitely a new frontier out there for privacy on the Internet and the law is just arriving in our global town.

Free speech is being tested in this cyber-jungle too. People have the right to commercial use of their own images for publicity (think pictures on Facebook). Defamation of character (false statements about a person presented as facts intended to harm that person) is still illegal—and it travels like wildfire on our instantaneous global networks like Twitter. While defamation is a great big no-no, you do have the right to state your opinions.

Business is adopting social media at a wild pace, particularly relationship-oriented industries like real estate. Unfortunately,

home listings are getting spread around everywhere, which is not really a good thing, and there are few social media policies in place to protect both business and individual rights.

It is both a business and personal imperative to stay aware and alert about what you post online. Remember; once you post it you can't ever take it back, even if you crossed your fingers behind your back when you did. ■

Location, Location, Location

With a focus on hyper local information and a highly specified search, BlockShopper.com is a new Web site that merges local newspaper with online home searches in an innovative way. *REAL Trends* spoke with Brian Timpone, CEO and founder of BlockShopper.com to find out what the site can offer sales associates.

REAL Trends: What is BlockShopper.com?

Timpone: We're a real estate information source that's hyper local. I was in the local newspaper business, sold the paper and started this as a local media replacement to broad-based marketing. Our site helps target home searches, offers detailed local information down to subdivisions and neighborhoods and allows agent and customer interaction.

As real estate agents continue to reinvent themselves in a tough market, we can help real estate agents market themselves and their listings while providing homebuyers with information unavailable elsewhere. With more than 1.2 million unique monthly visitors, BlockShopper is a localized real estate media company that offers advertisers the most cost-efficient outlet to target homebuyers.

All of the information and news available on BlockShopper is

researched and compiled in-house from a variety of public sources. BlockShopper's Active Agent program was specifically created to give agents a more effective marketing platform. Agents can upload their bio, experience and photo as well as claim listings that they are responsible for and leave notes on for-sale properties that they have toured to help other agents. Agents also get reports on how many people see their page on a monthly basis.

REAL Trends: How can agents use the site?

Timpone: Real estate professionals want to accentuate their strengths. They want to be specialists. To do that, they have to find local outlets in addition to direct mail. We create an audience specifically for them so they can brand themselves as an expert. We create news and immediacy around the data to draw users.

In addition, sales associates can "claim" their listings and make notes about properties that are for sale in order to help consumers who are searching. Blogging is difficult, this is an easy way to get your thoughts out and increase your name recognition. In the world of Facebook and Twitter, this allows you to make contact in a professional way and it helps with search engine optimization. ■

From the Mind of Mike Staver: Is There Room for Hate?

I bet that got your attention! When I am stupid enough to watch the pundits on TV or listen to talk radio, I am always amused and, at times, sickened by the venom spewed out across the airwaves.

The funniest one I ever heard was some time ago, when a person on TV started talking about how much they despised people who are judgmental. Ironic, huh?

A couple of weeks back though, I asked myself the question: Is there room for hate?

Are there times when nonviolent, nondestructive hate is warranted? Are there times when the temporary expression of hate somehow heals? I am not talking about hate toward a

group of people or carried out in a criminal or destructive way. I am talking about the hate we feel when someone innocent is harmed at the hands of the brutal.

Before your moral compass jumps to any conclusions and you fire off an e-mail reply, let me share a story. Somer Thompson was a 7-year-old girl who lived about 40 miles from me. She was kidnapped, brutally killed and found in a landfill two days later. I'm sure you heard about it on the news.

As word spread of her tragic death, I watched Facebook, Twitter, MySpace etc. explode with detailed descriptions of hate and what they believed the killer should deserve. I read blogs, postings and commentary on the animal that did this to an innocent little girl on her way home from school. "We

would put down an animal for less” was one mother’s cry. I listened and watched as Somer’s Mom, whose pain is unimaginable, looked into the news camera and spoke to the killer. She said “We are coming for you!”

I will not share my personal opinion here about her comment, but I would challenge you to ask yourself this question: Is there room for hate?

Assuming that no one is injured, killed, etc. and no laws are broken, is there room to temporarily suspend all the ‘love your neighbor’ morality and allow yourself to purge the poison of injustice and pain in the form of hate or rage?

Radiation and chemotherapy are poison. But in the right doses, aimed at the right cancer, they often heal. I have observed the damaging effects of long-held anger and rage in my practice. That is bitterness, and not what I am talking about. In small doses, does rage and hate directed and purged appropriately help?

Just wondering.

Mike
Mike Staver, CSP
Professional Speaker and Coach ■

REAL Trends Housing Market Report

Markets roared in October with best year-over-year showing in four years. All regions up in unit sales and slower price declines

November 13, 2009 Denver, CO – October 2009 housing sales exploded to new levels with all four regions showing strong increases in unit sales and slowing price declines. Unit sales for the nation in October 2009 were up 14 percent over October 2008 results. The strongest region for unit sales growth was the South with October 2009 unit sales up 18.5 percent over October 2008; the Northeast showed an increase of 16.3 percent and the Midwest was up 13.6 percent. The Western region that had showed the strongest year over year comparisons for the last year showed unit increase of 7.7 percent.

Price declines slowed as well. The national average price for homes sold in October 2009 was down 8.1 percent, a measurable improvement over the September 2009 results when prices were down 9.8 percent from a year ago. The best region as the Northeast where prices were down only 4.2 percent comparing October 2009 to October 2008; the Midwest showed price declines of only 6.5 percent while the South showed price declines of 6.8 percent. The Western region showed the largest average price decline at 10.4 percent but still a huge improvement over the previous month’s report.

“October 2009 results were the best that have been recorded in nearly four years topping even the improved results in the September 2009 report. Unit sales strength was across the

board with every region showing improvement in October 2009 sales over the September 2009 results,” said Steve Murray, editor of *REAL Trends*. “Unit sales have firmed up five months in row with October showing positive

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

	October 2009 Closed Sales	October 2009 Avg. Price	September 2009 Closed Sales	September 2009 Avg. Price
National	+14.0%	-8.1%	+4.9%	-9.8%
Regional Report				
Northeast	+16.3%	-4.2%	+9.4%	-10.9%
South	+18.5%	-6.8%	+6.1%	-8.9%
Midwest	+13.6%	-6.5%	-3.3%	-6.8%
West	+7.7%	-10.4%	+7.2%	-13.2%

improvements in every region. Price declines are measurably less than they were than in the first 9 months of the year with every region showing improvement.”

Near record low interest rates and the federal and state first-time homebuyer tax credit are for the time being doing the job of assisting the housing economy. The pending expiration of the tax credit had a significant impact on these results. The extension through next spring should have a positive impact on housing sales through the 4th quarter of 2009 and the first quarter of 2010. The expansion to move up buyers should provide additional stimulus to keep the housing market on the road to improving results. ■

TRENDS

Brokers Find Challenge Keeping Agents Focused

Containing cost, keeping sales associates positive and focused and recruiting solid performers are all challenges in today's market. *REAL Trends* spoke with three company executives to find out what they're doing to overcome obstacles.

**Rosey Koberlein, CEO
Long Companies
Tucson, Arizona**

**12 corporate owned offices (850 agents)
14 franchise operations across Arizona and Mexico (200)**

REAL Trends: Where are you finding business these days?

Koberlein: I would say our Web site and Internet presence, along with our sales associates' Internet presence, have been strong lead generators right now. We're seeing many sales associates use Facebook to push listings out to prospective buyers. We've noticed that social media is one of the top five ways people come to our Web site. We're seeing consumers going on our Web site and searching listings, then they want to share their interest with a relative and they do that through social media like Facebook.

I would be remiss if I didn't mention the \$8,000 tax credit and how it's pushed people into the marketplace. And that's led to basic, foundational real estate activity, like open houses. We've found that to pursue the listings for REO properties, those asset managers and banks tend to want to work with smaller companies and individual agents so we're changing our focus to capture the buyer instead. We're not including a Web search for foreclosure properties around the state. Buyers are looking for those deals and that's where the long-term value is for agents.

REAL Trends: What brokerage strategy/product/service have you had to change in order to compete in today's market?

Koberlein: Something that's helped our company this past year is that we are very clear on establishing the value proposition for our agents to be with our company. We've used that to then position our branch managers to be able to have dialogues about our value. Our recruitment of experienced agents from other companies has increased as a result.

REAL Trends: What are your three biggest challenges in today's market?

Koberlein: The first is cost containment. We've cut our budgets and right-sized the company over the past three years. As the market picks up, revenue is starting to come into play. Right now, the focus is how to grow the company

without increasing expenses. Another challenge is keeping everyone focused on driving the revenue line. That means increasing the production of already existing agents and increasing the use of core services—mortgage, title and insurance.

A third challenge is recruiting and retaining. My biggest challenge with recruitment is in my marketplace. We're the big company and our competitors have painted us as being very cold and corporate. So, we have to work hard to overcome that perception of being the biggest and most expensive company out there.

**Gary Leogrande, operating principal
Keller Williams NY Realty
New York Metro
1 office
122 sales associate**

REAL Trends: Where are you finding business these days?

Leogrande: We're seeing leads come in from a variety of different places. The market is much more referral based than ever before. The relationships sales associates are re-igniting through social networking contacts are creating more opportunities for business.

Syndication of listings in the office on multiple Web sites also generates leads. Quite a few of those online leads have longer incubation periods. In the old days, a sign call or ad call was someone in the market to do something right away. Online leads tend to be people very early in the process so our agents must do a good job of building relationships and staying in touch. Unfortunately, our REO market has increased, although it's still fewer than 10 percent of our listings. I'd say 5–8 percent of properties on market are REO. Short sales are in a similar range, and I'm worried that those percentages will go up.

REAL Trends: What brokerage strategy/product/service have you had to change in order to compete in today's market?

Leogrande: We're doing more training in the basics so that agents know every step in the process. We want them to have expert local knowledge so they can have that consumer conversation on both a micro and macro level. So, we educated them on what's going on nationwide and how it relates to where we are locally. We encourage the agent to break it down so they understand the market. More than ever, they must educate buyers about what's out there. And, they must educate sellers about property prices and how today's transaction comes together.

REAL Trends: What are your three biggest challenges in today's market?

Leogrande: Unfortunately, the biggest challenge is the somewhat lack of control over the financing element of a transaction. The HVCC has created a lot of challenges. We've been fortunate in that we've had situations where buyers had extra cash to make up the spread as we've had a number of properties not appraise at the selling price. Also, a challenge is keeping every agent updated on the most current financing options. We want them to understand FHA loans and the different options out there for various properties. Five years ago FHA was virtually non-existent, now it makes up 45-50 percent of our transactions. Another challenge is increasing productivity levels for our agents. How do we train them to find more opportunities? I'm a firm believer that this is a market of opportunity. There are people who need to sell, buy and rent, and we need to put ourselves in those pathways of opportunity. This is the marketplace for those who will do the job right.

J. Lennox Scott, chairman/CEO

John L. Scott Real Estate

130 offices

3,400 sales associate in Oregon and Idaho and Seattle

REAL Trends: Where are you finding business these days?

Scott: Sphere of influence is our No. 1 source of business. We have a history in the area and that means long-term relationships. So, direct, repeat and referral business from those individuals is huge for us. The second place we're seeing leads generated is through open houses. They've been flowing over with buyers coming out of the woodwork. These

buyers go to the Internet first, pick a house and show up at the open house. About 30 percent of our online inquiries are coming from first-time buyers, and the tax credit has made an impact. We had a power surge of activity to get homes closed before the deadline.

REAL Trends: What brokerage strategy/product/service have you had to change in order to compete in today's market?

Scott: We focus in on the vital few skills that will help agents do more transactions today, so we're focusing on competency training. They need skills for today's market such as Internet marketing training. We've done a lot on technology but our focus is on agents doing more today.

REAL Trends: What are your three biggest challenges in today's market?

Scott: We don't have enough inventory in the first-time buyer range—that's a multiple offer market right now and that's restricting transactions. Then, the inventory level in the high end is excessive and creating challenges.

We know the market will go into a limbo for first time buyers as we wait for the tax credit to be extended. As far as distressed properties, we're able to absorb the more affordable ones and we're OK in the mid-price ranges, but the upper end is suffering.

We want to go where the market is and the market re-activated in the more affordable range. So, we'll be proactive to where the market is and help home sellers in the high end go through a home financial analysis. We're consultants and advisors. ■

Bank Owned, REO, and Foreclosed Properties - Exposure for Broker/Owners

*by Blake Schellenberg – managing director
Laporte & Associates*

With the dramatic change in the Real Estate market, there have been several correlating changes in the Professional Liability exposures for Real Estate companies that have left Broker/Owners with uncovered claims. Since transactions involving Bank Owned, REO and Foreclosed Properties have increased to levels never experienced before, it is vitally important to understand your insurance coverage and how your policy responds to claims alleging Bodily Injury or Property Damage on these types of properties and transactions.

Typically, these types of claims go back to the homeowners' insurance carrier when a person is injured or there is property damage on the premises of the seller. But, since there may be no homeowner or the property is now owned by the bank,

Broker/Owners are being included in claims for the opportunity of financial recovery or are in a position where banks are requiring indemnification. Without addressing this correctly, Broker/Owners may have no coverage for indemnity or defense.

To resolve this situation, I represent carriers that do not exclude Bodily Injury & Property Damage coverage for claims arising out of the professional services of a Real Estate Agent/Broker in their Real Estate E&O policy forms.

Claim Scenario

An agent/broker is showing a bank owned property to a potential buyer. The buyer breaks through the wooden deck shattering her ankle and is required to have reconstructive surgery. The buyer then proceeds to sue the Real Estate Company, agent/broker and the bank as the owner of the property for \$250,000 in damages.

When the real estate company tenders the claim to their General Liability and Professional Liability carriers they deny the claim and refer them to the homeowner's policy which is now held by the bank. The bank then proceeds to deny handling the claim, stating that the listing agent did not follow the provisions of the listing agreement; therefore the Broker agrees to indemnify the bank and hold them harmless from and against all claims.

The solution for the real estate Broker/Owner is to understand their insurance coverage well enough to ascertain whether their policy provides coverage for bodily injury/property damage arising out of real estate agent/broker services. There are insurance carriers who provide coverage that does not exclude bodily injury or have a sub-limit on property damage. ■

Leadership Lessons

Many brokerage owners have been through the market cycling up and down, but no one has ever seen a market such as today's. *REAL Trends* spoke with several brokerage leaders to find out how they weathered the storm.

Virginia Cook
Virginia Cook Realtors
Dallas, Texas
7 offices

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

Cook: A strategic approach to running our business has been more important than ever in terms of planning, operations, marketing, recruiting and retention. Everything affects the bottom line, and the sales associates who are targeted to join our company must also positively impact profitability.

We're continuously assessing all line-item costs and have made significant reductions in many areas including our print advertising and office space and maintenance-related costs. We've discovered a new level of efficiency.

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

Cook: We've greatly expanded our company's emphasis on technology and Internet-related advertising and marketing strategies. We've also coached and encouraged our agents to do the same within their own business models.

The consumers we serve are mobile and technology-driven. Although we cut print media this past year, we invested in a new company Web site that offers the most up-to-date features. We're responding to what the consumer is telling us in terms of how they want to gather information and communicate with us throughout the home search or selling process.

We've also increased our personal outreach to both our agents and our clients. With agents, one-on-one coaching and mentoring sessions have been highly effective in terms

of their supporting their productivity and accountability. With clients, we have systems in place to consistently touch them through e-mail, text messages and phone calls.

Today's market has created immense confusion and caution. The real estate professional has to be the link in making good home buying or selling decisions. With the expertise to interpret all of the economic data, analyze home sales trends and value properties accurately, our primary role has evolved to educating clients. Not only do we have access to all of the information; but we also offer the specialized ability to apply that information to specific circumstances to equip every client to make the best decisions throughout each step of their transaction.

In fact, 87 percent of all consumers start their home search on the Internet, according to the 2008 Profile of Home Buyers and Sellers of the National Association of Realtors. However, 83 percent of those consumers seek a Realtor for help when buying or selling their home.

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

Cook: This ties back to our strategic approach to planning, operations and costs. We've merged two of our satellite offices into one mega office. We expanded the duties of our existing management team, and we haven't filled vacancies. Our staff has risen to the challenge of helping us to be creative and efficient so that we are able to do more with reduced financial and labor resources.

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

Cook: I learned to always pay attention to the bottom line—to always run your company as if you are in lean times. Also, I learned that I should always be monitoring the forecast for the weather ahead. You don't want to be making decisions and managing from a position of crisis or stress. You want to be prepared to chart a steady and successful course through both the rough and the smooth waters.

Robert R. Moline
president & CEO
HomeServices of America, Inc.
Minneapolis, MN

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

Moline: Communication, accountability and an understanding of the market. Leadership needs to let employees and agents know what's going on and how it affects them. We must be honest and straightforward with our goals for bringing the company where it should be.

You really can't tolerate B players. Today, you need all A players. Sales managers must have clear expectations and be held accountable in ways that are meaningful.

The resources and assets in any real estate company are the people. You need to listen and understand their needs and try, as much as possible, to accommodate those needs. You must listen. By doing so, when you make difficult decisions and changes, you understand where everyone is coming from.

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

Moline: First, we're focusing on the basics. We're looking at revenues, not necessarily creating new revenue streams but boosting the basics of title, mortgage and real estate. We've adjusted our GCI (gross commission income) a few basis points on gross sales volumes and that's real dollars that the company keeps. We've asked all companies to charge flat fee commissions as well.

On the cost side, it's the basics—keeping those costs that are essential to efficient running of the real estate brokerage. How do you know that you cut the right costs? We're in a unique position. We benchmarked all 21 different operating brands, and we took out the noise so they were all comparable. We've supplied our folks with benchmarking of all companies so we can see quickly which companies aren't as high on GCI percentage or cost control. It's easy to shine a bright light on the areas of the companies that need help.

The last part of that is to have a system set up to where everyone can share best ideas and practices. That gives you an honest assessment what works and doesn't.

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

Moline: We've evaluated all of our offices. We've closed those that have no hope of profitability. And, we're growing others to meet market demand. We created a report that highlighted all the loss offices. We found we had two types:

offices that don't cover cost and offices that cover part of cost but not all of the allocation of overhead to the corporate office.

We closed all offices that couldn't pull their weight. For the others, we've been working with them to get to profitability. Many have gotten to that through accountability, and communication. We've also used technology to streamline backend accounting and title. You can have fewer closing staff by using technology, thus saving costs.

We've benchmarked and recalculated staffing needs. We've substantially accelerated the shift to online marketing.

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

Moline: You must be able to make difficult choices early. You first have to make choices that don't negatively affect agents. Act early. We're "people" people, and it's hard to make tough decisions that might affect someone's job. But, you've got to be bold and make difficult choices.

Scott Nelson, CEO
Comey and Shepherd
Cincinnati
6 offices
250 agents

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

Nelson: The key was to cost-cut early. We started budget cuts in 2006 when we saw our market start to turn. Our market is down 50 percent in volume, so we had a pretty significant drop. Our strategy was to stay ahead of the sales decline, remain profitable—cut in advance of the loss of sales.

There aren't any big expenses that we cut, just something out of every line item. We eliminated some salary positions but no critical services. As we lost volume, we just didn't need as many people to deliver those services. We also picked up a little more market share through organic growth.

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

Nelson: Unrelated to the recession, we're doing a lot more Internet-related marketing such as social networking. For those of us who weren't finished with classified before 2006, this slowdown has finished it for the rest of us. This market pushes you to re-evaluate and we found more cost efficient ways to get listings out.

We're doing a lot more things peerlessly, which helps from a cost and eco standpoint. We're urging agents to have good

e-mail addresses for everyone in their database. We also focused more on training in the last couple years through the Ninja program—encouraging agents to keep in touch with their referral source. It's fundamental.

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

Nelson: Our model is such that we hire full-time, more experienced agents, so we have high productivity per person. We don't have any sales associates taking part time jobs to make up for lost income. As a result, recruiting has gotten easier as serious sales associates like our model.

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

Nelson: Every recession is different but they'll continue to come. Real estate tends to get overbuilt because demand is hard to gauge, although no one predicted these kinds of sales declines.

There's something purifying about this type of market. You can't help but take on costs when sales are rising. So, it gets your blood going to have your back against the wall to stay profitable—not that I enjoy it.

I don't think the business will ever be as easy as it was so education will be more necessary than it was in the past, even as we return to a balanced market. Some costs we've taken out of system won't need to go back in.

WAV Group Report on Concerns and Issues Regarding Listing Distribution

In a white paper released this past week, The WAV group details and discusses key issues related to the distribution and syndication of listings across the Web. This should be a key concern for all leaders of brokerage firms. Here we outline the Executive Summary from that White paper and provide a link for you to learn more about challenges in the rampant distribution of your firm's listings.

"In the past several years many real estate professionals have begun to send their listings to third party sites to increase exposure and expand the potential audience for purchasing their listings. Many agents and brokers now send their listings to multiple Web sites. They are being asked and even demanded by their real estate customers to do so.

While these activities can be very valuable in creating new business opportunities for Realtors®- it is important to

understand what third parties can do with your listing information once you send it to them. In some cases, real estate professionals may be giving away rights to their data they are not aware of.

The goal of this research is to provide real estate listing agents, brokers, and multiple listings services (MLS) with a brief overview of the terms that apply to syndicating listing data over the Internet. We believe that any person who plans to syndicate listings over the Internet should carefully review the Terms of Use for any site that will be displaying their listing information. The principal concern in reviewing the terms is to understand what rights you retain over your information.

[Click here to access the White Paper.](#)

EDITOR'S NOTE

2010 will bring significant change to REAL Trends.

The next year will see significant changes at REAL Trends. In the first quarter we'll be launching an entirely new Web site that will open up our library for greater analysis and comparison. The LORE Blog will become the REAL Trends Blog. We will add content across all five of our platforms from the newsletter, to our E-mail Update, our Blog, the REAL Trends Facebook page and through the REAL Trends Twitter report. Each of these will have its own unique content and commentary.

We'll be adding substantial new resources for brokerage firms. In addition to an enhanced Valuation Analysis Program, we'll be adding online access to tools for financial and operational analysis, strategic and business planning

tools and several others in development at this time. We'll also be adding several monthly Webinars on timely topics for brokerage leaders and managers, and a new leadership conference.

We also are developing CEO sharing groups for new segments of the market as the demand for shared intelligence grows ever larger. We will announce these in the near future.

2009 will likely go down as one of the toughest years ever faced by today's leaders. And these times require new solutions. REAL Trends will be changing with these times trust that we can bring new value to all of our readers, clients and friends.

Steve Murray, Editor ■

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