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REAL *Trends*

The Trusted Source

COMMENTARY

Observations on Brokerage: Growth is Possible

In reviewing the REAL *Trends* 500 data for 2009 and looking especially for those firms that grew their transaction counts from 2005 (the peak year) to 2009 (likely the second lowest year) we found that there were only 38 firms out of over 900 that grew their transaction sides over that four year period. Some may be surprised that there were this many at all given the decline from 16.8 million closed transaction sides in 2005 to the 10.8 million that were closed in 2009 (this includes both existing and new home sales.)

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A few facts:

Of these 38 firms, 5 were firms that had less than 1,000 closed sides in 2009, 21 firms had between 1,001 and 5,000 sides and 12 had over 5,000 sides. We generally consider that the smallest of these firms fall into the "small firm" category, those in the middle category are "medium firms" and those having over 5,000 are large firms. So the category of firms in the middle of the pack had the most "growth" firms.

We looked further at the medium sized firms to determine what had happened to enable them to grow. Several but not all are in heavily REO/distressed property markets where transaction sides have soared over the past three years. Most were in lower priced markets, again not all. The group was composed of no particular brand or business model and among these firms virtually every national brand and independents were represented. This was true also among the "small" and "large" categories.

What we did find in almost every circumstance is that these firms grew the number of sales professionals who were associated with their firms. In 9 out of ten cases these firms had recruited more sales professionals than their competitors in the same market and were up on a net basis. And in most cases the average productivity had also risen.

Recruiting new and experienced sales professionals is the surest way to grow your overall business. Despite all that has been written about technology and social media, both important, this fundamental tactic should remain at the top of every CEO's focus.

The average growth rate of the medium sized firms on a percentage basis was better than the firms in either the "large" or the "small" category as well. This is not surprising as it is easier for a medium sized firm to grow in percentage terms than a larger firm generally speaking.

A few conclusions:

Not all of the innovation or performance comes from the large firm category. With technology and marketing tools of all kinds available to the largest and the smallest, no one firm can have a sustainable competitive advantage for long in brokerage. The Internet and mobile technologies are widespread and relatively affordable for all firms, regardless of size. This is a significant change from 15-20 years ago when only the largest firms or those associated with national brands could even have access let alone afford state of the art technologies and other tools.

Recruiting is still at the heart of success in the brokerage business. Whether we look at national brands, large regional firms or smaller firms, the continued growth in transaction sides, which drives revenues and profits today, is almost always associated with successful recruiting. Keller Williams was one of the few national brands that held its sales professional count through the down years. Among leading regional firms, in one major market, Chicago, both @properties and Prudential Rubloff had increases in sales professionals and closed sides over the past four years. ZipRealty increased its sales professional count substantially as well and its transaction counts grew enough to make it number 5 on the REAL *Trends* 500 this year.

The firms that grew, in fact, have an almost fanatical devotion to recruiting. While it may not be the absolute #1 priority in their business, it is a close #2 and is at the forefront of the day to day business activities of the firm.

Growth is available to all firms regardless of size. As we pointed out above, 21 of the 38 firms that grew their transactions from 2005 to 2009 were medium sized firms. And as we commented, these firms do not come from one particular model or brand. Those who grew represent a cross section of the brokerage industry also in terms of the business model they employ. We found high commission firms, traditional graduated commission plan companies, capped company revenue firms and freedom shops. Every one had at least one firm in this esteemed group.

Trends to consider

There are a few new potential trends that we have heard of from brokerage firms across the country. We invite your comments or questions.

Is brokerage moving away from "standard" commission plans to mass customization of plans? While many brokerage firms offer options, what we are seeing is a growing number of firms that have several base plans but who also then customize plans for large numbers of their sales professionals. We wonder how truly widespread this is.

Internet lead capture has been a hot topic for years. What is the right set of policies to maximize the opportunity? What we are hearing is that some brokerage firms have moved to a system of "required" response times, that is an initial lead is placed and when a sales professional is unable to respond within "x" minutes the lead is then automatically placed elsewhere immediately.

One firm has it down to 2 minutes- that is the toughest standard we have heard thus far. The question is are most brokerage firms finally grasping that response time and quality is a key metric in success in capturing and closing on these leads? And will systems grow up around these new standards that will further automate the process?

Will the growing number of firms who are dropping the policy of allowing leads to go unmonitored through to their sales professionals grow and will this become the most accepted practice? ■

Thinking about Rules

Thoughts from the heart and mind of Mike Staver

I was sitting next to a woman on a four and a half hour flight the other day. Turns out she was 80 years old. Not a withering little old lady 80, but rather a smart, well-dressed, very healthy 80. She got on the plane with a very unhappy little 10 lb. dog in a carryon. I don't mean kinda unhappy, I mean that little dog was so mad it was about to dig through the leather bag.

It had already had a tranquilizer and wasn't even remotely affected. It could see out all sides of the bag; had plenty of air and it was clear this dog was used to being treated as a prince. The lady decided she wanted his head to stick out of the top of the bag so it would calm down. That is when it all started. The head flight attendant and Grandma were on.

"Ma'am, stick it in the bag and slide it under your seat - it's a safety issue" said the flight attendant. "But he's more well-behaved when his head sticks out" said my seatmate (and she was right.) The flight attendant won. There was never a safety issue once we took off, but now it was a conflict that my seatmate wasn't going to win, much to my dismay.

So I wonder if rules are always important. I say no. Not always. We were nowhere near an exit; the cabin would have been happier with a quiet dog, etc., etc.

Here are some things to think about with rules:

1. Why was the rule put in place to begin with?
2. In the particular case, does the rule accomplish that end?
3. Do you have the authority to change it or allow another a pass on it?
4. Are you just insisting on the rule because it's a rule?

Let me know how you are doing! ■

A Look at Sotheby's International Realty: Six Years Later

In February 2004, Cendant Corporation's Real Estate Division, the predecessor to what is now Realogy Corporation, entered into a strategic alliance with Sotheby's, the auction house. The agreement (for $100 million, plus annual licensing fees based on revenues) gave them global rights to franchise the brand's name in real estate for one-hundred years along with immediate ownership of 15 brokerage offices and the revenue stream from the existing network of approximately 175 marketing affiliates spread throughout twenty countries.

Six years later, the Sotheby's International Realty brand has approximately 500 franchised offices and over 10,000 sales associates in thirty-eight countries. Despite the turnover in the first couple years of a considerable number of marketing affiliates from the original Sotheby's network of independent brokerage firms, and the fact that the troubled housing market made last year one of the toughest on record for luxury brokerages, the brand has grown at a steady rate and, from our estimates, this investment has been positive for Realogy (although Realogy does not divulge the numbers publicly, Sotheby's most recent 10-K states that the licensing fee paid them $2.4 million in 2009; given our understanding of the licensing agreement, it is therefore very likely the Sotheby's International Realty brand realized at least $25 million in royalty fees last year).

Still, there is no rest for the weary; the brand will be under constant pressure to continue to grow both domestically and abroad in what remains a challenged market for luxury homes. Leading this will be its two top executives, Mike Good and Philip White, who have both been with the brand since 2004. As CEO, Mr. Good concentrates on strategic growth opportunities, which appear to be currently focused on accelerating the international expansion and generating creative business relationships.

An example of the latter is the brand's relationship with *The Wall Street Journal* and its collaborative "microsite" with the publication (known as "The Business of Extraordinary Living"). The brand aims to have similar collaborative relationships with other media stalwarts including *The New York Times, the Times of London,* the British-based *Financial Times,* and Canada's national news outlet, *The Globe and Mail.* These relationships, in Mr. Good's words, tie to "content integration with their organizations and the utilization of the fabulous photography of our great listings worldwide" to create a unique online portal and reach broader audiences for their inventory. Mr. Good plans "over the course of the next year a continued focus on these strategic business relationships that will give additional avenues for business to be driven to our franchisees."

Initiatives like this will play a critical role in driving revenues, as many luxury markets across the world have cloudy outlooks. Forecasting for the high-end is arguably more difficult than any other subset, although Mr. Good did state that the brand has "seen very significant movement this year especially on opens [pending transactions]" and that recent trends seem to indicate that most brokers had recovered more than half of the business that was lost from peak to trough. Still, several upper-end markets remain greatly challenged and the brand must therefore carefully balance a mission that both helps its existing membership weather the storm while satisfying its parent company's mandate for growth. Mr. Good indicated that there are about sixteen key "dark" markets in the United States they are focusing their franchise sales efforts on in addition to expanding in Germany, Italy, Austria, the Scandinavian countries, portions of Switzerland, Turkey, India, and mainland China.

While the Sotheby's International Realty brand aims to capture as much market share as it can in the top price points, it seemed early on that management decided that focusing solely on ultra high-priced sales would hamper growth. They therefore tried to stretch to play in all bands of the "upper end" without damaging their ability to capture the tony properties that grace magazine covers; this is what some refer to as testing the elasticity of a brand. For the most part, this seems to have been accomplished. No brand is without detractors; for this brand, its critics tend to focus on any opportunities to point out branded listings that are less than luxurious (a theme that reached a disproportional frenzy when a Wall Street Journal article three years ago featured a trailer home listed with the brand). The brand weathered that and, from our perspective, similar instances have been relatively few and far between.

Mr. Good pointed out that they do not identify themselves by price alone, rather the goal to provide white-glove treatment. "We attract and seek out companies that want to be known for the quality of their services and their market share in their upper tier. That's defined differently in each market: it may be $1,000,000 in one market and $8,000,000 in another market."

The agreement with Sotheby's delineates rules as to which markets the brand can be in and which companies within those qualified markets it can franchise. Specifically, for a given Zip code to qualify, the median average sales price must be no less than 150% that of the U.S. median average (this would put the current minimum at $247,650). According to Mr. White, this "is only about one-third of the

Zip codes in the U.S." and knocks out entire states which the brand cannot even consider. Still, given these relatively low thresholds for a luxury brand, it is clearly up to management to carefully weigh who is and who is not chosen (or "awarded," in the brand's nomenclature). Mr. White stated that they are most focused on seeking "quality companies and quality people who embrace the brand and utilize the tools and systems effectively."

Still, both potential broker-owners and customers want to know that the brand remains aligned with what they have known from Sotheby's for over 250 years. Comparing metrics between luxury networks is inherently difficult, mainly due to the way in which the network relationships are structured. For example, the brand's chief worldwide rival, Christie's Great Estates, has in the past cited average sales prices that are many multiples that of the Sotheby's International Realty brand.

But a key difference is that Sotheby's companies are franchisees and must list all of their properties with the brand, whereas Christie's, and many other luxury networks, select only those listings among the company's total inventory to qualify to receive the luxury name treatment, while the remainder are listed simply with the local firm.

At least in terms of the companies listed in the 2010 REAL *Trends* 500, firms affiliated with the Sotheby's International Realty brand had an average sales price ($514,801) at least one-third higher than that of any brand or network. Of the ten firms in our survey with the highest average sales price in 2009, three were affiliated with the Sotheby's International Realty brand, more than any other luxury network.

Mr. White, who has now taken over the day-to-day responsibilities of running the brand, and Mr. Good seem very comfortable with the decisions that have been made and the direction they have taken. The brand will constantly have to balance maintaining a certain image with rigid demands for growth. Six years into a one-hundred year term, it seems this has been fairly well accomplished. ■

Building on the Core

With a challenging market, many companies have had to retool and add services at lightning speed. REAL *Trends* spoke with Ian Morris, chief executive officer of Market Leader, Inc. Here's what he had to say:

REAL *Trends*: What has your growth been in the past year?

Morris: We've seen some nice growth with all of our next generation products, but we're most excited about the progress with RealtyGenerator. Hundreds of brokerages are using this product today, and we're expecting significant growth this year powered by customer success. The market may be challenging, but many of our customers are growing their businesses with RealtyGenerator.

REAL *Trends*: Please give me an update on what you expect this year.

Morris: Market Leader continues to focus on brokers and helping them gain market share. Increasingly, brokerage companies are realizing that the Internet is a powerful way to take back control of their business. We help them create a new, profitable line of business with lead generation that they control. We provide a process that allows brokers to deliver leads to their agents and hold everyone accountable throughout that process so the broker knows the investment is being maximized.

We also know RealtyGenerator is a great way to recruit and retain real estate agents because the agents love using it. It's not about the latest technology, it's how you put it to work for you and derive a high return on your investment.

REAL *Trends*: Are you offering any new products or services?

Morris: We have a major upgrade to RealtyGenerator coming out in April, which further enhances our industry-best lead management and cultivation tools. These tools will give brokers even more control over the process and help their real estate agents engage with consumers more effectively and earlier in the transaction. ■

March Housing Sales Confirm Expected Strength

IMPACT OF TAX CREDIT SHOWS WITH MARCH HOMES SALES AND PRICES BOTH UP STRONGLY

Report by REAL Trends signals impact of tax credit and low rates.

March 2010 housing sales were up 13.0 percent over March 2009 the best month over month increase in the first quarter of 2010. At the same time, the average price of homes sold was also up 8.6% over the same month a year ago. This was also the strongest show in the first quarter of 2010. Unit sales were up in all four regions of the country. The Northeast led the surge with a 27.9 percent increase in units sold in March 2010 over March 2009. The Midwest was next with a 14.6 percent increase in units sold in March 2010 compared to March 2009.

Prices were up in every region except the South where the average price of a home sold showed no change from March 2009 to March 2010. The Northeast again led the increase with the average price of homes sold up 17.8 percent from a year ago; the West was up 9.0 percent and the Midwest showed a gain of 6.0 percent.

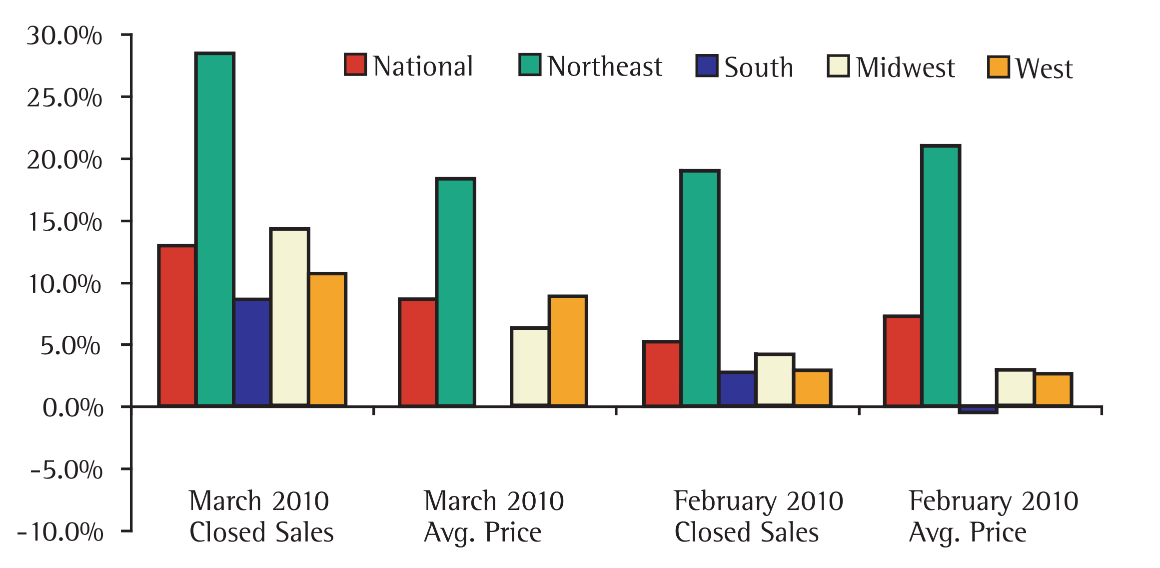
"The market is reacting as most expected with housing consumers starting to move quickly to take advantage of the tax credits for first time and move up home purchases," said Steve Murray, editor of the REAL *Trends* Housing Market Report. "We expect that housing sales will continue to show strong increases in closed business on a year over year basis through the end of the second quarter of 2010. The deadline for contracts written is April 30 and the deadline for closing these deals is June 30, 2010. The big question among housing forecasters is what happens after June 30. While we expect the market to soften, evidence that the overall economy is improving may somewhat balance the loss of the benefit of the tax credit."

The increase in housing sales is the seventh month in a row where housing sales for the present month were above the same month from the prior year. And price increases just hit their fourth month in a row on the same basis. We expect housing sales for the year to be above the level of 2009 in the range of 4-7 percent. Home prices will continue to strengthen for at least the next three months but may level out thereafter. The upper end of most housing markets remains soft at this time with no apparent recovery at this time. ■

REAL Trends March/February Housing Market Report

(Versus same month a year ago)

	March 2010 Closed Sales	March 2010 Avg. Price	February 2010 Closed Sales	February 2010 Avg. Price
National	+13.0%	+8.6%	+5.2%	+7.3%
Regional Report				
Northeast	+27.9%	+17.8%	+18.8%	+21.3%
South	+8.4%	-0.0%	+2.6%	-0.4%
Midwest	+14.6%	+6.0%	+4.1%	+2.6%
West	+10.9%	+9.0%	+2.8%	+2.3%



Foreclosures increase 7 percent per RealtyTrac

Foreclosure filings were reported on 932,234 properties in the first quarter, a 7 percent increase from the previous quarter and a 16 percent increase from the first quarter of 2009, according to RealtyTrac's U.S. Foreclosure Market Report for Q1 2010. One in every 138 U.S. housing units received a foreclosure filing during the quarter.

Foreclosure filings were reported on 367,056 properties in March, an increase of nearly 19 percent from the previous month, an increase of nearly 8 percent from March 2009 and the highest monthly total since RealtyTrac began issuing its report in January 2005.

Ten states account for more than 70 percent of nation's first quarter total. California alone accounted for 23 percent of the nation's total foreclosure activity in the first quarter. Florida's total was second highest, with 153,540 properties receiving a foreclosure filing during the quarter, and Arizona's total was third highest, with 55,686 properties receiving a foreclosure filing during the quarter.

Despite a nearly 5 percent decrease in foreclosure activity from the previous quarter, Illinois documented the fourth highest foreclosure activity total, with 45,780 properties receiving a foreclosure filing—still a 17 percent increase from the first quarter of 2009. Other states with foreclosure activity totals among the nation's 10 highest were Michigan, Georgia, Texas, Nevada, Ohio, and Colorado.

Source: RealtyTrac, Inc.

RealtyTrac Inc. (www.realtytrac.com) is a leading online marketplace of foreclosure properties, with more than 1.5 million default, auction and bank-owned listings from over 2,200 U.S. counties, along with detailed property, loan and home sales data. ■

Coldwell Banker Real Estate Survey Reveals New Info on Singles

With low home prices, interest rates and government tax incentives for first-time homebuyers, agents are seeing an influx of singles walking through the door. For greater insight into this demographic, Coldwell Banker Real Estate conducted a national online survey of more than 1,000 single homeowners in April 2010 on what factors played into their decision to purchase a home.

While conventional wisdom may be that most singles are buying bachelor or bachelorette pads downtown, surprisingly, Coldwell Banker found that the majority of single homeowners (52 percent) it surveyed chose suburbia over urban or rural areas.

"We are finding the current housing environment to be the ideal marketplace for many people who may have never considered buying a home before, such as singles and other first-time buyers," said Diann Patton, the Coldwell Banker Real Estate consumer specialist. "They can afford much more house for their money than they may have been able to in previous years. Many are recognizing that a mortgage payment on a house can actually be the same or less than what they would spend on rent."

According to the Coldwell Banker Real Estate survey, over half (53 percent) of single homeowners reported that they purchased a home because it was more cost effective than renting in their area. However, more than just financial analysis contributed to their decision. The desire for independence played a role for more than one-third of single homeowners (35 percent) according to the same survey.

"Owning a home is such a monumental way to achieve independence," said Patton. "It's inspiring to see so many individuals accomplish this life goal."

Below are additional key findings from the April 2010 Coldwell Banker Real Estate single homeowner survey:

Finding good deals is important, but so are modern amenities and outside space.

Sixty-eight percent of single homeowners purchased a home that was below their price range, rather than the most expensive home they could afford.

Meanwhile, modernized home updates and appliances and having a yard and outside space were rated as the most desirable features in a home over lesser considerations like space for entertaining.

Some may have flown the coop, but others get help from their parents.

Of the 13 percent of single homeowners who own their home jointly with another person, almost half (49 percent) made the purchase with their parents.

Singles hunt for homes that are close to work and their family.

Fifty-five percent have less than a 30-minute commute to their office or work from home, and 40 percent live less than 30 minutes or even in the same neighborhood as their parents or extended family. In fact, an additional 12 percent live with at least one family member.

Single women may be more likely to think of growing their family than single men.

More single women (27 percent) said that the number of bedrooms was the most desirable feature in a home, than did men (18 percent.)

Single and ready to ... bargain hunt.

Singles don't shy away from foreclosures – especially single men. Thirty-eight percent would currently consider purchasing a foreclosed/short sale home, compared to 29 percent of single women.

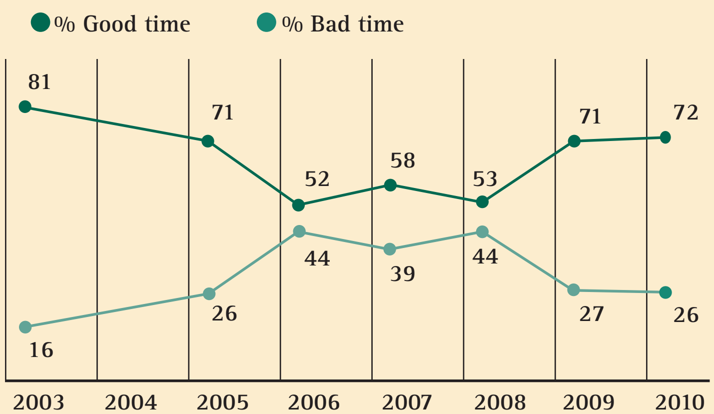
Methodology: In April 2010, Coldwell Banker Real Estate conducted a national online survey and received responses from 1,050 single homeowners across the United States. ■

Most Americans See Home Prices Stable or Rising: Seventy-two Percent Think Now is a Good Time to Buy a House

by Dennis Jacobe, Ph.D., chief economist, GALLUP

Lower but stabilizing home prices combined with continued low mortgage interest rates have persuaded 72% of Americans that now is a "good time" to buy a house – essentially the same percentage as a year ago, but up 19 points from 2008.

For people in general, do you think that now is a GOOD time or a BAD time to buy a house?



GALLUP

Over the next year, do you think the average price of houses in your area will increase, stay the same, or decrease?

	Increase	Stay the same	Decrease
	%	%	%
April 2010	34	43	22
April 2009	22	42	34
April 2008	29	31	38
April 2007	52	29	18
April 2006	60	27	11
May 2005	70	24	5

GALLUP

Better Price Expectations

More importantly, Americans' expectations about housing prices have improved markedly from last year – potentially encouraging prospective buyers to take advantage of the current homebuying opportunity, and thereby making it easy for homeowners to sell. Thirty-four percent of Americans expect the average price of houses in their area to increase over the next year – up 12 points from last year, and the highest such expectations in Gallup's monitoring since June 2007.

When this is combined with the 43% expecting house prices to stay the same, a total of 77% of Americans see housing values in their area stabilizing or moving higher during the year ahead. To the degree that potential homebuyers agree, this should significantly reduce their fear that the homes they buy could decline in value shortly after purchase.

Expectations for housing prices are best in the East and the West, followed closely by the South; they are poorest in the Midwest.

Over the next year, do you think the average price of houses in your area will increase, stay the same, or decrease?

	Increase	Stay the same	Decrease
	%	%	%
East	39	44	17
Midwest	24	48	28
South	34	42	23
West	39	38	20

GALLUP

Commentary

Americans' recognition that now is a good time to buy a house is good news not only for everyone associated with the real estate business but also for the economy overall. Even better, it appears that in many local real estate markets, housing price expectations are for stable or increasing prices over the next 12 months, giving prospective homebuyers in these areas another reason to buy now. Further, mortgage money from the federal government continues to be available at historically low rates through such agencies as Fannie Mae, Freddie Mac, and FHA/VA, although today's underwriting standards are more stringent than those during the housing boom.

While an overhang of foreclosures and distress sales continues to depress some areas, the basic problem facing housing in 2010-2011 is the same as that challenging the overall economy: jobs. Buying a home is the most important purchase and largest financial commitment most people make during their lives. For most Americans, it is hard to feel financially secure enough to make such a commitment in an economy in which 20% of the U.S. workforce is underemployed.

Survey Methods

Results are based on telephone interviews with 1,020 national adults, aged 18 and older, conducted April 8-11, 2010. For results based on the total sample of national adults, one can say with 95% confidence that the maximum margin of sampling error is ±4 percentage points.

Interviews are conducted with respondents on landline telephones (for respondents with a landline telephone) and cellular phones (for respondents who are cell phone only).

In addition to sampling error, question wording and practical difficulties in conducting surveys can introduce error or bias into the findings of public opinion polls. ■

Rick Hanselman, CRS

CRS
Council of Residential Specialists
The Proven Path To Success

5 Ways to Stay in Touch

In the boom market, it was easy for sales associates to go from closing to closing without a thought about building relationships. Today, it's a whole new world. Relationships are vital to continued success in real estate, now more than ever.

"Many real estate professionals get caught up in the deal rather than forming a relationship," says Rick Hanselman, CRS, broker/owner of The Real Estate Group in Springfield, Ill. "Do you realize that off of one $2,400 commission, you can make $30,000 over the life of that person?" he asks.

No one knows that better than Hanselman, who says that 80 percent of his business comes from past customers. "I've been in real estate since 1985 and worked for three different companies. I'm still doing business with people I met at that very first company," he says. In fact, he says, "I'm still working with the people from my very first transaction. I sold a couple a home; three years later sold them another one. Then, they got divorced, and I sold both the husband and wife separate homes. The husband got remarried, and I sold him and his new wife a house. I've also sold their son a house," he says. "I still talk to them frequently and they come to me with questions about real estate. I've become their go-to guy."

Here are Hanselman's relationship-building tips:

1. **Build on the success at the closing table.**
   "There are systems out there I learned from Certified Residential Specialist (CRS) instructors that help me stay in constant contact through mailing, newsletters and more," he says. But, you must first build on the success at the closing table. "When a transaction is successful, you want to immediately capitalize on that success by asking for a testimonial and a referral," he says.

2. **Find a unique and useful mailing.**
   "I send out calendars at the end of the year with a personal note," says Hanselman. While that's a pretty common mailing, perhaps his most popular mailing is sent out in February. "We do over 100 transactions a year and have been for the past 15 years. For each one, we print out the HUD-1 statement and, at tax time, send it and a personal note to the client." Hanselman says that people call him to thank him and comment on that personal touch. "Many have misplaced the papers and really appreciate getting them from us," he says.

3. **Pick up the phone.**
   "Once a quarter, I try to personally call a list of over 800 past customers," he says. "You can only make so many phone calls per day, but I block out a part of the day and make the calls. If I have to leave a message, I will. People like to be personally contacted and at least one in 10 will put me in touch with someone who wants to sell his or her home, or they'll want to sell their home."

4. **Throw a party.**
   "It's amazing to me how many people forget their Realtor® within a very short amount of time," he says. That's why every December Hanselman throws a party to thank past clients and customers for doing business with him.

5. **Reward them with information.**
   "I put out a regular market report for the area I farm. It's sent out to both past clients and customers and those in my farm area," he says. The market report offers valuable information and puts his name in front of those with whom he wants to do business. "If you reward them with information and build a solid relationship, it's amazing how steady the leads come in," says Hanselman. "Once you get in the consumer's mind and they hear someone talk about real estate they automatically think of you," he says.

Hanselman credits his CRS courses with teaching him real-life, relevant ways to do business better. "Everyone has to take continuing education, but after years of taking the same courses, I realized that CRS has highly trained instructors who offer truly of-the-moment courses."

Overall, says Hanselman, if you do a good job for a buyer or a seller and you're consistent with follow up, everything else falls into place. "Don't be in it for the deal," says Hanselman, who considers himself a true people person and is genuine in his interest to get to know his clients and customers. ■

Welcome to the Recovery Innovation Zone: Meet eXp Realty

Now it begins. Memories of the recession prepare to become history and the recovery reaches for high gear. Franchisors and Brokers who bet that the 2002 market would return realize to their horror that they wasted both time and precious resources. Into the resulting vacuum began to pour new methods, new processes and new brokerage business models all of which will seek to maximize on the unique environment created by a new consumer, new real estate information, new inventory, new price points and a new generation of real estate professionals playing new roles in the transaction and the marketplace.

Each of these new industry entrants will attempt to combine maximum technology, new service visions and the freedom that comes from not being burdened by the baggage of the old ways to create innovative and creative approaches to both the delivery of real estate services and the ultimate objective of driving revenues and profits.

Each will be welcomed by the furtive glances and distrust of an industry that really doesn't want to change but that is near the point of realization regarding the fact that the vast majority of what constitutes the traditional real estate service delivery model is no longer functional. Which one will win? Film at eleven.

Enter eight-year real estate veteran Glenn Sanford from Bellingham, Washington. Glenn came to age during the .com period having been involved in a couple of technology start-ups and eventually started his real estate career as a sales person with Prudential Kelstrup in Bellingham in April 2002. In 2004 he joined the Keller Williams market center in Bellingham and quickly became one of their top-selling agents. In 2006 he actually ran the top team in Washington State and was ranked #49 nationally.

"During my tenure with Prudential I quickly came to the conclusion that something wasn't working with respect to the traditional model" said Sanford, "The first clue was that nobody seemed to be happy about their role or their share of the commission dollars. I subsequently affiliated with Keller Williams because it was obvious that they had really thought it out and had substantially improved many of the problem areas, especially in the area of team building, agent compensation and training.

"But after a while even in the rarified air of Keller Williams it became obvious to me that the business could be made better for all involved if innovation was taken a bit further."

It was then that he began to think about creating a brokerage business model that truly aligned revenue and profit expectations with business realities.

In October of 2009, Glenn launched his new venture, eXp Realty. The operation, headquartered in a Bellingham executive center is growing fast and has already expanded beyond the state of Washington into Oregon, California, Arizona, Texas, Indiana, Massachusetts, and New Hampshire. Arkansas, Florida and Nevada are poised to open before summer.

The first point of departure for the eXp Vision is the fact that it is not organized as a franchise but rather it is configured to be a national real estate brokerage with divisions in each state run by a licensed broker who will be an employee of eXp.

"Ultimately it comes down to delivering an experience for both the agents as well as the consumers and the unfortunate reality is that most prospective broker/owners are still entrenched in the old way of doing the business. By operating as a national firm rather then a franchisor, we feel that everyone should win and win faster."

The crown jewel of the eXp organization is its four-pronged operational strategy. First and foremost the entire organization from top to bottom is paperless. While some may find that adventurous the fact is that many industry entities have already taken that step. Interesting enough the regulatory sector is leading the way in paperless technologies. Many mortgage and title companies are also on board. It seems to be the way to go.

The second jewel is that there is literally no bricks and mortar in the eXp operation. "We spent a great deal of time evaluating the purpose of this relatively huge overhead item and were left with the sense that the only reason brokers continue to invest in bricks and mortar was due to the social nature of the real estate sales force" says Sanford.

"Unfortunately a lot of productive agents tended to avoid the office and in some cases it turned out being a clubhouse for the unproductive. However, socially agents still needed access to other agents, brokers and staff." Ultimately agents who want an office can make the decision to rent one in the executive office suites that the company rents its own space from, however it doesn't inventory space and those who don't aren't forced to support one. To replace the physical bricks and mortar footprints, eXp Realty refers to itself as an immersive firm where agents literally meet regularly in virtual space similar to a video game however designed for business.

"This provides the social learning environment typical of bricks and mortar however it is accessible wherever an agent may be. So meeting with the broker, admin person or for that matter other agents is as simple as turning on your computer and launching the virtual office."

The third jewel of the eXp business model is the agent revenue share program. All agents start with an 80/20 split. Agents who bring other agents into the operation share in their earnings. In addition the Company in theory can share up to 100% of its Company Revenue with its agents based upon their engagement with growing and supporting the agent base.

"While I very much appreciated working within a profit sharing business model it seemed to me that the bricks and mortar as well as redundant staffing costs was ultimately killing profitability and in the current economy the promise has been hard to deliver on. Sharing based on Company Revenue eliminates that shortcoming."

The forth jewel of the eXp business model and the feature that in the author's mind is most impressive and will have the most impact upon the industry is eXp's system for tracking transactions. It is like an air traffic control system for transactions. Transactions are reduced to automated check lists that can be tracked every step of the way from purchase agreement to post closing follow-up.

The vast majority of firms do not track either their agents or their transactions. This system is simple and very visual. If a transaction file is in compliance with the system it reflects a green signal and if it doesn't it reflects a red signal. The most important part of the state broker's responsibility is the tracking of this system. Everyday at a glance the supervising broker can determine where every transaction is. The closer that transaction comes to closing the more insistent the system becomes with respect to compliance.

The system is an automated agent supervisor, a risk management system, a consumer satisfaction meter and a profit driver all in one. It uses a series of state specific checklists that ensure that wherever the transaction is located it is being constantly tracked.

eXp has also incorporated a "killer" on line lead generation system. "We have both SEO and SEM tactics down to an absolute mastery," says Sanford. However, the system is only available to agents who agree to play the "online" game the way the Company has determined it should be played. Commission splits start at 52/48 with bonus points added for agents who maintain good social media practices and follow other Company requirements.

It is way too early to postulate whether Glenn Sanford's vision for the future of residential real estate will be a winner or not. But what has become clear is that moving forward the successful real estate brokerage business model of 2013 will have certain features.

It will do everything possible to reduce and eliminate overhead and administrative items that neither adds value to the sales professional or the consumer.

It will use technology and standardized service elements to drive absolute accountability with respect to ownership, management and service delivery.

It will drive maximum revenues to those who are actually delivering services to the consumer while at the same time driving acceptable financial returns to the owner of the business, to those who are taking on the risks of ownership.

These are the lessons learned after five hard years in the crucible of a down real estate market. This is the wisdom that will make residential real estate brokerage in the future the place to be. ■

Cutting Through the Noise – 5 Reasons Why Facebook is All the Social You Need

You can hear it everywhere. From TV news anchors to grade school classrooms, barroom chatter and even down the sacred halls of real estate brokerages, the buzz about social media is everywhere. Twitter, Google Buzz, Facebook, Gowalla, FourSquare, etc. They come fast, they fly furious and for many in real estate, they boggle the mind.

Here's the good news…

In today's world most brokers would be best served by filtering out the vast majority of the Social noise and focusing solely on Facebook. If you had all the time and resources in the world you could try out all these fancy new channels. But since you don't – it's all about Facebook. Here's why:

Number one – the audience is huge and growing scary fast. With somewhere around 400 million unique visitors a month at last count, Facebook has arguably more users than Google. And what's astonishing is that it doubled in the last 12 months. Imagine doubling a 200 million customer base in a year – that is serious growth. For context, as of this writing Twitter has somewhere between 20 and 30 million monthly unique users. (Source: Compete.com April 2010)

Number two – this is an engaged audience. Facebook users spend an hour a day on the site – more than they view television. We check it in the morning when we wake up, and for many it's the last thing we look at before we go to bed. It's easy, fun and addictive.

Number three – you ain't seen nothing yet. I still hear people who say they think Facebook has jumped the shark. They could not be more wrong. Audience development for

Facebook.com was just chapter one. Just wait till they really take advantage of the ad targeting capability (think of the data they have about each individual) and at the same time push Facebook Connect out further into the Web. Make no mistake; there is a platform shift underway right now.

Number four – your agents are already there. Using Facebook's ad targeting tools I estimate that there are roughly 400,000 U.S. Realtors® on Facebook today (and that same analysis gave me 200,000 six months ago). By end of the year I predict that over 600,000 Realtors® will be on Facebook. And while that may be around half of all licensed agents – my guess is it is the majority of active ones.

Number five (and this is the most important one) - Facebook is an opportunity for endorsed referrals from your friends and clients...and their friends. This is why Facebook presents a unique opportunity in real estate. We all know most of the business is not driven by big splashy ads but rather, by hard won relationships and networking. With 400 million people interacting with their networks all in one place – no relationship building opportunity has ever presented itself in real estate like this.

The Facebook platform is still in its early stages as a real estate marketing tool. Already, smart brokers and agents have created strategies for Facebook: building fan pages and making connections unlike they have ever done before on the Web. Those who gain expertise with it now will succeed and will distance themselves from their competition in ways that are almost immeasurable.

About the Author –

Alex Chang is the CEO of Roost, a real estate technology company leading the way in innovation in the Social Media space. Roost's Social Media Toolkit provides free and premium tools for Real Estate Agents & Brokers to get real ROI out of Social Media. ■

Interview with Real Living's Harley Rouda, Jr.

Harley Rouda, Jr. is chief executive officer and managing partner of Real Living, Inc. Rouda spearheaded the creation of Real Living in February 2002 by acquiring several regional real estate firms to create an agent-centric company that would be innovative in marketing, technology, professional development and measurable results. Real Living currently has 600 offices and some 9,500 sales associates.

REAL *Trends* spoke with Rouda to find out what plans he has in store after recently converting 15 First Service Realty GMAC Real Estate offices to Real Living First Service Realty. Here's what he had to say:

REAL *Trends*: Tell me about some of your short-term goals with Real Living.

Rouda: Our first is to assist the GMAC franchises in their conversions to Real Living both from a branding and technology standpoint. We want them to be aware of the access to professional development and sales and marketing services.

REAL *Trends*: Tell me about some of the long-term goals with Real Living.

Rouda: We have several key areas. Foremost, we're launching a new technology platform that will be innovative and all encompassing. The platform is for both agents and franchisees and will be introduced in the third quarter of this year. It's a complete platform. We invested a lot of money into this system and will continue to do so. We're bringing in hundreds of MLS systems and will provide public facing sites for brokers and agents. This public facing site will be integrated into our business center-Intranet so they can seamlessly operate with clients for transaction management and lead generation.

Another goal is to build the realty network internationally.

REAL *Trends*: What are some changes you have coming down the pike?

Rouda: Our goal is not so much about making changes as it is bringing networks together. There are fantastic tools and resources that both Real Living and the companies we acquire (or merge with) have to offer. We want to migrate the best of both together and expand.

REAL *Trends*: Any new services you will be launching soon?

Rouda: In addition to our new technology platform, we'll be updating our luxury home program with a premier service version. Overall, we're seeing the market improving in transaction sides, closings and a stabilization of sales price. So, we're looking to the future with a positive view. ■

Editor's Note

Upcoming Publications and Events

Recruiting, finance and operations continue to be the most important strengths of a residential brokerage firm as we enter a new growth era. While the use of technologies such as social media expand, these three areas are critical for the success of any firm.

REAL *Trends* is pleased to announce that we will be hosting an entirely new conference this summer, the REAL *Trends* Leadership Institute, which will be held on August 4th through the 6th in Denver, Colorado. The REAL *Trends* Leadership Institute will have two separate tracks for leaders: One is Successful Recruiting. The second is Operational and Financial Excellence. These two separate tracks will be held simultaneously with separate programs and faculty as well. We are also structuring this to be exclusive for any firm that registers 3 or more people. In short, should a firm register three or more they will be the only firm from that market allowed to have registrants at the conference.

REAL *Trends* Guide to Residential Brokerage Leadership

REAL *Trends* is finalizing research leading to the publication of an up to date guide for the leadership and management of the most successful firms in the country. It will be the first comprehensive guide to owning, operating and growing a residential brokerage firm regardless of size, location, business model or niche. Look for more information coming soon about this invaluable new guide. ■