

REAL *Trends*

The Trusted Source

COMMENTARY

Big Elephants

Having observed the leaders at the REAL *Trends* Gathering of Eagles and several more at the NAR Mid-Year meetings I have come away with the feeling that lurking right in the middle of every conversation are several large “elephants.” You know, things we “feel” and sense but that aren’t talked about in genteel conversation. Here are a few of my personal favorites.

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Leveling the Playing Field.

Otherwise referred to as “whose data is it anyway?” There are three parties in this discussion. First are the real estate brokerage firms and the national networks. Naturally they feel that they are the ultimate purveyors of market information to buyers and sellers. Second are the Realtor® Associations and National Association of Realtors® who feel the need to then broaden information available and make sure that all of their members have access to the best tools alongside the information. Third are the organizations external to either brokerage firms or associations, such as Zillow, Realtor.com and others, whose focus is also on delivering content and tools to housing consumers and real estate professionals alike.

Simple, right?

In the minds of most leaders of brokerage firms is the view that both the associations and the external firms fight for relevancy with sales professionals and consumers. While brokerage firms have embraced many external suppliers of consumer and professional services, they continue to be cautious to some extent as to how great their reliance becomes in dealing with them. But at least they have flexibility as to how deep their relationship is with these external firms (don’t want to call them “third parties”).

Not so with the relationship with their MLS. In this relationship brokerage firms have little choice but to use their service. And in most part have to deal with MLS competing with their own Web presence for consumer eyeballs, sales professional tools and in some other areas. Sales professional ratings are one of the new frontiers where MLS will drive implementation and control how ratings systems are devised, ranked and provided. And in most areas brokerage firms have a strong disquiet about these developments.

So the development of RPR by the National Association of Realtors brings another level of anxiety to leading brokerage firms. While the data sets being assembled by RPR are of great interest to brokerage leaders, it heightens their unease with yet another move by the Realtor organization to “level the playing field”. Why? As all of this rich data and the wonderful marketing tools that RPR offers come to market, it will be available to all Realtors. Which makes any attempt by brokerage firms to differentiate their offerings to their own sales professionals a much more difficult task.

And even as much as there is great respect for the operational leaders of RPR the fact is that they can’t assure any brokerage firm that there is a way for a brokerage firm to take RPR data and create their own customized tools sets. And that the people who can make that decision are not as well known, or what their intentions might be.

Then we see the new search tools and data sets from Realtor.com (and they look fairly strong to this writer) and realize that perhaps many of their own Web sites appear clunky by comparison and the data sets slimmer, the unease grows. Both Realtor.com and Zillow can and do provide capable alternatives to broker consumer-facing Web experiences. And this is plainly evident to brokerage leaders who have seen them both.

And with Realtor.com another questions arises. Wait. Aren’t they part of the Realtors consumer effort? Yet they now appear to be competing with RPR, the other Realtor offering. The realization that NAR/RPR and Realtor.com are heading for a showdown of some kind makes little sense to most brokerage firms who have the time to consider the issue. But one thing is sure. Competition is a good thing and a number of brokerage leaders like the idea that they have choice in this area.

The next explosion we are going to hear is firms that live within the IDX/VOW rules, build national Web presences with the listing and other data, and build their own online real estate experiences – some local some national. Some for legitimate brokerage purposes, others not.

We are not close to resolving the issue of the “leveling of the playing field.”

The Lack of Standards

This topic has been around longer than the issue of leveling of the playing field. Something everyone complains about. That is everyone else’s issue. The “other” guy’s sales professionals aren’t.

As you can read in this issue, the average productivity of sales professionals associated with the REAL Trends 500, likely the most productive firms in the industry, is less than 8 transaction sides per sales professional per year. It is up from 2008 but no better than it was 20 years ago despite the expenditure of billions of dollars in coaches, training, education, etc.

Interesting enough we are now releasing the REAL Trends Canadian 200, a ranking of the top residential brokerage firms in Canada. From it we learned that the best firms in Canada have nearly twice the average per person productivity as their American counterparts. When we asked Don Lawby, head of CENTURY 21 in Canada, why he thought this was so he indicated that Canada was a far more consolidated market and also one where the average company revenue is far lower – hence brokers have to have more productive sales professionals to stay in business.

To find the answer, as in so much else, follow the money. The organizations with the most at stake in being open to new sales professionals entering the business are NAR, the state and local associations, most real estate commissions, the national real estate organizations (perhaps 1-2 exceptions) and most large regional brokerage firms. Why? Because their existing business models depend on a flow of new candidates entering the industry.

Until one of two things happen it likely will stay that way. One, the brokerage industry comes up with a sustainable business model of only highly professional, full-time, solid-earning sales professionals. Two, the business consolidates to the point, either due to regulation, cost or complexity, where the most successful brokerage firms can compel behaviors and activities that lead to that outcome and firms that don’t can’t compete.

The Issue and Value of Brand

We have produced numerous reports that indicate that while brand is important there are other factors that are as important if not more so than your brand. We see this in the long term data about relative importance of those with national brands and regional/local brands and we see it in the changing of brand names in mergers and acquisitions. The evidence leads us to conclude that while building and reinforcing a brand is important, effective leadership is likely the most important factor.

Does this diminish in any way the value of a good brand? No. Firms with solid leadership enhance the value of the brand. Firms without leadership diminish the value of a brand, however. There are brokerage firms affiliated with national branded organizations that are improved by their brand; in the same vein, there are weaker brokerage firms affiliated with a national brand who diminish the value of the national brand. This is true not only in the residential brokerage business. Likewise, not all regional independents are great companies with great brands; there are weak independents who have diminished brands and who will not prosper in the future.

The elephant in this room is that those who think a great brand is just a name are misleading themselves. A great brand is the sum of all of its parts, leadership, skills, services, features and culture. And many of those are not tied to the name of the firm. ■

From the Heart of Mike Staver

by Michael Staver, CSP, professional speaker and coach, CEO The Staver Group

A buddy and I were talking the other day about the business challenges so many people are facing. I have huge respect for my friend and we often get into very interesting and thought-provoking conversations.

He and I both own businesses that have seen their share of ups and downs. The question we were considering was how do you know when you are letting your pride or ego get in the way of a smart decision? When is it time to make the difficult call about a business expansion, reorganization, layoffs, closing offices, etc?

While this question may seem simple at first glance, I think we all find ourselves in business and personal circumstances that require difficult decisions. It is often challenging to find the right way to go and so often we are blinded by pride or

ego. Consider those times in your life when your pride or ego clouded - if not blinded - your judgment. If you believe that has never happened to you, I suggest your ego and pride are probably in the way of answering the question.

I am not sure I have the answer, but here is what we came up with; perhaps it will help you as you face challenging decisions:

1. Make sure to have really good, unbiased advisors!
2. Consider the unintended consequences of your decision.
3. Think about how long it will take to recover from your decision if it turns out to be a bad one.
4. Keep in mind you can ALWAYS make another decision.
5. One good opportunity can change everything. ■

The Eagles Gathered and It Was A Class Reunion

by Jeremy Conaway, *REAL Trends* contributing editor

The Gathering of Eagles event is an institution. Perhaps more than any other industry event it provides its participants with an almost GPS accurate level of where the industry is in May of any given year and a crystal clear vision of the directions in which it is moving. Its program is always designed to reflect the common experience, track the inherent industry race and provide waypoints and benchmarks for those who are on course for success.

Last week was the 19th edition of this venerable event and absolutely no one was disappointed. Once again the group gathered at the Four Seasons Resort in Irving, Texas, always an appropriate venue both to promote interactivity and encourage collaboration and sharing.

For the seasoned participant the difference in this year's event was almost palpable. For starters the tone of the initial hallway greetings and exchanges were noticeably different. Gone were the sometimes loud and ego driven outbursts of those anxious to share their successes with a competitor. Instead the event was marked by a more subdued and respectful interaction of respect and reserve between the survivors of a great but debilitating event. Everyone seemed to understand that just being at Eagles this year represented a personal triumph.

This attitude permeated all three days of the event. Attendance was above 250, a number which organizer Steve Murray of the *REAL Trends* organization said was the best since 2006, a year that will certainly live in infamy.

A key discussion point during the conference was, of course, is the recession really over and is the housing market returning to healthy? The response was a mixed bag of cautious optimism and restrained relief. Intellectually the group was declaring a new era but emotionally it was just more comfortable to stay in the hunker down mode. One was reminded of the classic scene in the movie *Top Gun* when hot pilot Maverick (played by Tom Cruise) responds to technical consultant Charlie's (played by Kelly McGuire) question regarding how his evening of chasing women was going with the statement; "I don't know, it's too early yet, but so far it is looking really good."

In fact, if one attended each of the carefully designed sessions one would have gotten the message that yes the recession is over and the bad market is becoming healthy but 2006 will fortunately not be happening again anytime soon. The secondary message was that the current market may be within 5% of being the new normal and that if you are going to play in the next period this would be the time to make the necessary adjustments.

Another interesting observation that attendees made was the difference between those in attendance in 2010 and in 2005. The Eagle events of the late 1990's and early 2000's were characterized by the attendance of the big independent brokers from across the country. The programs were dominated by their self-confidence and the impression that they represented the ultimate practice of the real estate profession and that anyone not in compliance with those standards was doomed to failure.

These folks were not present at this year's event. In their place was a whole new and vibrant cast of characters from the new real estate industry that has grown up over the past five to six years. Younger executives and entrepreneurs who in many cases had taken over the senior firms were in attendance. Executives and operatives from the new brokerage business models like Rich Barton from Zillow were no longer looked at as outsiders but mainstream experts. Faculty members who were sharing technology issues no longer tortured participants by talking over their heads but rather captured their attention by establishing how technology had become an essential element of profitability.

Gone also were the condemnations of innovative ideas for change and improvement that so often characterized the participation of the pioneer warriors. This year's program offered a full range of insights into where virtually every segment of the industry is going. Almost every session experienced significant levels and intensity of questions as attendees earnestly sought to determine which combination of the new tricks, tools and strategies would best work for their firms.

Of the over 20 sessions the following deserved special mention:

The Billionaires' Session: This program was packed and intense. Bruce Zipf, Michael Saunders, Mark Woodroof comprised the panel and Murray facilitated by starting off with an examination of the role of leadership in the new real estate industry. This was a theme that was to be repeated again and again over the three days. Bottom line, management and personality are not leadership and that today's successful brokerage firm must have leadership to grow and prosper.

Jeremy Conaway shared a profile of the newest market influencing consumer known as the "New Affluent." Conaway's presentation made it clear that this is not the consumer of 2005 and that failure to understand this new participant would put real estate service providers at clear risk.

Allison James' CEO, James Crumbaugh talked about the new virtual firm that bears his name and that in only a few

months has grown to 400 agents in 12 states. The attendees listened respectfully and asked questions that reflected interest if not a tad of disbelief.

Leading edge players Sherry Chris, Dave Colmar, Joan Docktor and Todd Hetherington talked about the evolving brokerage and opened the attendees' eyes with respect to the new realities of today's real estate services environment. Colmar provided the attendees with invaluable benchmarking information with the results of his latest research.

Perhaps the most dramatic session of the program incorporated the collective wisdom of Alex Perriello, President/CEO of Realogy Franchise Group, Margaret Kelly, CEO of RE/MAX International, Inc., Mark Willis, CEO of Keller Williams Realty International and Pam O'Connor, President/CEO of The Leading Real Estate Companies of the World. Never before had these four CEO's appeared on a panel at the same time.

In what could only be called a gracious interaction each shared what they believe their companies have learned over the last few years and what they believe will work over the next several years. Watching these leaders present one could not help but be enthusiastic about the experiences that lie ahead.

Perhaps no session reflected the changing mind of the industry more than the recruiting program. Jon Cheplak and Hoby Hanna did fine jobs explaining the current state of the art. Keller Williams superstar David Osborn captured the audiences' imagination with his presentation of how recruiting has to be. This was a very rich session.

Winning in the "mind numbing" division was a program on Mergers, Acquisitions and Valuations by Nicolai Kolding of REAL *Trends*, Ryan Gorman and Ryan Melone, both from Realogy. These three dazzled their session's attendees with a non-stop 90 minute stream of consciousness about acquisitions and valuations that could only be described as Olympian. This session should have been videoed and made mandatory viewing for every executive in the industry.

Speaking of Nicolai Kolding, this was his first *Gathering* since joining the REAL *Trends* organization. His presentations and facilitations during the meeting clearly demonstrated that he will be a valuable and contributing member of the team over the years ahead. Good head, great energy, outstanding team player, great job dude.

Without question, the most remarkable session of the conference was the *What's Changed* session featuring Rich Barton, Channing Dawson and Errol Samuelson. For ninety minutes these three held the audience in an absolute trance as they reviewed and demonstrated how the industry has changed since their last "Gathering" presentation in 2008. Authentic, genuine, focused and informative, this was one of the clear "take home" sessions of the meeting. The trio worked well together between themselves and with the audience. There was no intimidation or demeaning behaviors, just excitement, inspiration and motivation regarding the industry and transaction we are about to experience.

The Apple iPad was the probable winner in this session. The important point made by all was simple. You don't buy an iPad for what you are doing now; you buy an iPad for what you should be doing. In a conference in which leadership kept coming up as the differentiator the fact is that the iPad is a leadership technology. You don't have to have one but if you choose to abstain you better figure out how else you can make the journey because it's not optional.

So the new Eagles have met for 2010 and it was by all accounts a class act across the board. What did we learn?

- The good news is that the recession and the down market may be over and that a new "normal" has arrived.
- The sharpening news is that the events of the past five years have created a whole new real estate services practice environment in which the consumer is in charge.
- The sobering news is that a significantly evolved brokerage business model will be required to succeed in this new business environment.
- The exciting news is that the experience that lies ahead will be more exciting, stimulating and rewarding than that which has brought us here today.
- The defining news is that leadership will be the defining skill set for the brokerage moving forward. ■

ANALYSIS

The Magnitude of the REAL Trends 500

by David B. Colmar, associate editor

Each May at the annual Gathering of Eagles, REAL Trends discloses the rankings of over 500 real estate brokerage companies based on closed transaction units and closed sales volume for the previous year end. While serving as “bragging rights” for many owners, managers and related parties about the status of their respective companies the data suggests much more. Embedded in the details are a number of statistics that can serve us all whether our companies are included in that distinguished group or whether we are “up and comers.”

2009 appears to be a turning point year as when looking at the Top 100 of the REAL Trends 500 there appeared for the first time in 10 years an uptick in the number of closed transactions per person as the following chart indicates:

REAL Trends Top 100

Year	Closed Units	Agents	PPP
2009	1,238,116	179,095	7.1
2008	1,241,002	186,251	6.7
2007	1,454,683	201,328	7.2
2006	1,728,111	212,431	8.1
2005	1,990,567	210,154	9.5
2004	2,074,891	207,908	10.0
2003	1,942,377	187,957	10.3
2002	1,795,017	168,115	10.7
2001	1,682,901	149,984	11.2
2000	1,620,000	136,087	11.8

The number of closed units per person, while declining even during peak selling years of 2004 – 2006, continued to slide until last year. My intuition suggests that the economic conditions of the past few years have weeded out some of the non-productive agents adding some production to the survivors. To put this production in perspective though go back to the REAL Trends report from 1991 and you see the following:

Year	Closed Units	Agents	PPP
1991	840,829	95,421	8.8

Have we made progress in per agent productivity over the past nearly 20 years? It appears not. We have increased our agent base with larger offices and increased the footprint in our markets but have done very little to increase the output of our biggest asset – our agent.

The average office size of a REAL Trends 500 member last year was 52 agents, up slightly from the year prior but very consistent for the past 5 years. All of these numbers suggest significant strength in that 500 list of the top brokerage companies. While NAR does not publish the number of real estate brokerage companies it is estimated that there are in excess of 50,000. Clearly the numbers are skewed to the 500 largest.

I’m looking forward already to next year’s list!!

Dave Colmar is President of Colmar & Associates, Inc and a contributing editor of REAL Trends. His consulting firm has served the real estate industry since 2000. He may be reached at dave@colmarassociates.com. ■

Saddest Words Ever Heard

by John Schumaker

Not long ago I was visiting with a broker owner who bemoaned to me: “I wish I’d sold my company 4 or 5 years ago when I had the chance. Now, I’m stuck with owning it for another 10 years.”

What do you think this company’s chances for future success are? Survival? You already know. This once-venerable company has been slowly, steadily eroding – losing agents, market share, and profitability in perfect harmony with the increased fatigue and diminished passion of its owner.

There’s nothing sadder to witness than a company in decline, yet – how uncommon is this situation, really? Every company has a life cycle that consists of identifiable stages – birth, growth, decline, renewal and/or death. Where is your company in the cycle (and how do you know)?

The early phases (birth) of a company are hopeful, exciting times where the passion of ownership drives the organization – typically high on dreams and low on systems. As that passion is ignited, fanned, and communicated to others who also embrace the dream (and often not much more) the organization grows.

The degree to which the dream is unique or compelling often dictates the rate of growth. This growth creates subsequent needs for leadership, systems, coordination, and ultimately collaboration, and organizations who are able to address these needs generally achieve profitability and market leadership.

Ultimately, companies that navigate through this growth process reach a point of crisis – when the original passion and dreams of ownership no longer sustain the organization while more compelling dreams are presented by others – often new entrants. Under siege, ownership often attempts to tout legacy, tools, or systems as sources of competitive advantage. Many established real estate companies are at this very phase in the life cycle – faced with the challenge of renewal or the prospect of a slow (and increasingly not so slow) death.

While tools and systems are important, they can’t replace the original passion that sparked that early growth! If you’re looking to “re-invigorate” your company (including your individual company if you are a salesperson) – look inside (yourself) before outside. Can you get back in touch with those early dreams that fueled you?

Can you find something about owning your company that genuinely excites you again? You have to bring your passion to your role – it doesn’t work the other way around. As the leader, you can’t fake it. If you can’t get back in touch with your passion for owning your business you’ve got two choices, as I suggested to this broker: a) Find someone to run your company, b) Sell it (or close/merge it). Now.

Owning and running a business is hard work! Over time, the tactical side of the business – the daily details, the routine, the seemingly repetitive functions merge together, and we can all get “ground down.”

That’s why the **strategic** side of ownership and leadership is so critical – why it’s so important to remove ourselves from our routine on a regular basis to reconnect with what’s important to us (“Values”), what we want to achieve/get/become (“Vision”), and the best path for getting there (“Mission”).

Strategy formulation is the leadership component that is most often neglected – often viewed as an academic exercise, or an administrative chore to be tackled on a rainy day (“someday when you find the time”). Yet, it is the single component most likely to separate hobbyist from entrepreneur, from failure to success, and yes...from mundane to invigorating. **Formulating and implementing strategy is much more exciting than watching your business slowly die around you!**

Strategic Thinking – the work that Leaders do.

Lead. ■



Mike Dodge



**Council of
Residential Specialists**
The Proven Path To Success

5 Ways to Make the Most of Education Sessions

Networking is a must at any education session. Come prepared and you could walk away with more than just lessons learned at the sessions.

After attending the CRS ProACT education event in Las Vegas, Mike Dodge a sales associate with John R. Wood Realtors Inc. in Naples, Fla., immediately wrote himself a big note and posted it in his office: “You rarely get the opportunity to go the extra mile.”

“LeRoy Houser, CRS, said it during a session at the ProACT education conference and while it’s a tiny thing, if you stop and think about it, making opportunities takes energy. Apply this to your business, and it will come back tenfold,” says Dodge, who currently has one more elective course between him and his CRS designation.

That one takeaway made the entire conference worthwhile, he says. “Although I did get so much in tips and insight from others who are successful in our industry,” he says.

More than anything, Dodge realizes that he has to be prepared before attending any conference or convention. “The biggest mistake I made is that I didn’t prepare. I figured I’d attend, bring some business cards and do a little networking. Sure, it’s education but don’t underestimate the referral network part of it.”

Here are his five tips for getting the most out of education sessions:

1. Review. “Review the course of study and think about what you’re doing relative to those subjects,” says Dodge. “Be open to changing the way you do things. Be ready to

have some kind of curveballs come your way.” Dodge says to plan which sessions you’ll attend and bring notes about what areas of your business you want to work on.

2. Bring. “Put together special promotional materials so at breaks you can hand them out specifically for referrals,” he says. “All I brought were business cards but some sales associates had great brochures made up specifically for these types of events. It’s something I’ll do next time.”

3. Attend. “Take advantage and attend everything. You’re only there for a week and you’re there for a purpose. Sure, you can hit the casinos but you don’t want to miss the education sessions,” he says.

4. Implement. “When you get home, make it a goal to implement just one thing that you learned,” he says. He warns that many sales associates attend these sessions, make all kinds of notes and get excited about change that they never put it into action as the novelty wears off. “Write up a plan as soon as you get back to the office and try to implement even one new idea immediately,” he says.

5. Follow up. “Follow up with the people you meet, even the instructors,” says Dodge. “A couple of people I didn’t even remember meeting sent me notes.” So, send out e-mails, make some phone calls and touch base with everyone you met.

CRS students and designees make sure their referrals only go to others who have put as much into educating themselves as they have. The added value you help you make fantastic friends in the industry—friends who are more than willing to share their success stories.

“If you put the energy into it, you can meet fantastic friends in the industry, gain referrals [that will come your way for many years to come] and more. But, you have to work for it,” says Dodge.

ProACT® 2010 has been scheduled at Bally’s Las Vegas, June 7-12, 2010. For more information, go to <http://www.crs.com/Events/65>. ■

TRENDS

The Next Generation of Top Performers are Already Social Media Experts

by Alex Chang

I have good news for you. Given enough time all things come full circle and Real Estate technology is no different.

Over the last five years or so, we've seen an emergence of two significant new ways to leverage technology for lead generation – SEO and blogging. These inter-related disciplines (as you know, blogging creates unique content that is search engine friendly and helps SEO) have provided powerful opportunities for REALTORS, to get in front of new clients.

And while there are some terrific examples of success with these tools (Jay Thompson in Phoenix) – my belief is that 95% of brokers & agents have been largely unsuccessful at using them. What's worse, far too many have spent time and resource with little to no real return.

Here's why – successful SEO is a game for technologists and consultants, great blogging is the domain of writers. How many great agents do you know who fit either of those descriptions?

The good news is – the next 5 years will be different.

As you may or may not know, a major platform shift is in process. Facebook is a phenomenon that cannot be

overlooked. And Twitter is not far behind.

The reason this matters? These are not lead generation technologies...and they're not platforms for "SEO friendly content creation" or "inbound link generation"...they are easy to use relationship building tools.

The next crop of top performers are naturals at using these tools because they're merely an extension of what all good agents already do offline. Network, build relationships, offer useful information and insights and generally find ways to engage with real people.

Brokers and agents who understand this and are diving in – are already seeing returns. Remember, we're not talking about advertising that generates cold leads here. We're talking about ways to build word of mouth referral business from your friends, colleagues, clients...and their friends.

At the end of the day, Social Media is just jargon for using technology to build relationships.

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. ■

Signing Online

With FHA joining the fray in accepting digital signatures, the method is more widely accepted than ever. REAL Trends spoke with Tom Gonser, founder and vice president of product strategy and Steve King, president & CEO of DocuSign to find out what's happening in the electronic world. Here's what they said:

REAL Trends: Please give me a brief rundown of the services/products you offer and the benefits.

Gonser/King: We're excited. Using digital signatures is incredibly efficient for brokers, agents and buyers. The research we've done says it saves agents about 7 hours a week not having to drive across town to gather signatures.

Using e-mail and online signatures increases control and visibility of who signs and where the document is in the process. Plus, it's incredibly easy to use. You can even use a Smartphone to sign a document. It reduces paper, eliminates cost and gives those agents using it a competitive advantage. We're signing up 3,000 new agents a month, which is an incredible endorsement as it's taken off by word of mouth.

REAL Trends: Please tell me about company growth in the past year and what you see in near future as far as growth is concerned.

Gonser/King: We measure success by counting signature events each month. We have 20,000 customers across many industries, with real estate growing the fastest. We have 2.15 million users of the service. The first quarter of 2010 was up 300 percent in terms of the activity that we track to measure the health of the business and signature events. Real estate is fueling that growth.

The FHA announcement that they are accepting digital signatures is huge. Some five years ago, FHA was only doing 3 percent of the loans so no one noticed they didn't have an electronic signature policy. Now they're doing 50 percent of the loans and they originally said they wouldn't accept digital signatures. It was a huge issue.

Recently, NAR made a strategic investment in DocuSign. This, along with the FHA announcement, opens the floodgates for a

lot of things to happen in this market. There's virtually nowhere that won't accept an electronic record now.

REAL Trends: Any new products/services or agreements coming down the pike in the next six months?

Gonser/King: We're working on some interesting stuff. At the beginning of the year, we rolled out the NAR partnership and Realtor branding. This allows Realtors to carry their branding on through the transaction. This is a better way for a Realtor to execute transactions. It's faster, cleaner, and more efficient.

Beyond that there are some things DocuSign is doing in second quarter that will enable real estate transactions to be more efficient. Now I can send agreements to you; you can review it, print it out and accept it by signing and initialing. But, if you don't like everything about it, in the paper process you have to cross out and initial it. On a fax, that's barely legible. We're going to enable that to happen in DocuSign sometime in June.

We're working with partners in the forms arena that will save sales associates time entering information and directions onto contracts. We developed templates that allow you to place the information on each page of a document all at once. We're

doing a lot of work with mobile signatures. We're redesigning the signing process to fit handheld devices. If you're a sender, there's an iPhone app designed for you to manage business. You don't have to use it but it has some cool features to run reports, see how many contracts have been sent out, close rates, etc.

REAL Trends: As it relates to online signatures and contract services, what are the top three trends you're seeing in the industry?

Gonser/King: Clearly the federal government saying electronic records are good is a huge deal. The time has come to do business more efficiently. It's not just about the signature. As businesses start to deploy electronic signatures, they'll realize that they can collect data. It becomes more of a workflow process and the signature starts the ball rolling. But, you still have a process to manage; you still have to collect data and make it available to those downstream. So, you must go through a managed routing system.

The other trend/observation is that despite the fact that it's taking off like crazy in some places, many people still don't think it's possible. It's still new technology and many don't realize that you can do this. ■

Digital Signatures: Pros and Cons and What Brokers Need to Know

While electronic or digital signatures have been around for quite some time, expect to hear a lot more about them. Why? Because the FHA recently began accepting digital signatures for its contracts and lending institutions that otherwise refused them will likely be following FHA's lead.

REAL Trends spoke with Jim Zellmer, vice president and co-founder of Virtual Properties, Inc. in Madison, Wis., who has some interesting insight into the pros and cons of signing online:

REAL Trends: What are the benefits of digital signatures? Drawbacks?

Zellmer: In a perfect world, a signature (its creation and verification) should provide the best possible assurance of signer and document authenticity in the least amount of time with the least amount of cost. Digital signatures should be better than paper for both authentications. The public and private key make it impossible (well, at least highly unlikely) that a digital signature can be forged as long as only the individual and the certification authority have access to the private key. This security may be compromised more easily when only email authentication is used. In addition, digital signatures further automate and expedite the signing process.

Other benefits:

- **Document Integrity.** Using the public key cryptography, the

parties will be certain (without having to reread the document) that nothing has changed since the document was signed. Additionally, the likelihood of forgery would go down. No need to proof signatures against signature cards or have them otherwise authenticated. Most certification authorities provide audit trails to follow signature process to provide reassurance of the identity of those executing the document.

- **Novelty.** I wouldn't discount the cool factor of the electronic signature particularly for the sales associates. This is new and different and it gives the sales associate the appearance of being cutting edge.
- **Green/Environmental.** Signing online reduces the amount of paper involved in transactions (unless you print the documents for your files). One vendor estimates a usage reduction of half of a tree, 3/4 of a barrel of oil and 150 pounds of carbon emissions per signer, per year. However, digital signature's main benefit is the speed with which you can have a document executed by all parties. The only comparable current method is when you have them all in the same room.

There are drawbacks. They are:

- **Institutional Overhead.** I don't think the Realtors are fully aware of the cost of establishing and using certification authorities, repositories for documents, and other important services (the add-ons that make the process safer). This is certainly one area where brokers would be ill advised to cut corners.

- **Subscriber and Relying Party Costs.** Will the certification authorities charge the signers to issue a certificate? Do the signers need software/hardware to secure the subscriber's private key? Do persons relying on digital signatures incur expense for verification, access to certificates, and/or certificate revocation lists in a repository?
- **E-mail Certification (Only).** While probably the least expensive, e-mail certification alone is also the least secure. The e-mail certification has greater risk of subscriber misrepresentation.
- **Novelty.** Cool giveth and cool taketh away. In dealing with the biggest transaction of most consumers' lives, many may look for the security of a wet signature on a piece of paper they can touch.

REAL Trends: What are the five main things brokers need to know before signing online?

Zellmer:

1. Brokers must understand the limitations of the method of digital (or electronic) signature you have selected (e-mail only verification versus addition verification services) and take practical steps to assure that you limit the risk of fraud. Ultimately insist upon PKI-Public Key Infrastructure for document integrity and legal compliance.
2. Review the background and history of your chosen certification authority (again cheapest may not always be best).
3. Determine what's included (per signature, per document, per file/envelope) and what is an additional cost before committing to a certification authority. Consider initial cost, deployment costs; help desk or support (internal or external), and possible recurring costs digital certificates such as an annual fee.
4. Ensure the digital signature is part of the document and that an outside user may validate the signed documents without having to install a proprietary software application.
5. Make sure the certification authority will support multiple signings on the same document.
6. Ask the vendor how users are enrolled and how changes to user information are updated. Make sure that the enrollment process is easy. For fast rollout and easy adoption within the organization, registration should be transparent to the user.
7. Although graphical signatures are not legally required, a graphical signature may have the psychological benefit of easing the transition to a paperless environment, because the signature on the electronic document appears as it would on a paper document.

REAL Trends: Please give us a brief description of the different electronic signature options.

Zellmer: There are many different types of electronic signatures. I'll describe a few below:

1. **Signature Stamp:** Certain software programs support simply stamping your signature on a document. The stamp could be a scan of your wet signature, or a typed signature using a cursive font.
2. **E-mail certification:** An e-mail message includes a link; which provides its recipient with a place to sign a document.
3. **Click-Through:** This is commonly used online. The user checks a box to agree to a site's Terms of Service and they enter certain personal information. Some sites require initials and credit card number validation prior to accepting the click through.
4. **Signature Pad:** Software can capture the signature and embed it into a document. The document can then be locked and recipients notified that changes have been made.
5. **Electronic Signature cryptographically tied to a digital ID or certificate authority.** The user may purchase, or a broker may provide digital ID's from a third party Certificate Authority. These authorities validate the user's identity and provide a higher level of assurance as to a user's electronic signature.

Brokers, electronic signature vendors and certificate authorities may offer further authentication levels based on the transaction's requirements. The user may be required to enter a valid drivers' license, verify a current auto or mortgage payment or answer a series of questions. Some parts of the world embed a digital certificate in the user's driver's license, which can then be used for authentication.

There are numerous electronic signature vendors offering a variety of services. The vendors will typically provide a variety of authentication services, store signing events such as a time stamp, IP address, digital keys and the authentication measures associated with the signature. They may also store the document, as it existed at the signature time, or present that document to your transaction system for archival or further processing.

Brokers and agents should fully understand the requirements, benefits, costs and risks to their clients, core services and downstream transaction partners when evaluating these vendors. ■

April Housing Sales Roar as Low Interest Rates and Looming Deadline of Tax Credit Brings Purchasers Out In Force

UNIT SALES UP 23.1 PERCENT WHILE PRICES CONTINUE RECENT STRENGTH WITH AN INCREASE OF 7.3 PERCENT OVER APRIL OF 2009

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

April 2010 housing sales were up 23.1 percent over April 2009, the best month-over-month increase since November 2009. At the same time, the average price of homes sold was up 7.3% over the same month a year ago. These results represented the strongest year over year increase in units in 2010. Unit sales were up in all four regions of the country. The Northeast led the surge with a 32.9 percent increase in units sold in April 2010 over April 2009. The Midwest had its best showing in over 4 years with a unit increase 30.6%.

Prices were up in every region. The Northeast again led the increase with the average price increase of 13.1 percent from a year ago; the Midwest showed its strongest price increase with an average increase of 10.5% in April 2010 over April 2009.

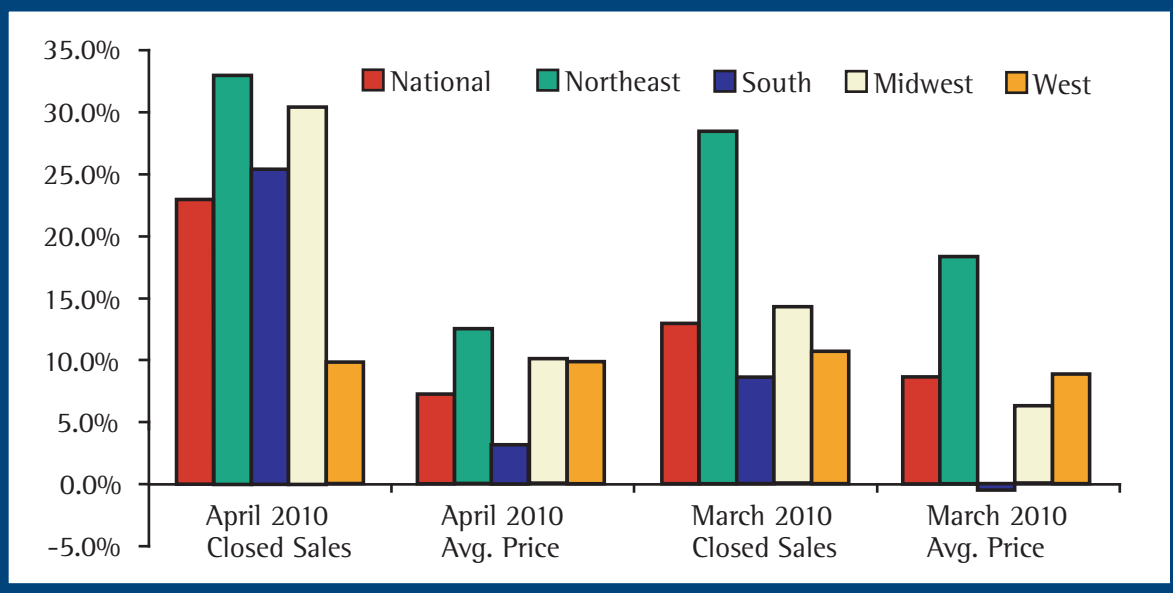
“The market is reacting as most expected with housing consumers starting to move quickly to take advantage of the tax credits for first time and move up home purchases,” said Steve Murray, editor of the REAL Trends Housing Market Report. “We expect that housing sales will continue to show strong increases in closed business on a year over year basis through the end of the second quarter of 2010. The deadline for contracts written was 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 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 fifth 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 even with somewhat of a decline in this year’s second half. 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 April/March Housing Market Report (Versus same month a year ago)

	April 2010 Closed Sales	April 2010 Avg. Price	March 2010 Closed Sales	March 2010 Avg. Price
National	+23.1%	+7.3%	+13.0%	+8.6%
Regional Report				
Northeast	+32.9%	+13.1%	+27.9%	+17.8%
South	+25.4%	+2.9%	+8.4%	-0.0%
Midwest	+30.6%	+10.5%	+14.6%	+6.0%
West	+10.0%	+10.2%	+10.9%	+9.0%



5 Things Brokers Should Consider When Building a Social Media Policy

“Engaging in social media is like a 10-year-old driving a car. The child can start the car and turn the wheel, but getting from Point A to Point B without running into a tree is another story,” says Bill Lublin, CEO of the Social Media Marketing Institute and CENTURY 21 Advantage Gold in Philadelphia, Penn.

“It’s easy to engage in, but much more difficult to engage in effectively and ethically.” He says, “I’m seeing a great deal of desire for management and association management to understand more about the implications and potential risks of social media.”

However, Lublin says the No. 1 mistake brokers make when it comes to social media is not having a policy. “You must have a social media policy in order to avoid damaging your reputation, to manage risk to avoid litigation and to direct your people in a manner that helps them avoid some of the potential pitfalls such as plagiarism, copyright violations and more. In fact, much of the damage you do is silent. People just stop doing business with you.”

Here are Lublin’s five main things brokers should consider when building a plan:

1. **Find an attorney.** “Anyone developing a social media policy must hire an attorney who’s familiar with intellectual property and current communications policy,” says Lublin.
2. **Develop a system.** “You must have a clear structure and approval process for the review and acceptance of your company logo, trademarks, mission statement and more.”

However, Lublin warns brokers not to make social media policy so restrictive that it’s not enforceable. “In my company, all digital photos sales associates take during their time with us belong to the company. It’s even mentioned in our listing contract. You need to have that all spelled out,” he says.

3. **Review standard communication policies.** “Social media policies are similar to communication policies already developed. For example, at a company like Dell Computers, you’re not allowed to speak for the company and press releases must be reviewed before going out,” says Lublin. Use these policies as a guideline.
4. **Make it clear.** “Social media policies should be as clear and simple as possible in providing guidelines for the engagement of employees and associates,” he says.
5. **Manage it.** Managing social media is more than having a policy in place. A policy is just a guideline, so you must have a plan in place to ensure the policies are being followed.

Social media is a ubiquitous part of society today and will only become a larger part of it. “I’ve read studies that say that more than half of Facebook users check in every day. Some 20 to 30 percent check in the morning and at night. That’s a line of communication you want to open with clients, colleagues and customers,” he says. ■

