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AUGUST 2017 NEWSLETTER

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FIRST PERSON

THOUGHTS ON CONSUMERS, AGENTS, ZILLOW AND REDFIN

Consumers still want to work with a human being. But, will that change in the future?

By Steve Murray, publisher

Among the many surprises of our industry is that consumers—who now have access to a great deal of housing data and can find out almost anything about real estate professionals—still select an agent 60 percent or more of the time based on whether they know them or were referred to them. Why consumers do this is one of the most amazing facts of our industry. In almost every other facet of the purchase of goods and services, consumers check online sources to verify the quality of the product. Will this ever change?

How is it that there are nearly 1.3 million Realtors®, yet according to MLS sources, between 40-45 percent haven't done a deal in the past 12 months? Why are there between 500,000 to 600,000 Realtors paying dues to the Association and likely fees to an MLS when most don't complete a single transaction? And, why has this continued to be the case year after year?

How can Zillow be worth more than Realogy and RE/MAX combined? Without any real earnings to support that valuation. How can a firm without earnings be worth more than two companies who have cash flows of nearly $900 million—just about as much as Zillow has revenues?

What does the Redfin IPO mean for our industry? Is this a real brokerage firm, a technology firm or something new?

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My Thoughts on These Issues
They are related in some ways.

Our business has always had a lot of part-time participants. Some are on the way up, some are on the way out, and some are just there to refer family and friends to others and legally participate in the commission revenue. We presume some are there for the sake of the possibility. As we've written before, one of the interesting aspects of real estate agents is the wide variety of backgrounds they have and how there is no test that can predict how any will perform. While the barriers to entry are low, that just means we invite a lot of people to enter, some of whom go on to great careers in real estate sales, achieving levels of earnings and wealth they never thought possible. Isn't that, in some ways, a good thing? This is a business where you don't have to have a college degree or a lot of capital, but you can become wealthy. Isn't that part of the American dream?

So, the numbers of part timers may be a symptom of something positive.

Ratings and Reviews

Consumers are starting to check out their choice of agents online. Our own Nielsen study in 2014 documented this. What consumers find out online does affect their final selection. Further, the percentage of consumers who are Millennials or Gen Z is growing fast. These generations are far more likely to check agents out online. They are also far more skeptical about traditional advertising as a means of finding service providers and products—without also checking them out in various ways.

Team Market Share Growing

One last point on this one—very quietly the market shares of the top agents and teams are growing steadily and consistently. Teams are having a big impact in this area. The most productive 20 percent of all agents likely do control over 75 percent of the listings in most markets and likely above 50 percent of all the buyers. That would equate to 260,000 of the most productive agents controlling over 6.3 million of the 10.4 million transaction sides closed last year, for an estimated average of 24.2 sides per agent or team. It also means that the rest—1.04 million—are handling about 3.8 million sides or about 3.6 transactions per year per agent. Consumers are making selections more based on competence than on who one knows. Or, these top agents are also just doing a better job staying in touch with their customers. It doesn't matter what the reason is; consolidation among agents and teams is happening.

Here's some data to examine from The Thousand, a ranking of the top individual sales agents and teams that REAL Trends compiles and markets in partnership with *The Wall Street Journal*. The chart below is the results from the top 250 individuals and teams.

Individual agents	**2011**	**2016**	**Changte**
Closed sides	45,074	50,168	+11.1%
Closed volume	$15.76 Bil	$31.26 Bil	+98.4%
Teams	**2011**	**2016**	**Change**
Closed Sides	61,321	108,881	+77.6%
Closed Volume	$17.53 Bil	$41.35 Bil	+135.8%

Should there be any doubt, it's worth noting that four years ago approximately 1,700 teams qualified by doing more than 75 closed sides or $30 million in volume. In 2016, there were nearly 4,900 team that did so.

Zillow's Valuation

On to the Zillow question: Zillow is worth more because the investment community thinks they are the next Google—just in our industry. They view the $600-$700 million that Zillow spends on marketing and technology as setting the stage for that kind of dominance. They figure that, at some point once a certain level of

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customer acceptance is reached, Zillow won't need to spend that kind of money. They also believe that eventually Zillow will charge more for advertising on their site to more segments (i.e., mortgage, etc.) This adds up to a company with limitless earnings potential ***in the future***. We've heard this from more than a few investment professionals. In fact, recently one said he believes that in a few years Zillow could be a $20 billion-dollar market cap stock!

Of course, that is if a company like Amazon, Google or Apple doesn't purchase them first. No, we don't subscribe to that theory, but in today's investment world anything can and may happen—Amazon and Whole Foods for instance.

It is not that Realogy or RE/MAX aren't great solid companies. They are very solid. But the future growth potential of their earnings is not what Zillow's is—at least that is what the investment world believes. It's not about what they're doing today. If you look at these two companies, why is it that one is trading at more than 40 times earnings and the other about 20 times earnings? To some degree it is the same thing—what is the future growth potential of both companies in terms of revenues and earnings?

On to Redfin

RedFin is another story. They have an excellent web presence and services. We've known that for years. They also have very strong internal processes and technology and, presumably, they have some excellent sales associates. Growing to about $267 million in brokerage revenues in less than ten years makes them a stellar growth company. Among all brokerage firms in the United States, there are likely only five or six brokerage firms with higher revenues.

One part of the question is this: Is Redfin a brokerage or technology firm? As our friend Rob Hahn has already written, there is no way they are going to market with a brokerage story. The focus will be on their technology value-add. Whether the market will believe that RedFin has the ***same future growth potential*** as Zillow is another thing.

The thing that is common about these issues is not what is happening today but what will happen tomorrow. Will the industry continue to have about 600,000 members who are non-productive? Likely not as many, but not because of anything we do; instead because of consumer behavior. Likewise, how consumers select their agents is already changing and consumer behavior will determine what happens, not what we do. Zillow and RedFin may achieve their business and market valuation goals, not because of anything we do, but because of how consumers (and the investment community) act in the future.

As we said last month, it is not that anyone should sit still. Incumbents should gear up to plan their technology, marketing, development and recruiting to aim towards a market where there are fewer productive agents and teams; where consumers check things out online and where what happens with Zillow and RedFin will matter less than how we plan our own futures.

AN IDEA FOR OUR LEGISLATORS

FINDING HOUSING INVENTORY

What can legislators do to help boost inventory levels?

By Steve Murray, publisher

Inventory is as tight as it has ever been, especially in the entry level market. Of course, this negatively affects the ability for young, or low income, or minority families to get on the housing ladder which will deter them from jumping on later.

Builders report that they are short of affordable land near major metro areas. They also report high costs of governmental regulatory fees and requirements that add tens of thousands of dollars of cost to each new home. Local cities and municipalities resist growth of new housing as it strains their infrastructure, clogs their roads, packs the schools and more. Builders can't find enough skilled labor to build more homes.

Meanwhile, there are nearly 20 million homes owned by investors and rented to families. The great majority of these are owned by individuals, not institutional investors. Most are priced in the entry level. Almost half are owned by people like all of us, they own one or two units. In our work with Andrew Waite on the Iceberg Report on this segment of the industry, most are sitting on significant capital gains and are earning decent returns. Most report that they have no interest in selling now. They would have to pay capital gains taxes and forgo the earnings they get from renting these homes out.

Here's The Idea

Congress should pass a two-year moratorium on the Federal capital gains tax for any investor who sells to an owner occupant. The legislation could also put a cap on the prices of homes that would be eligible to focus the benefit on entry-level purchasers.

The potential could be millions of investors who would jump at this one-time offer to sell. It doesn't decrease capital gains taxes in the next two years because investors are not selling anyway. It doesn't dump more people onto cities infrastructure as there are already people living there. It doesn't require new home builders to scream about their costs, these homes are already there.

For all of those who believe in expanding homeownership for young families, low-income and minority families, it would be a once-in-a-lifetime opportunity. For investors, it would likely be the incentive they need to exit owning these investments. Could be that some of the institutional firms would look at it the same way.

Bottom line: There are few losers. And, the Realtors® would like this because they believe in homeownership, their members would have a few more million listings and transactions to handle and inventory and pricing issues may be ameliorated to some degree for a period—perhaps time for builders and communities to catch up.

For Congress, many of whom believe in housing opportunities for young, low income and minority families, it would be a no-lose proposition. Other than a few tens of billions of forgone future capital gains taxes, (anyone hear of 1031 exchanges?) there is no loss to the Treasury, because investors are in no hurry to sell these properties. But, this could be the incentive they need.

Send me your thoughts and take my arguments apart. Would love to have some discussion about this. Email me at smurray@realtrends.com.

AMAZON REALTY

THE IMPACT

Recently Amazon teased the industry by launching (then removing) a new "Find a Realtor®" service. Pundits jumped all over it. Zillow shares declined and brokers are left to wonder what's next.

By Steve Murray, publisher

I recall sitting in Zillow Co-founder Rich Barton's offices a few years back when he commented that, while our industry seemed to be scared of Zillow, he was worried about firms like Amazon, Google and Apple entering the industry in some fashion. We reported on his observations at that time. No one commented then. Perhaps we are all smarter now.

There are three true fundamental building blocks that undergird our industry:

1. **What percent of consumers use an agent to buy or sell a home?**
2. **How do consumers find and choose a real estate agent?**
3. **Do consumers think that the commission-based compensation method is fair to them?**

The only way large changes can occur in our business is if any one of these big three change. It doesn't take a change in all three; it only takes a change in one to have a big impact on our business.

How Consumers Choose an Agent

Amazon entering our business with a potential "Find a Realtor" can obviously impact the second factor. Over 60 percent of all consumers report that they chose a real estate agent through a personal connection. This number is down somewhat from ten years ago when it was closer to 67 percent. Some recent research suggests that consumers are going online to check out agents through ratings and review sites, as well as places like Facebook, Google and others. A trend has already been established. Consumers are looking for agents online more than in the past and selecting them based on what they find.

What might this mean? First, agents and teams who want to be found by online shoppers must be sure they can be found on Amazon. One example of this desire is that 68.5 percent of all individual agents ranked by REAL Trends on America's Best Real Estate Agents (total of 12,570 agents and teams) and 39.4 percent of all teams have a Zillow or Trulia profile page. Of all agents and teams ranked in this report, 57.3 percent have a profile page on Zillow.

Brokers should expect that their agents will want to find a way to be featured there. This will cost them (or you) more money. If the agents are paying for it, ***the value exchange between you and your agents will be weakened just a little bit more.*** Then, Amazon will join Zillow as a well-known and regarded source of such information. It may cause a further decline in the share of consumers who find their agents online versus through personal relationships. It may expedite the shift of market share to larger producers who can afford placement on Amazon, as has already happened.

I would imagine that sooner or later, Amazon will expand its offering to include some property information and similarly, Google will make its presence felt. There are hundreds of millions of real-estate searches going on each month and millions more watching HGTV. Homes are a hot topic and likely that interest will grow. Where there is an audience, there are those who want to reach and monetize that audience. There are $70 billion-plus reasons for their

iStock / Christian Rummel

interest (commission revenues) not to mention the revenues of mortgage, settlement services, home repair, furnishings and more up for grabs.

One other thing to add: Recently, most of the newspapers in the industry joined forces in an agreement to seek an anti-trust exemption from the Federal government to negotiate content license agreements with Facebook and Google as to how these two large media companies can use newspapers content. Legal experts say it likely won't happen.

Is that what it will come to in our industry? Stay tuned.

REAL TRENDS MARKET LEADERS

LEADING BROKERAGE FIRMS IN 125 METRO AREAS

Insights into the Annual REAL Trends Market Leaders report.

by Scott Wright, director of mergers and acquisitions

The annual REAL Trends Market Leaders Report is always a popular addition to our acclaimed 500 rankings, and its recent release on our website again attracted a lot of attention. This year not only did we add some new metropolitan areas, but we also expanded the depth of many of the United States' major markets.

The 2017 Market Leaders report ranked the leading brokerage firms by both sides and volume in 125 metropolitan areas. We are aware that brokers' total production may fall outside a specific metropolitan area, and thus take care to place them correctly. For the larger firms operating in multiple major markets, we do our best to get their breakdowns, and we try to question those that may have dispersed production outside of specific metro areas.

Dominators

The usual suspects dominated the report, with national powerhouses NRT and HomeServices of America atop the leaderboard in numerous metropolitan areas. Independent stalwarts Hanna Holdings and Long & Foster also continued their regional domination, with Hanna making strong showings in several new markets as a result of its 2016 acquisition of Realty USA.

The national franchises continued to shuffle around the leaderboards. At least one firm from either Realogy (Coldwell Banker, Century 21, Better Homes and Gardens Real Estate, Sotheby's International Realty and ERA), Keller Williams Realty, RE/MAX or Berkshire Hathaway HomeServices were represented in all but three of the metropolitan areas populating the report.

Keller Williams (KW) made the most noise amongst the national franchises. As we observed in our REAL Trends 500 brokerage rankings, Keller Williams had an incredible 2016. KW dominated our Top Movers rankings for both sides and volume in the year-over-year and five-year rankings. This translated to Keller Williams stretching its lead as the most populous franchise in the top 500. Interestingly, it was the only national franchise to exhibit year-over-year growth in the number of brokers in the 500. Keller Williams had a very strong showing on the Market Leaders report.

Local Independent Firms

In addition to the large national brokers, the major franchises and the big regional independents, many metropolitan areas had strong showings from local independent brokerage firms that had successful years and, in many cases, continue to capture market share. To see where the nation's top real estate brokers rank in their markets, **CLICK HERE** to download the 2017 Market Leaders report from our website today!

BUILDING AND "SAILING" THE GREAT SALES ORGANIZATION

How do you bring out the best in your people and build a great sales organization?

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

In my 44-year career leading a sales organization, I've learned that you don't manage great salespeople. You sail them. Truly great salespeople bring amazing talent, energy and a certain amount of ego to the game. They don't want management. They want direction, coaching and leadership.

How do you bring out the best in your people and build a great sales organization? Start by recognizing that your sales associates come in all shapes, sizes, talents and motivations. One size will not fit all. Start by evaluating them using the four-quadrant model described below to identify what you have and how to work with them.

Category 1 Associates: Productive and Coachable
This is the most fun group with whom to work. Give them an idea, and they run with it. Show them the way, and they execute immediately. They work the system, and the system works for them. You are making a difference for them, and they appreciate your help. They take little of your time and have your highest rate of return on your time investment. Category 1 associates are great team players. You wish you had a whole company of them, but you don't.

The biggest mistake you can make with Category Ones is taking them for granted. It's easy to not pay attention to them. They cause little trouble and are just quietly cranking out amazing production. You are at risk of them thinking you are spending too much of your time on newer associates or those who are unproductive. Make sure you recognize them with personal notes, compliments, and ask them to share their expertise at a sales meeting or on a panel. Offer special coaching for them.

Category 2 Associates: Productive and Un-Coachable
This group marches to the beat of their own drums. They are creative, entrepreneurial and productive. They don't follow your proven system. They create their own. They sell off the strength of their unique personality. Category Twos

How do you bring out the best in your people and build a great sales organization? Start by recognizing that your sales associates come in all shapes, sizes, talents and motivations. One size will not fit all.

are what I call "freaks of nature." I say this with great respect for them. What they do and how they do it is generally not a "teachable skill" that can be passed on to others.

Category Twos can be disruptive and difficult to manage. Don't try to manage them. Sail them and support them. Let them know you appreciate them and their unique approach to real estate. They tend to need more staff support since they are not systems- or detail-oriented. They also are your research and development department. They are the source of new ideas and ways of doing things.

Category 3 Associates: Un-Productive and Coachable
Category Threes tend to be newer associates or associates in a sales slump. Some are experiencing a life event that has thrown them off track. They are motivated to get better and need your help. The best way you can help them is to manage their activities, not their production. The right activities are the key to generating income. These activities generally fall into two categories: *Live Flow*—face-to-face and voice-to-voice; and *Auto-Flow*—mailings, emails and social media.

Have Category Threes log their flow activities and meet with them once a week to review. If they've been through the Ninja Selling training, there's a formula for success, so start going through the ingredients of the formula with them. Look at their database, hot and warm lists, flow activities, etc. Within 45 days, these activities should result in higher productivity.

Category 4 Associates: Un-Productive and Un-Coachable
This group is not motivated to have a full-time career in real estate sales. Many are hobbyists who are looking for an occasional transaction and plan to keep their day job. Others have no respect for the commitment, training and hard work it takes to be successful. This is the largest group in our industry, estimated at 60-70 percent of all Realtors®, plus the approximately 1.1 million real estate licensees who are not Realtors. With Category Fours, you really only have two viable choices.

- No. 1: Build a business based on Category Fours. This is a recruiting model where these associates pay a monthly fee and production doesn't matter. It's a viable and fast-growing business model in our industry simply because of the abundance of associates who fit this category.

- No. 2: Move Category Fours up to Category Threes, Twos, or Ones. It's difficult to have Category Fours in a company devoted to productivity. They drain resources and are resented by Category Ones and Twos. They're often toxic to a productivity culture. Put them into the intense activity program of your Category Threes and move them up or out gracefully. If they refuse to do the work; you're better off without them. Rehab them or release them.

Now that you know what your organization is comprised of work with each category of sales associate based on their situation and start sailing towards your vision.

EXPANDING YOUR TEAM THROUGH ACQUISITIONS

When opportunity knocked, these team leaders answered and turned it into a new way of doing business.

By Tracey C. Velt, editor of publications

Seventeen years ago, after 13 years in an international marketing position, Dar Walden, co-owner of the Dar Walden Team at Keller Williams Realty-Alaska Group, decided it was time for a change. It was then that she met Carol Butler, the No. 1 sales associate at RE/MAX in Alaska. Dar began working with Butler and learning the real estate profession. Three years later, after retiring from the Air Force in 2003, Ed Walden joined the growing team.

"We started in the business back in 2000 with Carol and Blake Butler. We met her [Carol] when we were looking for a property," says Ed. "Carol had approached us looking for an exit strategy for future retirement," he says.

Over the next seven years, after agreeing to a buy-sell agreement, the group transitioned from the Butler Team to the Butler Walden Team. Originally, the Butlers and the Waldens hired attorneys to draw up the buy-sell agreement, but the process became lengthy and problematic. "We decided to pull back and negotiate directly with the partners to work it out without attorneys." The acquisition propelled their business and placed the Butler Walden Team as the top team in Alaska in 2007. That same year, the Butlers retired from RE/MAX, and the team transitioned to the Dar Walden Team.

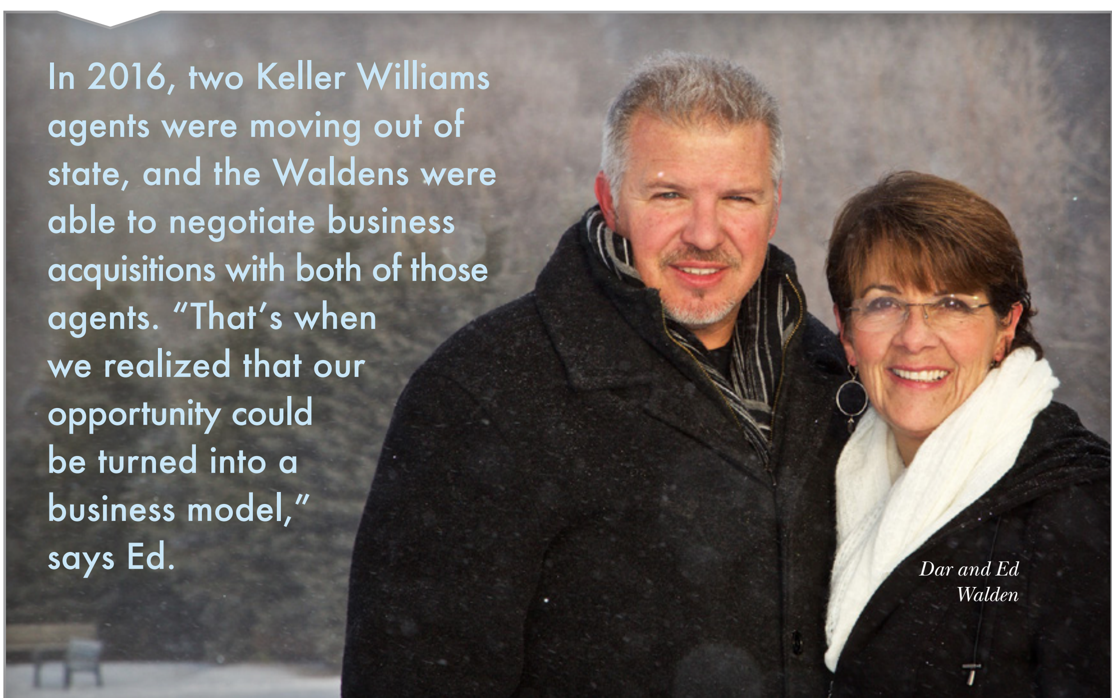
Since their first acquisition from the Butlers, the Waldens have realized the potential of building their business through acquisitions and have since acquired several other books of business. In 2008, the Dar Walden Team joined Keller Williams Realty-Alaska Group, and the Waldens are now owners of two additional Keller Williams market centers and a business center in Nevada.

"We tried to do a true Keller Williams expansion team and hired a team leader from a different brokerage. We went through the expansion system course. However, it wasn't the right fit. But, we also didn't want to start from scratch, so we started looking into partnering or buying other already-developed businesses," says Ed.

In 2016, two Keller Williams agents were moving out of state, and the Waldens were able to negotiate business acquisitions with both of those agents. "That's when we realized that our opportunity could be turned into a business model," says Ed.

By the time the Waldens decided to merge with Madden Real Estate, which would expand their Alaskan reach from Anchorage to Fairbanks, they had become seasoned at mergers and acquisitions.

"Wes Madden ran a seventh-level team, which is a Keller Williams term for a team where the agent can step out, and the team still runs efficiently," says Ed. "Dar and I don't have to be in Fairbanks to run the team, although we do go every week to handle leadership activities. Since this was a merger, Steve Murray, founder of REAL Trends, helped us set the guidelines for the purchase. We did an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Dar and Ed Walden

asset purchase, which ensured that we had employment contracts, leases and intellectual property rights to the Madden Real Estate name and website," says Ed. Because Fairbanks is a small community, the Waldens chose to keep the name Madden Real Estate and change it from an independent brokerage to a Keller Williams mega-agent office.

Here are the Waldens' lessons learned for smooth team mergers and acquisitions.

1. **Put it in writing.** "Make sure you have everything defined in writing. You want to preserve the relationship between you and the outgoing person because you will have to work together for a time after the agreement," says Dar. "It helps if you like and respect the person before ever agreeing to work with them. With the Butlers, it was an easy exit strategy because they retired. With the Madden Group, Wes was moving out of state, which changed his availability for day-to-day management, although he is still able to be involved in a consulting role." Wes moved to join Sotheby's Realty in Destin, Fla, but he continues to visit Alaska once a quarter to help the transition move smoothly. According to Ed, "With a purchase agreement, employment contracts are important if the outgoing person will stay a part of the business for a year or so. The contract defines responsibility, so if you negotiate that upfront, everyone stays happy."

2. **Go local.** While many teams purchase other teams to expand their geographic reach, Ed recommends you go local as much as you can. "In Alaska, there is nothing local; we have to be in Fairbanks every week," says Ed. "Also, consider your travel time and your time away from your other team members."

3. **Put your ego on the back burner.** Fact: most real estate teams are successful because the team leader packs a big ego. "But you have to learn to put your ego on the back burner," says Ed. "When you buy a team, you pay a lot of money and want your name on it. But, you have to be careful because that could cost you money if you're not known in that area," he says. That's why the Waldens chose to keep the Madden branding. "Just going into Fairbanks and changing it to a Keller Williams mega-agent office was enough." Of course, if you plan to continue the branding, Ed suggests you purchase the intellectual property.

4. **Be prepared to take a step back.** With the new Fairbanks office, the Waldens had to take it a step back to a sixth-level office, which means that Ed and Dar are managing the office, working through the expenses and budget, handling training and reinstating some of the leadership. "Anchorage is Dar's team, but we're both tackling Fairbanks together," says Ed. Their long-term goal is to centralize leadership, management, systems and operations so that they can expand easier.

For the Waldens, they will continue to expand. "It's hard in Alaska, but there are still many unchartered territories," says Ed. They currently have 25 people in Fairbanks and 11 people on the Dar Walden Team in Anchorage. "We have kept that team purposefully smaller to maintain our boutique quality of service," says Dar. Their son joined the business two years ago, so they are building a succession plan around him. "Our goal isn't just about us," says Dar. "We couldn't do it without the team members, and we want to build their success as well."

"In every market center, brokerages have people who have life changes. They retire, move, quit the business. And, they all have books of business that are valuable. Rather than just throw that away or give up, we see these as potential business opportunities," says Ed. "It's not as difficult as it sounds, and, once you do it a few times, it gets a little easier. Then, you watch your business grow."

And now, 17 years after Dar's beginning in real estate, the Waldens are positioned to be the top-producing team in Alaska as well as one of the top-producing teams in the United States.

REAL ESTATE PARTNERSHIPS

THE SECRET TO SUCCESSFUL RECRUITMENT INITIATIVES

By Jill Butler, CEO RedKey Realty Leaders

Any savvy human resources department, recruitment firm or relocation professional knows that in order to recruit the best of the best, it's often necessary to look outside of the geographic box. But what happens when the job you're filling is in St. Louis, for example, and your top candidate is in sunny San Diego? She loves your organization and the career opportunity, but she can't get herself over the relocation hurdle. For many recruiters, regardless of the company's location, this scenario is all too familiar.

The Partnership that Makes Sense

When you're asking candidates to uproot their lives for a job, it's imperative that they are sold on every aspect of your organization—including its zip code. In order to successfully compete, your company must look at each case individually and take a personalized approach to making your community feel like home.

That's why human resource departments and recruitment firms are partnering with real estate agencies that specialize in relocation to take on the role of selling their city. For example, as a St. Louis-based real estate agency, we know that most candidates from other areas of the country have never been to our city. Other than the occasional national—and sometimes negative—news story, they often have no idea what to expect. It's our job as a team of St. Louis experts and advocates to show them why they would love to live, work, and play here.

Sealing the Deal

Here are four tactics that real estate companies can use to help recruit out-of-town candidates for their partner organizations.

1. **Make a personal connection.**
   The worst thing a broker or sales manager can do is assume that what sells one person on a city will appeal to the next. That's why the first step in any good relocation specialists' process is to get to know the candidate and his or her family. This involves much more than reading a resume or bio, but rather sit down with them and have a meaningful conversation. What is most important to each member of the family? What are their hobbies? Are they in school? Will they need to find new jobs? Do they have any special needs?

   Here's an example of why this step is so important: One of our partner organizations once had a candidate whose daughter did not want to move, so we arranged for her to meet a local violin teacher, because we knew she was passionate about the instrument. The daughter fell in love with the teacher and was soon in full support of the move, so the candidate took the job. It was a win-win!

2. **Provide community tours.**
   Once the sales associate has gotten to know the family on a personal level, it's time to give them a taste of their potential new home. While the candidate is in interviews, take the rest of the family on a tour to

showcase the parts of the community that meet their needs and wants. Those San Diego natives who don't want to leave their great outdoor scene, for example, may not be aware of the beautiful lakes or national parks that your city has to offer.

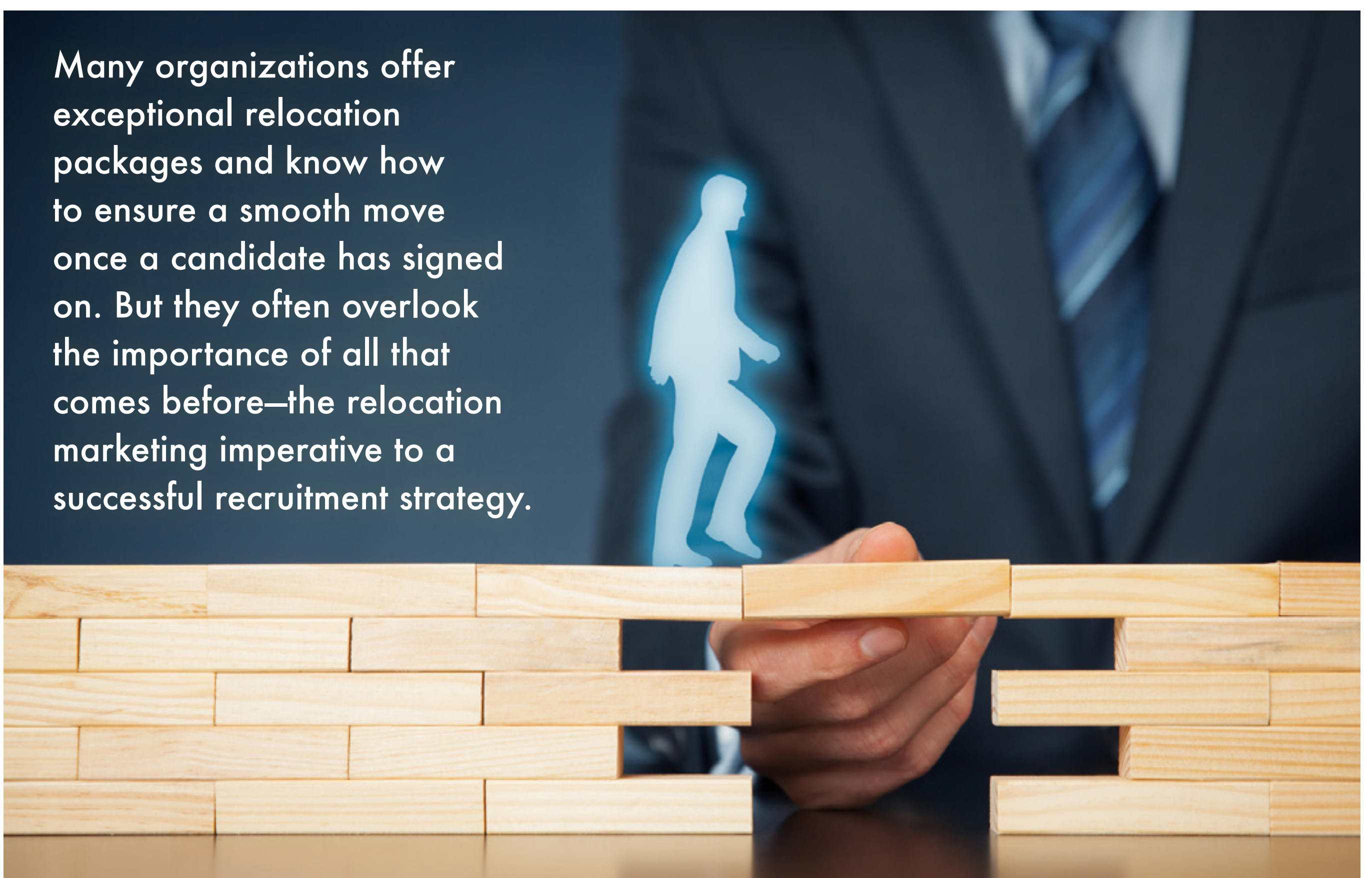
Part of our process is to take them through the city in a limo. We go by cultural institutions, tell them about the rich history of each neighborhood, and introduce them to everything we love about St. Louis. Our partners oftentimes tell us that the tour is what solidified their candidate's decision.

3. **Act as a resource.**
   Real estate professionals with a relocation specialty are not only knowledgeable about the homes they are showing and the housing market, but they are also knowledgeable about the community. Relocating involves more than finding a new house and making new friends. A new city also means new schools, doctors, hair stylists, childcare, athletic teams, summer camps, grocery stores and so much more. It's our job to act as a guide throughout the various decision-making processes and ensure the candidate that they will have a well-informed ally—even after they have committed to the position and made the move.

4. **Show community pride.**
   The real estate firm with which you choose to work should be genuinely passionate about the area. A great relocation partner not only loves and appreciates the city they are selling to your candidate, but participates in the community. Top-tier candidates are, after all, intelligent individuals who will likely see straight through a phony, rehearsed "here's what makes our city great" spiel.

Many organizations offer exceptional relocation packages and know how to ensure a smooth move once a candidate has signed on. But they often overlook the importance of all that comes before—the relocation marketing imperative to a successful recruitment strategy. As we continue to become an extension of more and more organizations' HR and recruitment teams, the value that real estate agencies can provide could not be clearer. When competition is fierce for top talent, you can't afford to leave the location out of the equation.

After holding executive and team leader positions at high-profile real estate agencies, in 2012, Jill Butler founded RedKey Realty Leaders St. Louis, an independent real estate agency created on a foundation of love, service and fun. Jill was named 2012 Entrepreneur of the Year by the state of Missouri and St. Louis Chapters of the Women's Council of Realtors. She has held an Officer position for the Women's Council of Realtors, and serves on the St. Louis Association of Realtors Board of Directors.



CUSTOMER EXPERIENCE IS THE REAL DIFFERENTIATOR

ARE YOU CUSTOMER-OBSESSED? YOU BETTER BE.

by Deirdre LePera, director of business development

Real estate is full of technology solutions targeted at fixing the same problems—database intelligence, transaction management, lead acquisition and marketing to name a few. Many of these platforms offer similar tools and functionality, but what sets them apart, aside from price, is their differentiation in their obsession to the customer's experience.

According to Forrester, customer-obsessed companies have the highest median three-year growth in sales. To be clear, customer obsession goes way beyond customer service. It's a complete shift in how a company operates so that the customer is the focus at all times.

For real estate professionals, it's almost impossible not to be customer centric. No two real estate transactions are the same, even if they involve the same customer. Each interaction with a customer is about providing the best experience possible despite the challenges that come with managing the sale or purchase of an individual's most valuable asset.

Where REAL Trends is seeing a shift towards a customer centric approach in real estate is with technology partners, most notably those providing online leads. Increasingly lead generation companies are focused on the experience of both their customers—those filling out the lead capture forms on their sites and those paying for the leads on the other end.

It's no secret that improperly managed leads mean missed opportunities for brokerages and sales associates. What it really boils down to though is that unanswered leads create a poor experience for the customer.

In an effort to enhance the customer experience, online lead providers are taking it upon themselves to add services that increase the likelihood of a positive experience initially for the consumer and ultimately for real estate professionals who serve them. Here are three ways we see customer obsession manifesting itself in today's top online lead providers.

1. **Simplicity**
   A simplification of the platform setup across devices is paramount to making user engagement better. Many systems are reducing menu choices to five options or fewer over a streamlined mobile interface. Hand-in-hand with simplicity is the intuitive nature of the platform. This will continue to increase as companies implement greater artificial intelligence capabilities.

2. **Qualification**
   The importance of consistent and timely lead follow-up is nothing new, but is still something that is a work in progress for most brokerages. More online partners are taking this initial first step on behalf of their clients. Using personable, live people to make that first contact on behalf of the agent or brokerage can shift leads from cold to warm.

3. **Actionable Analysis**
   Who doesn't love a good set of metrics to evaluate productivity? Successful business owners appreciate the value of data reviewed on a consistent basis. Teams and brokerages are finding more partners who are willing to put these data sets together for them and make the time to review performance issues from both sides.

Consider how these three shifts can help you heighten your customer obsession. If you already work with a technology partner to provided fable worthy customer service, we would love to hear your story. Please contact Deirdre LePera at dlepera@realtrends.com.

FOREIGN U.S. HOME SALES DOLLAR VOLUME SURGES 49 PERCENT TO RECORD $153 BILLION

Although China maintained its top position in sales dollar volume for the fourth straight year, the significant rise in foreign investment came from a massive hike in activity from Canadian buyers.

Fueled by a substantial increase in sales dollar volume from Canadian buyers, foreign investment in U.S. residential real estate skyrocketed to a new high, as transactions grew in each of the top five countries where buyers originated.

This is according to an annual survey of residential purchases from international buyers released today by the National Association of Realtors®, which also revealed that nearly half of all foreign sales were in three states: Florida, California and Texas.

NAR's 2017 Profile of International Activity in U.S. Residential Real Estate, https://www.nar.realtor/topics/profile-of-international-home-buying-activity, found that between April 2016 and March 2017, foreign buyers and recent immigrants purchased $153.0 billion of residential property, which is a 49 percent jump from 2016 ($102.6 billion) and surpasses 2015 ($103.9 billion) as the new survey high[1]. Overall, 284,455 U.S. properties were bought by foreign buyers (up 32 percent from 2016), and purchases accounted for 10 percent of the dollar volume of existing-home sales (7 percent in 2016).

"The political and economic uncertainty both here and abroad did not deter foreigners from exponentially ramping up their purchases of U.S. property over the past year," said Lawrence Yun, NAR chief economist. "While the strengthening of the U.S. dollar in relation to other currencies and steadfast home-price growth made buying a home more expensive in many areas, foreigners increasingly acted on their beliefs that the U.S. is a safe and secure place to live, work and invest."

Although China maintained its top position in sales dollar volume for the fourth straight year, the significant rise in foreign investment in the survey came from a massive hike in activity from Canadian buyers. After dipping in the 2016 survey to $8.9 billion in sales ($11.2 billion in 2015), transactions from Canadians this year totaled $19.0 billion—a new high for Canada. Yun attributes this notable rise in activity to Canadians opting to buy property in U.S. markets that are expensive but still more affordable than in their native land. While much of the U.S. continues to see fast price growth, home price gains in many cities in Canada have been steeper, especially in Vancouver and Toronto.

Buyers from China exceeded all countries by dollar volume of sales at $31.7 billion.

2017 Profile of International Activity in U.S. Residential Real Estate

"Inventory shortages continue to drive up U.S. home values, but prices in five countries, including Canada, experienced even quicker appreciation[2]," said Yun. "Some of the acceleration in foreign purchases over the past year appears to come from the combination of more affordable property choices in the U.S. and foreigners deciding to buy now knowing that any further weakening of their local currency against the dollar will make buying more expensive in the future."

After dipping in the 2016 survey to $8.9 billion in sales ($11.2 billion in 2015), transactions from Canadians this year totaled $19.0 billion—a new high for Canada.

Foreign buyers typically paid $302,290, which was a 9.0 percent increase from the median sales price in the 2016 survey ($277,380) and above the sales price of all existing homes sold during the same period ($235,792). Approximately 10 percent of foreign buyers paid over $1 million, and 44 percent of transactions were all-cash purchases (50 percent in 2016).

United Kingdom ($9.5 billion)

Mexico ($9.3 billion)

India ($7.8 billion)

Foreign sales rise in top five countries; three states account for nearly half of all purchases

Buyers from China exceeded all countries by dollar volume of sales at $31.7 billion, which was up from last year's survey ($27.3 billion) and topped 2015 ($28.6 billion) as the new survey high. Chinese buyers also purchased the most housing units for the third consecutive year (40,572; up from 29,195 in 2016).

Rounding out the top five, the sales dollar volume from buyers in Canada ($19.0 billion), the United Kingdom ($9.5 billion), Mexico ($9.3 billion) and India ($7.8 billion) all increased from their levels one year ago.

This year's survey once again revealed that foreign buying activity is mostly confined to three states, as Florida (22 percent), California (12 percent) and Texas (12 percent) maintained their position as the top destinations for foreigners, followed by New Jersey and Arizona (each at 4 percent). Florida was the most popular state for Canadian buyers, Chinese buyers mostly chose California, and Texas was the preferred state for Mexican buyers.

Sales to resident foreigners and non-residents each reach new peak

The upswing in foreign investment came from both recent immigrants and non-resident foreign buyers[3] as each increased substantially to new highs. Sales to foreigners residing in the U.S. reached $78.1 billion (up 32 percent from 2016) and non-resident foreign sales spiked to $74.9 billion (up 72 percent from 2016).

"Although non-resident foreign purchases climbed over the past year, it appears much of the activity occurred during the second half of 2016," said Yun. "Realtors® in some markets are reporting that the effect of tighter regulations on capital outflows in China and weaker currencies in Canada and the U.K. have somewhat cooled non-resident foreign buyer interest in early 2017."

Looking ahead, Yun believes the gradually expanding U.S. and global economies should keep foreign buyer demand at a robust level. However, it remains to be seen if both the shortage of homes for sale and economic and political headwinds end up curbing sales activity to foreigners.

"Stricter foreign government regulations and the current uncertainty on policy surrounding U.S. immigration and international trade policy could very well lead to a slowdown in foreign investment," said Yun.

2017 Profile of International Activity in U.S. Residential Real Estate

NAR's *2017 Profile of International Activity in U.S. Residential Real Estate,* conducted April 10 through May 1, surveyed a sample of Realtors® to measure the share of U.S. residential real estate sales to international clients, and to provide a profile of the origin, destination, and buying preferences of international clients, as well as the challenges and opportunities faced by Realtors® in serving foreign clients. The survey presents information about transactions with international clients during the 12-month period between April 2016 and March 2017. A total of 5,998 Realtors® responded to the 2017 survey.

The 2017 Profile of International Activity in U.S. Residential Real Estate can be ordered by calling 800-874-6500, or online at www.nar.realtor/prodser.nsf/Research. The report is free to NAR members and accredited media and costs $149.95 for non-members.

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[1]NAR's international survey began in 2009.
[2]Canada, the United Kingdom, China, Germany and Mexico all had higher appreciation in real terms than the U.S.
[3]The term international or foreign client refers to two types of clients: non-resident foreigners (Type A) and resident foreigners (Type B).
Non-resident foreigners: Non-U.S. citizens with permanent residences outside the United States. These clients typically purchase property as an investment, for vacations, or other visits of less than six months to the United States.
Resident foreigners: Non-U.S. citizens who are recent immigrants (in the country less than two years at the time of the transaction) or temporary visa holders residing for more than six months in the United States for professional, educational, or other reasons.

JUNE NATIONAL SHOWING INDEX SHOWS 10% INCREASE FROM JUNE 2016

Northeast Region exhibits largest increase, while West Region declines for second consecutive month.

Key Points:

- Northeast Region increases 15.2 percent, West Region declines 2.8 percent
- Midwest (10.3 percent) and South (7.8 percent) also show increasing demand
- ShowingTime combines showing data with findings from its MarketStats division to provide a new set of benchmarks and metrics on demand for active listings throughout the country

Showings on the national level increased 10.3 percent in June from the same time period last year, according to the June 2017 ShowingTime Showing Index.

The Northeast Region had the highest year-over-year increase in showings at 15.2 percent, while the West Region experienced a slight decline of 2.8 percent compared to last June. The Midwest Region was up 10.3 percent, while the South had a 7.8 percent increase in showings over June 2016.

"Property showing activity is a highly reliable leading indicator of current and future demand trends," said Michael Lane, President of ShowingTime. The Showing Index, released the third week of each month, will eventually be released on a weekly basis. Work is also underway to release indices tailored to local markets.

The ShowingTime Showing Index™ is compiled using data from property showings scheduled across the country on listings using ShowingTime products and services. It tracks the average number of appointments received on an active listing during the lifecycle of the listing.

To view the full report, visit **www.showingtime.com/index**.

"Property showing activity is a highly reliable leading indicator of current and future demand trends." – *Michael Lane, President of ShowingTime.*

THE VALUATION AND SALE OF TEAMS

One of the hottest topics among teams today is how they are valued and how they are sold.

By Steve Murray, publisher

REAL Trends entered the team valuation segment of the industry within the last three years and is currently handling the valuation of two to three teams a month and the sale of about four teams a month. REAL Trends has completed several sales of teams thus far.

There are several keys to understanding how to value and successfully sell a team. They are:

1. **Separate.** First, you must separate the personal or sphere of influence segment of the business from that which is generated from the team's business system, such as online, direct mail, TV or radio. Both the revenue contribution from each and the costs associated from each segment must be identified. This enables each segment to be valued separately.
2. **Multiple Years of Results.** The team should have at least two and preferably three years of results so that trends lines can be demonstrated.
3. **Comp and Benefits.** The compensation and benefits paid to the owners need to be segregated, both in terms of commission earnings and those costs that the company has paid on behalf of the owner through the company's expense categories.
4. **Leases and Contracts.** The terms of any leases or contracts should be clearly outlined and disclosed.
5. **Business Systems.** The business system results should also be documented, i.e., what was done, what were the results, any special agreements, contracts or software that is used should be outlined.
6. **Personal business.** The personal business and the business-system-generated businesses are valued separately from each other in the valuation of a team practice. The ultimate valuation may also be determined by how the owner of the team is employed. Is the owner of the team in listings and sales or not? If they are, how much of the revenue did they contribute? If not, what role do they play in creating transactions, if any at all?

The business is valued based on the income each segment generated and is multiplied by a factor that is based on the location of the business, the market for that business, how much business is generated from a business system and how much is personal, the size of the business and a few other factors.

The Sale of Teams

Now, let's talk about the sale of teams. The value of a team is only one-half of the equation. The terms of a sale, like with a brokerage company, require the seller and buyer to understand that there is a certain amount of risk that both must take to make a deal work.

In the many brokerage sales REAL Trends has handled over the years, we have a saying, "My price, your terms; your price, my terms." The goal is to balance what the seller wants to achieve with how much risk the buyer is willing to take. For example, the lower the amount of cash or guaranteed money a team is willing to take, the lower the risk for the buyer. Thus, the buyer should be willing to pay more for the business. The more the cash or guarantee the buyer must take on, generally the lower the price will be for the buyer.

Teams are no different than brokerages in this regard. In some cases, there may be more risk in buying a team than in buying a large brokerage. In our experience, this is reflected in slightly lower multiples for teams than for brokerage firms. In some cases, this is also a factor of size.

Structuring the Sale

One of the biggest factors in structuring the sale of a team is the desire of the team owners to depart the scene and the desire of the purchaser to have the team owner stay on for a period. This is also true for brokerage sales. Team owners who plan correctly will, for example, need to plan to stay for one to two years after a sale to gain the highest price and best terms. The risk of the transaction is lower when they stay around as opposed to leaving quickly after a sale. This is true whether it is primarily a business system team or a personal sphere-driven team. This may also be true for other members of the team, particularly if those members are critical key players on the team.

Generally, each deal is customized to each team. There are varying amounts of cash, guaranteed notes and earn-out payments paid in these transactions. Earn-out payments are generally a percentage of future commission income, gross margin or earnings for a period after the close of a sale.

There is a market for well-run teams. Those with a higher percentage of business-system-driven results are generally worth more than when a team is primarily a personally-driven-results team.

WHAT'S GOING ON WITH **BROKERAGE PROFITABILITY?**

With national gross margin, average commission rates and agent productivity declining, what is going on in real estate?

By Steve Murray, publisher

There's been a lot of discussion about the decline of profitability in brokerage firms over the past 5-10 years. We know that the average commission rate has dropped about 20 basis points in the last five years (5.32 to 5.12) and the average national gross margin (the percent of gross commissions retained by the brokerage firm after paying agent commissions and franchise fees) has declined (from approximately 23 percent to 18.5 percent at the end of 2016) and agent productivity at the national level has declined somewhat in that time.

But, based on our analysis of the hundreds of companies for which we provided valuations or operational analysis over the last five years, we can look at some solid data. Also note that we do valuations and financial assessments for virtually every kind of business model, franchise brand and region of the country.

	Gross margin Per agent	EBITDA Per agent	Gross margin Per office
2012	$16,087	$3,279	$858,825
2016	$8,382	$2,150	$1,246,710

The average gross margin per agent has fallen nearly in half. The average EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) has fallen by nearly one-third. But, the average gross margin per office has risen over 45 percent during the same time.

The answer is that brokerage firms are responding to the decline in commission rates, gross margin per agent and EBITDA per agent by simply growing larger offices with more agents. With the two main costs of a brokerage being employment (33 to 38 percent of gross margin) and occupancy (18 to 24 percent of gross margin), and where these are mainly fixed costs and without much variability due to size of an office, brokerage firms have found they can maintain their ***total EBITDA per office*** by growing larger offices even when other metrics are moving in the wrong direction.

As I have heard Gary Keller of Keller Williams say several times, "the ownership of a brokerage company has no guarantees except that without careful attention you can lose money," (paraphrasing of course). There is no right way for brokerage owners to make a profit; there is only the potential to make some. Owning a brokerage is not for the faint of heart. It's hard, for instance, to list and sell, while also trying to recruit and develop agents, develop technology and marketing tools, manage people and costs. It's challenging enough to own and manage a brokerage without trying to also list and sell.

TRUMP'S DODD-FRANK REGULATORY REFORMS OFFER FUTURE RELIEF

The Treasury recommendations in the real estate finance arena provide hope for an industry that has wrestled with confusing regulatory guidance and aggressive enforcement.

By Sue Johnson, strategic alliance consultant

On June 12, Treasury Department Secretary Steven Mnuchin unveiled the first specifics on how the Administration plans to roll back parts of the Dodd-Frank Wall Street Reform Act, an initiative that President Trump mandated in an April 21 Executive Order.

While many of the Treasury recommendations can only be carried out through legislation, Mnuchin says that 80 percent of them can be unilaterally achieved through regulatory changes.

Does this mean that the Trump Administration can order Consumer Financial Protection Bureau (CFPB) Director Richard Cordray to begin implementing the report's real estate finance recommendations immediately? Not unless the D.C. Court of Appeals (or Supreme Court) upholds the 2016 decision by a three-judge panel in *PHH v. the CFPB* to make the CFPB Director reportable to the President—or until the Senate approves Trump's nominee for CFPB Director when Cordray's term expires in July 2018. To be sure, neither scenario will be fulfilled in the short term.

Nevertheless, the Treasury recommendations in the real estate finance arena provide hope for an industry that has wrestled with confusing regulatory guidance coupled with aggressive enforcement. Here are some of its initiatives that will not require Congressional approval.

CFPB Regulatory and Enforcement Recommendations
The following recommended changes would revamp the CFPB regulatory and enforcement process.

- **No more regulation through enforcement:** Require the CFPB to publish rules or guidance instead of regulating through enforcement, in areas in which clear guidance is lacking or in which its position departs from the historical interpretation of the law.

- **Create UDAAP standards:** Adopt regulations that more clearly delineate the CFPB's interpretation of its Unfair, Deceptive, and Abusive Acts and Practices (UDAAP) authority.

- **No monetary sanctions without clear guidance:** Limit monetary sanctions to cases in which the regulated party had reasonable notice that its conduct was unlawful, such as a published CFPB regulation, judicial precedent or Federal Trade Commission (FTC) precedent.

- **Allow more no-action letters:** Relax the stringent standards under which the CFPB will issue no-action letters.

- **Encourage enforcement through federal courts:** Bring more CFPB enforcement actions in federal district courts, which have more procedural protections for respondents than administrative proceedings like that faced by PHH.

The recommendations hardly dismantle Dodd-Frank as Trump promised to do during the campaign. But they do promise future regulatory relief from some of the excesses of Dodd-Frank and the CFPB.

- **More clear CIDs:** Reform the CFPB's Civil Investigative Demand (CID) process to ensure that subjects of an investigation receive clear notice of the conduct being challenged, along with a description of the specific laws the CFPB believes may have been violated.

- **Regulatory streamlining:** Regularly review (with a public comment period) all regulations under the CFPB's authority, in order to identify and eliminate outdated or unnecessary regulatory requirements.

- **Limit consumer complaint data distribution:** Reform the CFPB's Consumer Complaint Database to make the underlying data available only to federal and state enforcement agencies, and not to the general public.

Residential Mortgage Regulatory Recommendations
The Treasury report also targeted regulations that it believes are driving up mortgage rates and creating a more restrictive credit environment.

- **Raise QM small loan threshold:** Encourage smaller balance loans by raising the $103,000 loan amount threshold for application of the 3% Qualified Mortgage (QM) "points and fees" cap.

- **Modify QM debt and income levels:** Modify QM standards for determining borrower debt and income levels to provide more clarity and to better accommodate self-employed and non-traditional borrowers.

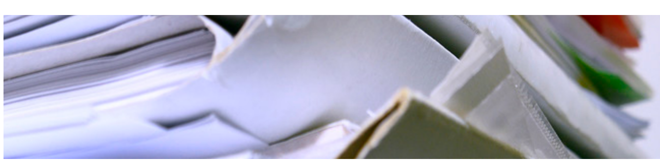
- **Raise QM small creditor asset threshold:** Encourage loans made and retained by small depository institutions by increasing the maximum asset threshold for making small creditor QM loans from $2 billion to $5 to 10 billion.

- **Clarify and modify TRID:** Issue a rule to provide more clear guidance, to provide a streamlined waiver for mandatory waiting periods, and to allow creditors to cure errors in a loan file within a reasonable period after closing. Publish more robust and detailed FAQs.

- **Revise loan originator compensation rule:** Modify the loan originator compensation regulations to facilitate post-closing corrections of non-material errors and to set standards that would clarify enforcement priorities through a notice-and-comment rulemaking.

- **Delay HMDA rule:** Delay the 2018 implementation of the new HMDA requirements until borrower privacy, utility, and cost burden is adequately addressed, particularly for smaller lenders.

Conclusion
The Treasury recommendations hardly dismantle Dodd-Frank as Trump promised to do during the campaign. But they do promise future regulatory relief from some of the excesses of Dodd-Frank and the CFPB.



MALTA

A STRONG ECONOMY & GREAT RESIDENTIAL HOUSE PRICE GROWTH

The Republic of Malta is an archipelago situated in the middle of the Mediterranean 50 miles south of Italy.

By Peter Gilmour, chief foreign correspondent

The Republic of Malta has two large islands, Malta and Gozo, and covers 122-square-miles with a population of nearly 450,000 making it one of the world's smallest and most densely populated countries.

In a survey entitled "The Best and Worst Places to Live for Expats" by Expat Insider in 2016, Malta ranked second-best in the world after Taiwan. Malta became a republic in 1974 and was admitted into the European Union in 2004, becoming a part of the Eurozone in 2008. The country has an excellent Mediterranean climate, a long, rich history, fantastic education and healthcare systems, a thriving economy and is very close to major European cities.

Needless to say, Malta's attributes and business-friendly tax structure has attracted international property buyers for many years. Over the last decade, demand for residential property has outpaced the limited supply with prices surging over 10 percent per annum for the last two years. This mature residential market offers a spectrum of traditional and newer residences comprising apartments, terrace homes, maisonettes, townhouses and villas.

Second Home Buyers

For some time, Malta has been a favorite place for British second home buyers but also attracts buyers from Scandinavia, Germany, France, Asia, Africa and the Middle East. It is estimated that nearly 40 percent of all sales are to international buyers. The real estate market has benefitted from the government's Individual Investor Program initiated in 2014 which offers a path to Malta citizenship to investors willing to make a minimum investment totaling approximately USD $1.3 million. That also means full European Union citizenship since Malta is a member. In the first year of the program, the country processed over 100 applications according to Henley and Partners, the British-based group that helped implement the program.

Straightforward Property Buying

Buying property is fairly straight forward as Malta follows aspects of the British legal system with documents prepared in English, and escrow accounts are common to safeguard deposits. Foreign buyers are restricted to one property per owner except in specially designated areas such as Tique Port, Portomaso and Manoel Island where multiple properties may be bought.

One of the EU's strong economies, Malta's economy grew in 2014-2015 by nearly 8 percent per year, and this dropped slightly to 6 percent in 2016. Residential property prices grew on average 13.8 percent in 2016, according to stats from the Central Bank of Malta. The Central Bank has introduced a subsidy of USD $5,200 on stamp duty for first-time buyers and recently reduced the stamp duty on purchases on Gozo from 5 percent to 2 percent. Interest rates on new mortgages in January 2017 were 2.77 percent.

Most Maltese opt to own rather than rent resulting in an owner-occupancy rate of about 80 percent. However, the strong influx of expat workers has resulted in returns for buy-to-let investors of nearly 5 percent based on Global Property Guide research in 2016. Well-supported by government initiatives, the economy and residential property market in Malta looks to have great potential.

Malta's attributes and business-friendly tax structure has attracted international property buyers for many years.

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SYSTEMS FOR SUCCESS

How this Maryland-based associate broker grew from selling $4 million annually to $130 million through systems.

With his start in the commercial division of Cold Stone Creamery, franchising and helping find retail locations, Nick Waldner, the lead agent and associate broker for the Waldner Winters Team of Keller Williams Realty Centre in Columbia, Maryland, found himself interested in investing in real estate for himself.

"My mom was in real estate for 20 years, so I told her I wanted to make offers on ten investment properties all at 50 percent of list price," says Waldner. "She laughed, said it was a lot of work, and instead showed me how to write them. None of my offers got accepted," he says. However, while out with a friend, Waldner pointed out one of the homes and his friend bought it. "That was my entrance into real estate."

How He Got His Start

Waldner ran as an individual real estate agent for ten years until he finally realized, in 2012, that the key to success was leverage and therefore he needed to build a team. He now has a team of 23 people, split between administration, support staff and sales associates. "The first person I hired was an executive assistant to take over the tasks that I didn't enjoy or do very well. She handled my marketing, database and transaction coordination." Soon after, he started to grow with agents and more support staff. He says knowing how to build a team is one of the biggest challenges agents face when attempting to grow their business.

Investing in his Team

Five of his 12 current agents are in training. "Those five agents are seen as an investment from the team. We spend a good deal of time and money on them in their first year. Their production in years two through five more than makeup for that investment," says Waldner, who also hired a chief growth officer whose job is finding, hiring and training top talent.

Knowing how to build a team is one of the biggest challenges agents face when attempting to grow their business.

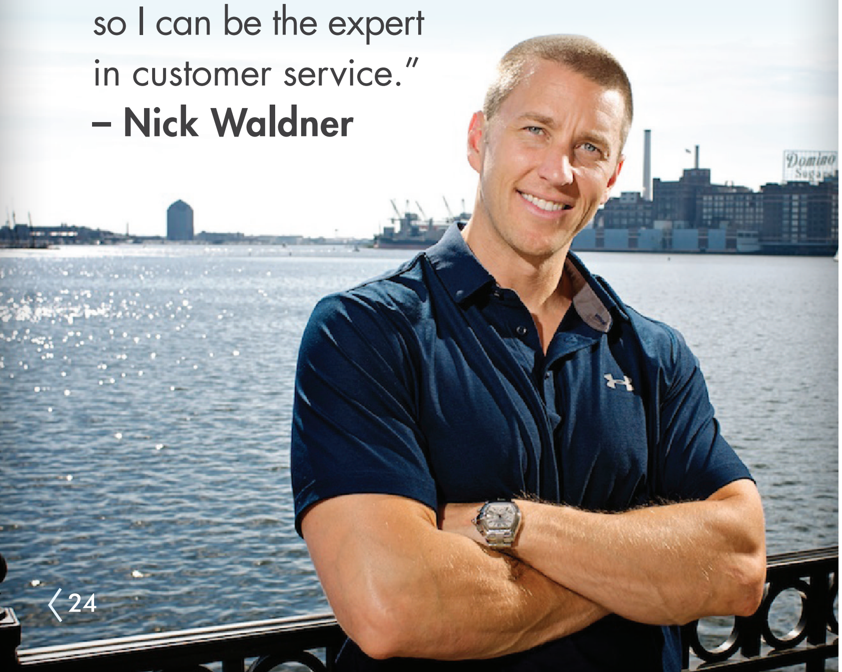
The key, he says, is using a system to help agents, so they can stay focused on five tasks- Lead Generating, Lead Follow Up, Appointments, Negotiations and Attending Settlement. He finds their database of past customers is also the best source for new customers. "If you can give incredible service; your clients will refer other buyers and sellers your way," he says. "For every twelve people in your database, you should be getting two sales a year—one repeat and one referral."

All-in-one Solution

Waldner first built his database using a Microsoft Excel spreadsheet. "But it lacked the cognitive ability to tell me when I needed to do something, and it wasn't easily searchable. I needed a better system, so I moved to Top Producer, which didn't work for me either. I had gone through ten different systems before I found Commissions Inc. (CINC)," a web and app-based lead generation and CRM service that powers real estate teams around the country. "CINC was the first system I found that was intuitive. The lead generation portion is incredible. It collects all my leads in one spot and features great follow-up plans to stay in contact," he says. "I let CINC be the expert in lead generation so I can be the expert in customer service."

Waldner finds the best part of CINC is that its app allows his agents to access the program from anywhere. "There are two things CINC does from a high level," he says. "It keeps us in contact with past customers in our sphere to grow our business through repeat and referral," he says. Second, according to Waldner, is CINC's website development capabilities and Google AdWords and social media leads advertising team. "It's like a driverless system; it takes care of itself. It goes out and collects buyers and sellers who are looking for help allowing our agents to gain new clients. They do a lot of lead generation, so my agents can focus on servicing our customers."

"CINC was the first system I found that was intuitive. The lead generation portion is incredible. It collects all my leads in one spot and features great follow-up plans to stay in contact," Waldner says. "I let CINC be the expert in lead generation so I can be the expert in customer service."
– Nick Waldner



Lead Gen and Follow Up

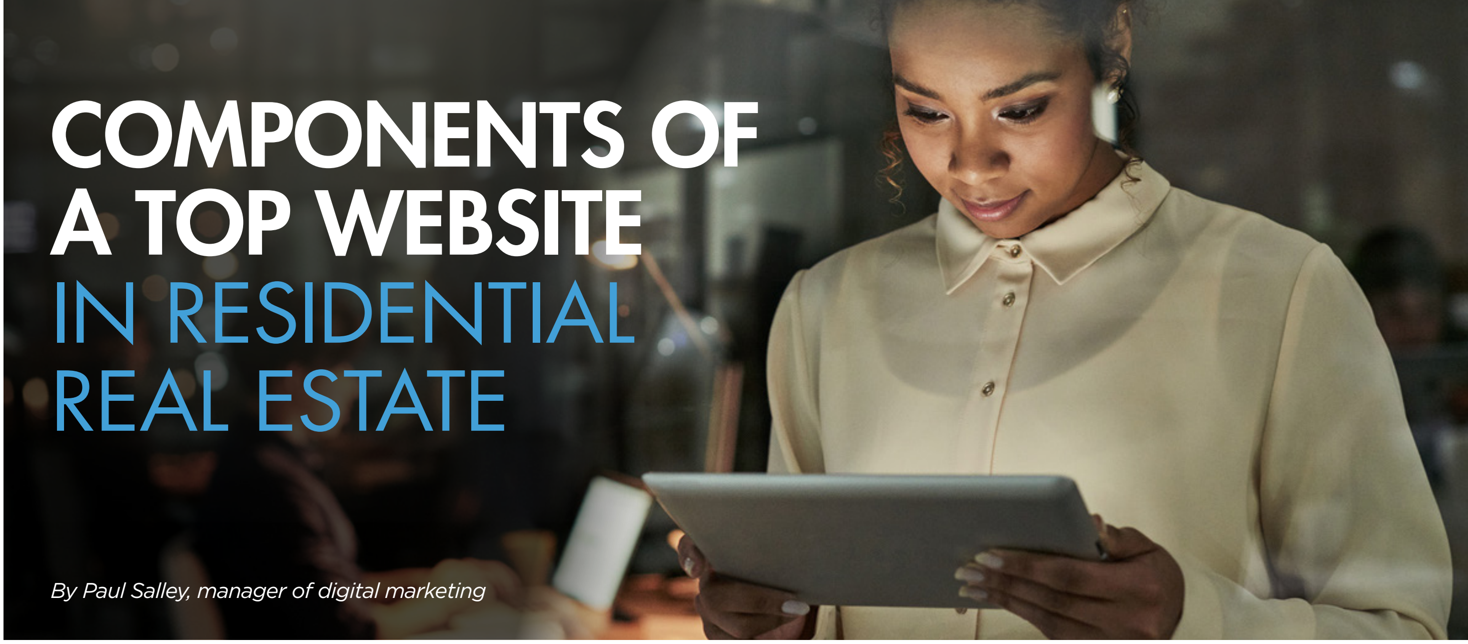
The website CINC created allows him to get current and past customers to register for a home search where they can enter their criteria and receive notifications when homes that meet their specific requirements come up for sale. "When it comes to internet-based leads, only 1 or 2 percent are actionable leads. That means 98 percent are either garbage or far off in the process. CINC allows us to gather every lead and intuitively tells us who we should be reaching out to and when." It does that by tracking leads and what homes they're searching for on the website. "I can see their favorites, how many times they've been to the website in the past week and more. My agents can focus their time specifically on those who most likely will turn into a customer." He notes that "with CINC, we've increased those 1 to 2 percent lead conversion rates up to 4 to 6 percent."

For his agents, having one system that has everything from customer information to contract information—numbers, email addresses and notes—in one place is "useful for agents who are on the road." CINC also makes it easy for Waldner's team to reach out to past and current customers. "We do a lot of community service. Once a quarter, we reach out to past and current clients. We don't ask for money; instead, we offer them the opportunity to get involved, such as go shopping with us for Christmas gifts for underprivileged kids," he says. For every referral received from a current or past customer, Waldner donates $100 to the charitable cause. "Agents can go into CINC, and the system will tell them which 35 people to call about the community service event. Auto-emails are sent, and we'll then use the system to send photos and videos after the event," says Waldner, who notes that it allows them to touch each past client three to five times over a two months span. "Last year, we got 28 leads from this campaign," he says. Waldner donated $2,800 for holiday gifts that were handed out to hospital children who couldn't go home for Christmas. "It's about making a difference in your community."

Changing Real Estate Market

"The real estate market has changed," says Waldner. "It used to be hyperlocal. People would walk into the office and ask for help. Now people have unlimited information and search possibilities online. We need to offer the information to customers, so they keep coming back to us and not to Zillow, Trulia and Realtor.com. With CINC, I can introduce our customers to a place that will keep them with me, using our systems and I can watch what they're doing and see how they're reacting."

For more information about Commissions Inc.—CINC, **CLICK HERE** or call (855) 447-6919.



COMPONENTS OF A TOP WEBSITE IN RESIDENTIAL REAL ESTATE

By Paul Salley, manager of digital marketing

What makes a great real estate website great? REAL Trends will release its 2017 Website Rankings report on Aug. 16 where we ranked real estate sites in six key categories.

Here are some key components that were considered in each of the six categories:

Best Mobile
When looking at a mobile website, we wanted to ensure the user experience was focused on a mobile experience. This experience includes having imagery, navigation icons and layouts that resize for a mobile device. Content for the mobile experience is also condensed to ensure everything is visually pleasing in the palm of one's hand.

Best Video
With video, the most important things are the content and the accessibility of the videos. Videos should subtly add to the enjoyment of the website and complement the overall content of the site or a section of the site and not be a distraction. Video quality and content were the top factors we considered.

Best Neighborhood/Community Pages
Neighborhood and community pages are becoming more important as having them is the best way to compete against portal sites. When analyzing these pages, the main focal points that add value to website visitors include:

- Market data
- General demographics information
- Amenities and restaurant reviews and information
- School reviews
- Cultural and lifestyle insights
- Historical information

Best Property Detail Pages
With property detail pages, we looked for overall use of imagery and quality of imagery. This includes the ability to access and browse through additional images and browse. The use of a lead generation strategy to get in touch with a sales associate was also looked at heavily, because, ultimately, the point to these pages is to put a sales associate into contact with a lead. Attributes and information pertaining to the property were also looked at, specifically what information was provided and how it was displayed.

Best Design
Best design comes down to the use of imagery throughout the website and how it impacts the overall user experience. This includes the layout of the site, ease of navigation, usability, branding and how the general flow of the website is organized and structured. The question we asked, "Do I enjoy using this website?"

Best Overall
Every aspect of the ranking categories received high marks. In addition to each individual section receiving high marks, the flow of the entire website and how each individual section integrates together in harmony was considered. To see this year's Best Overall website visit: www.groupkora.com.

To visit this year's website rankings on August 16, **CLICK HERE.**

2017 REAL Trends Website Rankings

REAL Trends 2017 Website Rankings report consists of six key categories that comprise a brokerage website:

- **Best Mobile**
- **Best Video**
- **Best Neighborhood/Community**
- **Best Property Detail**
- **Best Design**
- **Best Overall**

Secret Lives of REAL ESTATE

COMING SOON!

LOL AND WIN A 4-NIGHT VACATION!

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Have you ever walked in on a seller fresh (really fresh!) from the shower when you were told the house would be empty? Been flown to an island to sign an offer on a luxury property? If you've got a funny, compassionate or crazy story from the trenches of real estate, REAL Trends wants to know. Your story could win you an all-expenses paid trip to Denver, Colo.—home of REAL Trends!

Be on the lookout for our official entry form in the September REAL Trends newsletter.

In the meantime, check out LORE magazine and the REAL Trends/QuantumDigital The Secret Lives of Real Estate podcasts, where we pull back the curtain to share the personal passions, philanthropic efforts, community spirit and industry insights from real estate industry leaders, trendsetters and legends.

SecretLives.REALTrends.com

DO YOU HAVE ONE OF THE BEST REAL ESTATE WEBSITES?

You spend a lot of money building and maintaining your brokerage website. Is it performing for you? If not, it's not too late. REAL Trends analyzed hundreds of brokerage websites to pinpoint the most effective ones.

Find out from your peers what makes a real estate website great. REAL Trends 2017 Website Ranking is Live, August 16, 2017 – **CLICK HERE.**

Meet the Brokerage Up-and-Comers

For 30 years, REAL Trends has been the undisputed leader in ranking the performance of the top residential real estate brokerage firms. Due to the requirement that all information be independently verified, our brokerage rankings are The Trusted Source for information about the performance of these firms. This year, over 1,200 firms qualified for our Up-and-Comers ranking by closing a minimum of 500 transaction sides.

To make the REAL Trends 500, a firm needed to close a minimum of 1,843 transaction sides in 2016. In addition to these top 500 firms, REAL Trends identifies the industry's Up-and-Comers. While these firms didn't make the top 500, by closing a minimum of 500 sides they still rank among the industry's elite.

To access the report, **CLICK HERE.**

We released this year's America's Best Real Estate Agents on July 6 and were pleased to hit a new record of nearly 12,600 agents and teams ranked across the country! There were award winners from every state in the country and from almost every metro area.

America's Best can be found by clicking **HERE**. Search by state, metro area, agent name and brokerage name. For most, you can also click through to the agent's website and a profile page with Zillow or Trulia.

Thank you to the national real estate companies who worked with us to gather this information and the numerous brokerage firms, Realtor® associations and MLS who did the same. Without their assistance, compiling America's Best would not be possible.

Thanks also to our marketing partners at Zillow Group. They've been outstanding partners in this for the past four years and have worked with us to improve it every year.

AMERICA'S BEST
REAL ESTATE
AGENTS
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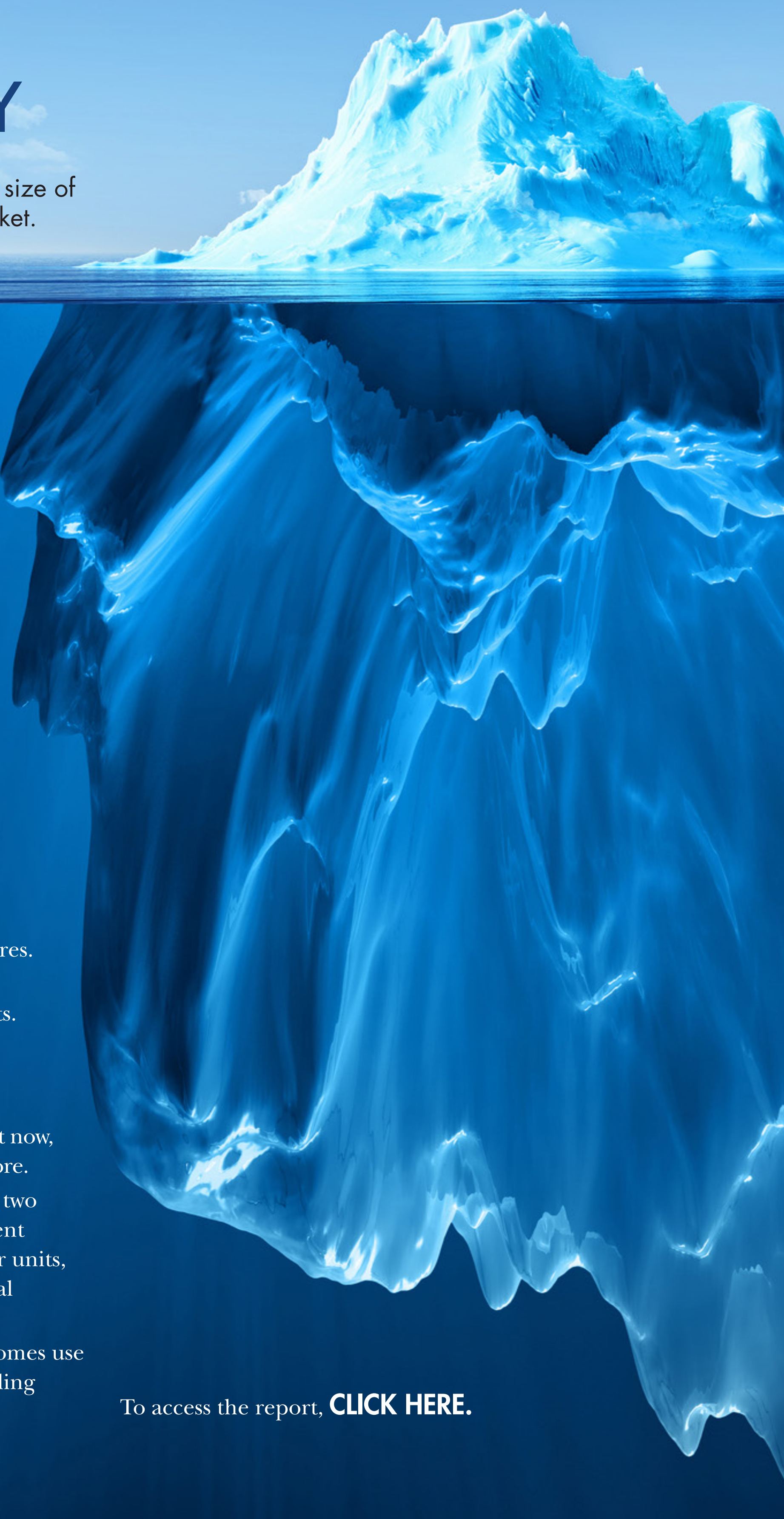
DOWNLOAD IT TODAY!

ICEBERG REPORT: SINGLE-FAMILY INVESTMENT MARKET STUDY

New study looks at the demographics and size of the single-family residential investment market.



Andrew Waite, former publisher of Personal Real Estate Investor and a partner in two previous studies with REAL Trends, has finished a new report about the U.S. single-family investment market.

Entitled the "Iceberg Report," this study looks at not only the size of the single-family residential investment market but the demographics, attitudes and behaviors of those who won single family homes as investments and the companies that serve this market.

Some highlights:

- There are approximately 22 to 24 one- to four-family homes owned by investors in the United States at the end of 2016. These represent over 20 percent of all such structures.
- The number of institutional owners is quite small, owning less than 400,000 of these units. To the contrary, most are owned by families who own one to two units. Nearly 8 million individuals own at least one unit.
- Most investors are not in the mood to sell right now, and a significant number want to purchase more.
- While most of the 8 million who own one to two units don't use a formal property management firm, as investors accumulate more than four units, they tend to seek assistance from a residential property management firm.
- Many investors in single family residential homes use a real estate professional when buying or selling these homes.

To access the report, **CLICK HERE.**