



**REAL TRENDS
VALUATIONS**

WANT TO KNOW

how much your
brokerage is worth?

Contact Scott Wright
or Steve Murray
today to get more
information about
brokerage valuations.

smurray@realtrends.com
swright@realtrends.com
303.741.1000

ANALYSIS

DODD-FRANK AND THE PRESIDENT'S PROPOSALS

How will changes to Dodd-Frank impact housing?

by Steve Murray, publisher

The President has instructed the Treasury to review certain areas of Dodd-Frank with an eye towards removing barriers to lending across the board. How will this affect housing?

We believe that the low-income Americans who have been most adversely affected by

Dodd-Frank regarding access to mortgages will be positively impacted by these changes. While everyone we know believes that Dodd-Frank has created a safer mortgage market, lending to lower income families has been significantly affected. Even though FHA lending increased,

Continued on pg2

1-4 FIRST PERSON

- Dodd-Frank and the President's Proposals
- Search on for CEO of National Association of Realtors®
- What Corporate CEOs Worry About Today

5-7 BROKERAGE

- Helping People Make Good Decisions
- Making Your Office Space Work

8 CEO CORNER

- Mike Prodehl, president, Coldwell Banker Honig-Bell and The Real Estate Group

9-10 REGULATORY

- Takeaways from the RESPA Enforcement Action

11 GLOBAL

- Australia's Gold Coast Market

12-13 VALUATIONS

- The Basis of a Brokerage Valuation
- Real Estate Team Valuations

14 TECHNOLOGY

- Core Marketing Platforms

15 PUBLISHER'S NOTE



REAL TRENDS

THE TRUSTED SOURCE

7501 Village Square Drive, Ste. 200
Castle Rock, CO 80108
Phone: 303-741-1000
E-Mail: realtrends@realtrends.com
Web: realtrends.com

Publisher:

Steve Murray - smurray@realtrends.com

Editor:

Tracey Velt - tvelt@realtrends.com

REAL Trends Team:

Alec Gress - agress@realtrends.com
Amy Broset - abroset@realtrends.com
Brent Driggers - bdriggers@realtrends.com
Brittany Shur - bshur@realtrends.com
Bryan Warrick - bwarrick@realtrends.com
Cooper Murray - cmurray@realtrends.com
Daniele Stufft - dstufft@realtrends.com
Deirdre LePera - dlepera@realtrends.com
Doniece Welch - dwelch@realtrends.com
Jamie Lower - jlower@realtrends.com
Jaime O'Connell - joconnell@realtrends.com
Nikki Lindholm - nlindholm@realtrends.com
Paul Salley - psalley@realtrends.com
Peter Gilmour - pgilmour@realtrends.com
Rebecca Chapla - rchapla@realtrends.com
Scott Wright - swright@realtrends.com

Copyright 2017 by REAL Trends. All rights reserved. Material in this publication may not be electronically stored or reproduced in any form without written permission. Violators will be punished by a fine of up to \$100,000 per offense.

it has not kept pace with the growth of these kinds of households. Loosening the restrictions may cause greater access to housing for lower income families.

Loosening Can Have Positive Effect

There is no question that severe restrictions on banks in their lending to small- to medium-sized builders had a negative effect on these kinds of firms. We believe that any loosening of these kinds of restrictions can have a positive effect on the creation of more new housing which, at this point, would be a positive development. We are not short of buyers for housing, at least at the entry level; however, we have a dearth of inventory.

Some reports indicate that the lack of lending to small business had a restraining effect on new business formations which have been at very low levels in the past few years. Certainly, other areas of the regulatory state have also played a role. There is a belief that looser restrictions on this kind of lending will begin to affect small business formation and higher employment positively.

WE BELIEVE THAT ANY LOOSENING OF THESE KINDS OF RESTRICTIONS can have a positive effect on the creation of more new housing which, at this point, WOULD BE A POSITIVE DEVELOPMENT.

Whether any of this comes to pass depends on whether the Treasury can make reasonable rule changes that free banks to make more loans to business without also raising the risks of higher defaults in bank loan portfolios (at least to a level like we saw 10 years ago). ♣

CEO OF NAR

THE SEARCH IS ON

With Dale Stinton leaving the National Association of Realtors®, the search is on for a new CEO.

by Steve Murray, publisher

As most know, there is a search underway for the successor to Dale Stinton as CEO of the National Association of Realtors®. We've reviewed the search committee membership and believe that this is a bright and experienced group of industry executives. We think they'll do an excellent job thinking through the direction of their efforts and what the new candidate needs to bring to this important and challenging job.

We answered a Survey Monkey survey looking for input into this process. For those of you who also received it but didn't answer it, please do so. The selection of the new CEO is important for all who call this business home.

At the risk of breaking one of our cardinal rules (the offering of unsolicited advice), we believe that it is not the time nor are the conditions right for the selection of an industry outsider. We also feel that there is a strong, talented base of extremely competent leaders inside the industry who would not miss a beat. One of the best sources of this talent can be found at the state level. We've come to know several highly experienced and talented leaders who are CEOs at the state level who could easily and competently step into this role. Since there are several, we won't name names now—just know there are more than a few who are capable. ▲

**WE'VE COME TO KNOW
SEVERAL HIGHLY
EXPERIENCED AND
TALENTED LEADERS**

who are CEOs at the state level who could easily and competently step into this role.



WHAT DO CORPORATE CEOS WORRY ABOUT TODAY?

A global recession, the next generation of leaders and cybersecurity are all on the minds of the world's CEOs.

By Steve Murray and reprinted from CEO Daily

The Conference Board (www.conference-board.org), a global, independent business membership and research association, released results of its survey of 555 CEOs worldwide. According to an article in CEO Daily, the survey shows, among other things, “that fear of a *global recession* now ranks as the No. 1 concern of CEOs—a recognition that the current expansion, at 90 months in age, is well past its prime, and already one of the longest on record.

“The survey results are BT (before Trump’s election), so it is impossible to say how recent events may have changed these views. But the rapid transformation of business by new technologies still “rattles nearly every CEO we interviewed,” the Conference Board said.

Next Gen Leaders

“That contributes to the No. 2 concern of the CEOs, which is *developing the next generation of leaders* who have the skills to remake the business.

Technology

The CEOs seem to think technology changes may be overstated in the short term. Only one-third of them think the *failure to embrace digital transformation* will damage their ability to remain competitive in the next two years. However, these changes may be understated in the long term as two-thirds agree with the statement when the timetable is moved to ten years.”

The study goes on to note that, “Coming in at No. 3 on the list of CEO worries is cybersecurity. Even as they understand the imperative to adopt new technologies, they worry about *how to protect their massive new information systems.*”

REAL Trends Comment

Many in our industry are also concerned with the age of our housing sales recovery (now in its sixth year) and if sales will remain at the current level.

Finding and developing talent has reached the attention of national CEOs as well. Looking at developments, Realogy, RE/MAX and Leading Real Estate Companies of the World, are placing a strong emphasis in this area. We also are aware that Berkshire Hathaway HomeServices has developed its internal development program and Keller Williams has long placed great emphasis in this area.

Cybersecurity and the protection of data have been hot topics for years in residential real estate, but we believe it is going to be kicked into a higher gear in the months ahead, particularly at the national level. Leading firms are collecting and analyzing more critical market and competitor data than at any time in the past. This will drive the means to protect it much further. 🐾



The rapid transformation of business by new technologies still “rattles nearly every CEO we interviewed,” the Conference Board said.

SERVING CUSTOMERS

HELPING PEOPLE MAKE GOOD DECISIONS

What is a good decision? Most would agree that a good decision is one where the person is happy with that decision 30 days later and would make the same decision again. When people think they made a good decision, they are usually happy with their sales associate and will refer him or her. When they think they made a bad decision, they will often blame their sales associate and may feel they were *sold*. It is in our best interests (and theirs) to help people make good decisions. Good decisions are key to repeat and referral business.

A Formula for Good Decisions

In *Ninja Selling*, we have a formula for helping our clients make good decisions. We've found that people who make balanced brain decisions—those that combine the head and the heart—seem happiest with what they decided. A balanced brain decision is where the

When people think they made a good decision, they are usually happy with their sales associate and will refer him or her. How do you help them get to that point?

*by Larry Kendall, author of *Ninja Selling* and chairman of The Group, Inc.*

customer uses both their emotional (right brain) and analytical (left brain) in balance.

Buyers often regret decisions that are too impulsive (emotional) and then suffer buyers' remorse. Or, they often miss out if they are too analytical (paralysis analysis) and can't make a decision. Their non-decision becomes a bad decision.

The Analytical Brain

Your client's analytical brain (left hemisphere) is most powerful when it's focused on just three to five criteria. It can handle more variables than that, but with more than five, it begins to slow down, and above nine, it goes into paralysis analysis. Many real estate professionals unknowingly confuse their clients by giving them too much data. As a result, the client gets confused (too much data) and needs to think about it.

When people think they made a good decision, they are usually happy with their sales associate and will refer him or her.



When they think they made a bad decision, they will often blame their sales associate and may feel they were *sold*.



Here are some common examples of overtaxing the analytical brain:

With Buyers

Showing more than five homes in one showing sequence. After the fifth home, buyers can't remember the first home. If circumstances require that you show more than five homes in a day, make sure your buyers are ranking the homes and have their top three favorites. This can be a rolling top three, where they can take out a favorite and substitute a different one. This process focuses the buyers on just three houses at a time.

With Sellers

Real estate professionals commonly confuse sellers by giving them a stack of MLS sheets. And when sellers get confused, their emotional brain takes over, and they blurt out, "Our house is nicer!" or "We need more money." Instead, focus sellers on the five determinants of value: price, location, size, condition and amenities.

The Emotional Brain

The emotional brain is creative and processes a massive

amount of data at the nonconscious or intuitive level. Decisions are based on feeling. How does the house feel? How does the decision feel? This is a very important part of the decision.

The analytical brain sets the priorities, criteria and boundaries around which the decision will be made. This is the context for the decision. Then, the emotional brain (right hemisphere) can decide on the content of the decision. A balanced brain decision is a combination of the head (criteria) and the heart (feeling). Here's the formula for a well-balanced brain decision:

Help your client set the criteria of their three to five most important factors in the decision. As an example, ask a buyer, "What are the three most important things you are looking for in a home?"

Within these boundaries, if it feels good, do it! If your buyer finds a home that has their three to five most important criteria, and it feels good; then, it's probably the right home for them. It's as simple as that. You will have happy clients and an abundance of referrals. ▲

When sellers get confused, their emotional brain takes over, and they blurt out, "Our house is nicer!" or "We need more money." **Instead, focus sellers on the five determinants of value: price, location, size, condition and amenities.**



NEW STUDY

MAKING YOUR OFFICE SPACE WORK



Agents share what they most need from their firm's office space.

by Deirdre LePera, director of business development

Many real estate brokerages have faced a reconfiguration of their office space in the last 10 years, whether it was to keep the doors open during the recession or keep up with attracting talent during the housing recovery.

A challenge many broker-owners currently face is how to combat underused office space. As one of the highest expenses a broker-owner can incur, office space can start to feel unnecessary in a hurry, especially when your sales associates are in the office less than 20 hours a week.

Working Remotely

The capability of working remotely is driving a shift in office space design and prompting a growing trend towards mixed-use spaces and more casual design concepts. Open office concepts are popular right now, regardless of the industry. However, roughly 44 percent of today's real estate brokerages retain a 50/50 mix of private and open workspace, making semi-private office design the most popular.

Redefining Workspace

In REAL Trends' recent partnership study, *Redefining the Relevancy of Workspace*, with BoomTown, dotloop and

ERA Real Estate, sales associates shared what they need most from their firm's office space, and broker-owners provided valuable insight on what design concepts work best for them based on demographic, market and overall company size.

With an estimated two million active real estate licensees in the United States, the expectation of a broker-owner to provide some meeting or workspace is unlikely to change anytime soon. What will transform is the expectation of what that space looks like. If an office redesign is in your near future, take a few moments to read the study, and learn what it takes to create a successful work environment in your brokerage. [CLICK HERE](#) ▶

IF AN OFFICE REDESIGN IS IN YOUR NEAR FUTURE,
take a few moments to read the study, and learn what it takes to create a successful work environment in your brokerage.

MIKE PRODEHL, PRESIDENT
COLDWELL BANKER HONIG-BELL AND THE REAL ESTATE GROUP

FOCUS ON AGENTS AND BE CAREFUL

Lessons remembered—learn from leaders where tomorrow's opportunities and threats lie.

by Steve Murray, publisher

From 2006 to 2015, no REAL Trends top 100 ranked brokerage grew more than Mike Prodehl's firm. Through three different, sizable acquisitions, the firm grew over 252 percent. REAL Trends caught up with Prodehl to find out what circumstances led them to lead all major brokerages in growth through a very difficult period.

"I give a lot of credit to my father who oversaw the company at that time. He showed that by acting quickly and decisively to reduce costs and saving capital were the smart ways to navigate the downturn and be positioned to grow when the signs became more positive," said Prodehl. "While we suffered losses for several years just like most others, we didn't go into debt, because we had reserves. That also set us on the path both to restructure our company and, with help from Coldwell Banker, make several strategic acquisitions in the past five or six years."

"We're slowly converting our offices from the traditional private-office-based structures to more café-style offices—it makes sense." — Mike Prodehl

Office Redesign

We asked Prodehl what other changes he was making. "We're slowly converting our offices from the traditional private-office-based structures to more café-style offices—it makes sense. We've done this over time, and it's made us more efficient, and, in some regards, more attractive as a place to work," he says.

Prodehl started as an agent with the firm and spent eight years as an agent, moving on to spending many years fixing and building sales offices. "I had a sense that we



could do this (convert the offices). The idea wasn't accepted by all of our agents, but most could see sense in getting away from the old office layouts to something more friendly and open."

Moving Forward

We asked what Prodehl wanted to focus on going forward. "We need

to free up our agents from mundane paperwork duties and give them the ability to spend more time with their clients. So, we are automating as much as possible with CRMs and dotLoop. [We're also] providing other training and support with the goal of making the transaction as easy as possible for both our agents and their clients and customers. We've built an operational network where our agents can use any office, and all the systems will be the same. It builds relationships and openness."

But above all, says Prodehl, "we've retained the operational and financial conservatism that my father instilled in me and the leaders of our company. Now that we have over 50 offices, 1,250 agents and 200 employees, we may not be as nimble as we were, but it doesn't mean we can't remain careful with where and how we spend funds."

He adds, "I've always viewed my role as being at the bottom of a pyramid, not at the top. Everything that goes on in our organization flows down to the leadership team and me. And, while sometimes the issues are rather mundane, to someone in our organization it is important, and we act accordingly. ♣"

TAKEAWAYS

RESPA ENFORCEMENT ACTION AGAINST PROSPECT MORTGAGE



Consent orders issued by the CFPB over marketing services agreements, lead-sharing agreements and desk licensing agreements shed light on the current state of RESPA enforcement.

by Sue Johnson, strategic alliance consultant

On January 31, the Consumer Financial Protection Bureau (CFPB) entered into Consent Orders with Prospect Mortgage (Prospect), RE/MAX Gold Coast, and Keller Williams Realty Mid-Willamette over marketing services agreements (MSAs), lead sharing arrangements, and desk licensing agreements that the CFPB claimed violated RESPA. Prospect Mortgage will pay \$3.5 million in penalties, Keller Williams Mid-Willamette will pay \$145,000 in disgorgement and \$35,000 in penalties, and RE/MAX Gold Coast will pay \$50,000 in civil money penalties.

This is the CFPB's first RESPA enforcement action since it received a strong reprimand by a three-judge panel in the case of *PHH Corp. vs. the CFPB* in October 2016 for its expansive RESPA interpretations (which it has appealed).

It is important to note that the CFPB did not declare any of the arrangements illegal per se and that some of the activities, such as the sharing of lead-sharing arrangement payments by one real estate broker with its agents—are, if true, clear-cut RESPA violations.

Nevertheless, these Consent Orders shed some light on the current state of RESPA enforcement at the CFPB in the aftermath of the PHH decision. Here are a few of the takeaways.

CFPB will go after both the *giver* and the *receiver*.

The Orders serve as a reminder that RESPA applies to the *giver* and the *receiver* of a referral fee, and that the CFPB will go after real estate brokers that participate in

The Orders serve as a reminder that RESPA applies to the *giver* and the *receiver* of a referral fee, and that the CFPB will go after real estate brokers that participate in what it considers to be illegal arrangements

The CFPB appears to retain its position that any time a payment is made for services with an expectation of a referral . . .

. . . it is suspect under RESPA even if the payment is for the fair market value of the service performed.

what it considers to be illegal arrangements—although it is unclear why the rest of the other 100-plus real estate brokers with whom Prospect had various arrangements were not subjected to this enforcement action.

The CFPB still interprets RESPA expansively.

The CFPB appears to retain its position that any time a payment is made for services with an expectation of a referral, it is suspect under RESPA even if the payment is for the fair market value of the service performed. This broad interpretation clearly was rejected by the First Circuit Court of Appeals panel in the PHH decision.

For example, the CFPB emphasized that Prospect projected and tracked the number of referrals it anticipated it would receive from its MSA partners. Standing alone, this activity traditionally has not been considered a RESPA violation; yet, the Bureau appears to cite this activity as evidence of one. It is on more solid legal footing in its claims that Prospect also adjusted monthly fees under the MSAs (or canceled MSAs) based on the number of referrals it received.

The Bureau also appears to ignore HUD's previous RESPA guidance on *lender lockouts*, a term used to describe situations in which real estate companies lease office space within their sales offices to a particular mortgage company and then limit or deny access to their offices to competing lenders. In a 1996 RESPA Policy Statement, HUD stated, "A lockout situation without other factors...does not give rise to a RESPA violation. The RESPA statute does not provide HUD with authority to regulate access to the offices of settlement service providers or to require a company to assist another company in its marketing activity."

Yet, the CFPB cites as evidence of a RESPA violation the fact that the real estate brokers arranged for in-house Prospect loan officers to provide training sessions for real estate agents that excluded competing lenders. It is on more solid legal footing in its claim that Prospect analyzed the value of these desk-licensing agreements regarding the number of referrals they produced per office, rather than whether they were paying market rates for the cost of rental space. Reliance on evidence of the exclusion of competing lenders in the training sessions, in and of itself, would have directly contradicted prior HUD guidance, which also was prohibited in the PHH decision.

Loose talk by sales personnel will be used against you.

The CFPB provided numerous examples of written and oral comments made by the staff of Prospect and its partners to make its case that the real intent of the various written agreements was to bolster referrals to Prospect. These statements clearly were damaging to Prospect's case, and reinforce the need to have a strong compliance program in place that assures that each partner's leadership and sales personnel understand what the written agreement is and what it is not.

Enforcement Remains Murky

The RESPA enforcement environment will remain murky during the appeals process of the PHH decision over the coming months. In the meantime, partners of MSAs, lead sharing arrangements, and office rental agreements would benefit from a close reading of the Prospect Consent Orders by their compliance team. ♣

AUSTRALIA'S GOLD COAST MARKET

OUTSHINING SYDNEY AND MELBOURNE

According to the CoreLogic Home Value Index for October 2016, the Gold Coast and Brisbane were outshining the big league residential areas of Sydney and Melbourne in property values. Here's why.

by Peter Gilmour, REAL Trends chief foreign correspondent

The Gold Coast is an exciting residential area situated on the east coast of Australia, 40 miles south of Brisbane, the capital of Queensland. After the establishment of the well-known Surfer's Paradise in the late 1920's, the area has boomed to become a major tourist destination with a sunny, subtropical climate, 40 miles of beautiful beaches, theme parks, scenic landscapes, canals and waterway systems, vibrant cultural scene and a high-rise dominated skyline.

Tourism Driving Growth

The Gold Coast is home to over 500,000 people with many living on the beautiful Nerang River and nearby canals and some of the tallest residential towers in Australia commanding panoramic views of the beaches. CoreLogic, an analytics and intelligence company, shows that Gold Coast's property market has been improving over the past couple of years and links these increases to the region's tourism which has been on the rise. In addition, the area is setting its sights on the excitement and infrastructure spend that will come from hosting the 2018 Commonwealth Games.

Home Values High

According to the CoreLogic Home Value Index for October 2016, the Gold Coast and Brisbane were outshining the big league residential areas of Sydney and Melbourne in property values. Data shows that the median value in Brisbane and the Gold Coast have outperformed Sydney and Melbourne by 5.3 percent for houses and 4.1 percent for apartments in rental yields.

Capital gains remained positive in most of Australia's housing markets, but the pace of growth has been slowing when compared with the last 12 months. The Gold Coast has plenty to entice those interested in a solid property investment with its population growth making it the sixth largest city in Australia. The Gold Coast City Reputation Strategic Plan also outlines the potential for the city to

provide an additional 60,000 jobs in the next five years, due to economic growth in industries such as education, health and advanced manufacturing.

In a recent media release, the Deputy Premier and Minister for Infrastructure and Planning, Jackie Trad, said that in the South East Queensland area each year there will be an influx of 80,000 residents needing more than 30,000 homes in the foreseeable future. He sees an increase in smaller households due to more young people entering the market, more single-person households and older people downsizing. This will create the need for more diversity in homes and affordable living.

Rents Offering Excellent Returns

Investors are happy with inflated rents giving excellent returns, reports the Gold Coast Bulletin. REIQ Gold Coast Chairman, John Newlands was reported to say that the market has been healthy for 18 months or more and currently, it is possible for an investor to buy a house for \$375,000 (USD) and receive \$425 (USD) in rent per week. Rental stock in November 2016 was at a record low of less than 1 percent. Much of the demand is fueled by tradesmen moving to the coast to work in the construction industry. Both infrastructure projects and construction are increasing ahead of the Commonwealth Games, and there are more jobs and more prospective tenants every month.

Homes in Sydney and Melbourne have reached a point where they are more expensive than those in Gold Coast, yet their rental yields have not caught up.

In the next 12 months, the outlook for the Gold Coast remains positive with good capital value growth and high rental returns being key drivers for investors to consider the Gold Coast for their next investment. 🏡



RESIDENTIAL BROKERAGE

THE BASIS OF A VALUATION

Development in this industry revolves around recruiting, retention and training rather than engineering.

By Scott Wright, director of mergers and acquisitions

Valuing residential real estate brokerage firms certainly has its intricacies given the unique characteristics that set this industry apart from others.

For example, in most industries, businesses have an established infrastructure to support the development, production and sale of a tangible product. Residential brokerage firms don't quite fit this mold. Brokerages don't sell shiny new products and don't need big fancy buildings to be successful. Development in this industry revolves around recruiting, retention and training rather than engineering, and the only physical asset that matters at a brokerage firm is a sales professional who can come and go as he or she pleases.

Market Cycles and LTM

Many industries must also naturally deal with cyclicity, but the residential real estate industry lives and dies by market cycles. Real estate is a highly seasonal industry that is at the mercy of economic forces over which it has little control.

Given these unique characteristics, the real estate industry certainly has its fair share of risks. For this reason, the basis of a valuation is always the *Last Twelve Months* (LTM) of operating results. In our 30 years of performing valuations and serving as the broker in the sale of hundreds of brokerages, there hasn't been a single instance where we've used a period beyond LTM to establish value.

Whether it's a large national franchise or a small regional brokerage, all buyers we've engaged with solely use LTM in their models, as well. Of course, we consider historical financial and operational performance for other factors, but the baseline for determining value is always LTM.

Is LTM Limiting?

Some say this LTM basis is unique and limiting when valuing a business, but is it really all that abstract? Let's look at the most common form of buying and selling ownership of companies—the stock markets. When a fund manager looks at stocks to add to or remove from

his portfolio, one of the key metrics he looks at is the Price-to-Earnings ratio (P/E ratio). This ratio is a measure of value that simply divides a company's current share price by its earnings. And how are earnings for companies that trade in the stock markets measured? They are measured over the last 12 months!

IN MOST INDUSTRIES,
businesses have an established infrastructure to support the development, production and sale of a tangible product. Residential brokerage firms don't quite fit this mold.



When you go to Yahoo Finance or Bloomberg to look up a stock quote, the P/E that pops up on the screen is called a Trailing P/E Ratio, which uses LTM earnings in its calculation. Individual investors and fund managers typically have a “what have you done for me lately?” attitude when analyzing a stock, and it's no different in the real estate industry.

When buyers are evaluating a residential real estate brokerage firm, they want to know what kind of cash this broker is pumping out. This cash flow is always based on “what the brokerage has done lately”—the last 12 months of net operating cash flow. 🐾

REAL ESTATE TEAM VALUATIONS

By Steve Murray, publisher

The market for teams continues to evolve. REAL Trends merger and acquisition consultants have advised, valued or brokered several transactions in the last six months. Here are some things we've learned in attempting to build the value of a team (or a brokerage for that matter):

- Value is driven by the consistency of results and growth of results.
- Value is created when a residential brokerage business results are based on the production of many and not an individual or a small number of people.
- Value is driven by solid operating and personnel policies.
- Developing excellent reports that detail the operation of the business and legal agreements which are used to run the business are vital.
- A team's business is primarily based on the leader's sphere or relationship business, so the value will be lower than where this is not the case.
- When a team's business is primarily based on a client procurement system outside of its sphere or

relationship business, the value will be higher than otherwise. When a team has developed a means of getting clients, whether online leads or direct mail and a means for converting those opportunities to closed business; then that team has built higher value.

- The relative level of value can also be measured by how easy or hard it is for some other team or individual sales associate to replicate the client procurement and conversion system. If it's difficult; value will usually be higher.

Finally, as with valuations and deal structures for brokerage firms, the terms of a deal can affect the valuation of teams. There is likely more risk in the purchase of a team that produces \$4 million in gross revenues than a brokerage that does. So, a team wishing to sell or purchase another team will likely offer less in terms of cash and more in terms of contingent payments based on performance over time. While some brokerage firms and a few teams have paid higher prices and better terms for high-producing teams and individuals, they are accepting a higher risk to do so. ▲



TAKING FULL ADVANTAGE OF CORE MARKETING PLATFORMS

Google AdWords and Facebook have new marketing features. Check it out.

by Paul Salley, manager of marketing strategy & business development

It is no secret that there are a few digital marketing platforms that set the gold standard for key performance indicators (KPIs) regarding growing your bottom line. Two of these proven platforms are Google AdWords and Facebook. There is continued competition that challenges these marketing juggernauts. Some of these competitive platforms have niche strengths that outshine specific components of the AdWords and Facebook platforms. However, very few can touch the expansive features these two giants provide to digital marketers.

Here are some updated features that can help you in your digital marketing:

Facebook

Facebook now allows boosted posts with target demographic data layered on top. They also offer the ability to market to your list of uploaded email addresses, leverage retargeting to those who visited your website and track actionable conversions thanks to code produced by Facebook and placed on your website.

Google

Google's AdWords advertising platform continues to be one of Google's core services. Some updated features include the ability to add specific geographic targets, layer on demographic information to target audiences and create and market only to specific websites that are pulled based on interests.

To fully understand and access all elements of these platforms to benefit your bottom line in the form of trackable leads, it requires time and dedication. We recommended that a brokerage, agent or team that wishes to unleash the power of these platforms hire a fully dedicated team member who has a deep understanding of the platforms.

Another alternative is to employ an agency, such as REAL Trends, that specializes in online and digital marketing. Want help? Call us today at 303-741-1000. 🏠

Some of these competitive platforms have niche strengths that outshine specific components of the AdWords and Facebook platforms. However, **very few can touch the expansive features these two giants provide** to digital marketers.



SUMMER 2017

SPECIAL REPORTS COMING!

In June and July, REAL Trends will be publishing three special reports. They are:

The Thousand

At the end of June, we will publish the REAL Trends The Thousand, as advertised in *The Wall Street Journal*, a ranking of the top 1,000 teams and agents in the country. This report ranks the top 250 individual producers by closed transaction sides and then a separate top 250 by closed sales volume. Teams are ranked the same way but are separate from the individuals. We also rank the top individual agents and teams by average sales price.



America's Best

In early July, we will publish America's Best Real Estate Agents which, last year, included over 12,000 of the top teams and agents in the country. These rankings are broken out, as in The Thousand, between individual agents and teams and by sides and volume. This ranking is not done; however, at the national level, but rather is shown by state and by metropolitan area within each state. The national rankings are published in The Thousand.



Brokerage Websites

Later in July, REAL Trends will publish its study on the rankings of real estate brokerage websites. This was originally scheduled for release earlier in the year, but we chose to revamp the methodologies used in the rankings of websites and release it later in the year. Over 800 brokerage websites were reviewed by the staff of REAL Trends to get to the results. 🏠





REALTRENDS

GATHERING OF EAGLES

30TH YEAR ANNIVERSARY
FOUR SEASONS HOTEL, DENVER, CO
APRIL 26-28, 2017



Get to know... **Keynote Speaker Jim Collins**

If you could pick one word to describe Jim Collins, leader extraordinaire and author of books such as “Good to Great” and “Built to Last,” it would be *curious*. From his work in the leadership field to his current work researching K-12 education, Collins’ thirst for knowledge has opened up opportunities that serve as the foundation of his career.

That curiosity and love of discovery have led him on a lifelong quest to understand what drives great leaders. “People struggle with making great people decisions. We all make mistakes, whether [we] hire the wrong person or [fail] to notice someone’s potential. To master the people aspect, you must be rigorous, but not ruthless in the way you deal with people,” says Collins.

Learn from the best. Collins will be holding a leadership workshop at the 2017 Gathering of Eagles.

Register today: [CLICK HERE](#) 

