THE TRUSTED SOURCE

COMPLIMENTS OF

KANSAS ASSOCIATION OF REALTORS®

APRIL 2016 NEWSLETTER

REAL TRENDS VALUATIONS

WANT TO KNOW how much your brokerage is worth?

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

smurray@realtrends.com
swright@realtrends.com
303.741.1000

FIRST PERSON

2016 REAL TRENDS 500 RESULTS

LARGEST FIRMS GREW FASTER THAN THE MARKET

Some observations from this year's REAL Trends 500

by Steve Murray, publisher

We just posted the results for the REAL Trends 500 for 2016 at Realtrends.com. Here are some observations:

- A record 1,605 residential brokerage firms recorded more than 500 closed sides in 2015. This number is up from 1,460 firms that had more than 500 sides in 2014.
- The top 10 firms recorded an average gain of 23 percent in closed sides in 2015. The REAL Trends Housing Market Report gain for closed sides was only 9.5 percent. The largest firms grew faster

Continued on pg2

REALTRENDS
THE TRUSTED SOURCE

SPONSORED BY

LONE WOLF
REAL ESTATE TECHNOLOGIES

7501 Village Square Drive, Ste. 200
Castle Rock, CO 80108
Phone: 303-741-1000
FAX: 303-741-1070
E-Mail: realtrends@realtrends.com
Web: realtrends.com

Publisher:
Steve Murray - smurray@realtrends.com

Editor:
Tracey Velt - tvelt@realtrends.com

REAL Trends Team:
Alec Gress - agress@realtrends.com
Brittany Shur - bshur@realtrends.com
Bryan Warrick - bwarrick@realtrends.com
Daniele Stufft - dstufft@realtrends.com
Deirdre LePera - dlepera@realtrends.com
Doniece Welch - dwelch@realtrends.com
Jaime O'Connell - joconnell@realtrends.com
Paul Salley - psalley@realtrends.com
Rebecca Chapla - rchapla@realtrends.com
Scott Wright - swright@realtrends.com
Terry Penza - tpenza@realtrends.com
Travis Saxton - tsaxton@realtrends.com

than the market as a whole. In fact, they recorded a significant market share gain over the market as a whole.

- The REAL Trends 500 recorded an increase in closed transaction sides of 13.1 percent, well above the national growth rate of 9.5 percent. These top 500 companies recorded over 2.9 million closed sides in 2015 up from a little over 2.5 closed sides in 2014. That means that less than two-thirds of one percent of all the brokerage firms in the country handled just over 30 percent of all the closed transactions handled by real estate professionals in 2015.

THE TOP 10 FIRMS recorded an average gain of 23 percent in closed sides in 2015. The REAL Trends Housing Market Report gain for closed sides was only 9.5 percent.

- Among the 10 largest firms, those with the largest percentage gain year-over-year were RE/MAX Alliance, headquartered in Arvada, Colo. and Realty ONE Group, headquartered in Southern California. The two firms grew their transactions sides by 90.4 percent and 34.4 percent respectively.
- HomeServices of America grew the most regarding an absolute number of closed sides with an increase of 31,179 from 2014 to 2015. NRT LLC had the second largest growth regarding total sides with a gain of 25,330 transactions.
- Keller Williams had the most firms on the REAL Trends 500 with 151 brokerage firms having more than 500 closed sides. RE/MAX was second with 94 firms and Coldwell Banker had 39 companies on the list.

To see the results for the REAL Trends 500, go to realtrends.com/rankings/rt500. On April 20, we will release the total results for the REAL Trends 500 and Up-and-Comers in the special print edition of the REAL Trends 500.

BROKERAGE INSIGHTS

HOW TO GROW YOUR COMPANY

REAL Trends research shows it's not the brand or business model that helps a brokerage grow.

by Steve Murray, publisher

REAL Trends addressed several hundred of the top brokerage firms in the country last month at the conferences hosted by Leading Real Estate Companies of the World and RE/MAX LLC. In our presentation, we shared data from both the REAL Trends 500 and Up-and-Comers and our own benchmark database of the financial results of hundreds of leading brokerage firms. These were shared in two PowerPoint presentations on the topic of growing a brokerage firm.

In preparing these presentations, we looked at data going back 15 years for over 1,000 brokerage firms of all sizes, brands, business models and locations. This is research we have done in the past as we seek answers to the question, "How does one most effectively grow a brokerage firm?" The current findings mirror those of past studies on the same topic.

Here are some conclusions:

There does not appear to be any correlation of success in growth between whether a firm is independent or affiliated with a national brand; no correlation between what type of commission plan or business model one uses; no correlation between the average price in a market or the size of the market. In short, none of these factors appear to explain why some firms grow or not.

It's not that a brand name, business model, commission plan or location don't impact results. Rather, it's that they don't explain any differences between those who grow and those who don't.

What appears to be left as a causal agent is the leadership and culture of the brokerage firm. As we pointed out in one of our original research studies that led to a white paper called "People Still Matter," an effective leader establishes a culture that encompasses some of the following attributes:

- Having a clear vision of who you are and what makes you unique;
- Communicating both horizontally and vertically;
- Having a disciplined way of making and communicating decisions;
- Empowering staff and agents to seek their level of success;
- Holding your people accountable for both results and behavior;
- Being transparent about your plans and intentions;
- Building a sense of community within your firm and giving back to the communities within which you operate.

Given the reaction to our presentation, we came away more convinced than ever before that many in the brokerage industry are being misled into thinking that technology will solve our challenges, there's some panacea for success that is just a seminar away, and there's some existential threat to their success and happiness coming from the combination of Silicon Valley and Wall Street. Nothing could be further from the truth. While one could say, "Your data looks back. What good does that do for the future?" However, when you combine our historical data with the numerous consumer studies which reinforce the importance of the sales associate in the process of buying or selling a home, to our way of thinking, an effective leader makes all the difference. While the business will change at the margins, at its heart there is very little change going on—now or the near-term future.

MONEY BALL

USING STATS TO FIND PRODUCTIVE AGENTS

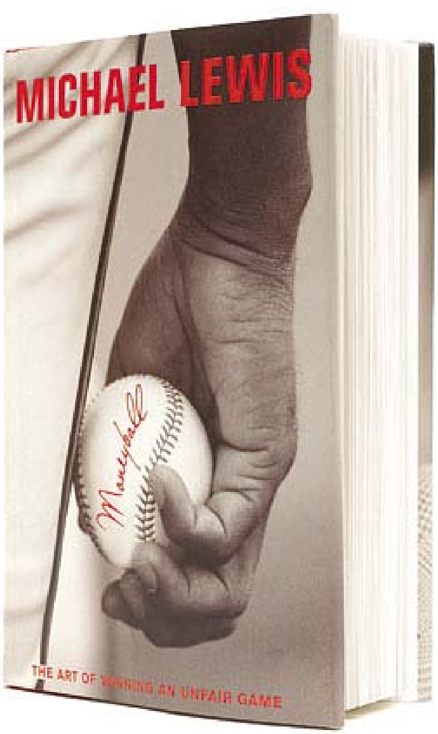
How to use Billy Beane's Money Ball method in real estate.

By Steve Murray, publisher

Most of you know who Billy Beane is. He's the general manager of the Oakland A's baseball club and the focus of a book written by Michael Lewis, "Money Ball," as well as star of the movie of the same name starring Brad Pitt. In the movie, Beane and a young baseball executive named Paul DePodesta turned a perennial second-tier baseball organization into one that has won more baseball games in the last 15 years than almost every other major league baseball team.

DePodesta spoke at our Gathering of Eagles in 2012 just after the *Money Ball* movie came out. He shared that he and Beane started with the *naïve principal:* if we weren't doing things the way we have been; how would we be doing them? A small market team with a low payroll is trying to compete against the larger market teams like the Yankees, Red Sox, and Dodgers, could not hope to hire the high-priced players. What they chose to do was reinvent the business of baseball, a method that has now been copied to great success by many others.

They studied the actual performance of players using statistics that predicted the performance of the whole team over a whole season. In one simple stat, on-base percentage, they found a high correlation with winning. So, they started finding players who could get on base, found the ones who cost the least and put a team together. The rest was history.



THE REAL ESTATE TIE-IN

We wrote about this book and Beane over 12 years ago, just after the book came out. In fact, it was the first book we ever recommended to our readers because the book's lessons had enormous implications for residential brokerage. Just as Beane and DePodesta couldn't afford to chase high salaries against far richer clubs, nor can many brokerages continue to bid for high-priced agents against lower-cost models. We believed then and believe today that brokerage firms can use statistics to pinpoint the most productive and profitable agents or the most productive and profitable brokerage firms with which to associate or acquire. While the analogy is not perfect; it is a very close one.

BIG DATA

With many talking about big data today, it seems that the focus is on consumer data. With broker metrics, Facebook, Google and other sources of information, and a multitude of personal analysis tools available, it would seem that brokerage firms could use access to big data about agents and people to better their odds of finding the right balance of productivity and profitability in their selection of agents. We know of at least one firm which focuses almost solely on new agents. They use, as one of their key benchmarks, the age at which a recruit had his or her first job. Turns out, over nearly 30 years of operations, this one stat has been a significant determining factor in whether or not a new agent will become a solid performer. One national organization knows with certainty that "X" number of recruiting appointments will result in "Y" new agents. They know this because they have been tracking it for over 15 years.

It is worth considering that an industry which is driving its gross and net operating margins into the ground can and should learn from the experience of Billy Beane and Paul DePodesta. So, once again, we recommend "Money Ball." Don't think of it as a book about baseball, but one that we can apply equally to our business.

Oh, and Beane, just like DePodesta, is a phenomenal speaker and full of wit and great insights. He was well worth the time spent listening.

RECRUITING SECRET

STOP SELLING; START SOLVING

Don't try to answer someone's prayers until you know what they are praying for.

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

Most salespeople have been taught the traditional three-step sales presentation:

1. Make a connection (build rapport);
2. Make a presentation of features and benefits;
3. Close.

My observation is that most managers use this three-step approach in their recruiting, as well. After building rapport, they immediately launch into their spiel: "Let me tell you about the exciting things we are doing in our company—technology, lead generation, brand, staff systems, etc."

There's an old rule of selling, "Don't try to be the answer to someone's prayers until you know what they are praying for." The traditional three-step sales presentation violates this rule. The manager (or salesperson) who is telling and selling never discovers what the recruit (or customer) is praying for. If you don't accidentally hit a hot button, your presentation starts to sound like "blah, blah, blah."

What would happen if the manager used the Ninja Four-Step Consultation instead? This is the process we teach in our Ninja Selling classes, and it works great for managers who are recruiting. Let's face it; a recruiting interview is a sales interview. Here's how the four-step consultation works.

Step 1: Connection
Recruits want to work with someone they like and trust. They decide this in the first two minutes. Do they feel a connection with you? Do they like you, trust you, and want to go down this path with you? They will feel the

connection if you ask questions about *them*. We recommend you ask F.O.R.D. questions—Family, Occupation, Recreation, Dreams (goals). Most people are very comfortable talking about these four areas of their life, and you are building rapport and connection.

Step 2: Information (Pain/Pleasure)
This is a critical transition step. In the traditional three-step sales process, you would now be at the presentation stage, where you launch into your pitch of features and benefits. Most managers love this step because they get a chance to strut their stuff on stage.

There are two problems with this approach: first, the manager is trying to be the answer to their prayers without knowing what they are praying for; and second, the manager has time of possession (is doing all the talking). After a few minutes, the recruit stops paying attention, drifts off, and the connection is lost.

Instead of launching into your spiel, listen carefully to how the recruit answers your questions about F.O.R.D., especially about their business (occupation). Listen for pain and pleasure. This is what they are praying for. Here are my two favorite pain and pleasure questions:

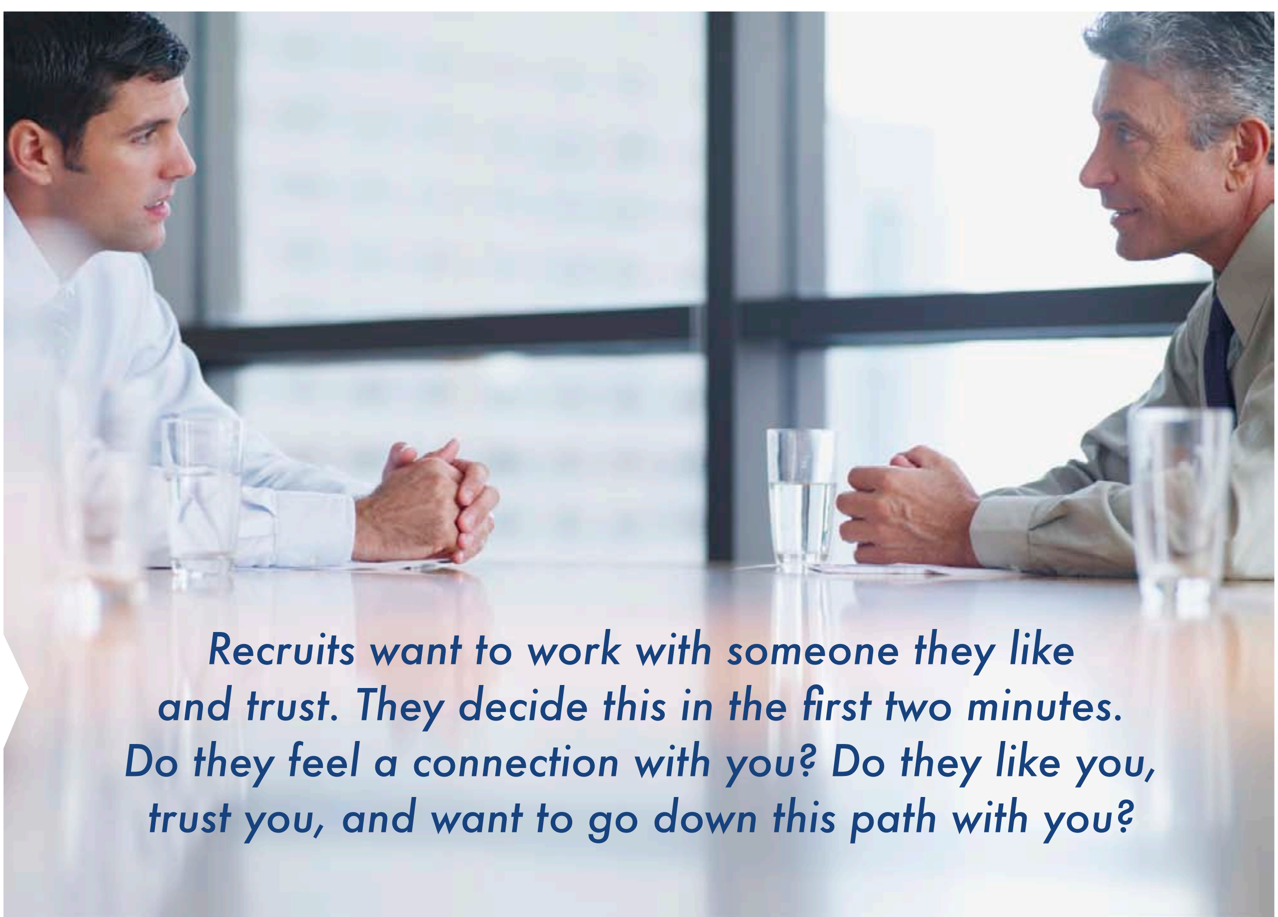
Pain: "What is your greatest challenge in your business right now?"

Pleasure: "If you could wave a magic wand and have your business just the way you want it, what would that look like?"

Step 3: Solution (Create Potential Solutions)
Now, formulate potential solutions that solve what they are praying for. How can you connect what you have to what they want? I once had a top producer tell me she was so busy, and the market was so hot, that she couldn't make a move at this time. When I asked her about her greatest challenge, she said she was working all the time, and business was falling off her desk.

Step 4: Proposal (Propose Solutions)
I showed her how our staff systems would save her time and make her money. We could dramatically increase her income per hour so she could have a life. She had also talked about a goal of having more time with family and this solution resonated with her. She joined us right away because she wanted the solution.

Be a master recruiter. Stop selling and start solving.



Recruits want to work with someone they like and trust. They decide this in the first two minutes. Do they feel a connection with you? Do they like you, trust you, and want to go down this path with you?

BUSINESS SAVVY

THE RISE OF THE TEAM

Trends in team offices

By John Steger, New Era Group at Your Castle Real Estate

REAL Trends has been instrumental in the growth of the team featured in this article, providing them with technology and marketing strategies. We want to get know teams, their structure, physical spaces, technology and marketing demands and more, CLICK HERE to be a part of this groundbreaking study.

—Travis Saxton, vice president of technology

When my grandmother was a real estate professional, just a few miles from where I now practice the profession, it was a very different world. In that world, the brokerage had the power and the resources to allow a professional to thrive. It was vital that your brokerage provided hard copies of contract forms and MLS in the form of a printed property book with three-hole punched fliers to show your clients. A secretary was necessary to answer calls and take messages. Most agents checked into the office by putting a quarter in a payphone. The fax machine and voice mail started the revolution that has now made the brokerage office an optional part of any agent's business model, rather than a necessity. Once a jacket and a nice office was a sign of prestige, now, if an agent uses a pair of Google glasses, a consumer is more likely to be impressed. Many clients no longer expect an agent to have an office.

This transition allowed well-networked agents to operate independently. A recent study showed that one-person brokerages are dominating the luxury market in Denver. When even the most prestigious firms in the city are losing market share, year-over-year, the value proposition becomes suspect. With sales associates able to hang their licenses with a plethora of brokers, commission splits will continue to be more favorable to sales associates, and the margins of owning a brokerage will shrink. I have lived this, having gone from a two-person shop with my founding business partner to owning and operating a 20-agent firm. We had a great little brokerage, but after consulting with REAL Trend's Steve Murray, we realized that dramatic growth would be needed to come close to getting a return on all the time we spent running the brokerage.

At first, we thought we had two choices, shut down our boutique brand or sell the brokerage to a larger firm. There would have been a decent pay day with an outright sale, but the brand would have disappeared, and our crew disbanded. Luckily, we found a solution and merged into a large, well-run independent brokerage and were able to keep our brand identity. Then, the magic happened. The advantage of the team model led to exponential growth and success. Only by having lived this experience can I explain it from a business perspective.

A MARKETING COLLABORATIVE

Teams are now ideal in the industry, with a solid, blue-chip brokerage covering the evil necessities of the business, such as dealing with technology issues, file retention, file auditing, compliance, oversight, lawsuits, complaints, staff turnover, new agent training and more. Running a brokerage is not a sexy business, but it is a platform that must be in place for a sales associate to be a professional. You can be successful solo, but you end up owned by your job, and you can't be great at everything. However, a team can focus on what the consumers want—awesome marketing and great support and service. That is what the team that I have majority ownership in does now. We consider ourselves a marketing collaborative and everyone contributes. Our mastermind sessions are well attended and offer fertile ground for new sales associates to learn and quickly see results. We share a brand. The brand and marketing platform are all I own. I have expectations of professionalism and team mindset, but we are all broker associates for our mother ship. What does this flat organization, team approach offer?

- We can be selective as to who joins because it is not about head count.
- We are nimble because the leadership is practicing the craft and always innovating.
- We can locate in a cool part of town, by restaurants and coffee shops.
- We don't need a big office.
- We don't get geographically pigeonholed.
- We don't need a stuffy office building from which to work; our offices are everywhere.
- We have a central hub that is a fun place to pop in and out of, where music is playing and people are selling. There is no expectation that any of us goes to the office ever, yet we are attracted to the culture.
- We inspire and support each other without any formal leadership. Yes, I'm still the majority owner of the team, but I don't have the responsibilities I had as a brokerage owner. Now, I get to spend time working on lead generation for the firm, improving our shared marketing resources and benefiting from these activities as my personal sales volume continues to climb.
- Mega agents are developing within the team.
- We have zero turnover.

Two years after saying goodbye to my beloved New Era Realty and waking up to a business card that says "New Era Group@Your Castle Real Estate," I never could have imagined the results. We've grown from 20 to 50 agents. In 2014, the team sold 333 homes and last year we sold 443. Although total sides did not increase dramatically, the price point at which many of our agents are operating has changed. In 2015, our team paid Your Castle Real Estate four times as much in commission splits as it had in 2014. This huge jump in commission earnings and average sales price was, in part, due to dramatically improved marketing materials. More importantly, the business model has attracted some fantastic agents who want to be part of a positive and progressive culture. We are opening a much larger office, but it has all the key components of the smaller one. We remain in a hip, fun part of town with restaurants and coffee shops.

My grandmother would be proud. I am hiring my first assistant to help me keep up with the business that is coming my way. Now that I don't have the distraction of running a brokerage, I have the time to focus on my clients and marketing platform. This transition has dramatically increased my personal income, as well as helped every sales associate operating under the brand I own.

A team can focus on what the consumers want—awesome marketing and great support and service.

How has the brokerage we are part of reacted to the explosive growth of the team? The owner of Your Castle Real Estate and I share a meal or play a round of golf on occasion. I enjoy asking him, "Did you ever think it would work out like this?" His typical response is, "Never" with a bemused smile. It's clear that we've stumbled upon something, as his profits continue to rise.

I believe that teams have a huge competitive advantage over both the small shops and the big brokerages. With excellent vendors in the marketplace for almost any need, brokerages are no longer necessary in the way they once were. Small shops aren't experts at anything because they are overwhelmed. Plus, it's hard to compete with a team that is collaborating and sharing freely. We all feel a sense of brand ownership, and my profit share from the brokerage is becoming more meaningful than the revenue I had when I owned a brokerage myself.

Teams are the answer, my friend, and they are on the rise!

BOB HALE, CEO, HOUSTON ASSOCIATION OF REALTORS®

INNOVATIVE AND UNAFRAID

Learn from leaders where tomorrow's opportunities and threats lie.

By Steve Murray, publisher

There is probably no more visible and controversial Association/MLS CEO than Bob Hale. He runs one of the largest Associations in the country with over 32,000 members and also directs HAR.com, one of the nation's largest and most progressive MLSs. Hale has been in these dual roles since 1988 and worked in and around the Realtors® since the early 1970s, so one could say he's seen a bit. We talked to Bob about his times in the industry and what he sees ahead.

RT: What do you consider some of the highlights of your career at HAR?

Hale: We always had a regional MLS. Because of that, we had good relationships with associations in our area, and it made it easier to merge with several. We had three successful association mergers in my time. I think this was a real achievement at the time. The creation of HAR.com was a huge one. It came about because I attended an ASAE conference in 1996 and heard a speaker say, 'In the future your business strength will not be defined by your physical location but more by your Internet presence.' I did not understand it at that moment but went home, talked to our team and decided to create HAR.com. It was probably the single, biggest decision we ever made. We joke that we have a Class B building and Class A website. Your real estate doesn't define you; it's the services you deliver to your members.

Another big advancement was the development of mobile apps for the members and consumers. Realtors don't need to be tied to their office any more than we do these days. One more recent highlight is the decision to go statewide with our MLS. We will have 92 percent of the listings in Texas on HAR.com by the end of the year. All of Keller Williams, Realogy, and RE/MAX listings in Texas are on our site. The implications are that we compete with the national portals in our territory. While we are on good terms with the major portals, we also intend to compete with them in Texas. We still provide direct feeds to them and others. Our goal is to have the largest portal in Texas regarding traffic.

RT: What has been the biggest change you have seen over the years?

Hale: Listings going on the Internet is, without a doubt, the biggest change during my career. We didn't know how it would turn out, but it's been the biggest advancement in our industry for consumers and real estate professionals. Consumers wanted more access, and we (and our members) gave them more. We still have a great relationship with consumers. It turns out, the real value was service, not information insofar as agents are concerned.

RT: What has changed most about the operation and/or business of the MLS in your opinion?

Hale: When the MLS book was considered vital, HAR was among the first to get rid of it. It was too dang heavy, and we began to use *dumb* computers (which we old timers remember).

Now, it's all mobile. Agents have a portable office, which means not only do we not have MLS books but instead we invest in the systems to deliver information to agents and consumers to the benefit of both. My view, which is not shared by all, is that the investment of an Association and/or MLS should be directed at members and should be in technology and information systems; not in real estate.

RT: What is the biggest challenge facing the industry at this time?

Hale: The biggest challenge is associations battling each other, battling MLSs, battling brokers—chaos that doesn't lead to a better outcome for everyone. I think turf battles are harming our industry and business. The battles aren't advancing our ability to service housing consumers and our agents, which should be our only focus.

RT: How does Upstream strike you?

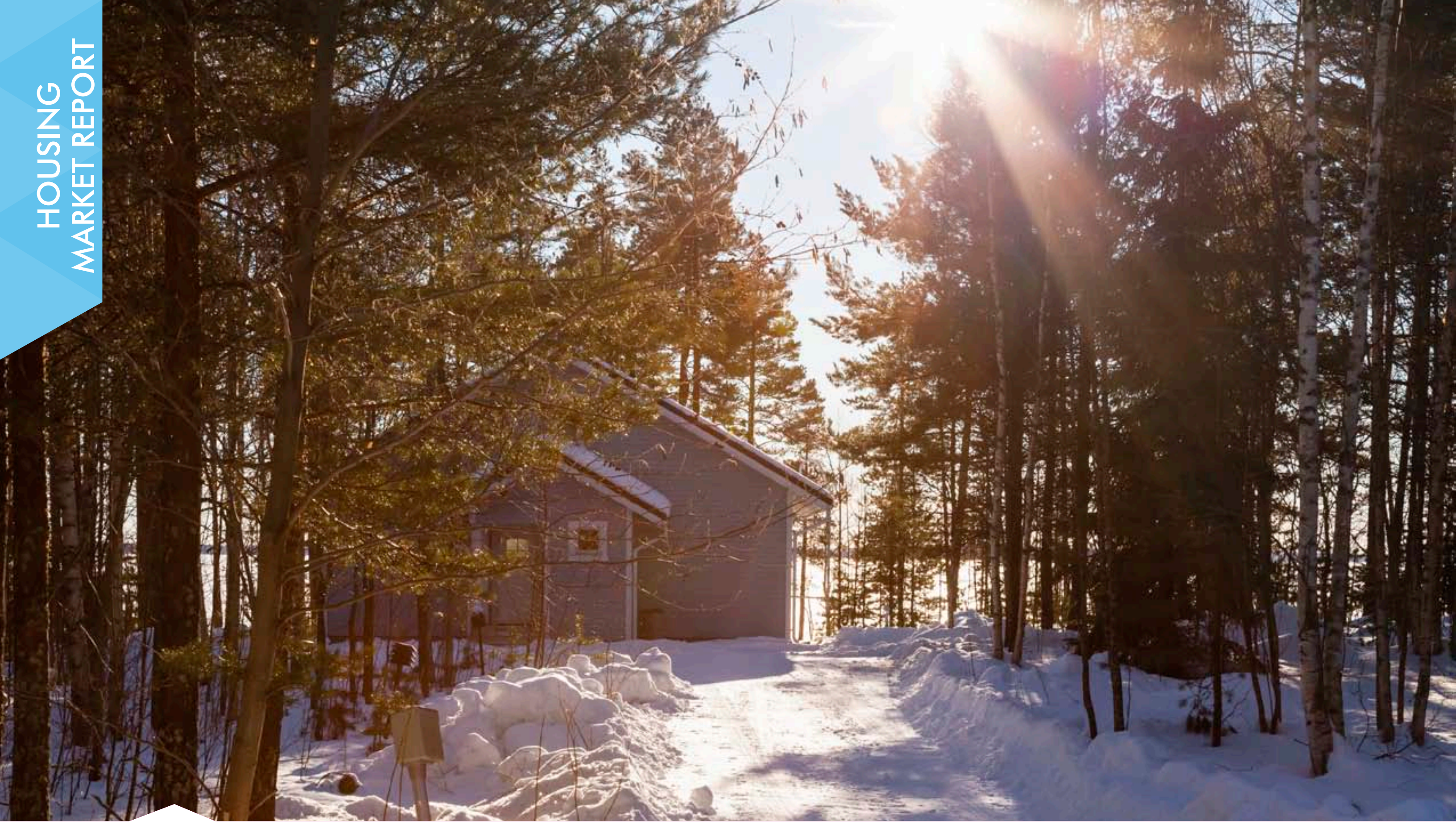
Hale: I think everyone agrees that there should be one database of all the data in the country and that brokers can and should control their data. As currently envisioned, in Upstream it will go from the broker to Upstream and then to the MLS and various other outlets. I don't question Upstream being the database for all information, only how it gets there. I think there will be myriad problems with the way it's currently designed. I imagine it will get worked out over the next few years.

RT: What about in the next three to five years for MLS (information companies)?

Hale: Let me put this directly. We provide MLS, transaction management, agent ratings and reviews, home valuations, agent production data and mobile apps. Zillow provides all of these and does so with a much larger base of customers. They have nearly 92,000 agents paying nearly $470 million a year to market themselves and gain leads and inquiries. The entire dues base of the Realtor organization is less than Zillow's revenues. These agents see value in the portals, yet as an industry, it is almost like we don't want to acknowledge it.

RT: So the future has its challenges yet you remain bullish?

Hale: You bet. There is still a lot we can do to improve, and I think we can continue to build on what we've already accomplished. What remains to be done outweighs what we have already accomplished.



REAL TRENDS HOUSING MARKET REPORT

FEBRUARY HOUSING UP STRONGLY

Unit sales growth up with a gain of 13.9 percent over February 2015

The REAL Trends Housing Market Report for February 2016 shows that housing sales increased 13.9 percent from the same month a year ago. The year-over-year gain is the strongest year-over-year increase since June 2015. The Northeast led the way with a 23 percent increase.

“February housing sales continued the increased pace of rising sales recorded in the last two months of 2015 and January 2016,” said Steve Murray, editor of the REAL Trends Housing Market Report. “The last three months have seen year-over-year home sales rising faster that any point since the spring 2015. The Northeast region had the strongest showing with unit sales up 23.0 percent—the second month in a row that this region has led the nation. Each region showed increased strength indicating that the housing market is heading into the new year in very strong shape,” he added.

The annualized rate of new and existing home sales was 6.267 million which was up very strongly from the 5.501 million rate of home sales recorded in February 2015. The results indicated that the housing market continues to strengthen in spite of low inventories.

Housing prices rose an average of 2.3 percent from February 2015 indicating that while home sales and average prices are rising in tandem, the year-over-year house price increases continue to be moderate.

“The market appears to be stronger than anticipated and has shrugged off other negative news such as the decline in equity markets, low inventories and the slower rate of foreign purchases of homes,” said Murray.

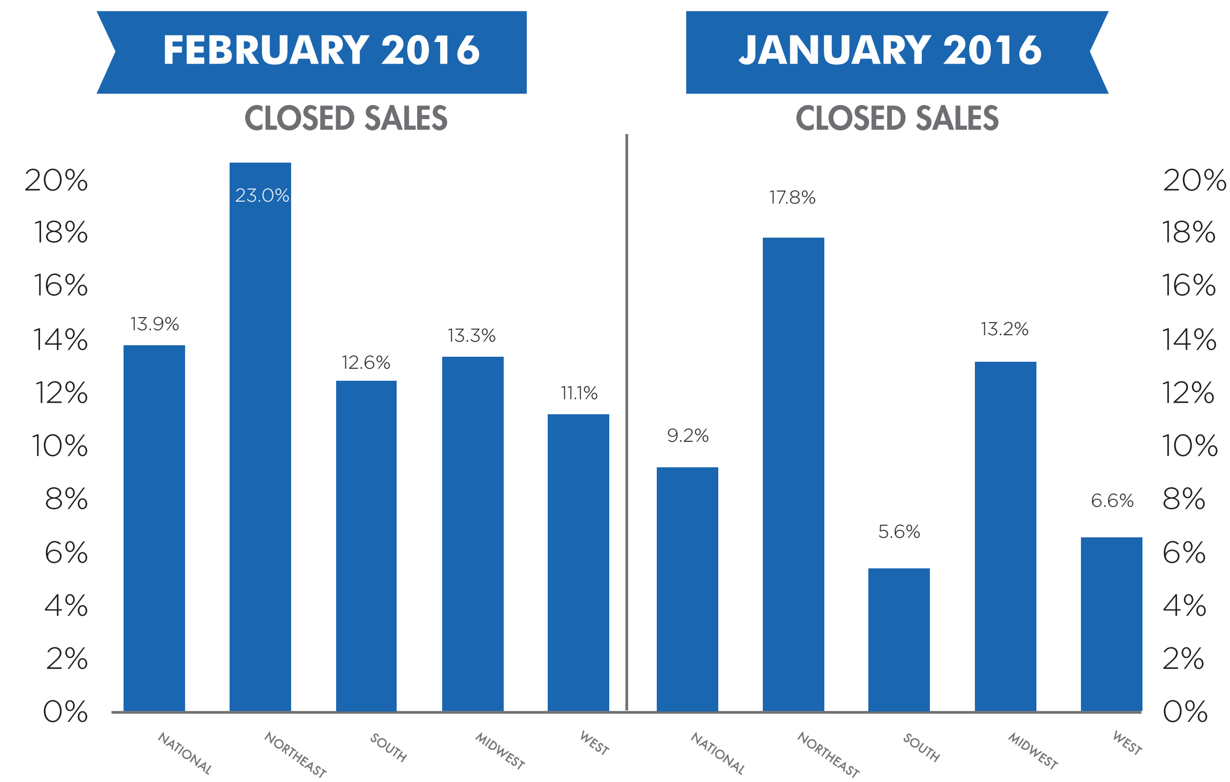
Housing unit sales for February 2016 increased 13.9 percent, up from the January 2016 results. Unit sales were up 23.0 percent in the Northeast, the best performance in all regions. Sales in the Midwest region were up 13.3 percent, the South saw an increase of 12.6 percent and the West region had an increase of 11.1 percent.

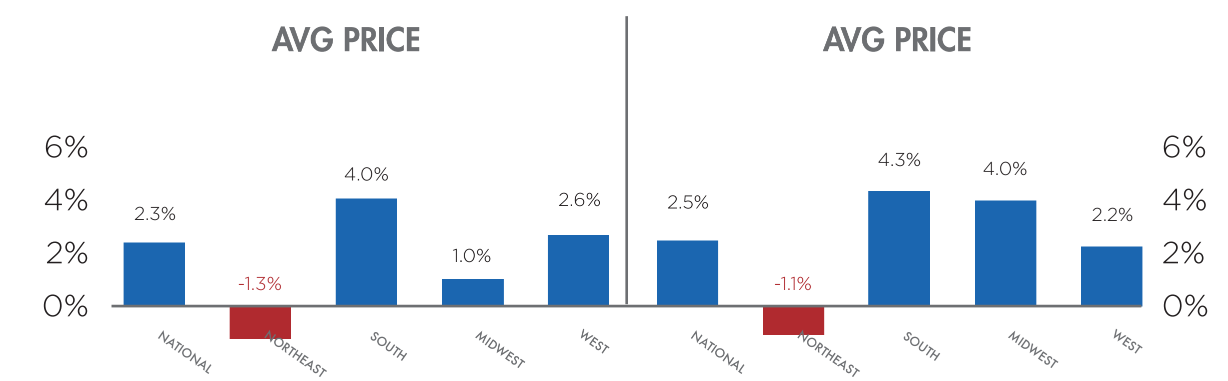
The average price of homes sold in February 2016 in the South region increased by 4.0 percent, the best result in the nation. The West saw average prices increase 2.6 percent, average prices in the Midwest were up 1.0 percent while the Northeast experienced a decline in the average price of homes sold with prices dropping 1.3 percent.

“We now expect that housing unit sales increases will continue to be higher in 2016 than thought earlier this past year. Most forecasts believe that housing unit sales will increase 3 to 5 percent for all of 2016 and that average prices will increase 3 to 4 percent. With the recent strength in housing sales both of those may be on the low side of what actually happens in 2016,” said Murray.

REAL TRENDS HOUSING MARKET REPORT

F E B R U A R Y & J A N A U R Y 2 0 1 6 E D I T I O N





CHRIS MEYERS

MANAGING PRINCIPAL
HOULIHAN LAWRENCE
RYE BROOK, NEW YORK

REAL Trends: Tell us about your path to real estate.

Meyers: In 2002, I was living in Boston having left a consulting position. I was searching for a real job, which meant running a business rather than acting as an advisor to management. My older brother and sister asked me to look at their real estate business which had grown rapidly in the late 90s. They wanted to make sure they had the infrastructure in place to support the scale that the business became. They were also looking for another partner. After spending eight weeks working on a project that gave me a deeper understanding of the business, I took the bait and joined the brokerage as the chief financial officer. In 2005, I moved to chief operating officer and got direct supervisory responsibility for broker managers.

REAL Trends: Tell me one lesson learned when building your brokerage.

Meyers: It sounds cliché, but the most important lesson learned is that real estate is fundamentally a people business. The best strategy in the world won't help you if you don't attract and motivate talent to execute it. I developed a major tech platform for our company. It was visionary, sexy and compelling. It was also an expensive failure. The real tragedy of the project wasn't the money wasted but the time that the management team spent on it proved to be a distraction from the real driver—people.

REAL Trends: What was the biggest professional challenge you faced when building your brokerage?

Meyers: I would say navigating through the financial crisis, and building the brokerage to where we are today. We've always been a growth company, and suddenly we were faced with a market where our dollar volume sales dropped 50 percent. We didn't want to lose the growth culture that was deeply woven into the fabric of our organization. So, we shifted focus from sales growth to market share growth. As a result, we were able to keep investing in areas like digital marketing, technology and recruiting even though we were cutting expenses.

REAL Trends: Based on your experience, what is the one thing you did with your brokerage that changed the trajectory of your business? What was the turning point from success to major success?

Meyers: As an owner, you need to commit yourself to recruiting agents. I got the memo on this in 2006. A major competitor was acquired by a national brand. The competitor had a stranglehold on key markets that we couldn't crack. The change in owners created an opening. I devoted a year to earning the trust of the lead brokers. I spent countless hours with spouses and kids in living rooms and kitchens. It culminated about 50 people from that company joining us. It fundamentally changed the dynamic in our market and helped us create the momentum that we've built upon.

CFPB AND TREASURY

SIGNS OF INCREASED ONLINE LENDER REGULATORY SCRUTINY?

Online marketplace lenders on regulators' radar screens.

By Sue Johnson, strategic alliance consultant

Two federal regulators—the Consumer Financial Protection Bureau (CFPB) and the U.S. Department of Treasury—have been sending out signals in recent months that they intend to more strictly scrutinize online marketplace lenders, which offer financial products such as mortgages, student loans and payday loans. While these regulators have been cautious in their public statements, their activities raise the possibility of new federal regulations for this fast-growing industry.

CFPB URGES CONSUMERS TO SUBMIT ONLINE LENDING COMPLAINTS

On March 7, 2016, the CFPB published a press release that encouraged consumers to submit complaints about

The U.S. Department of Treasury also appears to have set its sights on the online marketplace lending industry.

online marketplace lenders on its website. The CFPB uses its database of consumer complaints (currently estimated at 530,000) to determine how it enforces laws and writes regulations.

The CFPB simultaneously released a consumer bulletin that provides an overview of marketplace lending and tips for consumers who are considering taking out loans from online lenders. Most of the tips are basic, but the bulletin tells consumers to "keep in mind that market-place lending is a young industry and does not have the same history of government supervision and oversight as banks or credit unions."

"Rather than seeking to provide additional protection to consumers, perhaps the CFPB's primary objective is to warn marketplace lenders that **THEY ARE CLEARLY ON THE CFPB'S RADAR SCREEN."**
– Scott Pearson, Ballard Spahr LLC

Industry observers question the CFPB's motive for asking for complaints against online lenders when it already accepts complaints about consumer financial products, including mortgages, student loans, and payday loans. Why ask for complaints against a specific type of lender when there already is a complaint mechanism in place?

Scott Pearson of Washington, D.C.-based Ballard Spahr, LLC believes it's a warning sign. "The CFPB's objectives in taking these actions are questionable since consumers already could complain about marketplace loans using the CFPB's existing loan categories," he said in the law firm's *CFPB Monitor*. "Rather than seeking to provide additional protection to consumers, perhaps the CFPB's primary objective is to warn marketplace lenders that they are clearly on the CFPB's radar screen."

TREASURY DEPARTMENT ANNOUNCES ONLINE LENDING STUDY

The U.S. Department of Treasury also appears to have set its sights on the online marketplace lending industry. On July 16, 2015, it announced that it will "study the potential for online marketplace lending to expand access to credit and how the financial regulatory framework should evolve to support the safe growth of the industry" and requested public comments on this industry's practices.

Despite the Department's positive description of its study, its request for comments asked such pointed questions as: In what ways do different models raise different policy or regulatory concerns? How are borrowers assessed for their credit-worthiness and repayment ability? How accurate are these models in predicting credit risk? Marketplace lending potentially offers significant benefits and value to borrowers, but what harms might online marketplace lending also present to consumers and small businesses? What privacy considerations, cybersecurity threats, consumer protection concerns, and other related risks might arise out of online marketplace lending? Do existing statutory and regulatory regimes adequately address these issues in the context of online marketplace lending?

The Department received over 100 public comments from online lenders, community banks, credit unions, institutional investors, payment services providers, trade associations, and consumer advocates. In August 2015, it held a roundtable discussion with input from 80 industry, borrowers and consumer advocates.

OUTLOOK

The federal regulatory scrutiny of online marketplace lenders appears to still be in the fact-finding stage, so it's too early to predict the results. Certainly, it would be a complex process, given the substantial differences between various online lending platforms and the diversity of the products they provide.

Whatever the outcome of this debate, it will have implications not just for online lenders, but also for companies that compete or partner with them. It's a space worth watching.

It is about the legacy of the seller, the emotional feeling one has about ending a significant chapter in an owner's life.

VALUATIONS, MERGERS AND AQUISITIONS

THE PEOPLE SIDE OF DEALS

Emotions play a big part in mergers and acquisitions.

By Steve Murray, publisher

When discussing the merger or acquisition of brokerage firms, the first question is almost always about the multiple. Then, they move on to terms, how much cash, how long the earn out, how is it structured and executive compensation. And, while these are important, some lessons we have learned over the past 29 years of putting brokerage firms together is that it's rare that it's only about these factors. Far more often, it is about the legacy of the seller, the emotional feeling one has about ending a significant chapter in an owner's life and how he or she will be viewed in light of doing a transaction that matters the most.

Many brokerage firm owners like to think of themselves as rational creatures. Likely, most of the time this is true. After all, they've survived multiple recessions, rising costs, and the threats of technology and other new intermediaries for many years. For those who have lasted 20-30-40 years, the business has changed so much in its economics that it is hardly recognizable. But, when it comes down to deciding whether to sell or merge with another firm, it's inevitably a very personal decision. And, often at this time, rational thought diminishes and the emotional factors rise.

In our experience, those who've built great brokerage firms have also formed an emotional attachment to them. How the owner will be viewed after a deal by the agents and employees of the company is important. What will happen if they, the masters of their universe, will be judged for the decision to sell or merge that matters more than the money of the deal?

In fact, it's this characteristic that makes them great brokerage leaders. They don't want to say they care about these factors, but they do, intensely and personally. Yes, they like being at the center of the action. As Bill Moore, who ran a great brokerage firm in Denver, having sold it some time ago, decided to acquire another firm and re-enter the brokerage business, told us that he "flunked retirement and missed being with agents and around the action of the business." He said aloud what many brokerage owners think and feel. They miss it greatly once they are not in it.

So, while the discussions will always be about the price and terms of deals, it's actually how an owner feels about him or herself, and how he or she thinks a deal will be perceived, that ultimately will decide whether he or she can successfully transition from owner-operator to some new role.

NEED TO KNOW

How can you harness the power of the smart-home trend?

THE FUTURE OF SMART HOME TECHNOLOGY

By Paul Salley, marketing strategist

Home automation technology is currently one of the fastest-growing technology segments in the world. There is no question that integrating aspects of home automation into your daily life can add convenience and elegance to even the most mundane task, such as turning up the heat or locking your front door.

Most home automation triggers stem directly from setting preferences inside of an app on your smartphone. Even the most sophisticated home automation solutions depend on various inputs from the originating user's smartphone. Some of these inputs and triggers include set profile preference, location queues, Bluetooth proximity, adaptive learning of user habits, adapting to external information (such as weather), and direct feedback from the user.

Smarthome technology takes all of this information and learned behaviors and uses it to activate technology related to the home. Currently, the most common applications of smart home technology include thermostats, security cameras, lighting solutions and home-entry systems, such as smart garage door openers and locks.

However, there are more sophisticated systems that can recognize preset entries from a smartphone to set into motion customized events. An example of more evolved smart-home technology includes a full smart bathroom. In this scenario, when one brings his or her phone into the smart bathroom in the morning, his or her shower will start at a preset temperature, favored music will play, and the lights will automatically set to a color and level selected in the user's preferences.

Smart home technology is relatively young, and relies heavily on supporting technologies to execute properly, such as a smartphone. The future of smart home technology will gradually shift away from being able to recognize and cater to a phone's needs and users' preset inputs and instead recognize an individual's needs on an immediate and adaptive basis.

Real life examples of this next generation smart home technology include the ability of your thermostat to read your temperature and heart level and adjust the temperature accordingly to best suit your needs at that moment, rather than to pull its temperature from a schedule or repetitive learning activities. Another example is being able to have smart home technology music systems provide you music to fit your mood based on face and body queues.

The future is bright for home automation, and smart homes and their technologies will continue to become more intelligent. Intelligent enough to read you as an individual, rather than read what your smartphone is saying? Only time will tell.

Interested in learning more about smart-home technology? Subscribe to our weekly REAL Trends TechTouch enewsletter. Email tech@realtrends.com




REAL TRENDS 500 AND UP-AND-COMERS

In late March, we released the 28th edition of the rankings of the nation's largest residential brokerage firms—the REAL Trends 500 and Up-and-Comers. This year, a record 1,660 firms filed applications, and the variety of firms on the rankings continues to expand as new models evolve. Later this month, we release the *REAL Trends 500 and Up-and-Comers* magazine which lists each of these firms with the most complete record of their accomplishments. We rank these firms first by transaction sides (it takes a minimum of 500 closed sides to qualify), then by volume and finally by numerous other categories.

REAL Trends Market Leaders
Later in May, we release a special report that ranks the top firms from the REAL Trends 500 and Up-and-Comers by metropolitan area and by closed transaction sides and closed sales volume. Stay on the lookout for both of these important and informative reports.

REAL Trends The Thousand as Advertised in *The Wall Street Journal*
In June, we will release the 10th annual ranking of the top individual agents and teams in the country. The Thousand is four separate rankings of the top 250 in each of top individual agents by sides, and volume and teams ranked in the same manner. This year, over 10,000 sales associates will apply to be ranked on this prestigious list.

REAL Trends America's Best Real Estate Agents
This ranking, which appears on REALTrends.com, lists all 10,000 plus agents who closed more than 50 closed sides or $20 million in volume (individual agents) and 75 sides or $30 million in volume for teams.

AMERICA'S BEST REAL ESTATE AGENTS REALTRENDS

Those ranked on America's Best Real Estate Agents are all verified entrants. While they represent less than 1 percent of all agents in the country, they represent more than 4 percent of all the business done. This web-based ranking report will appear in early July for results based on the calendar year 2015.