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Understanding Real Estate Teams

A study by the California Association of Realtors®

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The Study

The California Association of Realtors® working with REAL Trends, Inc. set out to determine the important attributes of Real Estate Teams in the state of California, the current composition of these teams and what services and/or products most sought after by these teams.

Real Estate Teams in California are becoming more visible and important part of the real estate agent landscape. For example, for calendar year 2015 the top teams in the REAL Trends Americas Best Agents ranking report showed 491 teams in the state that closed more than 75 transaction sides or more than \$30 million in sales volume. These 491 teams averaged 127.4 closed transactions per year and \$64,874,421 in closed sales volume.

To determine the attributes, levels of satisfaction and areas of need, the California Association of Realtors and REAL Trends took the following steps:

Online survey within the state of California that received over 400 complete responses:

20 telephonic interviews with teams, half of which were from within California and half from other states;

A focus group with 11 team leaders from southern California;



Findings of study on Real Estate Teams

Background

Real estate agent “teams” have been around for over twenty years or longer. Many believe that “teams” were actually the foundation of real estate brokerage firms from 50-60 years ago. Its roots were in principal brokers who formed a company and recruited agents to help them take care of their referrals.

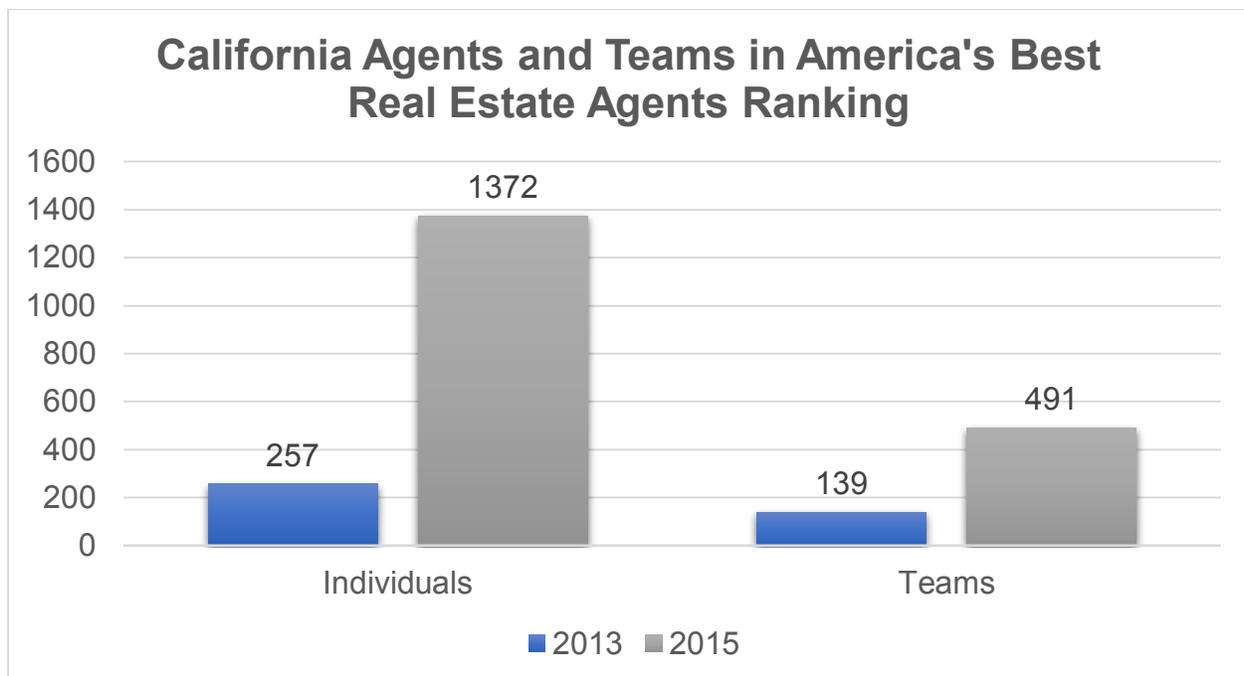
Over the past ten years in particular, Teams have become more and more common. While the number of teams in the United States is unknown we know from the REAL Trends Americas Best rankings that the number of Team qualifying (minimum of either 75 closed transactions or \$30 million in closed volume) has grown from 1711 in 2013 to 4120 in 2015 or growth of 140.8%. The number of Teams which qualified from California grew during the same time frame from 139 Teams to 491 Teams, or 253%. So the growth of Teams in California is faster than the overall growth in the United States.

There are several factors that are contributing to this trend. First, the general knowledge about the operation of teams and the success stories about teams are spread by numerous coaching and training organizations such as by the Tom Ferry, Brian Buffini and Ninja organizations. Secondly, Keller Williams Realty International has built significant training and organizational resources around successful Teams, including the Mega Agent Productivity Systems and the Mega Agent Team Expansion location program. Each of these and other national realty and



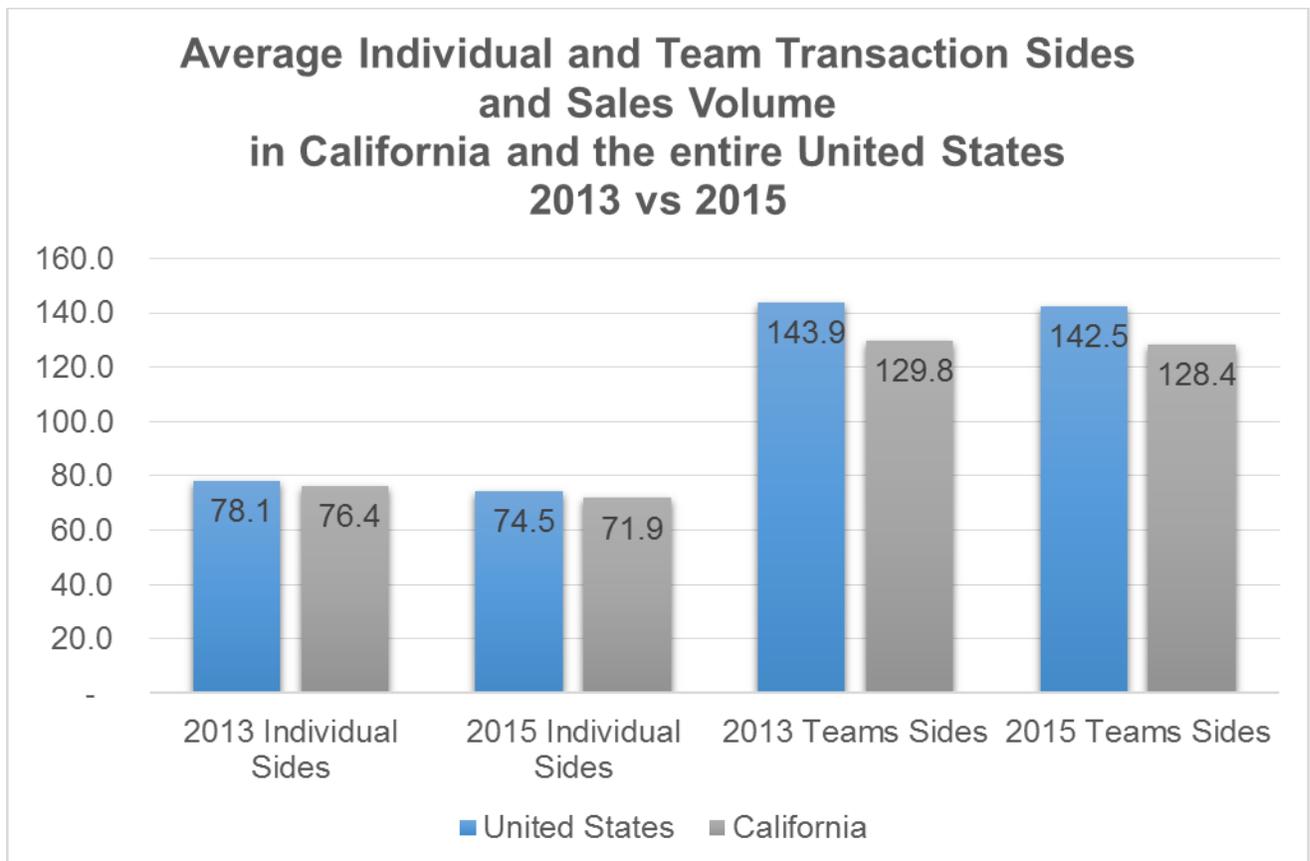
coaching companies have contributed to the general knowledge and acceptance of Teams.

However it is important to note that the number of higher producing individual agents is also growing, in fact at faster rates than the growth in qualifying Teams. In California for instance, the number of individual agents doing more than either 50 closed sides or \$20 million in closed volume grew from 257 in 2013 to 1372 in 2015, or a growth rate of 433%. More agents, whether they are on their own or on a Team, are growing their businesses faster than the market as a whole. (See Chart Below)





Teams in California do measurably more business than do individual agents and this is true for the country as a whole. In 2013, Teams on average did 69.8% more closed sides than their individual counterparts. In 2015 Teams did 78.5% more in closed business than individual agents. Teams are growing their business somewhat faster than individual agents in California and the country as a whole. (See Chart Below)





Findings from our research

Top Reasons for forming a Team

Build a larger business

Share the load of the business with others

A majority of the Teams, from all three sources of input, said that the main reason for forming or joining a team were to “build a larger business”. Secondly, these teams said that they wanted to “share the load with others while building a larger business”. Teams perceive that they can not only build a larger business, garnering higher personal incomes, but believe that forming and being part of a team provides the opportunity to have more balance in their lives than being an individual agent;

Main Benefits that Teams receive from their brokerage

Item	Level of response
Legal and regulatory support	(>44%)
Brand name	(>19%)
Low costs and fees	(>17%)

The main benefit that Teams receive from their current brokerage firm in support in the Legal/Regulatory area. Again this was



consistent from both interviews, online survey results and focus group discussions. Teams understand that there are considerable risks in the real estate brokerage business in California in the area of transactions and also have a grasp of other areas of vulnerability such as employment law;

Teams also reported that a well-known local and/or national brand name was important to them in growing their business. They felt that although they were attempting to establish their own brand identities in their markets, having a recognizable brokerage name was helpful to them.

These results were similar in all regards to the responses from both the interviews and the focus groups.

Benefits and services desired from brokerage

Services that Teams said would be of the most valuable that their brokerage is not necessarily providing today include:

Item	Level of response
Technology services	(>20%)
Marketing services	(>18%)
Low fees and costs	(>18%)
Legal and regulatory	(>9%)



Mentoring and coaching (>9%)

In the interviews, Teams indicated a far higher desire for business coaching than in the online survey or the focus groups. This mentoring and coaching was more specifically related to business coaching as opposed to such support for transactional or marketing coaching. This is also supported by the focus group findings that building and maintaining a strong culture is a top concern and focus of those leading Teams.

Teams are highly satisfied with what they have built (95%). They are also bullish on their future prospects. In the interviews the average growth rate expected over the next two to three years was 83.75%. The average of all Teams on the online survey was 37.25% with 102 of the 278 respondents to the question indicating over 50% growth in that period of time. Clearly, Teams are bullish about their prospects.

Teams build their businesses using different approaches to generating business. While online marketing through Zillow, Realtor.com and others was mentioned by many, a large portion also mentioned personal sphere marketing and direct mail or farming activities as the most important ways they generate their business.

In short, our research shows that while the industry may consider that the rise of the ability to market online has been the major factor in the growth of Teams, our research seems to indicate that the sources of the business of Teams is far more varied than just the reliance and growth of the online market place.



In the focus groups and the interview research, we found that building and maintaining a culture is of far higher importance than is generally thought by brokerage firm leadership. While Teams generally desire to be with a well-known brokerage firm (hence the importance placed on Brand Name), and they generally enjoy the assistance in the legal and regulatory arena, Teams want to build their own identities. They want to build and have their own cultures, and desire to run their business, hire staff and other real estate agents, who fit what they are looking for “culturally” rather than adopt the culture of their brokerage firm.

Among the services that Teams believe would add value were marketing and technology services. This was found both in the online study and the personal interviews. Without having specific input from these Teams as to what is meant by Technology and Marketing services, we believe it is the provision of any platforms that can assist in the automation of the use of marketing and technology that is most important to Teams.



Those who are working in a Real Estate Team		26%
Female		54%
Male		46%
Average Age	50.7	
% 35 or Younger (millennials)		19%
% Bachelor's Degree or Higher		54%
# of Years in Real Estate	13.1	
Works 50+		31%
Part-Time		22%
Full-Time		78%
Average # of Years in Your Team	5.33	
Average # of Transactions (personal production)	10.1	
Median # of Transactions (personal production)	5.0	
#1 Reason for Joining a Team "Build Larger Business"		25%
Team Leader/Co-team Leader		44%
Enjoys being on a team		95%
Reasons why? -- camaraderie, support, helping other agents	"We can provide comprehensive client support at unparalleled levels, there is intense camaraderie, mutual support and more - I would never dream of working alone again. In addition, it provides me with an exit plan. "	