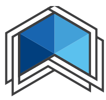

REALTRENDS
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COMPLIMENTS OF

JANUARY 2018 NEWSLETTER

REALTRENDS
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TAX REFORM

WILL THE NEW TAX LAWS AFFECT HOUSING? YES!

It's about more than jobs and income, but that helps. | By Steve Murray, President

While the National Association of Realtors® (NAR) admits that only an estimated 1.3 percent of mortgages will be affected by the new $750,000 cap on the mortgage interest deduction, that still means that tens of thousands of high-net-worth, high-earning families will have their deduction capped. And, the cap of $10,000 on the combination of local and state property and income taxes will cause some discomfort for homeowners (and others in states with high-income taxes).

The Economy Will Get Stronger

However, if history repeats itself, then like the Kennedy tax cuts of the early 1960s, the Reagan tax cuts of the early 1980s and the

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Bush tax cuts of the early 2000s, the general economy will get stronger—more jobs and more income. With the decrease in tax rates for regular C-type corporations and new deductions for S and LLC—which will lower taxes for these entities—business owners will retain a higher share of their earnings and may choose to invest it in growing their businesses. Growth generally means more employment and the chance for higher pay for employees.

One of the big advantages is the raising of the standard deduction for young single and married households. The new deductions are $12,000 for singles and $24,000 for married households. Not only will this reduce their paperwork, but it may help young families save money faster for down payments for their own homes. And, if this tax reform does nothing else, helping young families keep more of their money—whether they use it to buy a home or pay down their student debt or whatever—will benefit the economy and housing.

If this tax reform does nothing else, **HELPING YOUNG FAMILIES KEEP MORE OF THEIR MONEY**—whether they use it to buy a home or pay down their student debt or whatever—will benefit the economy and housing.

Hidden Behind the News

One other note—hidden behind this news is the news that the National Labor Relations Board (NLRB) has rescinded the prior decision to lump franchised businesses like regular businesses regarding whether someone is an employer. The uncertainty caused by the prior NLRB on employment practice by franchised businesses caused most to stop dead in their tracks in terms of growing their businesses. This move by the administration, combined with the new tax plan and other reductions in regulatory activities, sets the stage for a potential return to 3+ percent growth in the economy versus the low 2 percent rates of growth over the last eight years. That makes this tax plan more of a winner for the country than a loser.

ARE TOP PRODUCING TEAMS SHIFTING FROM TRADITIONAL BROKERAGES?

What does the Glassdoor employer site tell us about real estate?

By Steve Murray, president

Little known to the real estate industry, Glassdoor, a giant employer review/job search and compensation site, has made huge inroads into corporate America and throughout the world. According to the company, over 600,000 employers are reviewed on Glassdoor, and hundreds of thousands of jobs can be located at the site. Employees use it to check their salaries compared to others in similar jobs. Millions of employer reviews have been posted.

What does this have to do with real estate brokerage?

It's clear; we are amid yet another periodic shift of commission dollars from brokerage to agents. It's not just Compass that's moving this, but also brokerage firms across the landscape of the industry. Realogy's NRT unit has, for some time, selectively recruited top producers with signing bonuses, but they are not the only ones. Further, some 15 years ago we saw the emergence of firms such as Realty One Group and HomeSmart, among others, which offered low, flat-rate plans of fixed dollar monthly and transaction fees. EXP Realty is also following a low-cost structure where top producers keep most of what they generate. Add to this the consolidation of market share among fewer, high-producing agents, and it would appear to be a perfect storm for brokerage firms.

But the data we collect from the industry about high-producing teams and individual agents suggests that no huge shift is taking place among these high producers. The great majority are affiliated with well-known local and national brand companies. From our research with the California Association of Realtors® last spring, we know that teams highly value the strength of local and national brand names.

So, we can say that *for now,* there is no big shift in top-producing agents and teams away from traditional realty firms towards the low-cost models that are now in their own growth mode.

We note that if all agents cared about was the cost of the brokerage, then every national brand and leading traditional realty firm would be out of business.

One idea would be for real estate brokerage firms to invite Glassdoor into their world. Perhaps having your agents and employees feel free to comment on the virtues of your firm would be worthwhile for both recruiting and retaining your agents. Yes, you get some bad with the good, but imagine the power of great reviews and the ability to address shortcomings in what you are offering. Leaders can gauge what they need to focus on in terms of improving their services, culture and relationships.

We don't know all the costs, restrictions and reporting that Glassdoor offers employers, but it seems to us that if we allow the battlefield for agents and teams to be about cost solely, many will lose. But if we dig deep into how our agents and employees view our companies, perhaps traditional realty firms can build stronger and deeper relationships with their staff and agents to the extent that the cost of doing business for agents will be viewed in a more balanced way.

One last little note. Among the founders of Glassdoor is Rich Barton, co-founder of Zillow. Once again, he has built a tool that creates transparency where there was little before.

NEXT GENERATION LEADERS

Who will take the place of this generation's leaders?

By Steve Murray, president

As one generation of industry leaders is slowly leaving the industry, the question always arises, "Who will be the next generation of leaders to take their place?" Often, the one who is aging and fading questions whether the next generation has what it takes to lead the company forward. I recall (like it was yesterday) that at the age of 26, I was hired as the Executive Director of a firm called Intercommunity Relocation (ICR) which was a network of some of the largest independent brokerage firms in the country. Through many mergers and acquisitions, many of its members are the backbone of what is today Leading Real Estate Companies of the World.

I had never run a business; never supervised anyone. But with the guidance of the board of directors and a great staff, we not only survived the onslaught of Homequity and Merrill Lynch's launch of their own networks but prospered for many years. And, I received the best education money can buy—that of the older generation who were more than willing to share everything they had learned.

Through my work with several CEO groups, of which we've had the pleasure of working with for over 20 years, I've observed the next generation up close. My view is that the industry is going to be in very good hands.

We've all read and heard that Millennials are entitled, not hard-working, have few discernable job skills, etc. I think that would be like saying that all Boomers were hippies.

These next-generation young leaders have had the benefit of learning from the owners or family members of large brokerage firms—some since they were in grade school. Many have incorporated the work ethic of their parents, other family members or leaders of brokerage firms for whom they work. Many have worked their way through successful real estate sales careers along with management duties.

The ones I know are not in the least infected with what many call the "disease of the Millennial generation." We've all read and heard that Millennials are entitled, not hard-working, have few discernable job skills, etc. I think that would be like saying that all Boomers were hippies (which if you lived through the '60s you would have thought so.) In fact, there is no way to label one generation with such broad characterizations without making a huge mistake. Even most Boomers ultimately grew up to become outstanding leaders in business, government, education and the non-profit world.

In our practice, we've had the pleasure of serving both the Boomer and Gen-X generations of leaders. Now, we are meeting and engaging with the Millennial generation. A few observations:

- They are just as smart as our generation and likely smarter in many ways. Those whom I've met are smarter about many things than our generation at the same age.
- They are less tolerant of foolishness than we were. I don't mean they are egregious or intolerant, just that they have less patience for agents and employees who won't work hard and apply themselves.
- In some ways, they are more ambitious and eager to grow, learn and expand than we prior generations. Certainly, they are more adventurous.
- Their technological talent is well beyond ours, as is their general knowledge of the business aspect of realty services.
- They and this business will have an entirely new environment to work in than we did. Boomers and Gen-X have lived through a great deal of tumult, as I expect this next generation will do as well. And, they will do quite a bit of learning along the way.

As you would with any people in your organizations, don't be fooled by what is said about this young generation. My view is that most of them want what we wanted—growth, success and a rich, full life for themselves and their families.

FORECAST FOR 2018

WHAT'S THE NEXT-NEXT?

We broke out the crystal ball to give you a peek into what's coming in the next year.

By Steve Murray, president

At this time of year, everyone is offering their predictions for the real estate industry. Through our practice consulting with real estate brokerages around the country, here's what we see for 2018.

- There will be changes at the top of two or three of the national real estate organizations in 2018. This will be the first time this has happened in 20 years. And, we would expect to see significant changes in at least two of these organizations due to these changes.
- NAR's new CEO Bob Goldberg will be under enormous pressure to make some significant changes to how and where NAR operates. What businesses might he reinvest in and which might he cut loose may have a significant impact on his organizations.
- The House/Senate tax plan passed and, for the most part, will negatively impact housing sales, mostly at the upper end. It may slow that portion of the market down for some time. However, we do not believe it will have a long-term effect on overall housing sales.
- Compass will spend its $500 million in new capital buying brokerage firms as well as agents and teams in its efforts to convince its investors that it can grow rapidly and become as profitable as its market capitalization indicates.
- There will be dozens of new Artificial Intelligence tools available to the real estate brokerage profession. Some will find a market and shift spending away from general online advertising to more focused targeted advertising.
- Consolidation will continue among Realtor® associations and MLSs at a faster pace than before.
- Many new legal challenges will appear challenging the Independent Contractor arrangement of our industry.
- 2018 is Upstream's make it or break it year. Can they get the service into the hands of enough brokerage firms and markets to begin to show its promise?
- The housing market will remain very strong, driven by the increase in households and household incomes—restraining the market will be the extraordinary lack of inventory and house prices. Overall, expect a small increase in unit sales and home prices.

HOW DO YOU KEEP YOUR ASSOCIATES MOTIVATED?

Strategies for keeping sales associates on a success track throughout the year.

By Larry Kendall, author of Ninja Selling and chairman emeritus of The Group, Inc.

It's a new year. Goals are set. Business plans are written. Enthusiasm is high. Now what? Will your associates execute their business plans and achieve their goals? Or will they be like the health club member who loses focus and commitment after January? How do you help them stay on track? Here are three simple steps.

1. **Know their *why*.** What are their reasons for living? Perhaps it is to provide for their family, pay for their kids' college education, fulfill a dream to live on water, or be financially independent. The *why* is what gets them up in the morning. It is the rocket fuel that motivates them. Their *why* needs to be funded and real estate is a great way to do it. There is no upper limit on their income. You need to know their why.

2. **Focus on activities.** Associates are great at setting goals. Unfortunately, most of them are not disciplined at doing the activities that will achieve the goals. They need your help. First, show them the productive activities that generate business—personal notes, live interviews, real estate reviews, open houses, value added mailings, etc. Focus on the right activities and production takes care of itself. Help them gamify these activities (like a *fit bit*) by setting activity goals and tracking them.

   When an associate falls off track and is not doing their activities (resulting in a sales slump), don't scold them like their mother who is upset because they didn't make their bed. Simply, help them reconnect with their why. Ask them, "have you given up your dream to provide for your kids' college education?" They are more motivated by their why than by your scolding.

3. **Rewards and Recognition.** In a study of 65 potential incentives in the workplace, conducted by Dr. Gerald Graham of Wichita State University, the most motivating incentive was simply a manager who "personally congratulates an associate for doing a good job." However, 58 percent of the respondents said their manager rarely – if ever – offered such simple praise. Graham concluded,

Associates are great at setting goals. Unfortunately, most of them are not disciplined at doing the activities that will achieve the goals. They need your help.

"It appears that the techniques that have the greatest motivational impact are practiced the least, even though they are easier and less expensive to use."

Rewards usually involve giving something tangible —cash, gift certificates, trophies, etc. Recognition, on the other hand, usually involves intangibles such as words of praise. As commissioned sales associates, their primary rewards come through their production. Recognition is where you come in. There are three types of recognition and you need to practice all three.

Recognizing Achievements. Frederick Herzberg's groundbreaking research on motivation in the 1960s led him to discover two powerful motivators which, when combined, have the potential for explosive results. These motivators were the desire to achieve and recognition and appreciation for that achievement. At the end of every week your associates will have achieved any number of things—some big, most small. Whatever their achievement was, you want them to feel that it was valuable.

Recognizing Behaviors. As a manager, you are in the business of managing behavior. Encourage your associates to perform the productive activities and their production will follow. When you see them doing the productive activities, reinforce their behavior through reward and recognition.

Recognizing Attributes. While recognizing your associates for what they do is essential, you also want to appreciate and value them for who they are. Recognize them for their loyalty, creativity, work ethic, humor, teamwork or something else. By highlighting their personal qualities and characteristics, you place value on them as people.

Follow the three steps above and read the excellent book, *Nine Minutes on Monday, The Quick and Easy Way to Go from Manager to Leader* by James Robbins. You will keep your associates motivated and productive throughout the entire year (not just in January). They will achieve their goals and so will you.

Encourage your associates to perform the productive activities and their production will follow. When you see them doing the productive activities, reinforce their behavior through reward and recognition.

OFFICE/AGENT PRODUCTIVITY

by Scott Wright, director of mergers and acquisitions

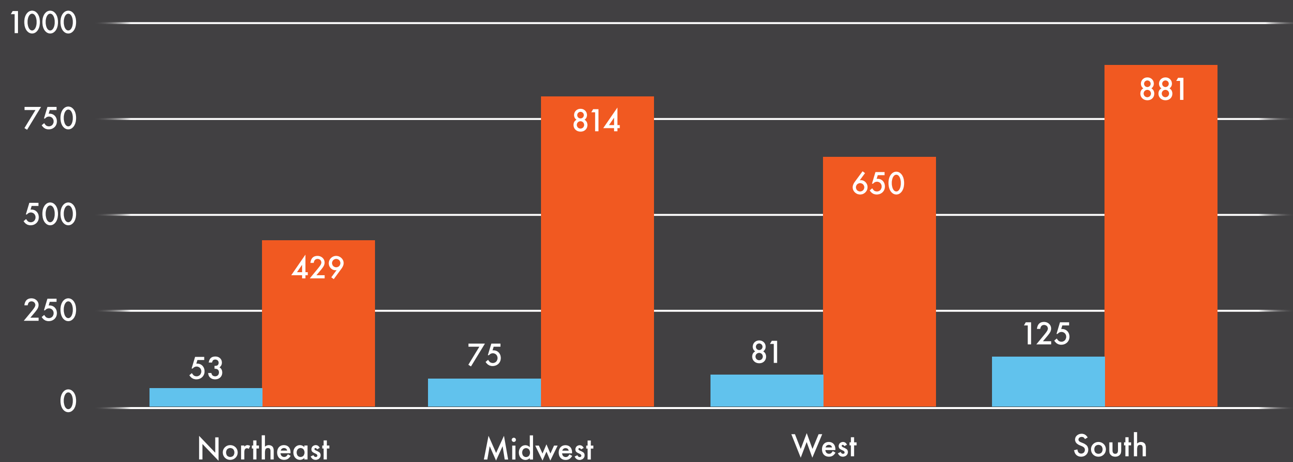
Real estate brokerage is a fluid and dynamic business. It must be if brokers want to survive this ever-changing industry. Various structural changes have forced adaptation, and this is readily apparent when you look at the numbers. The recent update of our Benchmark Report quantifies some of the changes we are seeing.

Last month, we looked at the industry's *Retained Company Dollar.* Not surprising, our recent Benchmark Update showed a continued decline in what brokers are retaining. Thankfully, most brokers are resilient and still find ways to turn a profit. This month, we're going to look at what the numbers are showing when it comes to the agent and office-level productivity, an important area that all brokers carefully consider.

Feeding the Benchmark Report is data from brokers all over the nation, of all shapes and sizes. To standardize and make things equally comparable, we break everything down to the office level. A couple of the data points we look at relating to agent productivity is the agents per office and the transaction sides per office. Per our recent update, the three-year running average shows the average office houses 90 agents, with these 90 agents closing an average of 717 sides ($217m in volume). This equates to just under eight transactions per agent.

Given the technology-enabled mobility of agents, it's no surprise that office space has diminished in importance. Regardless, it's still fascinating to see this trend play out in such rapid fashion. As recently as 2012, the average office contained just over 50 agents, and 2017 will see average offices containing 100 agents—double in only five years.

While these national numbers are interesting, they aren't as useful for a broker who wonders how they compare to their regional peers. The fact is, a brokerage firm located in Las Vegas operates a lot differently from one in Worcester, Mass. Since we use this benchmark data to help our valuation clients, it's much more useful to parse it out regionally. As you can see, a regional breakdown indeed shows some staggering differences in how brokers operate depending on where they're located.



Those intimately familiar with the residential real estate industry won't be too surprised by these disparities. But for those who aren't, these regional differences sure are head-scratchers. If you take these numbers at face value, Southern offices appear to cram their agents in like sardines, while Northeastern offices appear to be less profitable.

If you zoom out, there are other factors that play into the greater picture. For example, while analyzing this office/agent production data, it's useful to couple it with such performance metrics as retained company dollar. While offices in the Northeast appear to be less profitable based on volume, we need to consider that retained company dollar in this region is well over 30 percent higher than what it is in the South. Home prices are also nearly 20 percent higher on average in the Northeast.

As a percentage of gross margin, occupancy costs aren't all that different between the Northeast and the South. What is different is Northeastern agents, and customers for that matter, expect a presence in every town. The southern offices tend to be larger by square footage, and brokers don't feel it necessary to have a physical presence in every little town.

Northeastern agents also expect more support from their brokers, which is why salary and marketing expenses tend to be higher as a percentage of gross margin than what they are in the South. To afford this, we circle back around to retained company dollar. Northeastern agents accept lower splits, which allows their brokers to pay for these additional expenses.

This benchmark data is incredibly valuable for understanding industry trends. It's even more valuable for brokers looking at how they're doing compared to their regional peers. Overall, it'll be interesting to see how brokers continue to adapt to the strategic changes that this industry continues to present to them.

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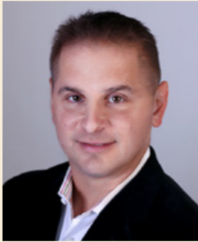
THOUGHT LEADERSHIP

HOW REAL ESTATE AND HOSPITALITY ARE SIMILAR

Real estate is a unique industry, but it does not exist in a bubble. The changes the industry is going through right now—I've seen them before.



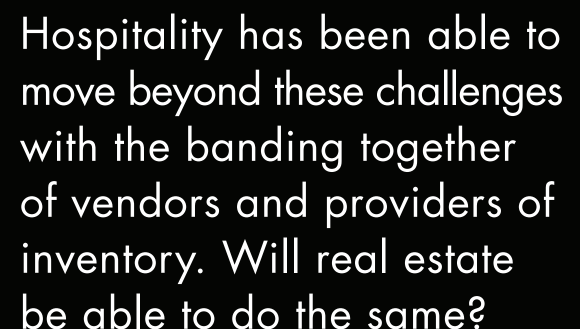
By Scott Gowdish, executive vice president of development, Lone Wolf Technologies

I'd like to share some similarities between real estate and the hospitality industry. To me, these disparate industries are more like parallel universes. In this article, I'll draw a few comparisons between the two and demonstrate why their similarities are cause for optimism, not concern.

First, a little background. Before coming to Lone Wolf Technologies, I spent most of my career (20 years or so) developing enterprise software for the travel and hospitality sectors. My focus there was—and still is at Lone Wolf—to make the transaction simpler and improve the lives of the buyer and seller. This entailed changes to almost everything, from automation to user experience, commercial booking engines to e-Commerce platforms. Let me tell you, making these changes was no simple task. The travel and hospitality sector lagged five to seven years behind standard IT, and the industry's sloth-like speed of adoption made bringing new product(s) to market a more significant challenge than it should've been. We find the lack of speed of adoption to be similar in both the hospitality and real estate verticals.

Similarity #1: Old Processes and Technologies at the Center of It All

When it comes to IT, the real estate and hospitality verticals tend to lag behind the rest of the market due to antiquated systems of inventory that monopolize consumers' access to their data—data that they need to make quality decisions. In hospitality, this antiquated system is known as the Global Distribution System, or GDS. Its near monopoly on the industry is very similar to what brokerages and agents see in their



relationship with the MLS. Challenges plaguing both spaces are legacy systems, unnecessary bureaucracy and proprietary connectivity options. However, hospitality has been able to move beyond these challenges with the banding together of vendors and providers of inventory. Will real estate be able to do the same?

Hospitality also has some of the most demanding customers and revenue models in existence. I quickly became aware of the industry's need to provide flexible solutions to better suit the partners for whom we provided services and solutions. Most of these companies made their brand (and the processes within these brands) the cornerstone of their connection to patrons. I see the same construct here in the real estate space. Brokerages need flexibility in their software to express their unique brand. For technology to be flexible, it needs to be modern. So, before the industry can move forward, the technology needs to catch up.

Similarity #2: Consumers are Forcing our Partners to Justify their Value

In the travel agent space, the elimination of commissions by the inventory providers (hotels, airlines, cars) forced the agency and corporate travel providers to adapt to a changing revenue model. As a result, agencies were forced to justify a service fee and provide higher service levels to stay in business. In this case, the consumer benefitted the most.

In real estate, the proliferation of real-time pricing data and changes to the rules governing the sale of property is going to result in a new competitive landscape that will benefit consumers in much the same way. Brokerages will need to optimize the transaction and remove the number of hands it goes through before being settled. This will allow for the reduction of costs to the consumer, and also provide a better margin to the broker. History, as always, repeats itself.

Similarity #3: Lack of Transparency Leads to Disruption

In our space, disruption is coming from online brokerages and technology providers (i.e., Zillow Group, Lone Wolf Technologies, et al). Travel saw this same disruption when Expedia, Orbitz and Travelocity gave consumers the power to book for themselves, while also lowering fees and providing the consumer a better, more transparent experience. Real estate is seeing the same types of pressures, as online and paperless transactions are becoming commonplace while fixed-fee brokerages are looking for more optimizations around the transaction as their margins get squeezed. Again, the consumer is the beneficiary of this disruption.

These are just three of the many similarities between the Real Estate and Hospitality verticals. You'll notice that the two industries are alike in how they view their customer, sell their brands and define their value proposition to their agents and associates.

Overcoming the challenges facing the hospitality industry wasn't easy, but we got it done. And real estate will too. The opportunity to turn these challenges into a better user experience, which in turn means a more profitable industry, is a thrilling proposition.

The two industries are alike in how they view their customer, sell their brands and define their value proposition to their agents and associates.

COUNTER TO SEASONAL TRENDS, DEMAND FOR REAL ESTATE EXHIBITS STRONG GROWTH IN NOVEMBER

Showing Time Showing Index® shows 8% year-over-year increase buoyed by active consumers viewing listings

Key Points:

- Midwest Region tops regional growth with 9 percent year-over-year increase.
- Other regions—Northeast (8.6 percent), South (7.3 percent) and West (5.5 percent)—record year-over-year gains as demand for residential housing continues to rise amidst strong consumer confidence and low unemployment.
- ShowingTime combines showing data with findings from its MarketStats division to provide a new set of benchmarks that track demand for active listings throughout the country, unlike any other market index.

Home showings on the national level posted an 8 percent year-over-year increase in November, continuing a nine-month upward trend since the ShowingTime Showing Index® was launched to measure buyer demand.

The Midwest Region had the highest year-over-year increase in showings at 9 percent, while the Northeast posted an 8.6 percent increase. The South Region saw a 7.3 percent increase, while the West recorded 5.5 percent more showings in November 2017 compared to the same period last year.

"Although the residential real estate industry has entered its regular seasonal slowdown period, demand continues to be strong relative to the supply of homes," ShowingTime Chief Analytics Officer Daniil Cherkasskiy said. "This trend should continue across the board throughout the holiday season with more buyers looking at listed properties compared to last year."

WEST REGION: + 5.5%

SOUTH REGION: + 7.3%

MIDWEST REGION: + 9.0%

NORTHWEST REGION: + 8.6%

THE SHOWINGTIME SHOWING INDEX

The ShowingTime Showing Index, the first of its kind in the residential real estate industry, is compiled using data from property showings scheduled across the country on listings using ShowingTime products and services, which facilitates more than 4 million showings each month. It tracks the average number of appointments received on an active listing during the month. The Showing Index, released the third week of each month, will eventually be released on a weekly basis. Local MLS indices are also now available for select markets, and are distributed to MLS and association leadership to provide them with another resource to share with members and to communicate to local media. To view the full report, visit **www.showingtime.com/index.**

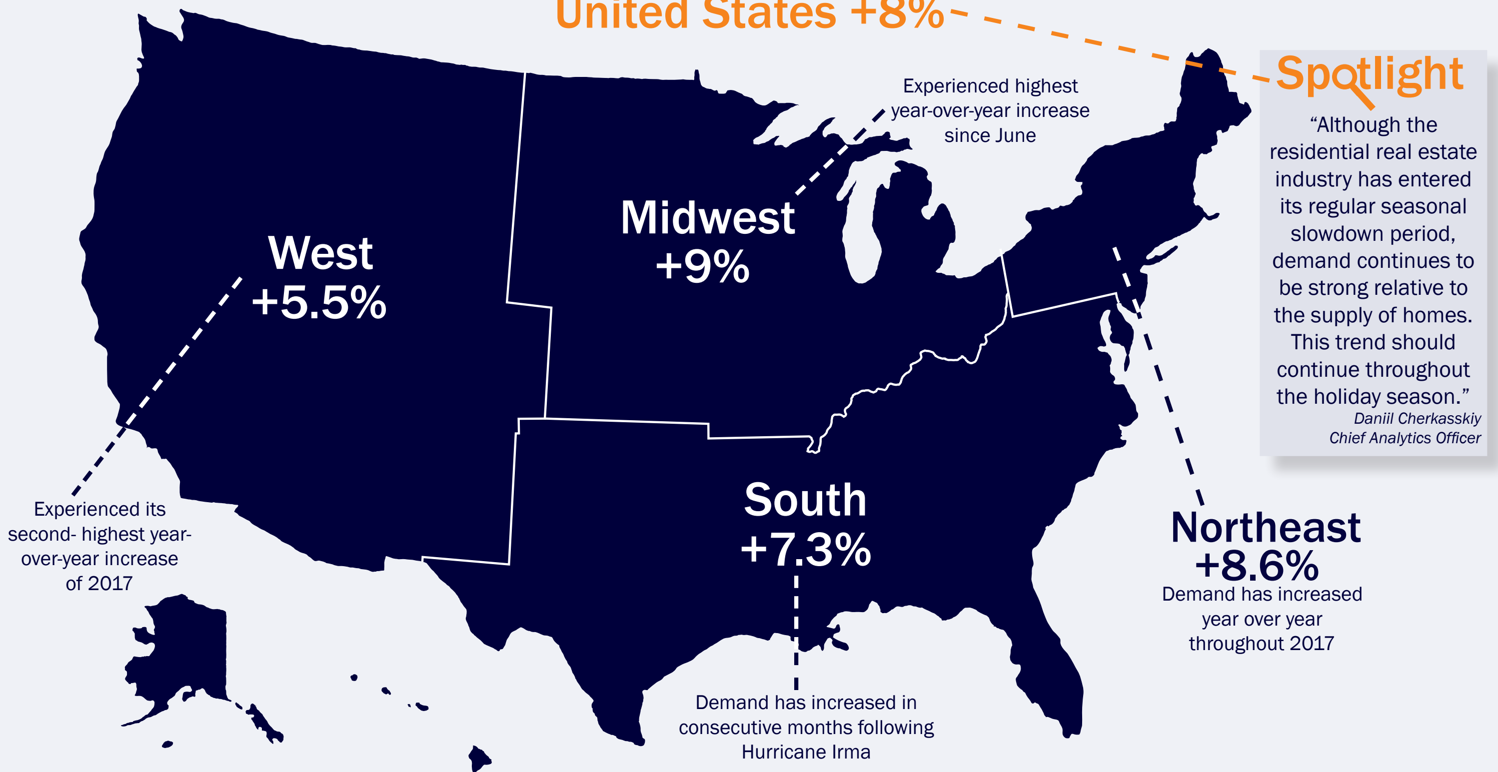
About ShowingTime

ShowingTime is the leading market stats and showing management technology provider to the residential real estate industry. Its MarketStats division provides interactive tools and easy-to-read market reports for MLSs, associations, brokers, agents and other real estate companies. Its showing products and services take the inefficiencies out of the appointment scheduling process for real estate professionals, buyers and sellers, resulting in more showings, more feedback and quicker sales. ShowingTime products are used by 180-plus MLSs and associations representing more than 900,000 real estate professionals across the U.S. and Canada. Visit www.showingtime.com.

ShowingTime Showing Index®

November 2017

The ShowingTime Showing Index® tracks the average number of buyer showings on active residential properties on a monthly basis, a highly reliable indicator of current and future demand trends.



Methodology: The ShowingTime Showing Index® measures showing traffic per residential property for sale by agents and brokers utilizing ShowingTime solutions for property-access management. A higher number means that an average home receives more buyer visits in a given month. All index values are scaled relative to initial index value set to 100 for January 2014. ShowingTime facilitates more than 4 million showings each month.

WHAT'S NEXT?

THE CFPB **WITHOUT CORDRAY**

It's official—Consumer Financial Protection Bureau (CFPB) Director Richard Cordray left his post to run for Governor of Ohio. President Trump now has an opportunity to put his candidate in charge.

By Sue Johnson, strategic alliance consultant

"Anybody who thinks that a Trump administration's CFPB would be the same as the Obama administration's CFPB is being naïve," said Acting CFPB Director Mick Mulvaney on his first day after being designated by Trump to run the agency in the interim. Mulvaney wasted no time exercising his control; issuing a 30-day moratorium on new regulations and payments from the agency's civil penalties fund except those required by federal law. He's also reportedly reviewing all planned enforcement actions.

The White House and CFPB Deputy Director Leandra English (Cordray's personally chosen successor) will continue to battle in court over who serves as Acting Director pending Senate confirmation of Trump's pick for permanent Director. It's also certain that Trump's permanent nominee will face a contentious nomination process. Here's what the industry can expect in the long term after the dust settles.

No More Regulation by Enforcement

Cordray's tenure was defined by the CFPB's failure to provide clear guidance as to what was expected to avoid legal action under federal consumer protection statutes and the agency's Unfair, Deceptive and Abusive Acts and Practices (UDAAP) authority. The CFPB instead regulated through enforcement, using consent orders and administrative rulings to set new standards without notice or a public comment period.

The most glaring example of this was Cordray's administrative ruling against PHH, in which he ignored previous HUD guidelines to set new standards under RESPA's anti-kickback provisions (the ruling was vacated in a three-judge circuit court panel decision that is under appeal). The CFPB's compliance bulletin and consent orders on marketing services agreements (MSAs) also created confusion throughout the real estate industry by vaguely warning against the usage of MSAs without further guidance.

CORDRAY'S TENURE WAS DEFINED BY THE CFPB'S FAILURE TO PROVIDE CLEAR GUIDANCE as to what was expected to avoid legal action under federal consumer protection statutes and the agency's Unfair, Deceptive and Abusive Acts and Practices (UDAAP) authority.

The CFPB instead regulated through enforcement, using consent orders and administrative rulings to **SET NEW STANDARDS WITHOUT NOTICE** or a public comment period.

The industry can reasonably hope for Mulvaney and the new permanent CFPB Director to put into place a more transparent compliance process with rulemaking, bulletins and statements of policy that provide specific guidance on what is and isn't permitted under federal law.

A Review of Existing Rules

It's important to keep in mind that many existing CFPB rules (and specific provisions within rules) were required by laws such as Dodd-Frank and cannot be amended or revoked without Congressional action.

On the other hand, the CFPB has been criticized for its heavy hand in rulemaking, which many in the industry claim has restricted mortgage credit. It's therefore likely that the new leadership will reassess many rules under the CFPB's jurisdiction. The CFPB reportedly has already started a review of all significant rules mandated by Dodd-Frank, which the law required to be undertaken within five years of its effective date. Mulvaney may accelerate this review; setting the stage for the permanent director to propose changes to controversial Dodd-Frank rules (such as the Qualified Mortgage (QM) rule) through a rulemaking process.

More Restrained Supervision and Enforcement

Supervisory exams for 2018 have been scheduled and should proceed as usual. But exam staff likely will have less leeway to pursue *fishing expeditions* in which the CFPB requests a wide array of information that enables it to change the scope of the investigation based on what it learns from the requested materials.

The new CFPB can be expected to enforce against straightforward violations of Dodd-Frank, RESPA and other federal consumer protection laws. But the industry can anticipate less enthusiasm from CFPB leadership for enforcement actions based on expansive and novel interpretations of these laws and its UDAAP authority.

A Growth in State and Private Enforcement

State regulators, state attorneys general and the private class action bar are ready to fill any void they perceive in the CFPB enforcement against practices that harm consumers. Dodd-Frank expressly authorizes state regulators and attorneys general to bring civil actions to enforce its provisions. Enforcement activity by more aggressive regulators in states such as New York, Illinois and California could intensify. This could result in a less predictable and more fragmented enforcement environment on a national level.

Summary

It's safe to say that new leadership at the CFPB will mean fewer regulatory and enforcement excesses. But don't expect enforcement of Dodd-Frank and consumer protection laws to grind to a halt. The laws are still in place; there are many employees in the agency's 1,600+-person staff who believe strongly in Cordray's views, and there are other players with ample resources who are eager to pick up any lull in CFPB activity.

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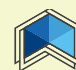

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PORTUGAL'S ALGARVE

A HAVEN FOR INTERNATIONAL BUYERS

With an affordable cost of living and great year-round sunshine, Algarve and Portugal are booming.

By Peter Gilmour, chief foreign correspondent

Demand for the properties across all price ranges in 2017 in the Algarve and Portugal as a whole, has been on the increase. Favorable tax conditions and fiscal benefits helped boost the residential real estate market, while recent reports highlighting the desirability of the area, particularly for retirees, has brought the area into focus.

The Algarve, situated in the South of Portugal, has been voted the best place in the world to retire for the fourth consecutive year by *Live and Invest Overseas.* The report states that their rating is based on great weather, with over 300 days of sunshine, an established expat community, top-class medical facilities and an affordable cost of living. Added to this is the fact that a great deal of English is spoken, thanks to this area being a favorite of the British for a long time. Properties are well priced—even those on the ocean—and a new retiree residency program that rolls out the red carpet for foreign buyers has been introduced.

Easy Access to Transportation

There is relatively easy access to transport hubs from the United States, Britain and all European countries, and the area offers a well-developed first-world infrastructure. I was fortunate to visit one of the leading golf course developments in the area recently, comprising 1,500 residential properties and covering over 1,000 acres with a pristine beachfront. Vale do Lobo was founded in 1962 with two championship golf courses, a tennis academy, wellness center and a community center with more than 15 restaurants, medical facilities and shops.

A Year-Round Destination

Vale do Lobo is the ultimate year-round destination. The development offers apartments and villas from $400,000 up to beachfront mansions selling in excess of $5 million. Vacant lots near the beach are still for sale and average approximately 8,500 square feet, selling for around $1.5 million. Homes to be constructed on these lots have a total construction area of between 4,000 and 5,000 square feet. Mortgages for property in Portugal are normally available up to 75 percent of the bank's valuation and run for periods from 5 to 30 years.

Many International real estate companies are active in the area, including RE/MAX, Sotheby's, Keller Williams, Savills and Century 21. Property management is an important part of every real estate office with a large percentage of absentee owners in the area.

The Global Peace Index for 2017 rates Portugal as the third safest country out of 93 countries recorded after Iceland and New Zealand. Condé Naste Traveller also declared Lisbon to be the most underrated city in Europe. Putting all things together, this helped make Portugal a real estate hot spot in 2017.

Portimao sunset, Algarve, Portugal.

DIGITAL MARKETING 2018

HOW TO SPEND YOUR DOLLARS THIS YEAR

Digital marketing goals to boost your bang for your buck.

By Paul Salley, director of business development

A start of a new year brings new business goals and objectives. Included in these resolutions should be a plan to maximize and track your digital marketing dollars to ensure your brokerage is receiving a tangible return on investment. Fortunately, there are some sound strategies to help you achieve these goals.

1. **Invest in landing pages.** In addition to matching ads to a specified target audience, create a separate landing page relevant to the ad. This is critical for tracking conversions and funneling leads into your CRM. Create these landing pages separately from your website so they can be fully controlled by your marketing team. This eliminates time going back and forth with web developers to create the pages and place code. There are many landing page platforms available to accommodate this task. REAL Trends consultants can help you with this.

2. **Try a new tech advance.** Next, deploy one of the technology advances 2017 brought. Predictive marketing tactics, big data solutions and predictive analytics are a few of the tools that have been refined and released over the past year. These solutions leverage demographic information along with browsing data and historical buying and selling information to accurately place digital advertising across search platforms, display networks and social media platforms.

   Another big advantage of these tools is that they allow for conversion tracking. However, even with the use of these tools, there still is some marketing finesse and expertise that is required to create and couple ads with strategic target audiences.

3. **Incorporate new marketing tactics.** Ensure marketing success by incorporating new marketing tactics along with accurate tracking of campaign performance and generated leads. By doing so, you'll know which marketing tools and tactics work for your audiences and region as well as those that don't. The key will be to launch these marketing efforts to a relevant audience and accurately track their results all the way to a sell.

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Always provocative, Rob Hahn will share his thoughts of how far the industry has come in dealing with "black swans" and how far the industry has yet to go to deal with changes in consumer behavior, the regulatory environment and technology.

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