



©iStock / mphillips007

**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

PRESIDENTIAL ELECTION

THE MORNING AFTER

Prediction: Housing will see only a small, positive impact with the new administration.

by Steve Murray, publisher

It's official. Donald Trump will be the new President of the United States. He will have a Republican House and Senate with whom to work.

Likely, there will not be much of an impact on interest rates, housing tax policy or the lack of inventory. The impact may be at the margins but nothing major.

What are some potential outcomes for residential real estate?

My belief is that, while there have been job gains since the recession ended in 2009, they

Continued on pg2

1-5 FIRST PERSON

- The Morning After
- CFPB Receives Smackdown from Federal Appeals Court
- All About Them

6-11 BROKERAGE

- Beware of the Brainstorming Trap
- Brokerage Performance by Region
- RE/MAX Launches New Mortgage Offering
- Corporate Envy

12 CEO CORNER

- Brad Hollingsworth, CEO, Corporate Management Advisors

13-14 REGULATORY

- What Does a Trump Presidency Mean for the CFPB?

15 HOUSING MARKET

- Realtor.com Top 5 Predictions for 2017

16 GLOBAL

- How Will Brexit Affect London's Sophisticated Real Estate Market?

17 TECHNOLOGY

- Online Performance Study: Real Estate Traffic Trends

18 PUBLISHER'S NOTE



REAL TRENDS

THE TRUSTED SOURCE

SPONSORED BY



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
- Terry Penza - tpenza@realtrends.com
- Travis Saxton - tsaxton@realtrends.com

Copyright 2016 by REAL Trends. All rights reserved. Material in this publication may not be electronically stored or reproduced in any form without writtern permission. Violators will be punished by a fine of up to \$100,000 per offense.

have been lackluster. And, the percentage of working-age Americans with jobs is still its lowest in nearly 40 years. The recorded numbers of people who are eligible for food stamps and poverty has worsened. Some of this is demographic, but much of it is due to lack of business investment.

While consumer spending has risen modestly over the past four to eight years, business investment has declined. American-based corporations are sitting on record levels of cash. Most of it is still held overseas because of the rather stupid corporate tax code in America. The Federal- and state-level regulatory apparatus have spun out of control. Even a small business like REAL Trends has been impacted by the too numerous employment and other regulatory issues. One example is the Affordable Care Act, where our health care costs have soared. I have had three health care companies cancel my health insurance three years in a row because they either left the market or went bankrupt. It needs to be fixed quickly.

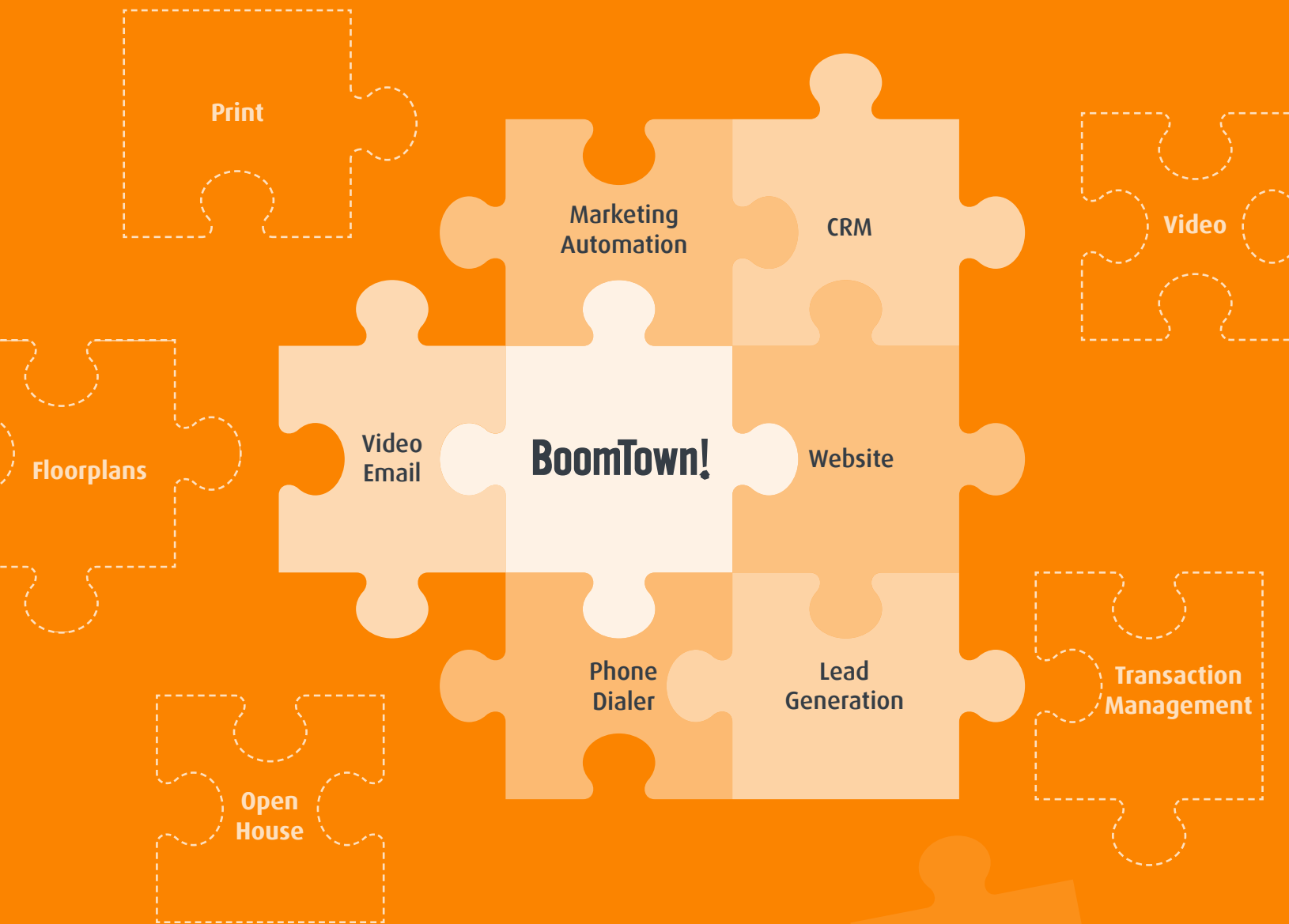
It is the Federal regulatory morass and the corrupt Federal tax code that is harming investment and job formation. The best example of this is the out-of-control Consumer Finance Protection Bureau which has no oversight and is making up the rules as they go along.

It is the Federal regulatory morass and the corrupt Federal tax code that is harming investment and job formation the most. The best example of this is the out-of-control Consumer Finance Protection Bureau which has no oversight and is making up the rules as they go along.

My thought is that if our new President and the Congress fix the tax code and lessen the regulatory burden, we could see a resurgence in investment, jobs and a renewed sense of optimism in the country. And, that would certainly be a plus for the housing business. ▲

Can You See The Big Picture?

You might have all the right pieces, but do they fit together? Connect the pieces with BoomTown and complete the picture behind your thriving real estate business.



See how BoomTown Integration Partners can solve your business puzzles at BoomTownROI.com/features/integration-partners

CONSUMER FINANCE PROTECTION BUREAU (CFPB)

SMACKDOWN

FROM FEDERAL APPEALS COURT IN PHH CASE

Before we break out the champagne, we'll have to see what's next for this case.

by Steve Murray, publisher

The 4th U.S. Court of Appeals in Washington, D.C., recently issued a ruling in a case between the CFPB and mortgage firm, PHH Corporation. Among its rulings were two highly important findings, not just for the real estate and mortgage industries, but for all public and privately-owned businesses.

First, the Court said that certain parts of the formation of the CFPB were unconstitutional—that never before had a Federal agency been structured to be accountable to no one, not even the President of the United States as was the CFPB. The Court did not say that the CFPB needed to be dismantled but rather that the Congress should fix the CFPB to make it accountable like all other Federal agencies.

Second, the Court ruled that the CFPB had applied its own rules, circumventing prior regulations from HUD under certain sections of RESPA. Then, having done that, applied its own rules *ex-post facto*, that is, they applied new rules to the past when their rules weren't in place. They fined PHH (and many others) for positions they had taken in years' past based on the rules in place at that time. And the Court said, no, even the CFPB has to live within Constitutional boundaries.

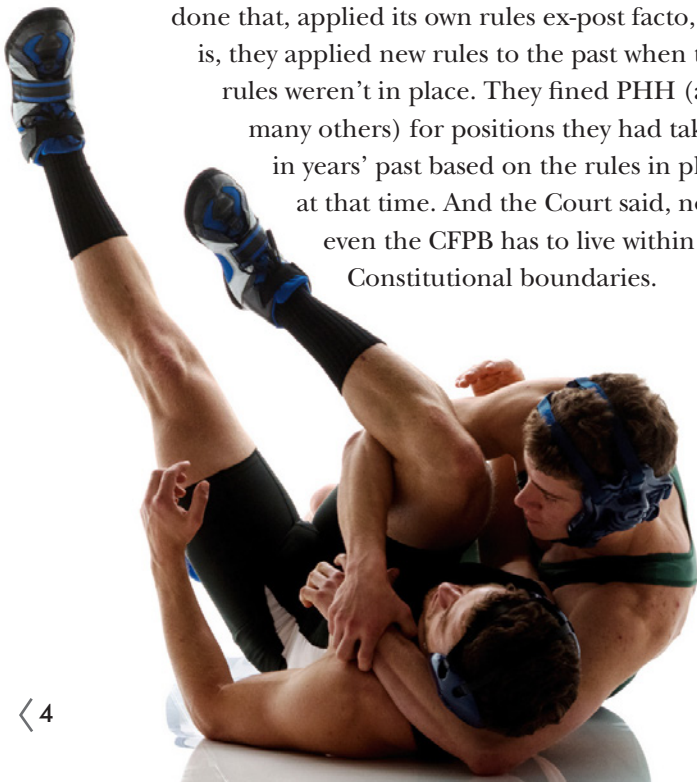
This was a victory not just for the real estate and mortgage finance industries but all businesses. The Court said, in essence, that Federal agencies do have to follow the law and cannot apply new standards to historically legal and approved practices.

Before we break out the champagne, as was expected by many, the CFPB has appealed the decision of a three-judge panel of the Federal Appeals Court to the entire Court of eleven judges. No one who has viewed Director Cordray's actions since his appointment—actions that some have characterized as those of a dictator—would have believed that he would accept the decision of the three-judge panel without a fight.

Reading and understanding his appeal requires someone far more qualified than I to determine whether it has merit or not. Given that this particular court was populated at the direction of the President and Senator Harry Reid over Republican objections should give pause as to whether the court won't, in fact, overturn its own judges in this case.

As we have commented privately to our clients, no one should believe that suddenly mortgage MSAs will become fully legal because of the three-judge panel's ruling. This case has a long way to go before it gets settled even if the ruling as it stands now is upheld. 🐾

No one should believe that suddenly mortgage MSAs will become fully legal because of the three-judge panel's ruling.



BOOK REVIEW

“ALL ABOUT THEM”

BY BRUCE TURKEL

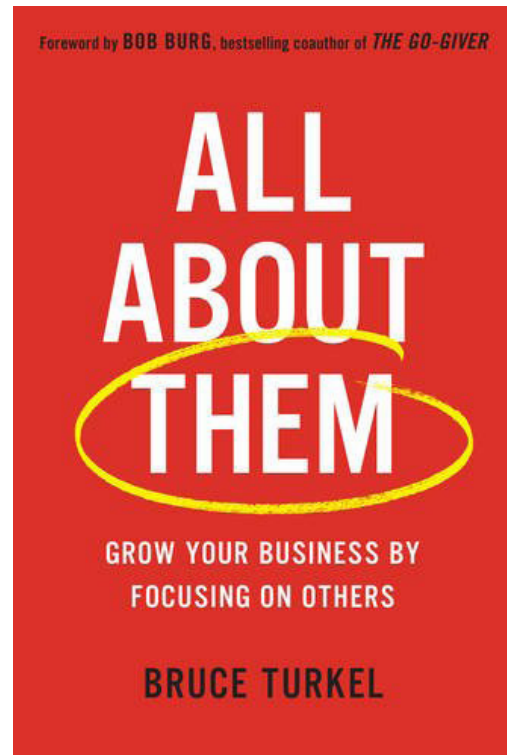
Once in a while, one encounters someone new and refreshing with views and knowledge that is organized and presented in such a way that it just makes sense. This is one of those times.

by Steve Murray, publisher

I recently heard a speaker named Bruce Turkel (pronounced turKEL) who, unknown to me, has been around marketing, branding and communication for years and has spoken numerous times on the topic, written several books and been on some business news channels as well. Having heard him for nearly 90 minutes at a real estate conference, I downloaded his book, “All About Them” and read it while traveling.

We don’t recommend books all that often. This one is a keeper. As a reader of 20+ books a month, I can share with you that it will open your eyes and provide clear guidance to every marketing and communications challenge you may have in your business, regardless of what kind of realty business you lead. It answers the challenge of dealing with aging boomers and rising millennials; it dovetails into everything about which Kendall, Ferry and Buffini talk. It syncs with one of our favorites, Patrick Lencioni, and his “Five Dysfunctions of a Team,” which is another favorite of mine.

I will give you a hint—it’s not all about you and your products and services; it is what your products and services do for your clients and customers that matter. Get it. Read it. It will be well worth your time. 🐾



COMING SOON!

2017 National Industry Events Calendar on realtrends.com. Have an event to add? Email it to dstufft@realtrends.com. 🐾

BEWARE THE BRAINSTORMING TRAP!

Studies show that people generate more and better ideas when they work quietly alone with their thoughts than when brainstorming in a group.

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

“What is a camel? It is a horse designed by a committee!” Have you ever heard this example of brainstorming and collaboration gone amuck? Have you had this happen in your organization? You look back and realize your leadership team made a less-than-optimal decision. How did such smart people make such a dumb decision? Author Susan Cain offers us important insights on how to bring out the best in our people. One of her keys is to brainstorm properly.

Susan Cain is the author of the *New York Times* bestseller, *Quiet, The Power of introverts in a World That Can't Stop Talking*. She was a keynote speaker at this year's National Association of Realtors® Conference in Orlando. Her message—Understanding how to properly use brainstorming, collaboration and teams in creativity, innovation and decision-making is a key to your organization's success.

The concept of brainstorming is credited to Alex Osborn, an advertising executive who wrote several books on the subject in the 1940s and 1950s.

Brainstorming is a process in which group members generate ideas in a nonjudgmental atmosphere. Osborn's brainstorming had four rules:

1. Don't judge or criticize ideas.
2. Be freewheeling. The wilder the idea, the better.
3. Go for quantity. The more ideas you have, the better.
4. Build on the ideas of fellow group members.

The popularity of Osborn's brainstorming format led to all of us, at some point, finding ourselves cooped up with colleagues in a room full of whiteboards, markers and a peppy facilitator encouraging us to free associate. Here's the problem, 40 years of scientific research shows that group brainstorming doesn't actually work!



You look back and realize your leadership team made a less-than-optimal decision. How did such smart people make such a dumb decision?

Studies show that people generate more and better ideas when they work quietly alone with their thoughts than when brainstorming in a group. Performance gets worse as group size increases. And, participants usually believe their group performed much better than it actually did, which points to a valuable reason for their continued popularity. Group brainstorming makes people feel attached. Team building is a worthy goal so long as we understand that social glue, as opposed to creativity or good decisions, is the principal benefit of brainstorming.

Psychologists usually offer three explanations for the failure of group brainstorming.

1. **Social loafing.** In a group, some individuals tend to sit back and let others do the work. Sometimes the entire group sits back! Nobody is taking responsibility.
2. **Production blocking.** Only one person can talk or produce an idea at once while the other members are forced to sit passively. A few people tend to take over the meeting.
3. **Evaluation apprehension.** There is a fear of looking stupid in front of one's peers. Peer pressure can lead to groupthink.

Organizational psychologist Adrian Furnham writes, "The evidence from science suggests that business people must be insane to use brainstorming groups. If you have talented and motivated people, they should be encouraged to work alone when creativity or efficiency is the highest priority."

What works? How do we bring the best ideas and decisions out of our people? Cain offers this modern brainstorming template:

1. Give everyone on your leadership team the assignment (topic, decision to be made) in advance. Encourage them to put some serious thought into it, because they will be required to present their ideas at the meeting.
2. If you can't give them the assignment in advance of the meeting, give them some quiet time during the meeting to organize their thoughts. Take a break if necessary.
3. Encourage the Introverts to present their ideas first. Ideas spoken early in a group tend to become the key anchoring ideas. When extroverts go first and present with their usual enthusiasm, the Introverts (with good ideas as well) tend to shut down and may not speak up.
4. After getting all the well-thought-out ideas on the table, facilitate the discussion by encouraging all members to give their input.

Cain's book is packed with research that shows two things for today's leader. First, traditional brainstorming is a trap that leads to less than optimal ideas and decisions, and second, the modern brainstorming template described above yields better decisions, ideas and innovation. It brings out the best in the group and is more likely to create a racehorse instead of a camel. ▲

**What works? How do we
bring the best ideas
and decisions out
of our people?**



TRENDS AND ANALYSIS

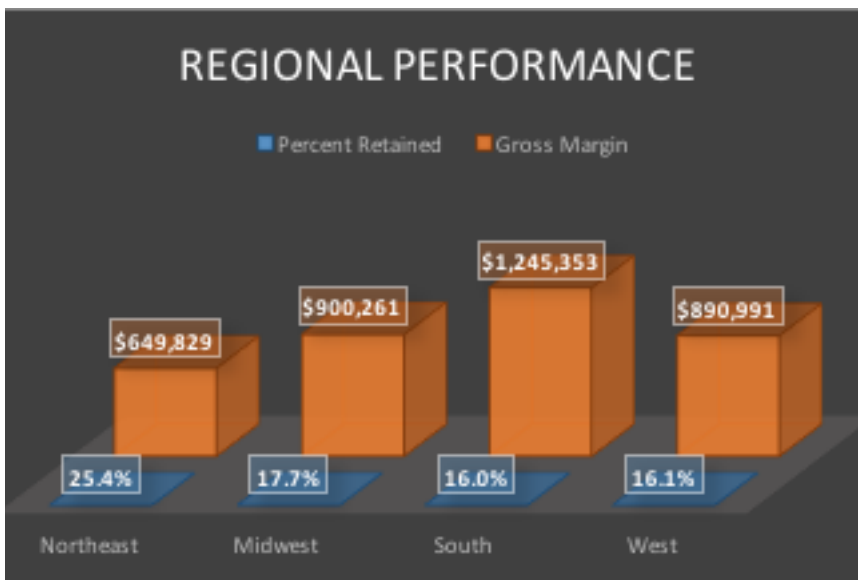
BROKERAGE PERFORMANCE BY REGION

How do you stack up against your peers?

By Scott Wright, manager of business analytics

As the nation's leading firm in providing valuation services for the residential real estate industry, REAL Trends is privy to a plethora of useful data, including financial statements that we use to create our invaluable and highly sought-after benchmark report. Countless brokers have told us just how useful it is to scrub their financials against that of their peers. Not only does it help them understand how they compare above the line with their margins, but also below the line with how they're spending.

This benchmark report is continually updated so we can provide up-to-date metrics to our clients as well as keep an eye on various industry trends. One trend we keep a close eye on is gross margin, and we get granular on this metric by breaking it down regionally.



In the Northeast, brokers are keeping 25 cents per dollar, a staggering 53 percent more than the average of the other three regions. How the heck are brokers retaining so much more in this part of the country?

As you can see in this chart, there are some vast differences in how brokers operate in different parts of the country. The regions are broken out by the Northeast, Midwest, South and West. The chart displays the average gross margin (company dollar), and percent retained for each from 2014 to current. It's important to note that these figures represent *per office* averages, a necessary standardization given the wide spectrum of sizes of brokerage companies for which we do work.

Gross margin, or company dollar, is simply a company's top-line performance. It's calculated by subtracting total commissions paid out to agents from total commissions earned. Percentage retained is then calculated by dividing gross margin by total commission earned. Simply put, the percentage of every dollar that a broker keeps after paying its agents. As all brokers know, this number has been trending down for several decades for various reasons, and as this chart shows, some parts of the country see it more than others.

Incredibly, in the South and West brokers are only keeping an average of 16 cents of every dollar of commission earned. In the Midwest, brokers are keeping only a tick higher, averaging nearly 18 cents.

Yet, in the Northeast brokers are keeping 25 cents per dollar, a staggering 53 percent more than the average of the other three regions. How the heck are brokers retaining so much more in this part of the country?

There are several reasons, but perhaps the farthest we need to look is the raw gross margin number.

In the Northeast, the average office generates a gross margin of \$650,000, which is vastly lower than what the average office generates in other parts of the country. In the Midwest and West each office brings in about \$900,000, with the South at more than \$1.2 million! Northeast brokers may be keeping a bigger piece of the pie, but clearly, the average office isn't as productive.

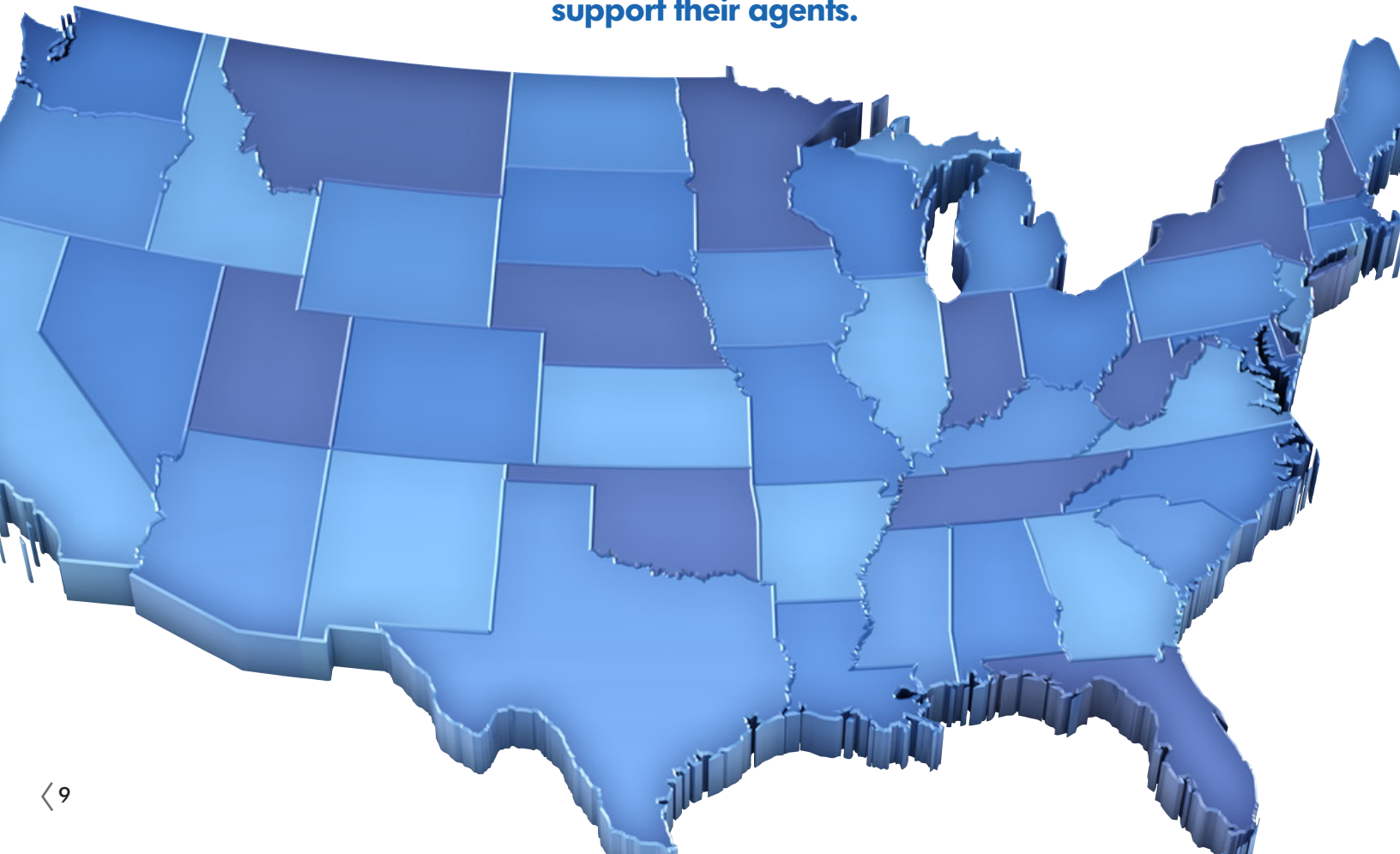
Interestingly, according to our benchmark data, the Northeast's lagging per-office productivity goes beyond the gross margin. Net operating income in each of the other regions is materially higher, to the tune of 68 percent, 156 percent, and 42 percent in the Midwestern, Southern, and Western regions respectively. This lack of

parity with the other regions may seem shocking, but it's not all that surprising. Brokers in the Northeast tend to operate in a more traditional fashion, offering lower splits yet higher levels of support.

Take average agents per office as a form of validation. In the Northeast, this number is at 47, whereas, it is at 86, 147 and 69 in the Midwest, South and West respectively. What this tells us is desk space is more important in the Northeast. So, while the percentage of gross margin retained may be higher, brokers in the Northeast are likely paying more below the line in operating costs to support their agents.

There is certainly nothing wrong with the models the Northeast brokers are running, especially given the number of wildly profitable ones we see in this part of the country. More than anything, these inter-industry regional variances allow us to understand better the trends and norms, while also providing a reliable benchmark for brokers to consider. ▲

While the percentage of gross margin retained may be higher, brokers in the Northeast are likely paying more below the line in operating costs to support their agents.



MOTTO MORTGAGE

RE/MAX LAUNCHES NEW MORTGAGE OFFERING TO INDUSTRY

By Steve Murray, publisher

Dave Liniger has made a career out of getting behind big, new ideas, defying conventional wisdom and seeing them through to fruition. In addition to the huge growth of the 100 percent commission concept, his international expansion of that concept has been a significant success. As has been the case for many years, they are the largest purveyor of residential services in the world under one brand.


Now, he wants to disrupt the status quo in the mortgage industry with the launch of Motto Mortgage, a national mortgage brokerage offering. This new franchise uses a national compliant platform to enable small- to medium-sized brokerage firms to compete with larger firms in offering consumer-friendly mortgage services in markets throughout the country.

This new franchise uses a national compliant platform to enable small- to medium-sized brokerage firms to compete with larger firms in offering consumer-friendly mortgage services in markets throughout the country.

“Through the years, I have felt for the little guy, the small- and medium-sized brokerage, and I have a particular passion for the real estate agent. I think that competition is good, and I want our affiliates and our agents to compete in all the services related to the purchase and sale of residential real estate. I want our brokers to be able to offer a range of great mortgage products to their

agents and the customers of their agents,” said Dave Liniger, chairman, co-founder and CEO of RE/MAX. “Motto Mortgage franchises will strengthen the services offered by RE/MAX offices.”

The platform is designed so that mortgage loan officers, licensees and those qualified to offer mortgage services, can access a state-of-the-art platform and a multitude of mortgage products to offer buyers of residential real estate. The system is designed to be fully compliant with all relevant regulations and laws and have a full training and compliance system so as to ensure that those who operate with Motto Mortgage know how to stay within the boundaries of what is legal and acceptable. At the time of launch, Motto Mortgage has four notable wholesale lenders committed to supporting the new network. Company executives expect to add to this list as the network grows.

Ward Morrison, a long-time RE/MAX executive, has been named the president of Motto Mortgage and will be heading up the new venture which will be operated out of RE/MAX headquarters in Denver, Colorado. Jaime Steinman has been named vice president of operations for the new company. 

CORPORATE ENVY

Is the root of so much misery the desire to have what others have and be what others are? The same principle applies to businesses.

By Patrick Lencioni, The Table Group

I recently came across a new book with a title that caught my attention—*Love Your Life, Not Theirs*, written by Rachel Cruze. It addresses the idea that one of the primary reasons people take on so much debt in their lives is their tendency to compare themselves to others and strive to be something they're not.

That made a lot of sense to me, not only in the world of personal finance but life in general. It seems to me that the root of so much misery in the world stems from the desire to have what others have, and to be what others are, instead of appreciating the unique blessings that we have been given. And, then it occurred to me that the same principle applies to corporate strategy and leadership as well. Here's an example.

I once worked for two rival software companies over the course of five years. The first had a reputation for cramming products down its customers' throats, pushing employees to do things that were marginally unethical, and promoting itself beyond its true merits. The second company respected its clients, created an environment of employee integrity, and marketed itself in more truthful, even modest ways. I eventually left the first company to join the second because I respected the second company and found that it was a better fit for my values.

Plenty of customers felt the same way I did, preferring to do business with an honest and humble vendor, and as a result, that company grew rapidly to more than a billion dollars in annual revenue. And then something crazy happened. For some reason, the leaders of that second company started emulating their larger rival. The hiring standards of the company changed to attract more aggressive employees. The internal practices of the

company became more rigid and financially driven. The marketing of the company and its products became more exaggerated and outlandish.

You can probably guess the end of the story. As customers came to see little difference between the two companies, the second one lost its differentiation and hit a wall. It became just another vendor and couldn't compete with its larger rival on price, scale or marketing expenditures. That company never really recovered. Some might say that the problem was product quality or strategic ineptitude, but I'm convinced those were merely a function of the company losing its soul.

It's worth asking the question, 'what were the leaders of that smaller company thinking?' Why weren't they happy being who they were? Did they really think they would be happier and more successful by emulating their larger competitor? Some might say they needed to abandon their culture to survive. I don't think so. As an insider, I can say that it seemed a lot more like those leaders simply got caught up in the drive for more. More notoriety. More attention. More approval from investors. Ironically, they ended up with less.

The moral here is extremely simple, and yet so easy to forget. Whether you're a consumer tempted to keep up with the Joneses, a teenager hoping to fit in and be cool, or a CEO wanting to outdo a competitor, it's always critical to understand the positive qualities that make you unique and embrace them. Most healthy companies, and people are grateful to be who they are. Their customers and friends are, too.

*This article was reprinted with permission of The Table Group.
www.tablegroup.com ♡*

BRAD HOLLINGSWORTH, CEO, CORPORATE MANAGEMENT ADVISORS

FINDING THE RIGHT EXECUTIVE FIT

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

By Steve Murray, publisher

Brad Hollingsworth heads up the pre-eminent executive search firm in our industry. The firm, founded over 33 years ago, has completed over 7,600 searches for clients in the real estate, mortgage banking, investment banking and settlement services industries. They successfully manage over 400 client searches a year with a staff of 20 search consultants.

We talked with Brad about what he's learned about the roles, practices and attributes of CEOs. "When we are doing a search it's important that we first understand the culture, history and environment of the client. We can't find the right person until we understand who the client is, internally," says Brad.

There are many attributes that his team looks for in a CEO candidate, including experience, history of success and more. "Versatility is a key asset that we look for in a candidate for almost any job we're looking to fill. We're looking at experience in multiple areas of the business, whether it's in finance, operations, sales or marketing," says Brad. And, he says, "we look to see whether a candidate has a history of success in these areas. Were they able to improve the results of the areas over which they had responsibility? Were they able to build teams? These are key areas we look for in a candidate. And, these are the areas our clients are interested in as well."

Hollingsworth said that he sees both an abundance of talent in our industry and that the talent is younger than it used to be. "It used to be that CEOs had to have 30 years of experience and be at least in their mid to late 50s. Now, there are numerous examples of young people in their 20s and 30s who are running hugely successful businesses of all kinds," says Brad. He adds, "These younger leaders have different life experiences and generally have had more education than the older generations. And, yes they may not work 12-14 hour days like their parents, but the really good ones have found a way to succeed with fewer hours invested."

He added that, of course, organizations looking for talent are looking for people who have positive



attitudes, have shown initiative in their careers and business skills. Those are basic requirements. "What most are looking for is someone who wants to achieve success, not ride on those who have already achieved," he says. They look for "someone who wants to grow a business, or increase profit in a meaningful way and who have shown that they have done so in the past."

According to Hollingsworth, one requirement of any great leader is the ability to deal with conflict and disagreement. "It used to be that the Emperor talked and everyone marched. Today, the best organizations not only permit conflicting opinions but also actively promote them. You aren't going to build a great team unless you're willing to listen and invite disagreement."

What advice would Brad give the owner of a brokerage firm? "There is an abundance of talent both from within and outside of the brokerage business," he says. "Just because one hasn't sold a home should not disqualify them from being considered for a leadership position in your realty firm. There are already some examples of successes in the business with people who haven't always called brokerage their home." 🐾

WHAT DOES A TRUMP PRESIDENCY MEAN FOR THE CFPB?

The surprise presidential victory by Donald Trump is expected to shake up the status quo in Washington, especially with continued Republican control of the House and Senate.

By Sue Johnson, strategic alliance consultant

With a Trump presidency, there will be some policy changes that are likely to impact real estate. One likely target for a change is the Consumer Financial Protection Bureau (CFPB), the Dodd-Frank-created agency with unprecedented powers and a five-year record of aggressive rulemaking and enforcement. How much leeway does a Trump Administration have to transform the consumer financial services regulatory environment?

The Future of CFPB Director Richard Cordray

One threshold question is whether Trump will say “You’re fired!” to CFPB Director Richard Cordray. A three-judge panel of the D.C. Circuit Court of Appeals opened up this possibility in October when it ruled in *PHH Corp. v. CFPB* that the CFPB’s single-director structure is unconstitutional and that the Director should be removable by the President without cause. Cordray has been aggressive in his approach to regulation, and Trump has been outspoken in his belief that overregulation stifles the economy.

However, when and whether Trump fires Cordray depends on the outcome of the PHH appeal. At the time of this writing, the CFPB is expected to appeal at least the constitutional findings in the PHH decision to the full D.C. Circuit or directly to the U.S. Supreme Court. If it chooses to first appeal to the

Trump has made clear his intent to place a temporary moratorium on new regulations and to overturn regulations that kill jobs and bloat the government.

full D.C. Circuit and loses that appeal (or if a rehearing is denied), it still could appeal to the Supreme Court.

Under any of these scenarios, the CFPB likely would request a stay of the decision pending the outcome. During the period of any stay, or if the full D.C. Circuit or Supreme Court overturns the decision, Trump only would be able to fire Cordray if he could prove ‘inefficiency, neglect of duty, or malfeasance in office’ (the Dodd-Frank standard for cause.) If he cannot, Cordray could remain until his term expires at the end of July 2018.

CFPB Regulations

Trump has made clear his intent to place a temporary moratorium on new regulations and to overturn regulations that kill jobs and bloat the government.

The fate of CFPB regulations such as the TILA-RESPA Integrated Disclosure, Qualified Mortgage and Home Mortgage Disclosure Act (HMDA) rules once again depends on the outcome of the PHH appeal. Trump could not change these regulations during any stay during the appeals process or if the PHH decision is overturned. On the other hand, if the decision is upheld by a higher court and the CFPB Director serves under Presidential authority, the new Administration could place a moratorium on proposed CFPB rules and even subject final regulations to new rulemakings.

CFPB Reform Legislation

Throughout his campaign, Trump was critical of Dodd-Frank. His transition website (www.greatagain.gov) vows to dismantle the law “and replace it with new policies to encourage economic growth and job creation.” Whether he throws his weight behind legislation to overhaul Dodd-Frank and the CFPB during his first year in office while also facing contentious battles on tax, immigration and healthcare reform remains to be seen.

If Trump decides to try to overhaul the Dodd-Frank and the CFPB in 2017, one proposed bill that could be a starting point is House Financial Service Committee Chairman Jeb Hensarling’s (R-TX) Financial Choice Act. This legislation would replace the CFPB’s single Director with a bipartisan five-member commission; subject it to the Congressional appropriations

process; remove its ability to target abusive practices and require a cost-benefit analysis of CFPB rules. It also contains provisions to eliminate the discrimination against affiliated title companies under the Qualified Mortgage 3 percent points and fees threshold and to include portfolio loans under the Qualified Mortgage safe harbor.

But CFPB reform is by no means a done deal in a Congress that is only narrowly controlled by Republicans. Senator Elizabeth Warren (D-MA) was quick to issue a warning two days after the election. “If Trump and the Republican Party try to turn loose the big banks and financial institutions so they can once again gamble with our economy and bring it all crashing down, then we will fight them every step of the way,” she said in a November 10 speech. Republicans likely would need to compromise on key issues with moderate Democrats to overcome a potential Elizabeth Warren-led filibuster invoking memories of the recent Wells Fargo scandal.

Conclusion

No one can predict exactly how and when the election will impact the CFPB, given the short-term and long-term obstacles. Nonetheless, regulatory reform will be a cornerstone of the new Administration, and Trump doesn’t like to hear the word *no*. So bets now being placed in Washington are on a definitive shake-up of the status quo over the next four years. ▶

No one can predict exactly how and when the election will impact the CFPB, given the short-term and long-term obstacles.



Nonetheless, regulatory reform will be a cornerstone of the new Administration, and Trump doesn’t like to hear the word *no*.

TOP 5 PREDICTIONS FOR 2017

According to Realtor.com's Active Home Shopper Report, the 2017 home buying season will see a large increase in first-time homebuyers. Find out what else it predicts.

Good news, according to Realtor.com's Active Home Shopper Report, there will be an increased demand for suburban homes. The bad news—buyers will also face greater affordability challenges. The study, based on September survey data of active shoppers on realtor.com, analyzes responses from consumers who plan to purchase homes in the spring or summer of 2017.

According to the report, the percentage of first-time homebuyers could rise as high as 52 percent of all buyers, an increase from 33 percent in 2016.

But, this boost in first-time buyers will also make affordability, down payments and credit scores a challenge, and those issues could become the market's top problem next year. Currently, the limited inventory of listings is the top barrier to homeownership.

In general, suburban homes are preferred by 43 percent of first-time homebuyers surveyed, likely due to their desire for safe neighborhoods, privacy and the needs of growing families.

Here are the study's top five predictions for 2017:

- 1. First-time homebuyers could make up a majority of 2017 homebuyers.** According to the survey, first-time homebuyers make up 52 percent of prospective buyers looking to purchase in 2017. Millennials lead the pack with 61 percent of potential first-time buyers under age 35. Top reasons cited by millennials for buying: getting married or moving in with a partner, growing tired of their current living space, and planning to increase family size.
- 2. Affordability and mortgage qualifying expected to replace lack of inventory as largest barrier to homeownership.** In 2016, 40 percent of home shoppers cited the lack of inventory as the largest barrier to homeownership, but realtor.com reports this will potentially shift to affordability and mortgage qualification issues as more first-time home buyers enter the market. Of first-time buyers planning to purchase next spring, 37 percent said their largest impediment to homeownership is the down payment, and 30 percent said finding a house within their budget.

- 3. Safe neighborhoods, more living space and larger yards top list of key home attributes.** Safety, more living space and larger yards as key features is consistent with their top goals of buying: attaining privacy and addressing the needs of their families. A third top objective of first-time buyers is to make a financial investment that will grow over time.



As millennials marry and move in with partners, reasons to purchase are driven by actual or planned growth in their families, and they show strong preference for single-family homes (39 percent) or townhomes (34 percent), and away from multi-family homes (15 percent), condos (10 percent) or mobile homes (2 percent).

- 4. Competition for the suburbs should heat up.** With families and safety on the brain, it's no surprise that first time homebuyers identified the suburbs as their No. 1 preferred location. In fact, 50 percent of all respondents identified suburban areas as their preferred location. For boomers, their desire for the suburbs can likely be attributed to their desire to be close to family and friends.
- 5. Spring and summer will continue to be 2017's hottest time to buy a house.** A majority of all survey respondents were beginning the housing search at the time of the survey and planned to purchase in seven months or longer, indicating spring and summer will continue as the top seasons to buy and sell homes: 73 percent of respondents had been considering homeownership for less than three months and did not expect to purchase a home immediately.

For more information and to read the study,

[CLICK HERE](#) ↗

HOW WILL BREXIT AFFECT LONDON'S SOPHISTICATED REAL ESTATE MARKET?

Scenarios that could emerge in the next few years.

by Peter Gilmour, REAL Trends chief foreign correspondent

Repercussions resulting from the vote for Brexit are beginning to unfold, but much remains at stake. Scenarios that could emerge in the next few years include a hostile divorce, a clean break, an amicable transition or a change of heart—all of which have drastically different implications for the country and London in particular.

Impact on Property Values

London has become a hugely successful city because it is the place in which (and from which) foreigners want to do business. While resentment over immigration levels fuelled Britain's decision to leave the European Union (EU), over 10 percent of the city's workers come from elsewhere in the EU. Over the last 10 years, this influx has contributed to a demand for real estate, both to purchase and to rent. Brexit could have a big impact on property values and rentals over the next few years. Volatility will remain high until uncertainty subsides, but in the long term, there is no doubt that the United Kingdom will continue to be a major economy, and London will still be a world-class city where people want to work, live and visit.

Incentive for Action

The Brexit vote has, however, acted as an incentive for action, with real estate buyers with foreign currency benefiting from an effective discount of more than 10 percent due to the devaluation of the pound sterling. According to Knight Frank's Prime Central London Sales Index, which tracks the performance of London's luxury real estate market, the number of prospective buyers rose by 22 percent in the eight weeks following the referendum, over the same period in 2015. Prime London real estate has seen a fall in prices of 1.8 percent in the year to August—the steepest decline since 2009.

Tenant Demand

Recent stamp duty increases in Britain have led to demand growing amongst tenants, who are opting to rent rather than buy. Activity is stronger in the lower price brackets, and demand is strong for apartments rather than single-family homes.

Brexit has not had any adverse or positive impact on the residential development market where developers are managing their margins, focusing on containing construction costs and ensuring that they introduce their product to the market at the correct price point.

Britain's conservative government is poised to announce a £3 billion house building fund to offer developers cheap loans and funding to stimulate building after the referendum. This is because it is short of its target of building a million new homes by 2020, reports London's *Sunday Telegraph*.

Tentative improvement in some indicators provides grounds to believe that the prime London market will sustain itself in the long-term and that the city will reinvent itself as it has done so many times in the past. 🏠



REAL TRENDS ONLINE PERFORMANCE STUDY

REAL ESTATE TRAFFIC TRENDS

By Travis Saxton, Vice President of Technology

The 2016 REAL Trends Online Performance Study launched this month. The study offers a plethora of information about real estate brokerage websites, new technology trends and more. Let's focus on real estate traffic trends. Knowing this information will help you make adjustments to get the most out of your site.

How does your brokerage website stack up?

Average Time on Site

One of the strongest indicators of a brokerage site's overall effectiveness and stickiness is the average time on site. For the sites studied, the average time users spent on each site was 289 seconds or four minutes and 49 seconds, with a high of 416 seconds (6 minutes 56 seconds) and a low of 79 seconds (1 minute and 19 seconds).

Average Pages per Visit

This statistic can be tricky to decipher because it is closely associated with the average-time-on-site statistic. Over time, new website development and search results tactics have been skewing this number. On average, the consumers visited 7.76 pages per visit with a high of 20.91 and a low of 1.51.

Average Bounce Rate

This statistic is interesting because it shows the quality of traffic brokerages are generating and the ease of which users are entering your site and finding relevant information immediately. REAL Trends once worked with a brokerage that had an amazingly high bounce rate. We discovered that the main URL was one letter different than a major couponing site. It was a quick fix by filtering out the couponing traffic. The average bounce rate of sites in the study was 43.12 percent with a high of 82.74 percent and a low of 16.28 percent.

Click-through Rates and Conversions

Of the sites studied, click-through rate averages from all marketing sources range from 0.17 percent (digital banner advertising) to 2 percent with Search and up to 5 percent



with Facebook. Click-through rates are only one part of the equation. Conversion rates are equally as important. These range from .5 percent on the low end to 5 percent on the high end and fall somewhere within the 2.8 to 2.9 percent industry average. Remember, these are averages. In every instance, there are peak performers. REAL Trends has seen Facebook specialized campaign click-through rates fetch over 10 percent. Facebook happens to be the source with the highest click-through rates and the lowest conversion rates; however, when you mash the two together, you get a competitive online marketing channel. Read the full report for specific sources and data.

Lifetime Value of a Lead

Adwerx built a calculator for you to gauge the true value of a lead over the lead's lifetime. Many real estate professionals, brokers and lead sources get narrowly focused on the deal in front of them and forget that a lead is so much more. If worked properly, one lead could turn into numerous referrals and deals. This calculator is a clever way for you to put in your market metrics to see what is the true lifetime value of a lead.

The Online Performance Study is available December 8 for \$149: [CLICK HERE](#)

Thank you to our sponsors: Adwerx, Agent Jet, Boston Logic, Dotloop, Garlic Media, Juwai, Quantum Digital and SmartZip. If you are a client of any of these companies, you will get a complimentary copy two weeks before it is available on realtrends.com. 🏠

RESEARCH AND NEW PUBLICATIONS IN 2017

Under the leadership of Deirdre LePera, director of research for REAL Trends, we will be developing several new research studies in 2017. Among them is a deep study about the habits and practices of residential real estate investors; an updated study on the practices of teams and additional research into common industry benchmarks.

CELEBRATING REAL TRENDS 30TH ANNIVERSARY

DECEMBER 1987:

NEW BUSINESS MODELS & CEO EXCHANGE GROUPS

By Steve Murray, publisher

REAL Trends' top story 30 years ago was about the entry of A. L. Williams into the residential brokerage business. Art Williams had founded his insurance and investment advisory business 20 years before and had built a sales force of more than 200,000 insurance agents and some 30,000 securities brokers. It seemed he could repeat the success in brokerage. As we well know, that success never happened for A. L. Williams, although his model has succeeded in the modern era with firms like Realty ONE Group, HomeSmart and others who are still expanding.

Another story we reported on was the growth of CEO exchange groups. At the time, we highlighted three of the larger, more established ones—The Dozen, The Masterminds and The Vision Group. The Dozen and The Masterminds merged in the 1990s to become The Realty Alliance. The Vision Group just celebrated its 30th anniversary. Interesting to note, of the 59 total members, all privately owned independent brokerage firms, only 14 remain in that form of brokerage. Also, we know about at least 10 such CEO groups operating. ♣

To celebrate REAL Trends' 30th anniversary year, we will bring back old articles from our early years to see how much (or little) has changed about the industry.

ALL NEW CONFERENCE FOR GROWTH- AND PROFIT-ORIENTED COMPANY AND TEAM LEADERS!

REAL TRENDS DEAL MAKERS CONFERENCE

August 10-11, 2017 • Denver, Colorado

Every business leader wants to know what their company is worth and how to make it worth more. How can you grow through mergers and acquisitions?

REAL Trends has long been The Trusted Source in valuing brokerages and facilitating mergers and acquisitions. That's why we're bringing you this one-day, fast-paced conference that brings together the merger and acquisition professionals from HomeServices, Realogy and REAL Trends and two of the best legal and tax attorneys regarding mergers and acquisitions in the country.

No matter the size, shape, brand, whether you're a team leader or company owner, this conference is for you!

We know how valuable your time is, so this one-day, super-charged conference will start at 2 p.m. on August 10 and end at 2 p.m. on August 11.



The 24 hours of the REAL Trends Deal Makers Conference will focus on answering the basic questions every business owner has:

- *How much is my business worth?*
- *How do I make it more valuable?*
- *What are the tax implications of a deal?*
- *What are the legal challenges of merging, acquiring or selling a realty business?*

This event is for business owners, whether brokerage firms, teams or those seeking to grow their business.

Registration opens February 1, 2017. ♣



REALTRENDS

GATHERING OF EAGLES

30TH YEAR ANNIVERSARY
 AT THE GATHERING OF EAGLES
 FOUR SEASONS HOTEL, DENVER, CO
 APRIL 26-28, 2017

That's right—30 years!

Join Ron Peltier, Dave Liniger, Hoddy Hanna, Author Jim Collins, Spencer Rascoff and 300 of our best friends at this premier annual event.

Time is money; save a buck (or \$200 bucks!) and register for the 2017 REAL Trends Gathering of Eagles today! Only \$1,300 if you register by December 31, 2016!

RATES GO UP to \$1,500 on January 1, 2017, so don't delay.

Registration fees increase January 1, 2017, to \$1,500 per person (US). Take advantage of the \$200 savings by registering by December 31, 2016, at RTGOE.com. You don't want to miss this year's 30th Anniversary event with keynote speaker Jim Collins, leadership expert and author of "Good to Great," the must-read business book for brokerage leaders.

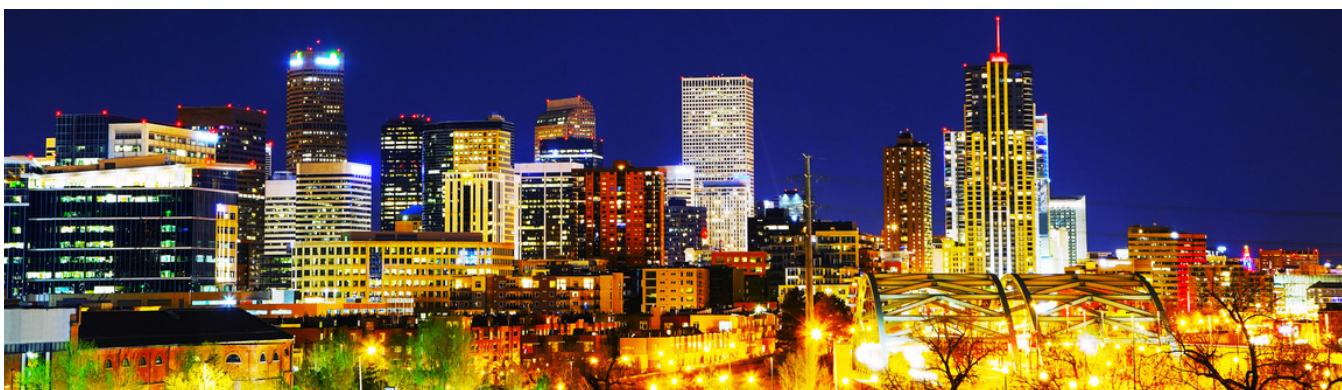
For more information and to register online,

[CLICK HERE](#)

Don't forget to book your hotel room early. We are expected to sell out. Plus, due to space restrictions, attendance at the Gathering is limited to 300 attendees.

Hotel Accommodations:

Please contact the Four Seasons directly at 303-389-3000 and ask for the REAL Trends room block to receive the negotiated room rate of \$299 per night from Wednesday, April 26 to Friday, April 28, 2017. The cut-off date to receive this discounted rate is March 24, 2017, unless we fulfill the room block commitments before that date. A one-night deposit must be submitted upon booking the reservation. Cancellations on or after March 25, 2017, will require a forfeiture of the one-night deposit. 🏠



REAL TRENDS CONGRATULATES TERRY PENZA ON HER RETIREMENT!

REFLECTIONS OF A RETIRING ASSOCIATION EXECUTIVE

By Terry Penza

Thank you, Boomers, for the last 40 years of prime real estate association growth! We've gone from a club to a business! Our era is coming to an end but behind us is a strong, big and important organization that we helped to build.

Reflecting back on 40 years, I believe it was the boomer generation of Association Executives (AEs) that built the Realtor® associations from nationally under 100,000 members to over 1.1 million members today. We helped build strong businesses with solid strategic plans, which are fiscally responsive and offer relevant services to the members.

The MLS was the brainchild of associations and their members. Together, they conceived it, fed it, raised it, kept out of antitrust suits (for the most part!) and made it critical to the everyday life of residential real estate professionals.



Fighting for Fair Housing

The 1960s began with the REALTOR associations fighting proposed Fair Housing laws. In fact, they called the proposed federal legislation Forced Housing. Of course, we all know how the ground-breaking legislation has progressed. Not surprisingly, the Justice Department started investigating real estate, and the results ended in several antitrust court cases. From those cases, as well as extensive meetings with National Association of Realtors' attorneys and top government agencies resulted in a huge package of new rules.

I think of those rules as the no-you-can't rules. They were:

1. A 14-point list all the rules MLSs can't regulate, such as real estate signs or when an office can be open.
2. An 8- and 6-point membership criteria that associations can't reject a membership application because the person applying works only part-time.
3. A list of Inequitable Limitations on membership within NAR Constitution, which includes a requirement to participate in a Multiple Listing Service to gain and maintain REALTOR® membership is an inequitable limitation on its membership.

The 1970s were all about learning the new way of doing things with the association. That led to an exodus of civics from the ranks who were replaced with young boomers. As with everything boomers do, we soon completely took over the civic world and made it into this strong organization loaded with tons of no-you-can't rules.

As an AE, I had to understand these rules, explain it to members and magically get the members to love the answer. Eventually, we grew out of the books and even some of the rules and in the very late 1980s or early 1990s, we were not even sure of the questions, let alone know the answers.

"I'm not sure how you truly retire from something interwoven into your DNA. Real estate has been an integral part of my entire life." – Terry Penza

Time for me to Fly

Like many chief staff officers of Realtor associations who came in just after the antitrust wars, it is time for me to retire. I'm not sure how you truly retire from something interwoven into your DNA. Real estate has been an integral part of my entire life. My father earned his real estate license when I was three years old. He and a partner opened a residential and commercial real estate and construction company in Illinois. Soon after, he struck out on his. I passed the real estate exam soon after reaching the legal age and began working in my father's firm. That was in the early 1970s, and, since I was a woman, I was elected secretary of the association almost the day I joined.

For the next six years, I listed and sold Illinois real estate while performing staff work for the association (for free!). Finally, I decided it was time to get paid for this work and secured a position with a small association on the other side of the state.

Stealing Agents

The 1980s saw growth and a new type of real estate company—RE/MAX. Competition exploded for sales associates who were receiving offers of as much as \$80,000 to sign with another company. Owners of real estate companies discouraged their agents from attending typical local association general membership meetings since this was the battleground for stealing agents. In the 1990s, the owners of companies pulled back from association involvement and agents were becoming the leaders of the associations. This was a crucial time for owner guidance while we were building a new MLS. Sadly, we watched the industry miss the opportunity to guide its destiny with technology. Early technology was painful—mainframe crashes, dial-up modems, poor phone lines, promised software that did not deliver to name a few.

Also, this was the time NAR changed their constitution and adopted Board of Choice. That meant that instead of having exclusive rights to a certain jurisdiction, it gave owners of real estate companies the right to choose which association to which they wanted to belong. That meant that AEs who spoke freely to other AEs in their area were competitors and many topics could no longer be discussed, such as dues. It also meant AEs would now have to learn marketing to keep existing members and reach potential new members.

The year 2000 led to locals consolidating with 1,524 local associations with 766,560 members to 1,222 locals in 2015 with 1,167,595 members. Internal changes were even bigger. The staff you had in the 1970s does not have the skill set for the office of today. Bookkeepers were moving from hand input to computers then to computerizing membership records. The MLS went from single sheets to books to computers.

The hardest part of retiring is walking away from the relationships and the income. When you have a job that is hard to explain (even to your mother), those who are in the same boat develop close bonds.

Here's my unsolicited advice for new AEs. Do not work 14 hours a day, spend time with your family and friends. It will make you a better person. Visit your members, have one-on-one talks with them. Know their business, needs, wants, complaints and praise. Stay involved in state and national meetings. Develop business relationships with other AEs.

The future is bright! You are running a multi-million-dollar corporation. Remember, it is a business and not a club. I wish I were going on this adventure with you! 🏠

ORDER TODAY: 2016 REAL TRENDS ONLINE PERFORMANCE STUDY



Available December 8! The 2016 REAL Trends Online Performance Study is your complete trends and analysis guide to residential real estate technology and digital marketing. The study takes you on a journey starting with an analysis of brokerage website traffic and digital marketing, then weaves through top technology tools and tips about everything from CRM to transaction management.

New this year! A section called “What Would REAL Trends Do?”, based on best practices and anecdotal information from our technology and digital marketing consulting services.

In 2016, we have a new partnership model. Get a free Online Performance Study (\$150 value!) if you are a client of any of the following partners: Adwerx, AgentJet, Boston Logic, Dotloop, Juwai, Quantum Digital and SmartZip. Speak to your company representative to receive your complimentary copy. 🏠