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COMPLIMENTS OF



MARCH 2018 NEWSLETTER



*This is part two of a six-part series on brokerages in the age of Amazon.*

## THE AGE OF AMAZON

# LESSON 2: COMMODITIZED PRODUCTS AND SERVICES

*If you offer commoditized services and products, expect to be treated as such by your customers—and by Amazon.*

*By Steve Murray,  
president*

Online shopping isn't new. I can recall seeing ads for online merchandise on television 40 years ago—call this toll-free number and order today. Amazon certainly isn't the only online merchant out there. Today, there aren't many products you can't order online.

But, the evidence seems to suggest that, once again, today's merchants who wail that they are being overwhelmed by Amazon are in that position because they haven't been paying attention to their customers and the general retail environment. Their leaders were still



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**DRIVE REVENUE,  
NOT JUST CLICKS.**

PROVEN REAL ESTATE MARKETING

**GET STARTED!**

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## REAL TRENDS

THE TRUSTED SOURCE

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playing by the old playbook of locating in or adjacent to large shopping malls, with highly homogenized products, and advertising in many of the same channels that have always been used.

Walmart countered by investing more in their stores, acquiring numerous firms to build their own online shopping experience, offering pick-up and delivery services of the goods thus purchased and slowing down the addition of more stores. The result has been several quarters of increased, same-store sales (even though margins have suffered). Others are doing the same thing.

### Regional Good Thriving

Then, there was a story printed in *The Wall Street Journal* in late December about Wausau, Wis., where a local mall has died, yet downtown merchants with mostly specialty regional goods are thriving.

Amazon and others like them can deliver on the sale and delivery of a wide range of commodity-like, homogenous products. If that is your niche, you'll likely need to partner with Amazon. But, that leaves the door open to numerous

niches where consumers like the *personality* of specialty products (and services) and the experience of going *shopping* for them. Amazon is an amazing company with its wide range of products and services and an ability to deliver those goods. Even Amazon admits there is just so much they can do with specialty goods and that last mile of delivery. Anyone for opening their front doors to an Amazon delivery service when you're not home?

Few buy high-end specialty items from or through Amazon. For the great majority of shoppers, there's still the experience of browsing, either online or in person. But merchants that want to compete will have to improve their own offerings, and add something special to both their product lines and the experience of actually *shopping* with them.

**Lesson: To compete in today's retail environment, whether in goods or services, the product or service needs to be highly customized to one's consumers. Not only does the product itself have to be highly customized, but the delivery of the experience must be as well. ▲**



# BROKERAGE FIRMS DEAD? WHY THE PREDICTIONS ARE **WRONG**

By Steve Murray, president

We read recently that Robert Reffkin, founder and CEO of Compass said that, essentially, brokerage firms as we know them would be dead and gone in ten years, that technology and agent teams will become the prevalent model at that time and that Compass will be a market leader. This comes on the heels of Reffkin saying last fall that Compass would have “a 20 percent market share in 20 large markets by 2020.” We weren’t at Inman recently where Reffkin supposedly commented on the future of brokerage, but we will accept the written words and recollections of an Inman writer on this issue.

I suggest that all leading brokerage firms call us and let us sell your firm quickly before all this happens and before there are no buyers.

## Just kidding.

Some 40 years ago, in the fall of 1977, one of the largest financial services firms in the country gathered over 50 of the top firms in the brokerage industry to announce that they were going to buy them or attempt to buy them. In the ensuing years, that financial services firm threatened many of these firms with the statement that “if you don’t sell to us we will put you out of business.” True story.

This isn’t the first time that someone or some organization has entered the residential brokerage business, backed by a big pile of money, who then threatened brokerage firms with extinction.

That firm was Merrill Lynch Realty. In less than 12 years, they left the industry after running through a few hundred million dollars. For the record, that is only slightly longer than the other big giant at the time—Sears—lasted in its ownership of Coldwell Banker.

This isn’t the first time that someone or some organization has entered the residential brokerage business, backed by a big pile of money, who then threatened brokerage firms with extinction. And it certainly won’t be the last.

## Why is This Happening?

Here are our views of why real estate makes such an inviting target for so many people with so much money.

1. The industry, in 2017, had gross revenues of \$72.4 billion.
2. The two largest national franchise organizations have about 10 percent national market share each.
3. The 10 largest national or regional brands have less than 50 percent market share which has not grown appreciably in 15 years.
4. The two largest owned-and-operated brokerage firms, NRT LLC and HomeServices of America, after spending billions buying brokerage firms over the last 20 years, together will handle about seven percent (7%) of all transactions in the country for 2017 (700,000 transactions divided by about 10.2 million brokerage-assisted transactions.)
5. The best 20 percent of brokerage firms, regardless of brand, business model or location, have average EBITDA margins of 4 to 6 percent. There are outliers above that, but they are few. There are many more who don’t do that well.
6. Depending on who you ask, 40 to 50 percent of all Realtors® did one deal or less last year and likely the most productive 20 percent of all Realtors did close to 75 to 80 percent of all sales.

“We have data on the top brokerage firms, agents and teams in the 20 largest markets in the country. We know which firms can be bought (although Compass executives say they are not buying large market-share brokerage firms now). We can also compile the 2017 lists of top teams and individual agents in the 20 largest markets and say with some certainty that even if Compass bought every one of them, they wouldn’t get to 20 percent market share in any of these markets.” —Steve Murray

Residential brokerage, therefore, is highly fragmented at the brokerage level, more concentrated at the agent level, with low margins (at the brokerage level), low productivity generally and somewhat inefficient.

#### **New Competitors**

We have new competitors—Compass, Open Door, Offer Pad, Purple Bricks, HomeSmart, Realty One Group and EXP. As Jamie Dimon, chairman and CEO of JP Morgan Chase said that new competitors are a fact of life, and they often will try to be lower cost, more efficient and more appealing. He said, “that is what capitalism is.” Incumbents must change and innovate to stay competitive. They have no other choice.

Compass has some advantages. One, they have a lot of capital. Two, they likely have no pressure to actually make money at what they are doing. Three, their investors think they are a technology firm, not a brokerage, and we all know how much the investing world loves technology companies—at any price.

Sooner or later, their money may run out. Sooner or later, their investors will likely want to get a return from their investment (not a sure thing at all). And, sooner or later, the world will find out that Compass is not a technology firm, but a realty firm like most of your companies. In the meantime, they are creating challenges for incumbents.

#### **Change the Way You Do Business**

I recall that once it became clear that RE/MAX wasn’t

going away, incumbent traditional brokerage firms had to change the way they did business. At the time, none thought there was any way they could survive with gross margins of less than 30 percent (the portion of total commissions retained by the brokerage firm). Then, they said they couldn’t survive if it declined under 25 percent. Then, no way under 20 percent gross margin.

Yet, today there are dozens of large brokerage firms with gross margins under 20 percent, or even 15 percent, that are profitable and growing firms. They adapted and moved forward.

As a leader, you can’t control what your competitors do. You can only do what you need to do to grow your business and your profit. A leader should anticipate that new competition will always appear, and for the most part, try to manage with lower costs, new technology and perhaps more efficiency than incumbents.

A leader’s key question is how to change to adapt to these new circumstances. Pining about yesterday doesn’t help, and it has never worked as a business strategy.

I don’t think Compass will get 20 percent in all 20 markets by 2020. We know those markets, know the top incumbents in most of them and know the top agents and teams in those markets. The numbers say it is not likely. Maybe they get there in one or two markets—maybe. But, it doesn’t mean they won’t be disruptive in the meantime. 🐾

# COMMENTS ABOUT 8 INDUSTRY TRENDS

By Steve Murray, president

Apart from raising over \$700 million to purchase management, teams and agents, Robert Reffkin, who leads Compass, has been making several predictions about the future of his company and the industry. We review a few of them and pose some questions.

Among the eight that were cited were these two:

- **Brokerage firms will start hiring based on culture, not production.**
- **Agent teams will replace the brokerage firm.**

Which is it? Will there be any brokerage firms, or won't there be any? He seems to say that there won't be, but then, also says they will be hiring based on culture. But, if they're all gone, how will they do that? He could be trying to say that agent teams will become the replacement for today's brokerage companies, and they will hire based on culture, not production. Since the best teams are based on the proposition that the team generates the business that its members service, that makes sense. In our own research and work with some very strong teams, they know that hiring the right team members is critical to their success.

We have said before—if RE/MAX was the first structural change in our industry and Keller Williams the second wave of change, teams would well be the third. The number of teams and the size of those teams are growing strongly. In REAL Trends' Americas Best Agent and Team rankings, we know that the number of teams

doing at least 75 sides or \$30 million in volume grew from about 1,700 in 2013 to over 4,700 in 2016. And, the average size of these teams also grew strongly.

Lastly, we wonder how Compass fits into the future Reffkin espouses when, in fact, they hire mainly on production and not with a focus of culture. They hire from many different firms with their own distinct cultures, using financial incentives to do so as the primary means for attracting them. Seems to us that if their culture was so strong and inviting, why would they need to offer the financial incentives?

Here is another trend mentioned by Reffkin:

- **There will be an aggressive shift from print marketing to digital.** He's right. It's already underway. Perhaps as much as half of all advertising and marketing done by teams and individual agents today is done digitally.

Final trend:

- **Redfin will take massive market share from traditional agents.** I'm not sure why he thinks so. They are growing, and we expect them to continue to grow. Analysts think they will have over 1.5 percent share of the country's housing sales within the next three years. In some markets, they could have between 5 and 7 percent share. But, without knowing what he means by *massive market share*, we say that 5 to 7 percent in some major metro areas does not likely constitute that term. 🏠



If RE/MAX was the first structural change in our industry and Keller Williams the second wave of change, teams would well be the third. The number of teams and the size of those teams are growing strongly.

# WILL TECH KILL THE INDUSTRY?

By Steve Murray, president

I had a conversation with a young woman who has a senior level position in our industry and almost 12 years of experience in our business. I asked her what she thought about the screaming voices about how technology will kill the industry in some fashion or another. She had an interesting view.

She said, “I don’t think there is a lot of unhappiness with real estate agents or teams. Certainly, they are not all perfect, but most consumers we have worked with or encountered are fairly well satisfied with their agent’s service. Communications could improve, but, overall, consumers seem pleased.”

She went on to say that what consumers aren’t pleased with is the process—the mortgage, closing costs and fees, title insurance, inspections, etc. She says, “Their dissatisfaction is far more focused on the complexity, time it takes, and the number of different parties involved to get a purchase

or sale completed. Many young buyers and sellers, I think, are unhappy about that part of the process.

“I think the industry would be well served to use technology to get all the different platforms together into one seamless system that could lower the complexity, increase the access to transactional data and, in some ways, lower the cost of buying and selling homes.”

I think she is on to something. Are we looking at the challenges correctly? Is it perhaps true that it is not the agent where the problem is but rather the multiplicity of service suppliers and the lack of any real integration of each of them that causes anxiety and dissatisfaction? We are launching a consumer study with The Harris Poll folks—with whom we have done six prior consumer studies—to find out. 🐾



The industry would be well served to use technology to get all the different platforms together into one seamless system that could lower the complexity, increase the access to transactional data and, in some ways, lower the cost of buying and selling homes.

BROKERAGE SPEND

# WHAT'S AN AVERAGE ADVERTISING & MARKETING SPEND?

*Trends from the REAL Trends Brokerage Benchmark report*

*By Scott Wright, director of mergers and acquisitions*

Operating a profitable real estate brokerage business is simple—spend less than what you're bringing in! Of course, it's the *bringing in* part that is the ultimate challenge. It's a constant battle to recruit and retain talent.

As the nation's leader in valuations, mergers and acquisitions and consulting in the residential real estate industry, REAL Trends gets to see the inner workings of hundreds of brokerage companies each year. From small one-office firms to regional power players to firms struggling to stay afloat and those swimming in money—we see it all.

The brokers who are profitable go about it many ways, but they all adhere to the principle of spending less than they're bringing in. This practice is easier said than done, especially in an environment where retained company dollar continues to trend from the northwest to the southeast.

A wise man once told me, **if your outflow exceeds your inflow, then your upkeep will be your downfall.** Spending less than you're bringing in is no easy feat, but those disciplined in doing so will live to see another day.



### **Below-the-line Spend**

Managing below-the-line operating expenses, or spend, is a challenge in every business. With less control above-the-line, controlling below-the-line spend is especially important for real estate brokerage firms. Brokers' largest expenses are on salaries, payroll and occupancy, which for most is at least half the budget. Next up is usually monies spent on advertising and marketing, and this is an area where we see wild variations.

As a percentage of gross margin, we see brokers spend between 0 and 20 percent on advertising and marketing. On the low side are firms affiliated with Keller Williams and RE/MAX, with Keller brokers spending practically nothing in this department.

According to our Benchmark Report, the national average for advertising and marketing spend is less than 5 percent of gross margin, but this is skewed to the downside by the aforementioned franchises. If we remove Keller Williams and RE/MAX, we see the national average just above 8 percent. As implied by the rule of averages, there are outliers well above and below par.

### **Brokerage Model Drives Marketing Spend**

In our observation, it's the brokerage model that drives where they fall within the advertising and marketing spend spectrum. On the lower end are the 100 percent, flat-fee and low-cap models. Agents working for firms that operate these models typically keep a bigger piece of the pie. As a trade-off, their brokers tend not to spend as much on advertising and marketing. With tighter margins, the broker can't afford to spend a lot in this area if they hope to turn a profit.

On the flip side are more traditional brokerage models running fixed splits or graduated commission plans. Some firms employing these models pour a ton of money into advertising and marketing on print ads, television, radio and mass mailings. Some also invest heavily in online marketing and lead generation. Agents who work for firms like these greatly benefit from this spend and rely on it to support their businesses. As a trade-off, these agents accept lower splits. Lower splits lead to higher retained company dollar for the broker, which ultimately allows them to spend more on advertising and marketing.

### **Turning Profits**

We see brokers turn spectacular profits using variations of any of these models. Brokers must be careful as there's an art to making sure advertising and marketing spend falls in line with the operating model. When we run our valuation clients through the benchmark, this can be an area where they may either lead or lag their peers, and this variance can be the differentiating factor in whether they achieve profitability or affect return on revenue.

The bottom line is that advertising and marketing are major parts of brokerage's overall spend. A wise man once told me, if your outflow exceeds your inflow, then your upkeep will be your downfall. Spending less than you're bringing in is no easy feat, but those disciplined in doing so will live to see another day. ▶



# THE FIVE MAGIC QUESTIONS OF RECRUITING



*How do you articulate your value proposition to a prospective sales associate?*

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

At a recent recruiting workshop with top managers and owners, I observed them focusing on their traditional value attributes, such as brand, technology, marketing, training, market share and commission program. I heard a lot of, ‘Well, I tell them XX,’ as if preaching their company’s value will make a difference. I didn’t hear them asking any questions. Questions are the key when recruiting.

***Recruiting should be an interview, not a presentation.***

Knowing your value proposition and continually looking for ways to improve it is important in recruiting. However, *before you can be the answer to someone’s prayers, you need to find out for what they are praying.* You find out with questions. Here are my five favorite recruiting questions.

**1. Start with F.O.R.D. questions.** Always start your conversation with connection questions. You really can’t recruit someone until you connect with them. F.O.R.D. questions are a great way to start the connection and continue it when you meet again.

**Family/Friends:** Ask about their family and look for common friends

**Occupation:** How’s business?

**Recreation:** What are you doing for fun?

**Dreams:** Ask any questions about the future—what are your plans for the holidays?



2. **Pain Question.** What is the biggest challenge in your business right now? For top producers, I usually hear that they are working too many hours or can't get to all the business they have right now. Occasionally, they will comment on a frustration they're having with their current company—perhaps technology, staff or a manager. This question reveals what they are praying for. Now you need to provide an answer to their prayers. Do this in a Socratic manner by asking questions such as, 'Would it be helpful if XX?' versus 'Let me tell you XX.'
3. **Pleasure Question.** If you could wave a magic wand and have your business just the way you want it, what would it look like? Tell me more about that. They will often offer the solution to their pain question.
4. **Environment Question.** Do you feel you are in the environment you need to be in to make that happen? Here's where you connect your value as a solution to their pain and pleasure.
5. **Value Clarification Question.** Do you believe your income is fixed regardless of your company, or do you believe you have a range of income that is influenced by the environment you are in, the people you work with, and the systems available to you? Many sales associates have not thought about this question. They assume they will make the same income per hour regardless of where they work, so they look for a company where they can pay less. This question opens their thinking (and belief system) about their possibilities.

Two years ago, I was interviewing the top producer of another company and one of the top associates in our market. I like to use the word *interview* versus *recruiting*

because, again, we are asking questions versus telling and selling. Here's what she said:

On the pain question, she said she was a "gerbil on a wheel" working 24/7.

On the pleasure question, her magic wand was to have a least one day off a week, so she has time with her daughter after school and to take four extended vacations with her husband and daughter.

On the environment question, she looked at me, and with tears welling up in her eyes, she said "If I stay there, it will be groundhog day won't it? It will be the same as it ever was."

On the value clarification question, she never thought about it and said, "Do you think I can have the life I dream about if I come to your company? Can you help me increase my per-hour income, so that I can have a life?" I assured her we could and showed her how our systems would help her.

She joined us and increased her income by 45 percent the next year. More importantly, the first sales meeting of the new year, she came bounding down the stairs, gave me a big hug and said, "It's true! It's true!" I said, "What?" She said, "I attended every one of my daughter's events, we took six vacations, my husband and daughter are happy with my career change, and I have a life again!"

Would she have joined us anyway? I don't think so if our recruiting approach had been telling and selling instead of interviewing. The five magic questions are the key. 🐘



# HOMEBUYER DEMAND CONTINUES TO RISE UNABATED—NATIONAL SHOWING INDEX CHARTS 5.2% YEAR-OVER-YEAR INCREASE IN JANUARY

*West Region leads U.S. in showing activity with double-digit gains; other regions exhibit substantial growth*

## Key Points:

- Lack of inventory continues to present market challenges as homebuyer demand increases throughout the U.S. and new listings are not coming on the market fast enough to meet demand
- West (11.9 percent), Midwest (5.8 percent), South (4.7 percent) and Northeast (4.2 percent) regions all record year-over-year gains to open the year
- Concern over interest rates and the new Federal tax picture have grown according to reports, though neither appear to be inhibiting homebuyers
- ShowingTime combines showing data with findings from its MarketStats division to provide a set of benchmarks that track demand for active listings throughout the country

The ShowingTime Showing Index®, a leading indicator of confirmed homebuyer demand, revealed that home showings on the national level posted a 5.2 percent year-over-year increase in January as 2017's high consumer demand continued into the new year.

All four regions experienced growth from the previous January, with the West Region seeing an 11.9 percent year-over-year increase in buyer interest. The Midwest (5.8 percent), South (4.7 percent) and Northeast (4.2 percent) regions also saw an increase in showing activity compared to the same period last year.

ShowingTime Chief Analytics Officer Daniil Cherkasskiy said January's increase in showing activity is a direct reflection on buyer demand continuing to outpace inventory.

"Showing activity continued to increase overall as we moved into 2018, with several markets outpacing the National Index," Cherkasskiy said. "Some areas in the South Region saw relative increases in showing activity in January, compensating for the slowdowns experienced in the fourth quarter due to Hurricane Irma."

Although a number of real estate experts have adopted a "wait and see" perspective on the potential impact of a revised Federal tax plan, this early indicator shows that consumers are potentially moving ahead regardless.

**WEST REGION:**  
+ 11.9%

**MIDWEST REGION:** + 5.8%

**SOUTH REGION:**  
+ 4.7%

**NORTHEAST REGION:** + 4.2%

## THE SHOWINGTIME SHOWING INDEX

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

### About ShowingTime

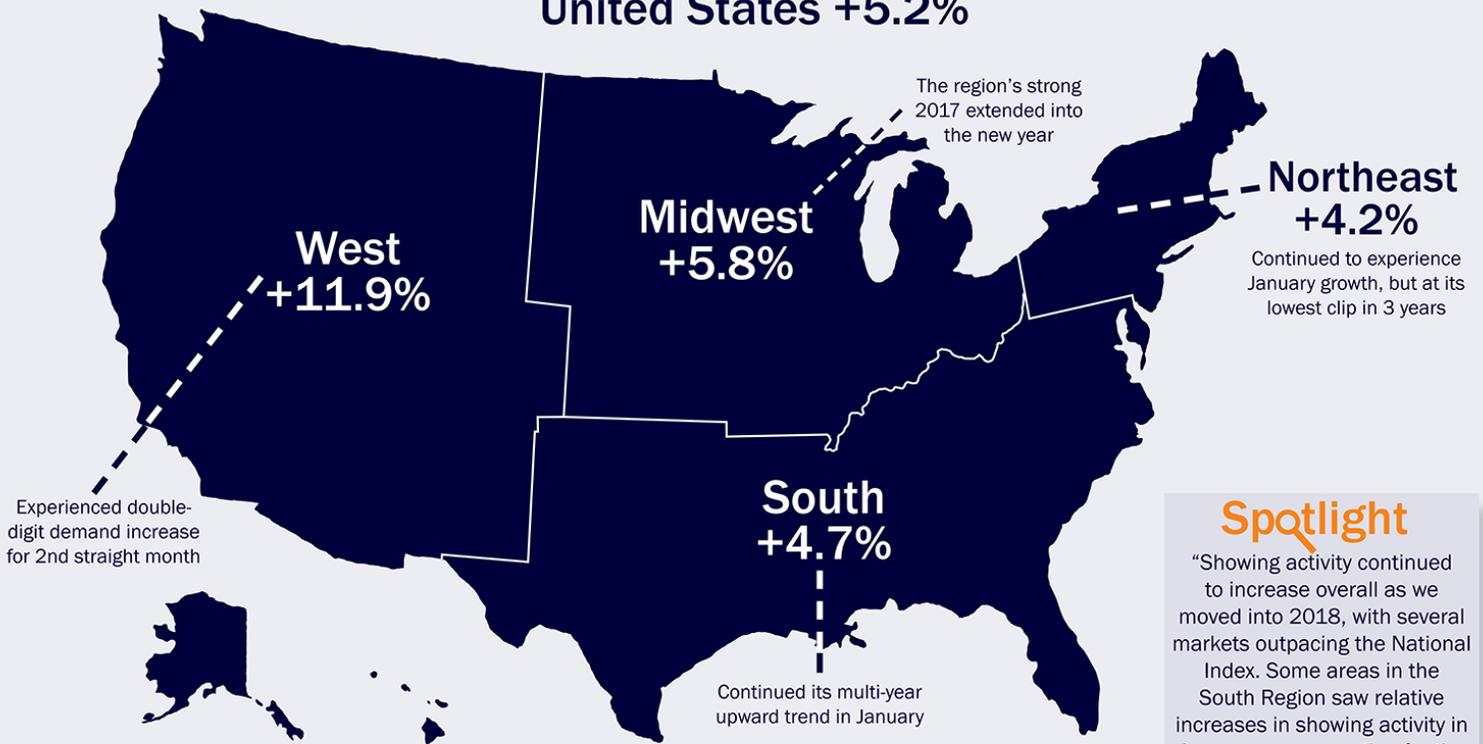
ShowingTime is the leading market stats and showing management technology provider to the residential real estate industry. Its MarketStats division provides interactive tools and easy-to-read market reports for MLSs, associations, brokers, agents and other real estate companies. Its showing products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

# ShowingTime Showing Index®

January 2018

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

United States +5.2%



## Spotlight

“Showing activity continued to increase overall as we moved into 2018, with several markets outpacing the National Index. Some areas in the South Region saw relative increases in showing activity in January, compensating for the slowdowns experienced in the fourth quarter due to Hurricane Irma.”

*Daniil Cherkasskiy*  
Chief Analytics Officer



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

# MULVANEY'S TOP PRIORITY: END "REGULATION BY ENFORCEMENT"

*Based on recent actions Mulvaney is wasting no time implementing a new agenda.*

*By Sue Johnson, strategic alliance consultant*

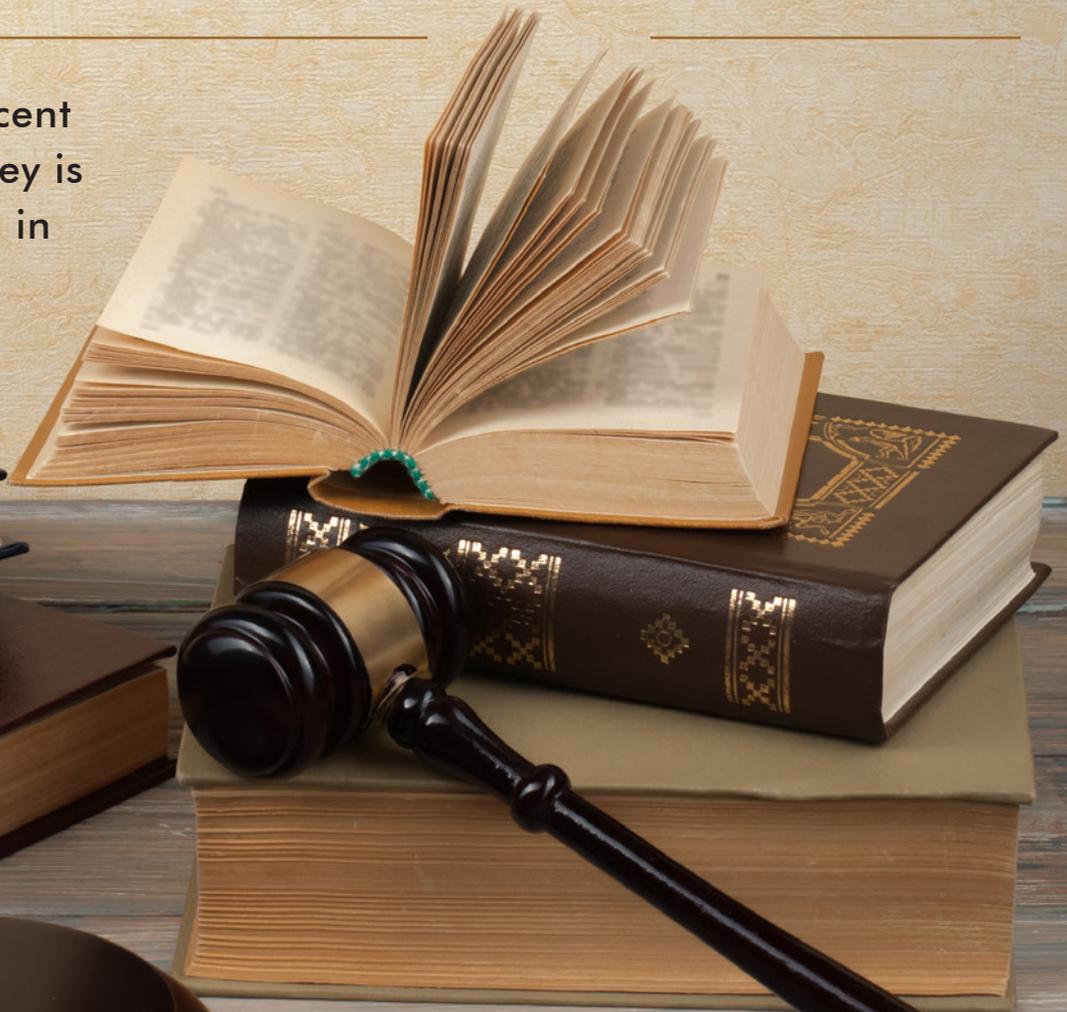
On January 31, the D.C. Circuit Court of Appeals announced its long-awaited decision in *PHH v. the Consumer Financial Protection Bureau (CFPB)*, in which it reversed a three-judge panel's 2016 ruling that the CFPB's single-director structure is unconstitutional. The decision means that, at least for now, the President can only fire the CFPB Director for cause. But, in a win for the industry, the court also upheld the panel's ruling that the CFPB could not impose penalties that were based on new legal interpretations of RESPA's anti-kickback provision without adequate notice and rulemaking.

The court's constitutional ruling seems less significant now that President Trump has placed his budget chief Mick Mulvaney as acting head of the CFPB. In fact, Mulvaney now is assured the same broad power as a single director that former CFPB Director Richard Cordray had, coupled with a strong new legal precedent supporting his agenda to create a more transparent enforcement process.

Based on his recent actions, Mulvaney is wasting no time in implementing this agenda.

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Based on his recent actions, Mulvaney is wasting no time in implementing this agenda.



### No More “Pushing the Envelope”

In a January 23 memorandum to staff that was published as a *Wall Street Journal* article, Mulvaney signaled that the era of “regulation by enforcement” at the CFPB is over. It’s not appropriate for a government entity to “push the envelope” in enforcement cases where quantifiable and unavoidable harm to the consumer is not present, he said. The CFPB “won’t be looking for excuses to bring lawsuits,” but will make enforcement decisions based on qualitative analysis, such as complaint data and measurable costs and benefits.

In place of regulation by enforcement, Mulvaney said there would be more formal rulemaking because “the people we regulate should have the right to know what the rules are before being charged with breaking them.”

Mulvaney emphasized that the CFPB will still be vigorous in its enforcement of consumer financial protection laws, but only when all attempts at resolution have failed. “It should be the most final of last resorts,” he emphasized.

### CFPB Request for Comments on the CID Process

A few days before Mulvaney’s “pushing the envelope” memorandum, the CFPB announced that it is seeking public comment on its Civil Investigative Demand (CID) process.

The CFPB issues CIDs to gather materials and testimony information from anyone it believes may have information relevant to an investigation. Under Cordray’s term in office, it was not uncommon for a CID to describe the purpose of the investigation in extremely broad terms, allowing the Bureau to request a wide array of information and then to change the scope of the investigation based on what it learned from the acquired materials. Some CID recipients called the resulting investigations “fishing expeditions” that ultimately forced them to settle with the CFPB.

In the CFPB Request for Information on the CID process, Mulvaney made it clear that he intends to enforce laws under his jurisdiction in a way that guarantees due process.

Interestingly, the CFPB specifically invited comment from entities who have received one or more CIDs from the Bureau, or from members of the bar who represent these entities (comments are due March 27). Specific topics on which comments are sought include, but are not limited to:

- The CFPB’s processes for initiating investigations.
- Specific steps that the Bureau could take to improve CID recipients’ understanding of investigations.
- The nature and scope of requests included in CIDs.
- The CFPB’s processes for handling the inadvertent production of privileged information.
- The CFPB’s processes concerning CID recipients’ petitions to modify or set aside CIDs.

The CFPB announcement also revealed that over the coming weeks, the Bureau intends to publish a series of Requests for Information on the Bureau’s enforcement, supervision, rulemaking, market monitoring, and education activities.

### The Pendulum Has Swung

The legal challenge to Mulvaney’s authority by Cordray’s designated successor, Leandra English, continues, with the D.C. Circuit Court of Appeals, on January 23, granting an expedited review of English’ appeal of an adverse lower court decision. It is still possible that English could serve a brief period as Acting CFPB Director pending Senate confirmation of Trump’s permanent nominee. The industry also can expect an increase in class action litigation and state enforcement actions as consumer advocacy groups attempt to fill any void in desired activity by the CFPB.

For the foreseeable future, the pendulum has swung against “regulation by enforcement” by the CFPB in favor of a more rational and transparent enforcement environment under RESPA and other federal consumer financial protection laws. ▲

## CAPE TOWN'S REAL ESTATE MARKET

# WHAT WILL HAPPEN WHEN THE TAPS ARE TURNED OFF?

*Cape Town is dangerously close to running out of water. How is real estate impacted?*

By Peter Gilmour, chief foreign correspondent

Cape Town is one of the most beautiful cities in the world, highly ranked as a tourist destination and home to over four million people. Situated at the southern tip of Africa, Cape Town has a Mediterranean climate with winter rainfall, which is different from the largest South African city, Johannesburg, which gets summer rainfall.

## The Perfect Storm

Four years ago, the water storage dams around Cape Town were full, and yet residents have been put on notice that in April 2018 (now in July 2018), the city will run out of water. If this happens, Cape Town will be the first major city in the world to run out of water. This disaster situation has been created by a perfect storm of climate change, leading to low rainfall, growth in the population of nearly 25 percent, and poor regional and national planning for the city's water needs. The biggest question is: Will it bring the city to the brink of collapse?

Since January 2018, households have been restricted to using a maximum of 26 gallons of water per day for washing, drinking, cooking, flushing of toilets, etc. Urgent efforts by the city are in place to provide desalination plants, extract ground from subterranean aquifers and recycle grey water, but it is too little too late. Only significant rainfall early in the winter season will stop the taps from being turned off.

## Homeowners Impacted

Cape Town has some of the most expensive real estate in Africa, and homeowners have to adapt—at some considerable expense—to the reduced supply and huge costs of water supplied by the city. Homeowners are sinking boreholes to draw groundwater and then adapting the plumbing in the home to deliver this to taps

and toilets, slow flow shower heads and taps need to be fitted, 90-second showers are required with buckets in the shower to collect the water for flushing toilets and grey water systems are being installed. Hotels have removed bath plugs to encourage showering.

Richard Branson recently visited his Virgin Active Gyms in Cape Town and is going to establish an independent water supply for all his facilities and said, “We all have to better adapt our strategies and think more about how we use water around the world, not just in times of drought.”

## A Real Estate Boom Going Bust?

In the last two years, Cape Town has experienced a real estate boom with house prices escalating by more than double that of other major cities in South Africa. Demand for houses is already cooling, and buyers are looking for houses with some means of independent water supply. Many commercial enterprises will suffer, some may have to close. Car washes no longer exist, many restaurants have cut out water-rich dishes like pasta, etc. and ice-filled wine coolers in restaurants are no longer offered.

When Brazil's financial center, Sao Paulo, began facing daily water shut-offs in 2015, protesters took to the streets. On the positive side, communities pulled together and supported each other like never before.

When Day Zero arrives, all Capetonians will have to line up at designated collection points in the city to draw their 7.5 gallons daily allowance. Residents of Cape Town, of which I am one, will have to adapt, innovate and pull together to weather this disaster while we hope and pray for rain. ♡

*The waterskloof Dam,  
Cape Town, South Africa.*



# WHAT YOU NEED TO KNOW

Almost a year ago, Facebook released its Dynamic Ads for Real Estate, offered to the audience of digital marketers inside the industry. This powerful marketing tool is similar in capabilities to Google's Dynamic Remarketing; however, rather than remarketing similar and related properties on the internet via various display networks, it leverages audiences on the native Facebook platform and Instagram.

## How it Works

When users visit a particular listing on your website and later visits Facebook or Instagram, they are shown similar listings. The listings that are shown post-website-visit are selected by the brokerage firm and will match the types of properties the user was initially viewing.

To use this powerful automation tool, your firm should have at least 100 active listings at any given time on its website. Then, the brokerage must implement an integration that transmits listing data to Facebook's ad platform. Once setup is complete, users will be shown

properties on Facebook in a slideshow format. Marketers can track the performance of these ads via comprehensive performance analytics on Facebook's Ad Manager dashboard.

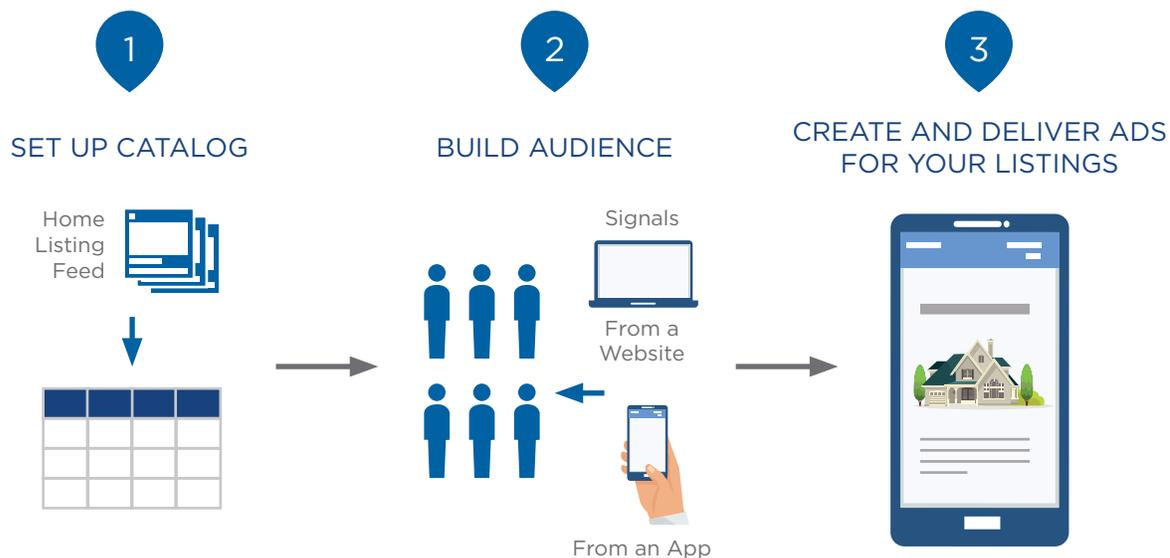
## Cumbersome Setup

The initial setup process for Facebook Dynamic Ads can be cumbersome, especially connecting the listing and search feeds to Facebook. However, the automation components and effectiveness of the ads that display relevant properties branded to your brokerage produce a steep ROI. Another aspect that should not be overlooked is the reporting transparency and live metrics relating to ad performance.

A brokerage interested in implementing this powerful tool to increase dramatically its digital footprint should plan on investing at least \$1,000 a month to see actionable results. Of course, this budget can be increased or decreased depending on the number of leads coming in. Facebook, not unlike Google, is a pay-to-play platform, meaning that the more ad dollars you spend; the more impressions and visibility your ads will have. 🏠

## Dynamic Ads

Show relevant ads to the right people at the right time



# REAL TRENDS AGENT RANKINGS – THE THOUSAND AS ADVERTISED IN *THE WALL STREET JOURNAL* & AMERICA'S BEST REAL ESTATE PROFESSIONALS

The Annual REAL Trends The Thousand and America's Best survey is open for those individuals closing 50 transaction sides or \$20 million in sales volume or for teams closing 75 transaction sides or \$30 million in sales volume in calendar year 2017.

**New in 2018:** definitions of an Individual sales professional versus a team have changed. "After 10 years of ranking individual agents and teams, we believe that there must be more clarity and differentiation between individuals and teams, particularly as these top sales professionals invent new forms of business organizations to achieve their personal goals," says REAL Trends President Steve Murray. "Our goal is to clarify the differences, yet also make it simpler to know where one stands."

Here are the new definitions:

**INDIVIDUAL:** An agent who works alone, under a brokerage company, does not share transactions or commissions with other Buyer or Seller agents on

their transactions and who may employ unlicensed or licensed, non-selling administrative staff is an **INDIVIDUAL AGENT.**

**TEAM:** All others will be considered **TEAMS** for purposes of our study. REAL Trends will no longer produce a special report for top agents and teams by average sales price. Additional Info re Teams: REAL Trends no longer allows an individual within a team to break out their individual production and submit that way. If you are in a team, you will have to submit as a team regardless and, when a Team and a Brokerage are owned by the same person(s), the Team production must be filed separately. Those in the Top 20 will be required to show their tax return and GCI, as well as the entire brokerage's tax return and GCI. They cannot be the same.

For more information, please contact Doniece Welch at [Dwelch@realtrends.com](mailto:Dwelch@realtrends.com) or 303-741-1000. 🏠

**THE DEADLINE TO SUBMIT IS MARCH 31, 2018.**



## THE THOUSAND

AS ADVERTISED IN *THE WALL STREET JOURNAL.*



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REAL ESTATE PROFESSIONALS

## ARE YOU A TOP BROKER?

EVERYTHING YOU NEED TO KNOW ABOUT THE RANKINGS CATEGORIES OF

### THE REAL TRENDS FIVE HUNDRED



### What is the REAL Trends 500?

The REAL Trends 500 has been the 31-year undisputed leading report ranking the performance of the top residential real estate brokerage firms in the United States.

Launching March 29

### QUALIFICATIONS?

You qualify if your firm closed a minimum of 500 residential transaction sides. All submissions must be independently verified.

**500 SIDES**

### WHAT DOES IT MEAN TO BE A TOP 500 FIRM?

There are 150,000 brokerage firms in the U.S. To be one of the top 500 firms means your firm is among the top three tenths of one percent of all the brokerage firms in the country.

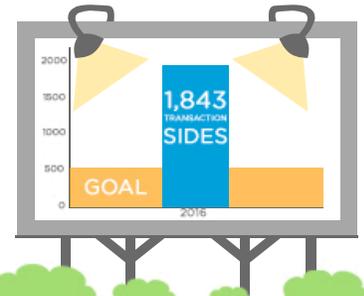
**1%**

“The REAL Trends 500 Report drives me because it gives me a benchmark to improve who we are and how we can do better.”

Vince Leisey, CEO,  
Berkshire Hathaway HomeServices Ambassador Real Estate,  
Omaha, Nebraska

# THE 500 VS UP-AND-COMERS

The top 500 firms closed at least 1,843 transaction sides in 2016, well above the minimum 500. Firms that closed at least 500 transactions in a calendar year are still among the industry's elite and deserve to be recognized as Up-and-Comers.



### WHAT IS REAL TRENDS MARKET LEADERS?

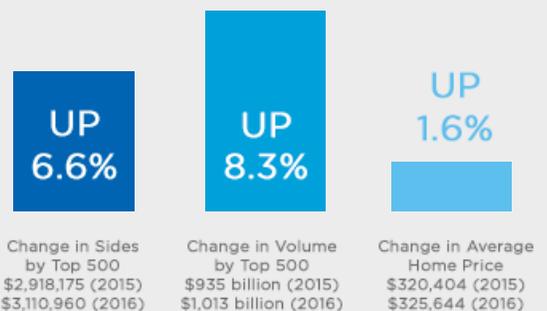
As part of the REAL Trends 500 Report, Market Leaders ranks the top residential real estate firms in 125 metropolitan markets.

[MORE INFO](#)

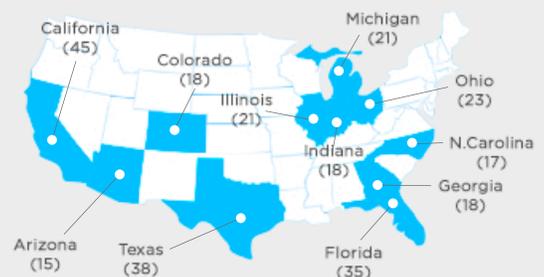
### TOP MOVERS

Top Movers are those 50 firms that had the largest increase in closed sides and volume over the previous calendar year. We also rank the top 50 firms that had the largest increase in sides and volume over the past 5 years!

### Cumulative Changes: 2016 VS 2015 for REAL Trends 500



### Top States Represented in the REAL Trends 500





REALTRENDS

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# REAL TRENDS ONLINE PERFORMANCE STUDY

Looking for information on all the latest trends in real estate brokerage-relevant technology? Don't miss the free REAL Trends Online Performance Study (OPS).

Learn the latest strategies for getting the most out of your digital marketing, how to jump aboard the video trends in innovative ways, best practices for working with the listing portals and more.

To download the REAL Trends OPS for free [CLICK HERE](#)

