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REAL Trends

The Trusted Source

commentary

Homogeneity and the Valuation of Brokerage Firms

The market for brokerage firms is heating up again after many years of slow activity. Values have crept back up and while they are not yet at the level of 2003-2005 they are much higher than in the 2006-2011 time frame. Terms of transactions have also improved.

One of the issues impacting values and liquidity in this market is the growing disparity of business models and commission plans among the top 20-25 brokerage firms in any given market. Along with restrictions on the sale or purchase of firms affiliated under franchise contracts, this disparity in models is causing friction in getting deals done – or even finding candidates for merger and acquisition activity.

As firms once again look at growth through

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Who Are the Best Real Estate Agents in America?

REAL *Trends* has published the rankings of the best brokerage firms in the nation now for over 25 years and a similar list of the top 1,000 real estate agents for the past 7 years. Both challenge us to reach as many as possible who might qualify and then be able to verify each firm's or agent's application and data. Our goal is to do both to the best of our ability.

This year we expanded the top sales agent rankings to include all of those above our minimums and will now provide rankings of the best real estate agents in America by state and by metropolitan area. We received nearly 6,700 applications from these top agents. We will publish the annual REAL *Trends* and *The Wall Street Journal* Top Thousand on June 28th

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REAL Trends
The Trusted Source

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mergers and acquisitions we expect that a) there will be more focus on the brand and business model of candidates and b) greater care given to the examination of how to meld different business modeled firms even where there are measurable differences in commission plans.

We believe that the majority of deals will be between similar models and obviously within franchised brokerage firms. The reason for this is that in many cases some franchised brokerage firms are oversaturated in certain markets and consolidation makes sense. Fewer stronger firms under a brand in a market will result in firms more likely to be profitable, be able to better leverage core services and be in a better position to compete for sales professionals when recruiting. The relative scarcity of leadership talent at the broker owner and sales management level will contribute towards the trend of fewer, stronger realty firms within a given brand and a given market.

Most leaders think that the next two to three years will be good for housing sales (see reports in the Market section of this newsletter for more). As such those interested in growth through mergers and acquisitions see this year and next as an excellent opportunity. On the sale side, well run brokerage firms are again producing acceptable levels of net operating income and some are at the point in their lives and careers that they do not want to risk their equity value heading into the next downturn.

What are investors up to now?

Recent articles in *The Wall Street Journal* (WSJ) and *Business Week* discuss the size of the institutional investor presence in the housing market and the direction of their activities in the near term. According to the WSJ there were 138,540 homes purchased by institutional investors in 2012 and in the first quarter of 2013 there were another 32,355 homes purchased. The 2012 total represents about 2.7% of all home purchases last year. In some states, Arizona and Nevada, these same investors may have been involved in as many as 5 to 8 percent of all home purchases.

Not huge by any means but nonetheless a meaningful amount. There are some indications that these purchases have been instrumental in pushing home prices up and certainly they have played a role in the significant price increases in both of these

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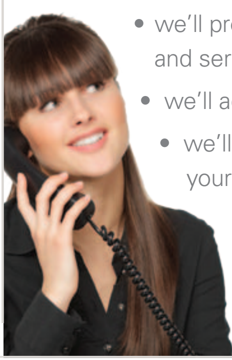

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Commentary cont. from p2

states and in others, such as California and Florida, as well. But it seems to us that even where they have been buying at this level for 3-4 years (dubious proposition) it still does not represent a huge proportion of the overall home purchasing activity. It does represent a material percentage, however, of the entry level home purchases and that is where the problem may arise.

Now the leader of one of the earliest institutional investors says the market for such investing has moved on and that his firm is not only not looking to purchase more homes but may be moving into a posture of liquidating some of their holdings. Bruce Rose, CEO of Carrington Holdings says "there's a lot of stupid money that jumped into the trade." He thinks that it no longer makes sense to be a purchaser but rather to be a seller. His firm owns or manages about 25,000 single family homes in his portfolio.

According to a Goldman Sachs report, the total of investor owned housing in the U.S. is 14 million units worth an estimated $2.8 trillion (about $200,000 average price). That is compared to approximately 80 million owner occupied housing units in the country or something less than 18 percent of all owned and occupied housing units (assuming that most investor owned housing units are occupied). But some investors aren't so fortunate. Colony Capital said that only 51 percent of the 9,931 homes it bought are rented as of a May 2013 regulatory filing. Two other investment firms with interests in single family home investments, American Residential Properties and Silver Bay Realty Trust had earlier reported losses in their businesses. Blackstone Group's Invitation Homes rental housing division said that it has spent some $4.5 billion to purchase 26,000 homes and they are still buying where the numbers make sense.

Carrington's Rose said that with prices up "11 percent while rents are only up 2.4 percent" it may not still be the time to invest in single family residential. This brings up the issue that many others fear, to wit, what happens if institutional investors stop buying and start selling. It occurs to us that should they as a group start doing so they would hurt mainly themselves as price increases would start to falter or may even back off from where these homes were purchased. Second, the likelihood that they would all start selling at the same time does not seem likely and even if so the major institutional investors don't own a significant portion of the 14 million homes owned by investors. Our own research in 2012 indicated that far and away most investor owned homes are owned in lots of 1-2 homes by millions of private owners. And these investors generally are long term holders, not short term flippers.

Truthfully, it would help matters quite a bit were the institutional investors to start selling as most of their inventory is in the lower and entry level price segment – exactly the segment that is so critically short of inventory. ■

Ladies and Gentlemen: Start your Engines, the Race for the Future of your Industry has Begun

by Jeremy Conaway, contributing editor

For those of us who spend our days assisting clients to remain relevant, engaged, productive and profitable in part by studying radar screens, statistical reports and making on site observations, these are interesting times. No one in this group is surprised that market traffic patterns and transactional procedures have significantly changed over the past several months. It was a given that as soon as some combination of consumer confidence, the national economy, employment and household formation statistics began to turn positive and the long awaited "new market" began to coalesce around this new environment that things would be very different. Even thoughts relative to who the moving players and what the substantive issues would be were fairly well determined before the screen lit up.

What was not clear as this rehabilitative energy began its travel across the scene earlier this year was the possible intensity and breadth of its movement and the surprising nature of the new transactional steps, partnerships and joint ventures that are even now positioning themselves to drive the next era in the industry's history. No one should make any mistake about the intensity or ferocity of what lies before us.

Most amazing of all is how many industry players, even as we move past the mid point in the year, are still in denial regarding this new environment and its possible ramifications. Is this group positioning itself to play the role of victims in an unfair dissolution of the status quo?

When examining the likely winners of the upcoming era, certainly no issue has been as patient in its holding pattern as overall broker profitability. Over the past ten years the brokerage community at every level and in the majority of markets has awaited its turn to generate an acceptable rate of return as opportunity after opportunity approached, lost focus, failed to deliver its impact and then passed into history. The specifics of this experience provided an invaluable education to a whole new generation of brokerage executives who now know that broker profitability must never again be delayed or denied absolute priority over anything else on the list.

The key lesson of this education has been that it is simply not acceptable to be engaged in an industry that is not generating a market quality return on investment to its business owners nor fails to be seen as a legitimate objective for debt funding and acquisitions. Another valuable lesson that has been learned, and not yet applied fully, is that someone must be in charge. Applied leadership, not personality, is the real basis of successful business ventures.

Applied leadership, not personality, is the real basis of successful business ventures.

Gaining strength on the list of killer issues now finding their way to center field is the quest to find the natural position of the big brokerage. It is interesting to note that after years of accusing everyone else of "leveling the playing field" it may well have been the large brokerages themselves who were guilty of this landscaping error. A quick review of the current market environment strongly suggests that the large brokerages are well on their way to addressing their issues and creating a new and rightful position in the industry.

By way of example the industry is anxiously awaiting to learn what the new Berkshire Hathaway HomeServices business model

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Race for the Future cont. from p5

can teach us about what lessons learned in other business arenas are applicable to the real estate enterprise. Everyone in the industry will benefit from this repositioning of large brokerages as it sharpens competitive blades and creates a new leveling force consisting of quality management, universal accountability, superb consumer experiences, savvy marketing and standards of service.

It would appear that brokerages and, more specifically, large brokerages, are not the only new force on the playing field. For years top agents have suffered through the "guilt by association" brought on by a system that refused to apply even the most basic standards of performance or discipline to those of its agents who refused to see professionalism and accountability as a road to success.

Research conducted over the past few weeks has disclosed that in virtually every market in the country the lowly "pocket listing," once seen as a statement of disloyalty to the fraternity, has now become a voice of quality spoken by agents who are no longer willing to share the stage, or their listings, with those whose commitments to service, professionalism and the consumer fail to meet acceptable standards. "Off MLS" marketing, now approaching 25% of listings in some market areas stands poised to change some of the most basic relationships in American real estate.

The third force contributing greatly to the new market and industry environment are Internet-based entities, which have made giant strides in the past few years. Of course the mere mention of these players will cause consternation amidst the traditionalist, many of whom believe that entry into the industry was somehow foreclosed in 1985 with the advent of the information age.

While these entities currently enjoy a unique, oftentimes romantic and almost Disneyesque position in today's marketplace, they too must now move forward to face the realities of life beyond the honeymoon. No matter how impressive one's market valuation may be, the fact remains that everyone on the playing field must sustain the attention, respect and imagination of today's consumer moving forward. This is a consumer who is obviously quite comfortable with both the opportunity and the responsibility of being the ultimate sculpture of the fine points that will govern performance in the new real estate market.

There is much hope, potential and even excitement associated with these levels of industry creativity, innovation and transition. However, as is often the case when the process of making history moves close to revolution, it is not yet clear whether the positive motivations that are driving trends like those discussed above can or will overcome the "unintended consequences" that will surely mark much of their course. These issues take us to what might be the ultimate question being raised by these observations.

As we leap with excitement through the opening stages of this new era we cannot help but wonder where the leadership will come from to ensure that these dynamics result in an overall improvement of the American real estate experience. At this point in its history there is no neutral player to whom the market or industry can turn to for leadership. While organized real estate might once have qualified for that duty such is not likely today given the fact that it has by and large elected to become one of the players on the field thus disqualifying it from being a judge, referee or moderator.

Without such leadership is it possible that the industry and market players will be able to come together to create a better way? What is the ultimate product of the famous unleveled playing field? Is the industry doomed to live in a modern day "wild west" while the various players compete to the last one standing?

Is it possible that someone outside the real estate industry or marketplace will recall that "housing" recently demonstrated that it has both the potential and ability to bring the national economy to its knees? Is it possible that such a state of affairs might offer the perfect scenario for an aspiring politician or regulator to use as an excuse to suggest federal regulation over the industry from licensure to the MLS?

So here we stand amidst the roar and excitement of a new era. We are fascinated by the shear thrill of having an opportunity to reenergize and revitalize an industry that has the potential of touching virtually every human on the planet. There are untold billions to be made and a new legacy to be created.

Let's take just a moment to appreciate the fact that in our current configuration we are working with neither a net nor a bungee cord. Most of our senior players have left the stadium and many of our remaining leaders have been focusing on their success without time to build critical relationships. We no longer speak one language and we do not share a common value system. Perhaps it is too late but just maybe we should consider our common destiny. ■

Wake Up Call

By Michael Goldberg, Knock Out Networking LLC

About 5 years ago, I weighed about 280 pounds which is almost 100 pounds heavier than what I weigh now. I don't think many of you have ever been that severely overweight. Not only is your health at risk but your social skills and personality are warped. I was extremely shy, depressed, introverted, and very uncomfortable with myself yet I didn't do anything to ever change or improve. I kept saying I wanted to change but also kept making excuses. My family and friends did what they could but ultimately because I didn't really want to change, their efforts were wasted.

One day, I went to a minor league baseball game and naturally enjoyed all the ballpark foods and snacks. While I was shoveling funnel cake in my mouth, a girl passed me. I cannot remember anything about her other than just being beautiful. I just remember thinking to myself, "Wow! How do I get a girl like that?"

Right then – it dawned on me that funnel cake and unhealthy living was never going to help me. I actually pushed away the cake and from then on, slowly lost 100 pounds and kept it off. While she will never know it, that girl at the ballpark completely changed my life and built my confidence. The life lesson I picked up from this experience was the idea that if you are unhappy with anything, stop making excuses and change it.

OK, not my story.

But it is the story of a student in the class I teach at Rutgers University. The assignment was to write about (and ultimately speak about) a person that changed your life.

What is it in your life that you want to change? Is it your weight? Fitness level? Landing a job? Changing your career? Spending more time with your kids? Or growing your business?

All of these changes require a drastic shift in how you spend your time. And how do you spend your time? What are the 5 little things that *you* can do EVERY DAY that will improve your condition over the next 90 days?

Here's an example of what you might do EVERY DAY if your focus is growing your business.

Send 5 handwritten notes to referral sources. There's power in a handwritten note (as opposed to an email). Emails get deleted whereas handwritten notes and letters get remembered forever. Often, they are displayed for others to see. Get them made with your company logo or just buy them in bulk at a card store. *Hello Dave, I hope this note finds you well! It's been a long time. Would love to connect for a coffee and to catch up. Lots of ways we could help one another. Look forward to seeing you.* That's really all you need to say. So say it!

Make 5 phone calls to clients to discuss new products, offerings, or opportunities. Let clients know that there are new programs and products

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available and that you want their ideas about how (or if) they can benefit from them. Ask them who they know that would be interested in learning about some of these ideas and if they would introduce you. Naturally, ask how you can help them too. Remember it goes both ways!

Initiate 5 "connections" through LinkedIn. Be strategic about who you connect with and why. Are they in your target market? Work for a target company? Or work for Target? (Kidding.) Yes, you want to be targeted and ultimately transform a LinkedIn connection into a phone meeting and hence a real discussion. The 500 plus "connections" you have on LinkedIn don't mean a hill of beans (or a ballpark frank) if you don't leverage them into more personal interactions. And please, when you look to connect with someone on LinkedIn, write a personal note rather than the canned version that's offered. Just saying.

Send a book or small gift to a current or past client. Better yet, send them my book! Kidding aside, a book, small gift, gift certificate (Starbuck's), or other personal gesture that a client would like goes a long way. Try to consider the client's interests, favorite sports teams, and personality. Pick and choose while doing what makes sense and is cost effective.

Call 5 A-Z connections. An A-Z connection is the name of a person in your database that you don't contact often or not at all. Maybe they're a name from the past. Or a past client, friend, or associate. We all have them. By contacting your A-Z connections a few names at a time (simply start from the top and work your way through the alphabet), you get to update your database, get caught up on what's happening in people's lives (not bad if you happen to be a financial advisor!), maybe get some good gossip, possibly exchange other connections, and have some fun. Really, what's better than that?

Again, these are just examples of what you can do every day that will make an impact in your business almost immediately. They're simple, not very costly, and don't take up a lot of time. Simply perform your MUSTS first thing in the morning to get your day off on the right track. Think of the momentum you could create!

Imagine what would happen over a 90 day period if you perform your MUSTS every day? Of course, tailor your MUSTS to align with your goals but they *must* be targeted, collaborative (you help me, I help you), and actionable. Your MUSTS should also be ambitious but not too ambitious where they will be a drain to perform every day. Remember, it's the consistency that wins the day.

When are YOU going to drop the funnel cake? ■

Private Equity and Wall Street Planning Their Exit from the Rental Business

From drhousingbubble

The whispers about private equity exiting the rental market are now out in the open. A few reports are highlighting that some private equity investors are testing the waters for an exit via IPOs. Some have asked why it is necessary for these investors to hold onto properties for a few years before exiting. One of the main reasons is for valuation purposes given that it takes a few years to gather enough workable data on say a block of 1,000 homes and their overall vacancy rates, rental rates, and expense ratios. This would be important if this pool of homes were to be converted into an income stream for investors. Yet many are now looking to exit given how hot the stock market is. You want to sell into momentum. A few other key points include rents falling in places like Las Vegas where investor demand has been incredibly high. Is the hot money planning an exit?

Rental prices

Many of the projections that I have seen assumed that rental prices would continue to move up between 3 and 5 percent on an annual basis in many locations. Yet this assumption is being put to the test in many markets as employment growth is still weak and wage growth is nearly nonexistent. ▶

Metros Where Rents Fell or Remained Flat

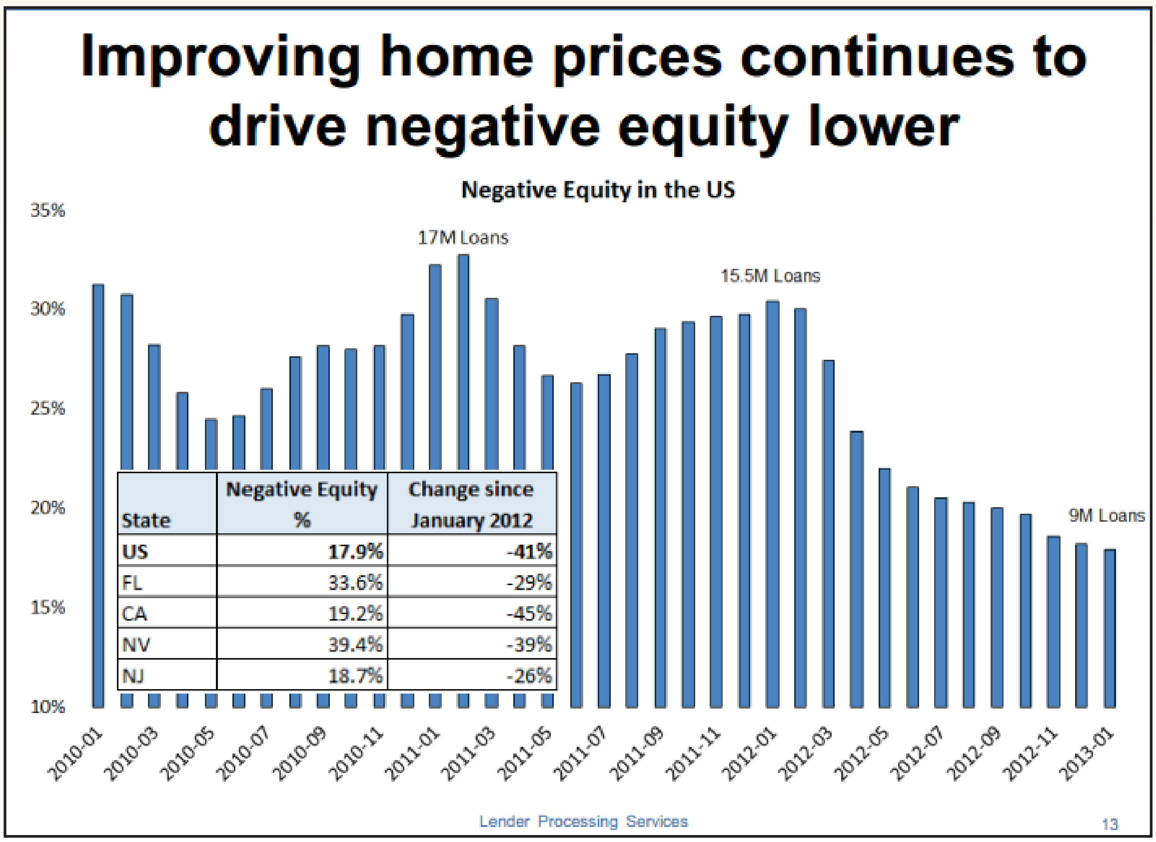
#	U.S. Metro	Y-o-Y change in rents	Y-o-Y change in prices
1.	San Francisco	-3.4%	18.1%
2.	Las Vegas, NV	-1.4%	28.5%
3.	Sacramento, CA	0.4%	25.6%
4.	Seattle, WA	0.4%	15.5%

Among 25 largest rental markets.

You can see that while prices continue to move up in a manic fashion, rents have fallen in some key markets including San Francisco and Las Vegas. The fall in San Francisco has to do with prices being so absurdly high to begin with but with Las Vegas, it has to do with more than over half the market being bought and sold by investor money.

Some interesting perspective on the exit of private equity from the rental business:

"*(Naked Capitalism) The most popular view I heard last fall was that an exit via an IPO, with the rental business as an operating company, was the easiest and cleanest route. A portfolio of 1,000 houses would be large enough to make for a decent-sized deal. But interestingly, back then, the assumption was that the portfolios would also need to have reached "stabilized yields," meaning they were rented up and had seen a fair number of lease renewals so investors would know the turnover, vacancy rates, and costs associated with both making homes ready for the initial rental and freshening them up when a lease expired. That would take two to three years. We are well short of that timeframe. That means that investors will be buying a pig in the poke.*"



This is the primary reason for big investors to hold properties for a few years and gather enough data to package a deal. However, with falling rents, projections need to shift. As prices continue to rise, the number of homes in a negative equity position continues to decline ▶

Only 17.9 percent of U.S. homes are now in a negative equity position whereas in 2012, it was closer to 30 percent. Investors and banks have a good reason to sell into this momentum especially with supply being so low. California's negative equity percentage is down to 19 percent yet places like Florida and Nevada still have 33 percent to 39 percent of their homes in negative equity positions.

Private Equity cont. on p10

Private Equity cont. from p9

The rental market tipping point is a big deal:

"*(Naked Capitalism) Now mind you, the falling rentals story is an even bigger deal than you might think. At a real estate conference at which I spoke last year, one institutional investor who was on the receiving end of PE pitches for single family rentals sniffed that many were forecasting 5% rent increases for several years running. That's wildly optimistic given high unemployment and continuing weak wage growth.*

And of course, as we pointed out in earlier posts, the very activity the PE landlords are engaging in is bound to undermine their market. Tight rental markets have resulted from many homeowners losing their house through foreclosure, as well as the properties themselves being removed from the market via the foreclosure process. Buying and converting formerly owned homes to rentals increases rental supply which reduces landlords' ability to maintain high rental rates."

It is certainly an interesting dynamic. There certainly has been a shift between home owners and renters in the last few years:

Census 2011

Owner-occupied: 74,264,435 (64.6%)

Renter-occupied: 40,727,290 (35.4%)

Census 2007

Owner-occupied: 75,515,104 (67.25%)

Renter-occupied: 36,862,873 (32.8%)

The above addition of renters is clearly from the 5 million completed foreclosures that have occurred over the period. With foreclosure starts dropping and negative equity falling, will there be an unending supply of new renters to fill this new rental demand? Plus, in many markets across the U.S. it makes more sense to buy than to rent given the low interest rates and subsidies that are given to home owners.

It is clear what has happened over the last few years. While the U.S. lost some 1.2 million home owners between 2007 and 2011 it has added 3.8 million renters. I'm sure this trend has continued given the large number of rental investors purchasing homes for the specific purpose of converting them into rental units.

Wall Street and private equity money has no interest in staying in a business where cap rates are being compressed and rental prices are showing signs of weakness especially when the stock market is on a rocket ship up. Since the hot money has been in the market for a few years now, there is probably good data on overall rents, vacancy rates, and expenses for prospective investors to make a solid decision to buy a giant block of properties. The stock market is incredibly hot so there is probably no better time than now to unload into this momentum especially if the plan is to exit via an IPO. While mom and pop investors are entering the game late, the top in the rental business may be in for big money in certain markets. ■

Best Agents cont. from p1

(prior to publication of this newsletter) and the state and metro rankings will appear starting July 9th.

In reviewing these submissions and slotting into their correct states and metro areas we found a few interesting trends. There are a substantial number of top real estate agents in the nation's non-metro areas. There are also a substantial number of top agents in smaller communities on the periphery of large metropolitan areas. In fact some of the best real estate agents appear to be on the way to dominating the local markets where they live and work.

These are just a few observations after our team examined all 6,700 applications from top real estate agents from all over America. Stay tuned to REAL *Trends* as we publish the rankings at the national, state and local level in the next few weeks. We guarantee you will find some surprises. ■

10 Things Every Customer Wants

Surprisingly, the best price and best value is at the bottom of the customer's priority list. See what's at the top.

By wackelijmrooster/Flickr

Why does a customer buy from one vendor rather than another? According to research recently conducted by The Rain Group, customers tend to buy from sellers who are superlative at the following tasks:

1. Bring New Perspectives and Ideas
If customers could diagnose their own problems and come up with workable solutions on their own, they would do so. The reason that they're turning to you and your firm is that they're stuck and need your help. Therefore, you must be able to bring something new to the table.

2. Be Willing to Collaborate
Customers absolutely do NOT want you to sell them something, even something that's wonderful. They want you to work with them to achieve a mutual goal, by being responsive to the customer's concerns and ways of doing business. Ideally, customers want you to become integral to their success.

3. Have Confidence In Your Ability to Achieve Results
Customers will not buy from you if you can't persuade them that you, your firm, and your firm's offerings will truly achieve the promised results. It is nearly impossible to persuade a customer to believe in these things unless you yourself believe in them. You must make your confidence contagious.

4. Listen, Really Listen, to the Customer
When they're describing themselves and their needs, customer's sense immediately when somebody is just waiting for a break in the conversation in order to launch into a sales pitch. In order to really listen, you must suppress your own inner-voice and forget your goals. It's about the customer, not about you.

5. Understand ALL the Customer's Needs
It's not enough to "connect the dots" between customer needs and your company's offering. You must also connect with the individuals who will be affected by your offering, and understand how buying from you will satisfy their personal needs, like career advancement and job security.

6. Help the Customer Avoid Potential Pitfalls
Here's where many sellers fall flat. Customers know that every business decision entails risk but they also want your help to minimize that risk. They want to know what could go wrong and what has gone wrong in similar situations, and what steps you're taking to make sure these problems won't recur.

7. Craft a Compelling Solution
Solution selling is definitely not dead. Customers want and expect you to have the basic selling skill of defining and proposing a workable solution. What's different now though is that the ability to do this is the "price of entry" and not enough, by itself, to win in a competitive sales situation.

8. Communicate the Purchasing Process
Customers hate it when sellers dance around issues like price, discounts, availability, total cost, add-on options, and so forth. They want you to be able to tell them, in plain and simple language, what's involved in a purchase and how that purchase will take place. No surprises. No last minute upsells.

9. Connect Personally With the Customer
Ultimately, every selling situation involves making a connection between two individuals who like and trust each other. As a great sales guru once said: "All things being equal, most people would rather buy from somebody they like... and that's true even when all things aren't equal."

10. Provide Value That's Superior to Other Options
And here, finally, at the No. 10 spot (below everything else) comes the price and how that price compares to similar offerings. Unless you can prove that buying from you is the right business decision for the customer, the customer can and should buy elsewhere.

Source: Inc.com – SalesForce By Geoffrey James ■

Focus On Robert Moline

HomeServices of America

Interview with Tracey Velt, contributing writer

As president and CEO HomeServices of America, Robert Moline has 22 years of real estate brokerage experience. Here's what he had to say about the future of real estate.

REAL *Trends:* Tell me about your career path.

Moline: I began my career as a Certified Public Accountant at Peat Marwick & Mitchell in Lincoln, Nebraska and from there traveled to Utah where I was an assistant vice president at a commercial lending firm. One of the firm's clients was a large real estate company who was looking for a chief financial officer and the rest, as they say, is history. I was their CFO for three years and was then offered the opportunity to become the CFO of Woods Bros. Realty in Lincoln, Nebraska. In July 2002, we sold the company to HomeServices of America and I was promoted to CEO. In 2003, we acquired our largest competitor —HOME Real Estate. We kept both brands in the marketplace and over time consolidated many of the backroom functions. Today, HOME and Woods still share the Lincoln market and they have maintained a 60+% market share. In 2008, Ron Peltier (chairman and CEO of HomeServices of America) invited me to come to Minnesota and assume the position of HomeServices' President and Chief Operating Officer which I have today.

REAL *Trends:* How do you do business differently? What makes your leadership unique?

Moline: We believe that fundamentally, real estate is local and that buyers and sellers gravitate to agents who know and understand the unique dynamics of their community and their neighborhood. We look to acquire or expand our franchise network with leading companies located in very strong markets with long-term, positive growth prospects. Part of what makes us unique is that at HomeServices, we recognize that our role is to support our networks of companies by providing financial, organizational, technological and legal resources and expertise on a scale of which they could not likely achieve on their own. The result is that buyers and sellers receive the benefits of working with their local real estate brand and all the resources of a large national brand.

HomeServices encourages open collaboration across and among our leadership teams to ensure that agents have the tools, technology and support they need to deliver an exceptional experience to their buyers and sellers.

REAL *Trends:* What are some trends you're seeing in your vertical?

Moline: The market is healing and as it continues to improve, we are going to need more inventory. The challenge of the existing inventory levels combined with the demographics of today's buyers all support the need for more housing units; and as a result, we believe that we will see a return of new construction.

A concerning trend we are watching pertains to the regulatory environment. It appears as though the new rules and regulations are making it more challenging for the first-time homebuyer. And, while that is likely not the desired outcome, it has limited the first-time homebuyers' ability to shop for closing services.

Additionally, we need clarity around lending regulations. It is difficult to do business without absolute clarity.

Lastly, we believe that there is an identity crisis within the real estate industry. Today, the trend continues where the lines between brokers, MLSs, associations, technology providers and data aggregators have blurred as these companies now want to play a role that has traditionally belonged to brokers.

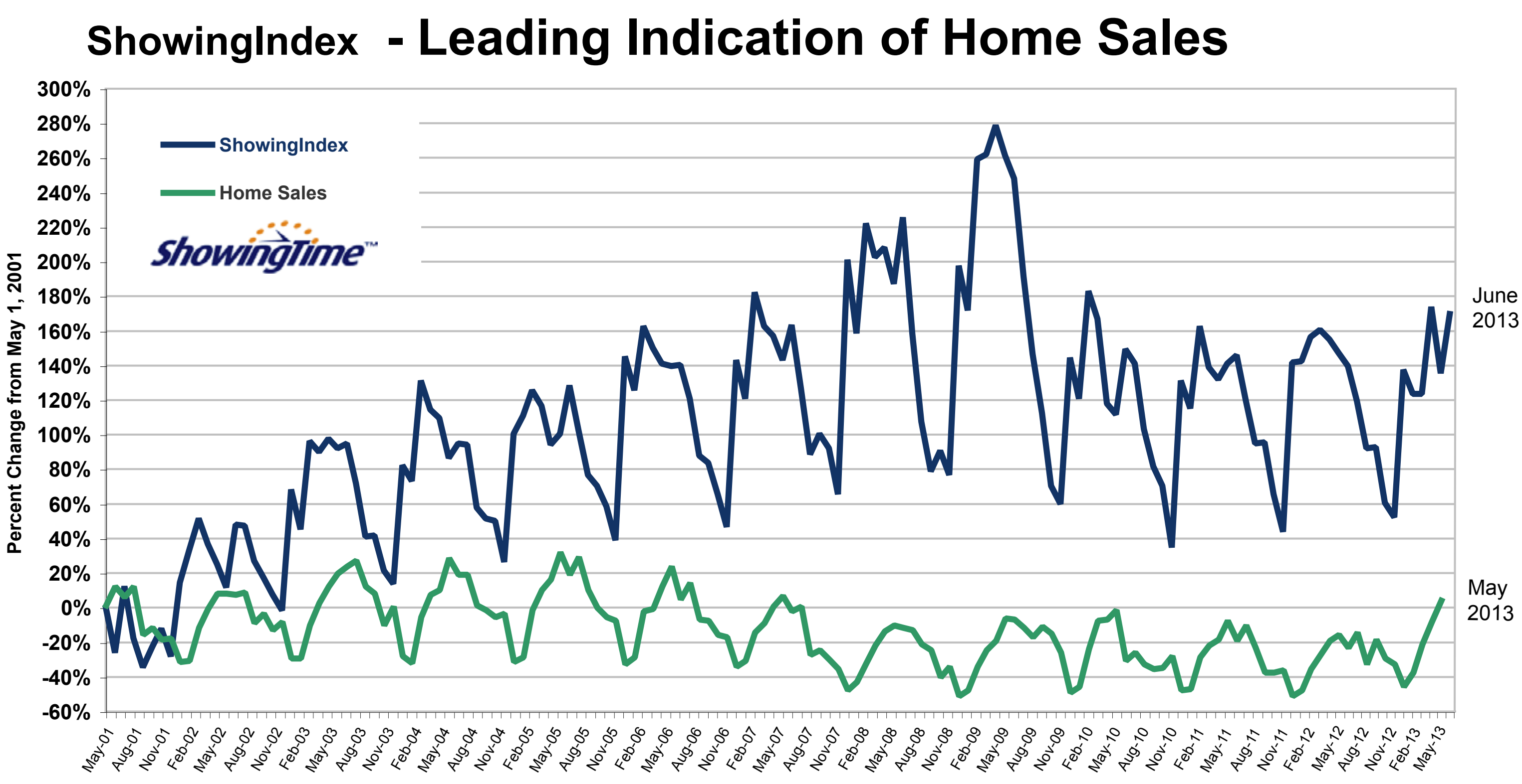
REAL *Trends:* Do you have any hobbies outside of your career?

Moline: When time allows, I love to fish, hunt, sail and skeet shoot; anything that allows me to spend time outdoors.

REAL *Trends:* What are you passionate about as it relates to your business?

Moline: I am passionate about our agents, our employees, our leaders and our industry as a whole. Agents have a tough job. They have to go to work every day, and they don't get paid unless there is a closing. Real estate is not a one-size-fits-all industry—each transaction is different and each agent brings their own personality and skill set with them to their career. I want to protect their right to do business and create an environment that allows them to do it successfully. As industry leaders, we have a responsibility to actively participate in shaping the future and creating opportunity for the people whose livelihoods depend on the strength and viability of our industry. That's what it's all about and that's what it will always be about. ■

I want to protect (agents') right to do business and create an environment that allows them to do it successfully.



Source : "Housing Sales" is the actual property sales statistic as reported by the National Association of REALTORS. The "ShowingIndex" is a moving trend statistic that tracks the rate of showing appointment requests from the websites of more than 60 real estate companies throughout the U.S. 40 of the companies are Top 100 companies as reported by REAL *Trends*.

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EQUAL HOUSING LENDER

REAL *Trends*

HOUSING MARKET REPORT JUNE 2013

VIEW the VIDEO

The REAL *Trends* Housing Market Report showed that the combination of new and existing home sales in May 2013 continued to show strength across all regions in both unit sales and the average price of homes sold. The annualized rate of the combination of new and existing home sales increased to 5.984 million in May 2013 up from the 5.273 million recorded in May 2012.

The average price of homes sold in May 2013 was up 7.5 percent from the average price of homes sold in May 2012 marking the 14th consecutive month of increased home sale prices.

Housing unit sales for May 2013 were up 18.1 percent in the Midwest, the strongest showing in the country. The next highest region was the South region at 16.8 percent, the West region was up 9.0 percent and the Northeast was up 7.0 percent.

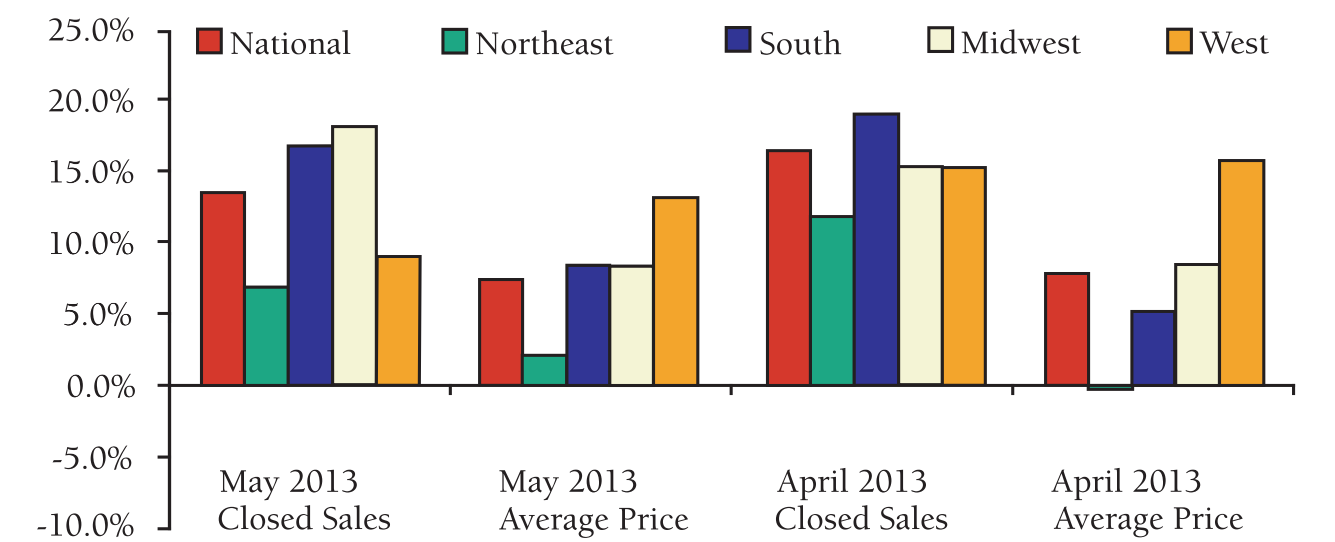
The average price of homes sold in May 2013 increased 7.5 percent across the country, nearly the same increase as that recorded a month earlier. The West had the best results with the average price of homes sold increasing 13.2 percent followed by the South region at 8.6 percent and the Midwest at 8.5 percent. The Northeast saw the lowest increase in average price at 2.2 percent.

"May 2013 sales of new and existing homes continued to show strength across all regions and are evidently shaking off the low inventories in most markets. The two regions of the country with the lowest average sales prices, the South and Midwest, continue to outperform other regions in terms of unit sales increases. The average price of homes sold was up solidly again due to supply and demand imbalances. As this report and other housing indicators show the scarcity of inventory and buyer demand are creating a situation where prices are advancing at far greater rates than had been predicted due to high levels of housing affordability and restricted inventory," said Steve Murray, editor of the REAL *Trends* Housing Market Report. ■

REAL *Trends* May/April Housing Market Report

(Versus same month a year ago)

	May 2013 Closed Sales	May 2013 Average Price	April 2013 Closed Sales	April 2013 Average Price
National	+13.5%	+7.5%	+16.2%	+7.9%
Regional Report				
Northeast	+7.0%	+2.2%	+11.8%	-0.1%
South	+16.8%	+8.6%	+19.0%	+5.2%
Midwest	+18.1%	+8.5%	+15.3%	+8.5%
West	+9.0%	+13.2%	+15.3%	+15.7%



Homeowner Equity Reaches Highest Level Since 2008

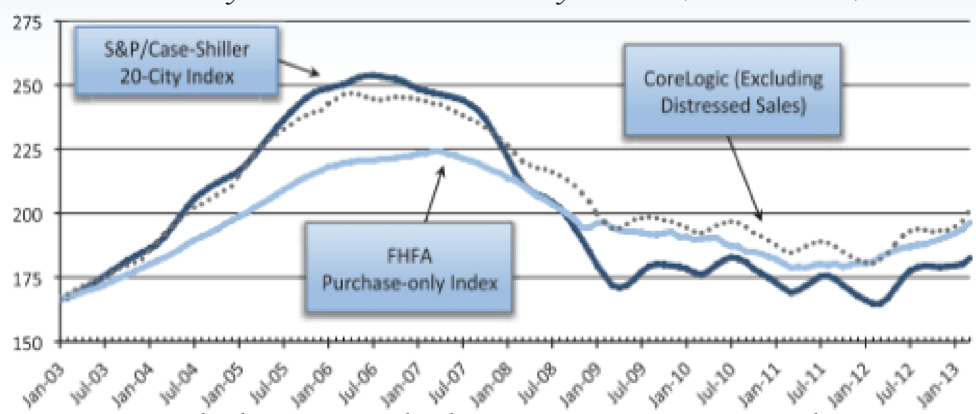
By Megan Hopkins

Data from the Obama Administration's May scorecard revealed continued improvement in housing, yet officials warn that a full recovery will still take more time.

"As the May housing scorecard indicates, the Obama Administration's policies and actions over the last four years to speed housing recovery are continuing to show important signs of progress," said the U.S. Department of Housing and Urban Development deputy assistant secretary for Economic Affairs Kurt Usowski.

He added, "In the first quarter of 2013, homeowners' equity grew by more than $815 billion, reaching its highest level since the first quarter of 2008."

House Prices Rise in March
Distressed Sales Remain Key in Recovery
Monthly House Price Trends by Index ($Thousands)

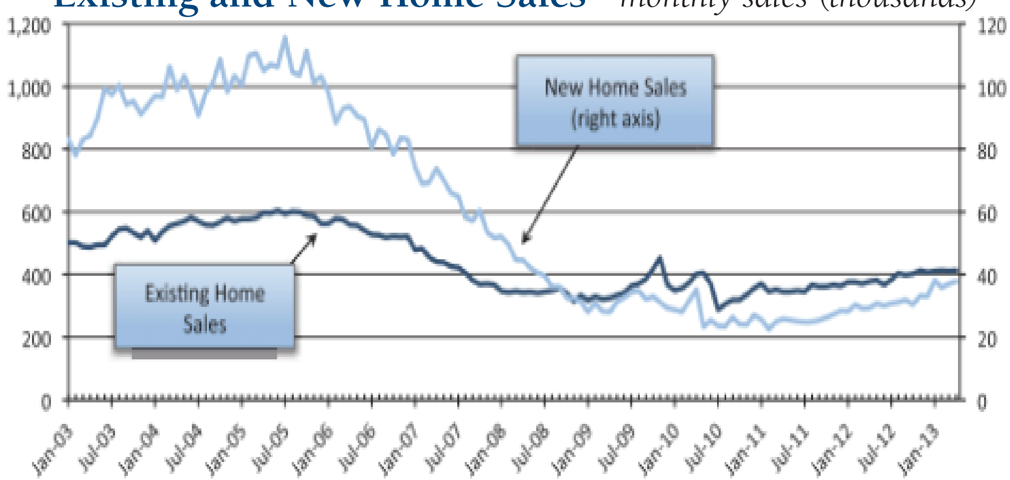


Sources: Standard & Poor's, Federal Housing Finance Agency, Corelogic, and HUD. See Note 1, Sources and Methodology.

Annual home prices increased to the highest level since the housing bubble burst in mid-2006, with the S&P Case-Shiller home price index up from 146.6 in March to 148.7 in April. Year-over-year the index is up from 134.1 in April 2012.

Purchases of existing and new homes remain strong, with existing-home sales up from 411,700 in March to 414,200 in April, according to data gathered from the National Association of Realtors. Meanwhile, new home sales rose from 37,000 in March to 37,800 in April, says data from the U.S. Census Bureau and HUD.

Existing and New Home Sales *- monthly sales (thousands)*



Seasonally Adjusted. Sources: National Association of Realtors®, Census Bureau, and HUD. See Note 3, Sources and Methodology

Existing-home inventory surprised by increasing from a 4.7-month supply to a 5.2-month supply, as reported by NAR. The supply of new homes remained unchanged at a 4.1-month supply.

Foreclosure starts continued to fall from 73,100 in April to 70,100, the scorecard noted when citing RealtyTrac data.

Mortgage rates continued to

Homeowner Equity cont. on p18

Homeowner Equity cont. from p17

be the buzz of the housing industry, rising at a rapid pace. The latest report showed rates at 3.81% for a 30-year, fixed-rate mortgage, up from the May 13 report of 3.40%, data from Freddie Mac revealed.

Mortgage delinquency rates continued to inch down for prime borrowers from 3.6% to 3.3%, based on Lender Processing Services stats. This was down from 3.8% in the April scorecard. Usowski added, "Despite the positive news, we have important work ahead since there are so many families and individuals still 'underwater' with mortgage balances higher than their home's value."
— *mhopkins@housingwire.com* ■

Trulia Housing Scorecard

Thanks to a big -- but probably temporary -- drop in construction starts, the housing recovery took a step back last month. Trulia's Housing Barometer shows that the market is 54% back to normal in April, down from 56% in March.

Each month, Trulia's Housing Barometer charts how quickly the housing market is moving back to "normal." We summarize three key housing market indicators: construction starts (Census), existing home sales (NAR), and the delinquency-plus-foreclosure rate (LPS First Look). For each indicator, we compare this month's data to (1) how bad the numbers got at their worst and (2) their pre-bubble "normal" levels.

In April 2013, construction starts tanked, while the delinquency + foreclosure rate improved sharply, and existing home sales rose slightly:

Construction starts fell backwards to a five-month low.

Starts were at an 853,000 seasonally adjusted annualized rate – down 16% from March to the lowest level since November 2012. The volatile multifamily sector led the decline, dropping 38% month-over-month. But building permits – a leading indicator of future starts – jumped 14% from March, so starts should bounce back soon. For now, construction starts are just 37% of the way back to normal.

Existing home sales rose – especially conventional sales.
Sales rose 0.6% in April to a seasonally adjusted annualized rate of 4.97 million – that's up 9.7% year-over-year. Excluding foreclosures and short sales, conventional home sales were up 25% year-over-year in April. Further good news: inventory rose even on a seasonally adjusted basis for the third month in a row. Inventory rose 1.8% month-over-month seasonally adjusted, and 12% without seasonal adjustment. Overall, existing home sales are 69% back to normal.

The delinquency + foreclosure rate fell sharply.

The share of mortgages in delinquency or foreclosure dropped to 9.38% in April, the lowest level since September 2008. As the economy recovers, fewer people are falling behind on their mortgage payments. Also, more homes are moving through the foreclosure process, though at different speeds depending on state foreclosure laws. For the first time since the crash, the combined delinquency + foreclosure rate is more than halfway back to normal, at 55%.

Averaging these three back-to-normal percentages together, the housing market is now 54% of the way back to normal, below the March level of 56% and back to the same level as in February. But this will probably just be a one-month setback. The reason for the decline – the drop in construction starts – should reverse itself in the next month or two. A bounce-back in construction next month, combined with this month's big drop in delinquencies + foreclosures and the slow increase in sales, would put the housing recovery right back on track. ■

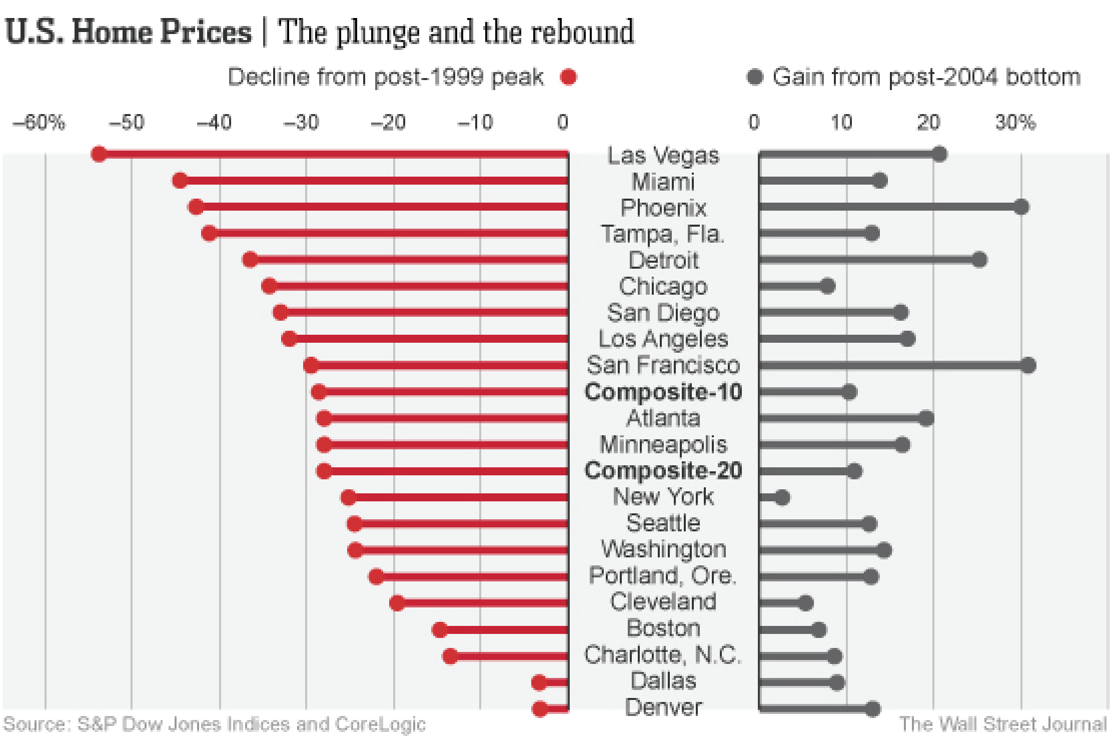
Don't Believe New Housing Bubble Hype

By Phil Izzo

Recent increases in home prices have already ignited new talk of a housing bubble. Don't believe it.

Some regions are seeing a surge of housing demand amid extremely low interest rates and investors searching for opportunities. And it is true that some regions are up more than 25% from their bottom. But as Dan Greenhaus of BTIG LLC points out, none of the 20 cities tracked by the Standard & Poor's Case-Shiller home-price indexes is back to its peak level.

"Those previous peaks may not have been justified but they were and are largely seen as 'bubble levels,'" said Mr. Greenhaus. "Can home prices again be in a bubble and yet be 27% below their previous peak? Perhaps, but we don't yet think so." ■



Where's Your Next Move?

Where Renters Are Moving and Why

June brings graduations, weddings and job changes which often result in relocation and the need to find a new home. **Apartment Guide**, the trusted guide for finding your ideal place to live, looked at moving patterns and has identified the top "sister metros" – where people most often move from and where they move to – along with top searched metros to help renters who are moving during this time of year.

Top Searched Metros

1. Los Angeles
2. Washington DC
3. Dallas
4. Houston
5. Atlanta
6. New York City
7. Miami
8. Chicago
9. Phoenix
10. Philadelphia

Top Searched Sister Metros

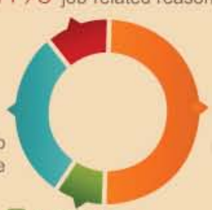
1. Washington DC to New York City
2. Washington DC to Philadelphia
3. New York City to Washington DC
4. New York City to Los Angeles
5. New York City to Miami
6. Washington DC to Los Angeles
7. Dallas to Houston
8. New York City to Atlanta
9. Washington DC to Boston
10. San Jose to Los Angeles

Family-related reasons

- move due to other family reasons
- move due to establish own household
- move due to change in marital status

Job-related reasons

2.1% move for another job-related reason



5.5% move to be closer to work/easier commute

9.5% move due to new job or job transfer

1.8% move to look for work or lost their job

Apartment guide®

New Broker Centric Offering From RealtyTrac® – *The Network*

By Travis Saxton, Director of Technology and Marketing, REAL Trends

REAL *Trends* recently sat down with RealtyTrac at their headquarters in Irvine, CA. We see them a lot in the news as one of the authorities in the foreclosure market and in providing comprehensive housing information in the United States.

There is certainly more than meets the eye with RealtyTrac. It appears to us to be a well run organization that truly understands data and how it can be predictive and apply to the real estate industry. The newest offering by RealtyTrac appears to be a broker centric partnership leveraging their network and website along with the data and media exposure of RealtyTrac. The offering is called The RealtyTrac Network.

The best way to sum up The Network is simple. Think of your best lead generation site (whether it's a portal or search engine or other site) marry that with a great data provider for your website where you can get rich, SEO friendly content, to make your website standout, with a large PR sharing and huge media exposure for your company. You mix all three of these together and you have one very sound offering that should catch any broker's eye. What's not to like with more and better leads, more data, and more press coverage reaching a national audience. Let's break down the offering a bit more

The Network is broken down into "10 Trac's". We won't completely describe every Trac but will summarize them.

The partners identified by RealtyTrac are typically top producing brokerages in major metro markets. RealtyTrac is offering exclusivity for the zip codes related to that brokerage with no overlap or competing brokerages/agents present when you own the area.

According to RealtyTrac CEO, Jamie Moyle, "Everything we are doing to create the RealtyTrac Network is based on the core objective of aligning our brand with leading brokerage companies nationwide. That's the key element to the delivery of an improved real estate service experience."

Everything from there on out is designed to increase the partner Broker's business. RealtyTrac has nearly 2 million unique monthly visitors coming to their website and a common misconception (I hear) in our industry is that these visitors are looking for low priced foreclosure deals. In reality the quality and value of the leads that are sent to partners from RealtyTrac are significantly better than most online leads. One big reason for that is many of the visitors who result in leads are already paying subscribers on RealtyTrac's platform. Therefore, one imagines that they are motivated and already vetted for the most part.

"The quality of leads in this business is based on many dynamics. On RealtyTrac the leads we generate are largely from paid subscribers that are researching making a purchase or sale. Our brokers are prominently displayed on the site and well-equipped to handle those leads in their exclusive marketplaces," Moyle explained.

Secondly the luxury market is popular from investors and consumer's on RealtyTrac as they know they can get unbiased data and information to catch the perfect property early and potentially at a good price. Smart investors are using RealtyTrac to their advantage. The network leads come to you in three different ways, buyers, sellers, and potential foreclosures or future leads. The latter is an interesting concept as with RealtyTrac's extensive data vault they can use their proprietary data to leverage your marketing and generate leads even before the consumer knows they need a real estate professional. Predictive analytics at it's finest.

Technology cont. on p22

Technology cont. from p21

"Having access to quality information on the housing market to make smart decisions or to provide sound advice has been the keystone of RealtyTrac's offer to both the consumer and the industry", added Moyle.

The average price by buyers and sellers from the RealtyTrac system happens to be significantly higher than average online leads in the U.S. This dispels the notion that they are low quality foreclosure leads when in fact may be some of the highest quality leads available to our industry.

Enough with leads let's talk about some exposure. RealtyTrac and their marketing team are marketing geniuses. They are among the very best we have observed at fine tuning their press releases and marketing. Brokerages can benefit from this leverage. Through RealtyTrac not only can you access and use timely, relevant and local press releases but as the exclusive partner in your market you reap the benefits of national exposure when RealtyTrac produces a report that may reference your market or niche audience. An example may be a luxury quote by a leading broker in your market in their report on luxury foreclosures.

The last Trac we comment on here is the DataTrac. It is a proprietary blend of unique data for your website on such items as education, demographics, crime, environment, air quality, employment, walk scores, cost of living and other. This is exactly the kind of data many consumers want to be armed with when making a home buying or selling decision. The best part is unlike many industry data providers with like offerings, RealtyTrac serves it up to you in a search engine optimization (SEO) friendly package so you can reap the long term benefits versus competing with or getting little value out of your partner.

At REAL *Trends* we have always taken a pro-broker stance and we feel the RealtyTrac offering is worth exploring because we see it being focused on its broker centric value proposition.

For more information on the RealtyTrac Network go to: realtytrac.com/network. ■

Did You Forget About the Data?

By Lorne Wallace, CEO, Lone Wolf

You are buying another brokerage, you've negotiated the terms and you've finally cut the deal. The acquisition of that competitor's office is going to finally happen. Congratulations!

Now you are thinking about changing the building sign; getting new business cards and yard signs for the agents; how to announce the deal; etc. This is all of the surface stuff that people see. But have you thought about the engine that runs the machine! Your technology, your back office accounting systems, your web integration to the MLS/Boards and every tool that actually makes your company run! These essential tools are often overlooked until the day after. And what you don't see is what creates challenges!

Here are some things to consider:

When integrating one office to a new environment, the back office systems are often not the same. And, even if the two companies are with the same technology partner, the service level or menu of products can be different and will require some advanced planning to seamlessly integrate.

The MLS systems can be challenging and will also require some advanced coordination between you, the other party, your MLS, real estate boards and your technology partner.

Sensitivity and confidentiality prior to your announcement are critical and you should ask your technology partner and any employees involved to sign a NDA.

There are costs in blending systems behind the scenes and they need to be factored in to your calculations. And not just hard costs, but staff time as well.

There was an article in Bloomberg Businessweek, on the Continental/United merger. There was a quote that went "information technology tends to be the thorniest part of an airline merger". This is true in any business. You are running a machine and so was the brokerage you acquired. It's not just what's on the surface you have to consider, it what's under the hood!

So what exactly does this mean? Here are some examples from real life…

- the company that was acquired had a system that allowed a "monthly rolling average" on commission splits. The acquiring company's accounting system couldn't handle that and the acquired agents were up in arms

- the acquiring company downloaded agent listing data from their local MLS. When the deal closed the listing data was still attached to the agent's old broker ID and couldn't be downloaded into the new front desk system for showings with the new broker's ID. It took 3 days to fix this, 3 days without agent's listings showing on the brokerage web-site!

- the agents at the acquired company were used to having their commission checks deposited directly to their bank account and the acquiring company could only print the checks

- the acquiring company didn't show the agent's year-to-date totals on the commission checks and the acquired agents were used to seeing that and were unhappy it was gone

- not all systems are computerized either. One company filed paperwork on deals by address and another by agent. Not a small challenge to overcome surprisingly enough!

The truth is that every company sets up systems, both computerized and manual, and each system processes activity and generates results. You need to take into consideration an operational audit as part of your due diligence during acquisition, asking the five "W" questions: Who, What, When, Where and Why. An excellent example is the agent's commission checks and how they are handled. What are the expectations for turnaround on payments? "I could turn in a deal at my old office and get paid tomorrow. Now I have to wait 3 days to get paid" is not something you want to hear from the agents after a merger.

And the last thing to consider is that these systems don't run by themselves. All of them require staff to operate them and getting staff buy-in is important. That doesn't mean that your staff has the say so in what you are doing, that's your job. But they do need to accept what is happening and be working towards the goals you have set. If you have expectations for what is going to happen, you have to make sure the people doing the work have the same expectations or you can find yourself in a heck of a mess! ■

NAR Considering Loosening Reigns on Realtor.com

The National Association of Realtors®' board of directors will hold a special meeting in July to explore whether to give realtor.com operator Move Inc. more freedom to compete with other websites like Zillow and Trulia.

"Cut the chains. Let them soar," said Danny Frank, a NAR director and chairman of the Houston Association of Realtors, before today's vote approving the special board meeting. "Let's make this happen soon."

The special meeting will take place July 23, 24 or 25th in Chicago, and NAR will cover directors' expenses. The resolution passed in May states that the NAR leadership team will work with Move Inc. and its subsidiary RealSelect to develop recommendations for consideration by NAR's board "to enrich and broaden the user experience" on NAR's official website, realtor.com. The recommendations will be presented to the board at the closed meeting in July. ■

editor's note

There are several new REAL *Trends* initiatives and programs we are excited to announce.

REAL *Trends* Best Real Estate Agents in America

On July 9, 2013 REAL *Trends* will release its rankings of the top agents in America. These rankings will follow onto *The Wall Street Journal*/ REAL *Trends* Top Thousand rankings and will highlight over 6,700 of the top performing individual and team sales professionals in the country. These rankings will be done both by state as well as major metropolitan statistical area.

The Fellowship of Realty Professionals

This is a new membership program available to individual and team sales professionals that recognizes significant high lifetime achievement in sales. The minimum level to qualify for an individual is either 500 closed sides or $250 million in sales volume; for a team it is 1,000 closed sides or $500 million in sales volume.

The benefits accruing to members are a) high levels of recognition b) the ability to network with one's peers and c) a private web site where members can market their listings and prospect for buyers with their peers.

Should you have sales professionals who you think may qualify you may contact Jaime O'Connell at REAL *Trends* (joconnell@realtrends.com) or call us at 303-741-1000 to nominate someone. We will send them an Invitation to Apply package.

The REAL Marketing and Tech Summit
October 16-18, 2013 Denver, Colorado -
JW Marriott Cherry Creek

"Collaboration with the Best"

We are reintroducing this conference on marketing and technology issues for professionals working in these areas in the brokerage industry. This is a working session, short on theory and long on practice. The focus is on having subject matter experts present in their area followed by hour long work group sessions.

Among the topics to be covered are *"Effective Mobile Strategies"* and *"Successful Agent Adoption Tactics."*

We are limiting attendance to 75 persons. You can register online at realtrends.com or call Travis Saxton at 303-741-1000 for more information.

Special Guest President George W. Bush to speak at 2014 Gathering of Eagles –
Four Seasons at Las Colinas
Dallas, Texas - April 30 - May 2, 2014

We are honored and excited to announce that President George W. Bush will be our keynote speaker at the Gathering of Eagles next year. Space will be extremely limited.

Should you have questions please contact Steve Murray or Doniece Welch at REAL *Trends* at 303-741-1000 or email smurray@realtrends.com or dwelch@realtrends.com. ■