REALTRENDS
THE TRUSTED SOURCE

COMPLIMENTS OF

KANSAS ASSOCIATION OF REALTORS®

JUNE 2018 NEWSLETTER

ACTION PLAN

COMPETING WITH NEW BUSINESS MODELS

New business models will keep you on your toes, but complaining won't get you anywhere.

By Steve Murray, president

The onslaught of new venture-backed realty firms entering the industry is somewhat breathtaking. Along with Redfin, Compass and eXp, we have Open Door, Offer Pad, Knock.com, Purple Bricks and others not so well known. Zillow, Realtor.com, Homes.com and myriad other real estate tech firms have also had an impact. What is less known is that there are at least four private equity firms—that we are aware of—carefully examining investment options in brokerage and real estate tech.

It's not that there are so many new entries that is causing angina among incumbent realty firms. It's that they compete by

REALTRENDS
THE TRUSTED SOURCE

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

President:
Steve Murray - smurray@realtrends.com

Publisher:
Tracey Velt - tvelt@realtrends.com

REAL Trends Team:
Alec Gress - agress@realtrends.com
Alicia Vivian - avivian@realtrends.com
Bo Frize - bfrize@realtrends.com
Brent Driggers - bdriggers@realtrends.com
Bryan Warrick - hi@hihellostudio.com
Cooper Murray - cmurray@realtrends.com
Doniece Welch - dwelch@realtrends.com
Nikki Lindholm - nlindholm@realtrends.com
Peter Gilmour - pgilmour@realtrends.com
Rebecca Chapla - rchapla@realtrends.com
Scott Wright - swright@realtrends.com

offering lower costs to consumers, higher costs to recruit and retain agents or both. In fact, it's not just one that keeps us on our toes; it's the totality of them all. Many of them raise enormous amounts of capital with which to enter markets and compete with incumbents. Their backers don't seem to require any earnings potential for the foreseeable future with these new companies. Zillow and Redfin have been out over ten years, and neither has produced annual earnings—yet. Indeed, this is a new form of competition for the residential realty industry.

However, is it all that different than what brokerage firms faced in the past? Merrill Lynch and Sears entered the business from 1977 to 1982 buying brokerage firms. Their size and scale scared everyone back then. At just the same time, RE/MAX gained strength and raised the cost of recruiting and retaining agents. Don't forget this was also when savings and loans started buying brokerage firms and entering the business.

Brokers detested all of them. They saved their particular dislike for RE/MAX because the cost of keeping top producers soared while the others played by the incumbent's rules. At the time, brokers felt they wouldn't know how to compete should gross margins fall below 30 percent. Many of those brokers today are healthy and growing.

Later in the early to mid-2000s, after an initial wave of real estate tech firms entered the market, there was fear that opening up the MLS to public access would wreck the industry. Keller Williams gained share and again raised the cost to brokerage firms for recruiting and retention of agents. Brokers shifted their dislike from RE/MAX to Keller Williams and Zillow. Brokers felt like there was little hope that they could remain viable when gross margins fell below 20 percent (see a pattern here?). Traditional brokerage firms continue to find ways to compete and to stay profitable.

WHAT CAN WE LEARN FROM HISTORY? First, don't waste any time complaining about today's villains. It won't make a difference. Redfin, Compass, Zillow and others are likely here to stay.

What can we learn from history?

First, don't waste any time complaining about today's villains. It won't make a difference. Redfin, Compass, Zillow and others are likely here to stay. Years ago, incumbent independent brokerage firms complained about RE/MAX and franchised brokers in general. It didn't stop them, and it didn't change anything on the ground. Later, incumbents (now including RE/MAX firms) complained about Keller Williams and Zillow. It didn't stop them, and it didn't change anything. Currently, incumbents (now including Keller Williams) are complaining about eXp, Redfin and Compass. It won't help.

Brokerage firms are remarkably resilient and adaptive. With average gross margins now at 18 percent and falling nationally, the business will be tougher, both regarding how to grow and how to maintain margins—but not impossible. When once it was thought that there was no way to make money with gross margins under 30 percent, then 20 percent, now lower than 18 percent for most brokerage firms, we find that there are numerous companies still making 4 to 6 percent pretax on their gross revenues.

Where is it headed?

Many years ago, we commented that the residential brokerage might well evolve as other retailing industries had—a few large-market-share participants, with low costs and low margins along with a few more niche players who specialize in specific segments of the market, generally with smaller market shares, but with higher margins. The key is not to get caught between these two models.

The *value proposition* guides decisions for all consumers. Its parts are price, convenience and trust. If you're not focusing your conversation with your agents and critical employees on convenience and trust, then the discussion will be about the price (agent splits for instance).

We do believe one key point. If the choice of the brokerage firm is always and only about money, then every brokerage today of any size would be out of business. Quite a few agents and teams value more than just their commission plan. The key is in finding the right blend that gets you the right type of agent and builds the kind of company that you most want. It may be different than where you started.

Commission rate pressure

In addition to the downward pressure on gross margins at the brokerage level, we have been watching national average commission rates decline steadily since 2011 when the market indeed began to recover. As we published in our book, *Game Changers* in 2014, there is a remarkable correlation between the average number of listings available in the market and the number of Realtors® serving the market. It turns out that over the last six years or so, the average number of listings per Realtor at any given time has dropped by nearly 50 percent—from 2.9 to 1.4. While that happened, the national average commission declined from 5.4 percent to 5.08 percent. (For analysis on this, go to page 7.) There is no end in sight for tight inventory conditions. Realtor membership is climbing. We expect that the downward trend in national average commission rate will likely continue.

WE DO BELIEVE ONE KEY POINT. If the choice of the brokerage firm is always and only about money, then every brokerage today of any size would be out of business. Quite a few agents and teams value more than just their commission plan.

AGE OF AMAZON

LESSON 5: ARE YOU PRODUCT OR PERSON DRIVEN?

A series on what the new business environment may tell us about residential brokerage.

By Steve Murray, president

In a recent article in REAL Trends, Larry Kendall put it this way—some internet firms are media driven, and some are market driven. Mostly, are they selling a product online or are they an online ad agency that offers an audience? Zillow, Realtor.com and Homes.com are online ad agencies (for now). Redfin is a product company. Their primary revenue comes from the sale of housing, not online advertising.

Lesson 5: What is your online strategy? What is your purpose with your website and your online ad spend? How you answer these and related questions may determine whether you can compete effectively with the tech realty firms now rushing into the brokerage space.

Products or Personal Services?
Amazon makes some things but mainly sells other peoples' products. It delivers them to your door, tracks your purchases, sends you data on other related products and on things that other people like who have a profile similar to yours. However, Amazon does not deliver personal services. Although they've formed ventures with Berkshire Hathaway and JP Morgan Chase in health care, one doubts that they will be employing their doctors like Kaiser. Nor does Amazon appear to want to be in residential brokerage that way.

It's been said by us and numerous others that housing consumers appear to want and like the personal services provided by real estate agents. The usage rate hasn't dropped measurably for the last 10 to 20 years. Even though drenched in information about housing, consumers still reach for an agent to complete a transaction. Unless and until firms like Zillow, or even Amazon, employ their agents, they will mainly be content with extracting money for advertising, agent location fees, or both.

Offer Specialized Service
What does this mean for a brokerage firm? We've already spoken about customization, specialization and focus in previous articles about the age of Amazon. So, what does your website mean or do for you? Is it a means to deliver service, and online advertising site or something of both? Have you thought about it regarding precisely what you're trying to accomplish with it? Is it for online advertising or is it for the sale of property?

Are you trying to deliver information or directly connect service providers? Have you thought about how you monetize your website? It will help as we move forward in these new times to be able to answer these questions and act on your decisions.

FIRST PERSON

THE IMPACT OF TECHNOLOGY

By Steve Murray, president

If technology is a truly sustainable competitive advantage, then why does Redfin need to discount its charges to consumers?

If technology is a truly sustainable competitive advantage, then why does Compass have to acquire agents to build its business?

If technology is a truly sustainable competitive advantage, then why can't we find evidence that brokerage firms that are huge users of technology have any different levels of productivity or profit margins than those that aren't big users?

Once Berkshire Hathaway, Keller Williams, Realogy and RE/MAX all have fully developed and integrated technology platforms, or at least ones that are mostly indistinguishable from each other and other realty firms, how will they be any more differentiated from each other than they are today?

TIME OUT

BOOKS WORTH READING

By Steve Murray, president

We saw a list of *most essential* or *most worthwhile* business books ranked in a national publication recently. That led us to share some of our favorites with our readers.

Here is a short list:

1. *Moneyball* by Michael Lewis—the story of how two guys changed the management of the sporting industry at every level in the last 15 years.
2. *The Five Dysfunctions of a Team* by Patrick Lencioni—No one writes a better book about leadership and management than Patrick. This one gets to the heart of truly effective leadership.
3. *Good to Great* by Jim Collins—Want to know the behaviors of leaders who build great long-lasting organizations? This is the one to read. It's spot-on in every regard.
4. *The Ideal Team Player* by Patrick Lencioni—Want to know how to increase your chances of recruiting and building a great team? Then, this is the book for you.

There are others that we will pass along, but these books not only offer some powerful lessons, but they are enjoyable to read as well.

CLIENT DATA

THE VALUE EXCHANGE

Perhaps brokerage firms need to think about how brokers can use agent client data without damaging the relationship.

By Steve Murray, president

I had an interesting discussion with a leader of a realty firm the other day. We were talking about the fact that the largest and most significant repository of data or information in the industry is basically off limits to brokerage firms. Of course, we were talking about the client and customer data of the agents. While having excellent access to data about listings, sales, revenues and costs are all valuable, customer data has potentially far more value.

The majority of brokerage firms don't have access to it. While brokerages do have access to some of the personal information from listings and sales, few collect this data and manage it for some other use. We know of only one brokerage that does retain it in a useful way—they offer company underwritten follow-up programs for their agents and use it to market their mortgage and property casualty insurance products to those customers for years after closing. Last I checked, they had over 20,000 customer profiles in their database.

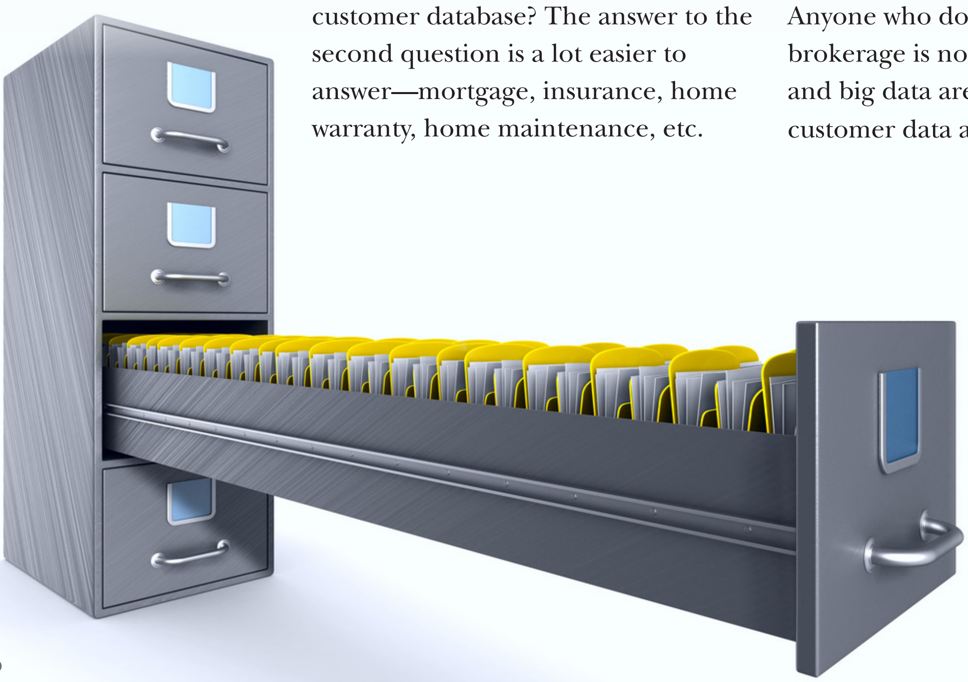
As we discussed this further, my friend commented that perhaps brokerage firms needed to think about what exactly could or would a broker use this data for without damaging the relationship with their agents and what services could they then offer that customer database? The answer to the second question is a lot easier to answer—mortgage, insurance, home warranty, home maintenance, etc.

The first question is more difficult. After thinking about it for a moment, he felt that for the right to offer this non-brokerage–related services, a broker could provide a service that automated the follow-up and marketing process for their agents, pay for it or underwrite it in some fashion. He opined that he thought a broker would also have to offer some assurances that the customer data was the property of the agent and that it could be withdrawn from the brokerage at any time.

Hence the exchange of value from broker to agent. I commented that he was likely on to something and that it should merit some of his attention—soon.

These kinds of discussions are likely taking place at the headquarters of Berkshire Hathaway, Keller Williams, Realogy and RE/MAX as we speak. Their discussions might be about how they can get brokerage and market data as well as their agents' customer data. We know that Keller Williams is headed this way based on Gary Keller's comments at the Family Reunion back in February. Of course, Redfin is already there, and likely Compass is not far behind. One also wonders how many of the large agent team businesses are building their databases for these kinds of uses.

Anyone who doesn't think this a big part of the future of brokerage is not thinking clearly. Artificial intelligence and big data are just descriptors of how to assemble customer data and leverage it.



ANYONE WHO DOESN'T THINK this a big part of the future of brokerage is not thinking clearly.

BROKERAGE

INVENTORY, BROKERAGE MODELS AND REFERRAL FEES

HOW THESE 3 FACTORS IMPACT COMMISSIONS

An examination of inventory and the market and how it impacts commission rates.

By Steve Murray, president

We looked at three factors: inventory, brokerage models and referral fees to see what the possible impact of those factors would be on commissions. Here's what we found.

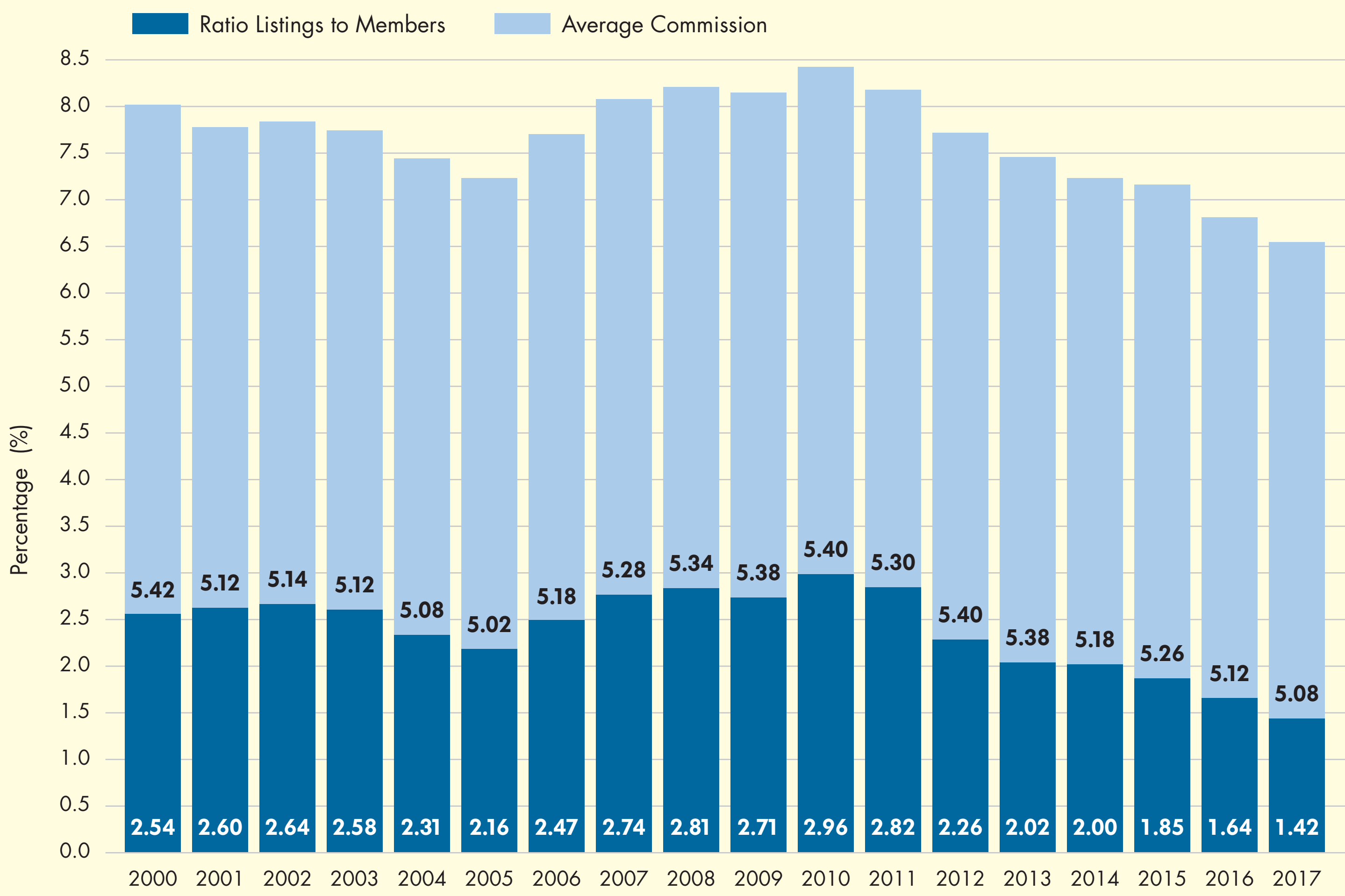
The Market's Impact on Commission Rates
Commission rates appear to be very sensitive to the availability of listing inventory and the population of REALTORS®.

We examined the average number of listings in the national market from 2000-2017; the average number of Realtors over that same period and compared the ratio of listings to Realtors against the average commission rate for each of those years. (See Chart Below.)

There is clearly a strong correlation between this data. What it signals is that when listings are scarce relative to the number of Realtors in almost every year the commission rate declines. When the ratio of listings to Realtors climbs (as in 2008-2010) the average commission rate increases. With few exceptions, these data establish a clear pattern.

What we know about the residential brokerage business is that real estate brokers and agents compete for business aggressively. When listings are in relatively short supply, brokers and agents compete even more aggressively for those listings. One of the ways they compete is on the price, or commission rate, that they will charge. When markets are strongly oriented towards the sellers (which it

AVERAGE COMMISSION RATE TO LISTINGS PER MEMBER



has been for the past 4-6 years) a well-priced listing will sell relatively quickly. This improves the economics for the broker who has that listing as it will take less time and cost less money, generally, to sell than when markets are more oriented towards buyers of homes.

Thus the market is working as it should. It is clear that brokers and agents themselves compete aggressively for listings and that this competition for scarce listings drives the commission rates that consumers are paying for these services.

Consumers Know Their Options

REAL Trends does its own consumer research and has done so over the past 16 years. We use respected survey firms like Harris Interactive and Nielsen to assist in this research. As long ago as 2005, for instance, when we last asked consumers what methods they used to sell their homes, nearly a fifth said that they planned to attempt to sell their home without any assistance. **CLICK HERE and scroll to Consumer Real Estate: Service Model Assessment**

That survey showed also that consumers shifted between different models of selling assistance during their process. What it most importantly shows is that a majority of consumers are aware that they a) can sell or purchase homes without using an agent, b) they are aware that there are alternatives to using a full service, full price, real estate agent and c) they often try other methods to either sell or buy homes prior to the selection of such an agent.

Low Barriers to Entry Provide Opportunity

In the last ten years, there has been an explosion of new brokerage models in the U.S. residential real estate industry. At the national level brokerage firms such as Redfin, Compass, eXp, Realty One Group, HomeSmart and Fathom Realty have launched. Redfin alone closed over 45,000 transactions in 2017 and offers both reduced listing commissions and rebates to buyers of homes. The others listed offer mainly lower costs to Realtors in running their businesses. Each is growing rapidly and is exerting downward pressure on commission rates and/or other costs to housing consumers (we will discuss in the next section).

In the past such firms as HelpUSell (1977), Assist2Sell (1987) and ZipRealty (1998) operated by offering housing consumers lower commission costs. At their peak, HelpUSell and Assist2Sell had over 1,500 franchised locations in the United States. ZipRealty went public and at its peak was closing nearly 30,000 transactions per year both through its owned brokerage operations as well as through affiliated realty firms.

Each of these firms (and hundreds of other limited service flat fee brokerage firms in markets across the country) had ample resources to offer their reduced-price services.

In addition to the entry of numerous alternative residential real estate brokerage firms, new entries now include such companies as Open Door, Offerpad and Knock.com that will purchase homes direct from sellers.

WHEN MARKETS ARE STRONGLY ORIENTED TOWARDS THE SELLERS which it has been for the past 4-6 years, a well-priced listing will sell relatively quickly. This improves the economics for the broker who has that listing as it will take less time and cost less money, generally, to sell than when markets are more oriented towards buyers of homes.

THE EFFECT OF THIS CHANGE, which has happened slowly over the past 5-7 years, is that whatever influence brokerage firms once had on the direction of commission rates or other charges is disappearing for the majority of the brokerage industry.

Even Zillow, the leading real estate advertising website in terms of total online traffic, is now purchasing and reselling homes. In short, competition for housing consumers has never been as vigorous as it is at this time.

There are numerous discount brokerage service offerings available to consumers in the United States. In Denver, Colorado, alone, a simple Google search revealed 9 different discount residential brokerage offerings. They include Trelora, Altrue Realty, Simply Optimum Realty, List with Clever, Redify, Colorado Flat Fee Realty, Assist2Sell and Realproteam and Redfin. A similar search in Atlanta, Georgia, reveals over 14 such firms just on the first page of the search. And this doesn't include such firms as Assist2Sell or HelpUSell.

Another indication of competition from discount or lower fee realty services firms is the recent entry of Purple Bricks, a well-funded discount realty firm ($177 million in last round) which is now getting established in Los Angeles and New York City.

Structure and Direction Trending to Lower Commission Rates

We estimate that well over half of all real estate agents in the United States work for brokerage firms that do not have a financial incentive to police the commission rates that their agents charge.

National firms such as RE/MAX (65,000 agents), Keller Williams Realty International (166,000 agents), Realty One Group (12,000 agents), eXp (10,000 agents) and HomeSmart (14,000 agents) are just the most well-known national companies whose compensation policies and programs provide no incentive for the brokerage to police or care about what their agents charge. For instance, RE/MAX brokerage firms charge the great majority of their agents a flat monthly fee, as opposed to a percentage of the commission revenue, for the services they provide their agents. Keller Williams charges a 'capped' fee wherein once the agent has paid a certain amount, they pay no more to their brokerage. Realty One Group and HomeSmart charge flat monthly and transactional fees and again they have no financial incentive to police or care about what their agents charge for the agent's services to housing consumers.

Add to these national firms regional and local companies like Benchmark (Nashville), Signature Realty (Kansas City), Equity Group (Salt Lake City), West USA (Phoenix), Charles Rutenberg (Florida, NYC) and Wilkinson (North Carolina) and many others. Each charges a variation of a flat monthly fee and transactional fees and again the owner/operator of the brokerage firm has no financial incentive to police agent commission or fee charges to housing consumers.

The effect of this change, which has happened slowly over the past 5-7 years, is that whatever influence brokerage firms once had on the direction of commission rates or other charges is disappearing for the majority of the brokerage industry. When added to the nearly universal scarcity of listings of homes for sale, it creates significant, long-lasting downward pressure on commission rates.

Calculating the National Average Commission Rate
When REAL Trends and others track the national average commission rate we use Gross Commission Income (GCI) divided by the sales price. The GCI is the total of all commission income from closed residential transactions. This top-line number does not reflect referral fees paid to third parties, such as online marketing businesses or relocation management referral firms. This causes the national average commission rate to be higher than it actually is when taking into account the hundreds of thousands of residential transactions where there is a referral source.

Firms such as Cartus, Brookfield Relocation and Weichert Relocation and Weichert Lead Network charge referral fees for their corporate and affinity group business that is generated and serviced by real estate brokerage firms and their agents. These fees range from 30-45% of the total commission earned by the brokerage and their agents. Other firms such as Referral Exchange and OpCity generate leads online and refer them in the same manner to local real estate brokerage firms and their agents.

Cartus alone generated 245,000 referrals and closings in 2017 spread between their corporate relocation and affinity group business. Brookfield and Weichert generated approximately one half this amount. Firms such as Referral Exchange referred and closed more than 15,000 such transactions. Leading Real Estate Companies of the World generated an estimated 30,000 closed referrals among their large independent brokerage membership. The total referral volumes within the national franchise brands cannot be determined but could conservatively be between 50,000 – 70,000 closed referrals annually.

While a total estimate for all firms engaged in these activities is not available to us, we can conservatively estimate that it is in a range of 500,000-600,000. Out of total existing home sales of 5.5 million this would mean that on approximately 10% of all transactions closed last year, there was a discounted commission involved because of a referral fee requirement. The estimated reduction of commission income to brokerage firms and their agents from these transactions would be a range of $1.5 to $1.6 billion ($300,000 average sales price, 2.5% average commission on each transaction side, 40% referral fee times 500,000 transactions equals $1.5 billion) which alone is nearly 2.0% of all gross commission income earned by residential brokerage firms and their agents in 2017.

Conclusions
The market for residential realty services is highly competitive and getting more so. Not only are discount realty service firms abundant in most markets, but as our research shows consumers are very aware that they can either not use any realty services firm or have a range of offerings to choose from.

Competition among existing traditional realty services firms is already lowering the commissions that consumers are paying, and all meaningful trends indicate that the pressure is for lower commissions, not higher. Whether it is due to the increase in agents working in brokerage firms whose business models don't reinforce any particular commission rate or the impact of third party referral sources which are themselves lowering commissions generated to brokerage firms and their agents, there is fierce competition in the market for sellers and buyers of real estate that is resulting in lowered commission rates for all consumers.

REAL TRENDS GATHERING OF EAGLES 2018:
RECRUIT, DEVELOP & SPEND LESS

By Caroline Pinal, co-founder, @givebackhomes

What is the true value proposition for the real estate industry of the future? At REAL Trends Gathering of Eagles, brokers, CEOs and leaders sat down together to mull over the potential challenges the industry faces and how CEOs of the biggest companies in real estate are facing them head-on.

Know Your Story

John Peyton, president and CEO of Realogy Franchise Group, comes from the hotel industry, where you can control the brand and story with scripts, training, uniforms, etc. Not so much in real estate. And when it comes to working with franchisees and their agents, he says, "Focus on two or three story components that agents can grab onto instead of handing them a giant company manual of values."

Peyton also described a recruiting campaign they launched to their franchisees, but only about 100 out of the 1,000 that registered for the campaign actually yielded some recruits. They tried to figure out what was happening and learned that over half of franchisees they talked to couldn't effectively describe their value proposition to agents. Realogy Franchise wants to help their affiliates recruit, "Because big is better in this space." While the classic value proposition involves marketing and branding, Peyton describes today's value proposition to focus more on tools, data, technology, and analytics.

Building A Recommendation Engine

Big data is something Peyton admits Realogy hasn't mastered yet, and he sees it as a challenge for the industry as a whole. "The data hype came about ten years before we really knew how to harvest it." Now, they're looking to predictive analytics and machine learning to provide the kind of "Recommended for You" service that is bringing so much success to Amazon and Netflix. Right now, 30 percent of Amazon's revenue is generated by its recommendation engine, and more than 70 percent of the shows people watch on Netflix is the result of their recommendation algorithm. Peyton hopes to apply this technology to help predict which homeowners are likely to sell, where likely buyers for a property will be located, and even when agents are likely to switch brokerages.

Only a 15-minute break separated Peyton's warm and fuzzy outlook with Rob Hahn's apocalyptic prediction for the future. "The truth is you're all on your deathbeds," said Hahn.

He then asked three questions to the room full of brokers: "Are commission splits getting lower or higher? Are brokers getting easier or harder? Is it getting easier or more difficult to manage your agents?" He says, "Higher, Harder, Worse."

Pimpin' Ain't Easy

Hahn goes on to explain that the traditional real estate broker is no longer in the real estate industry. Instead, they're in the recruitment industry. "And why is it so difficult to recruit? Because there's little differentiation between brands," said Hahn. There are three main offerings from a brokerage to an agent: technology, leads and training. Does the brokerage do this better than any other vendors and service providers that specialize in technology, leads or training? Which of the three things can agents purchase themselves, independent of the brokerage? All of them. "What is it that brokerages do?" asked Hahn. "You recruit talent, you retain talent, and you take a piece of the action. A business model shared with only one other industry in North America: a pimp. Except pimps keep more of the money."

Hahn's suggested solution to this doomsday: For brokerages to operate like a professional services firm—think law firm—where you eliminate the independent

contractor, make your top producers equitable partners and everyone else is an employee associate.

Answering the Diversity Question

Steve Murray asked a very important question: "'Is hiring minorities in leadership a top priority?" ERA CEO Simon Chen; RE/MAX CEO Adam Contos and Coldwell Banker CEO Charlie Young all said yes. But unfortunately, they each struggled to elaborate. Their answers went a little something like this, "Our CFO is a woman" and "Well, I'm a minority, so, there's that" and "We definitely foster diversity." This question could have been a nice opportunity for them to talk about their diversity initiatives and inspire leaders in the room to develop similar programs.

In his closing remarks, Steve Murray said it takes three things to be a successful brokerage:

- **Recruit talent –** Know your value proposition and get to know what your agents think about you.
- **Develop talent –** Brokerages across the country spend billions of dollars on agent training and hardly any on developing and training leadership roles.
- **Spend less –** Brokers talk about profitability, but they focus on market share when they should be focusing on spend.

Overall, the three-day conference had speakers and content that reflected two extremes: the doom and gloom fear of what's to come and the more inspiring, 'we got this because we're still in the business of human connection and nothing will take that away,' attitude. My takeaway is that both are important, but real estate is not all technology or all people; it's the mix of the two that guides the way toward the future.

TOP TAKEAWAYS: Nuggets of Wisdom

- Coach Tom Ferry of Tom Ferry International, encouraged every brokerage to start their own coaching business and is providing all attendees with guidelines on how to do it.

- Ben Caballero was announced as the top agent by the Guinness Book of World Records, the first agent ever to be recognized in this way. On average, Ben sells an astounding 70 homes a week!

- Larry Kendall of Ninja Selling suggested Robin Sharma's 90/90/1 Rule **(CLICK HERE FOR VIDEO)**. For 90 days, spend 90 minutes each day away from technology to focus on the No. 1 opportunity that day. The best suggestion: develop tight bubbles of total focus. Turn off and be unreachable each day for a certain amount of time so you can focus on your personal and professional priorities distraction free.

- Another Kendall nugget: For 15 minutes each morning, do these five daily routines. Write down what you're grateful for, write two personal notes, show up and stay on agenda, focus on your hot list (90 days to buy) and focus on your warm list.

- Pam O'Connor, retired CEO of Leading Real Estate Companies of the World says, "Stop worrying about what you don't know. Don't worry about new models. Real estate is a resilient business. Fear is a good thing, because it keeps us on our toes and able to adapt.

- Wendy Forsythe, COO of HomeSmart International says, "We will see continued pressure from the consumer. This is the Kodak moment in our business. You must have that flexibility in your business model to compete. Look at your key performance indicators each month to get an overview of the health of your company."

- According to John Davis, CEO of Keller Williams, "Culture is changing because of efficiencies. Although still important, it's no longer instinct and gut. Now, because of the data we have access to, we can connect the dots. We can retool and move faster, take more territory and be strategic in planning. We will see downward pressure, something or someone will come in and change the game. We must elevate our people to understand that, so when it does happen we'll be in good shape to fend off that competition."

- If Sherry Chris, CEO of Better Homes and Gardens Real Estate, could change one thing about real estate, she says she would, "Build a more collaborative industry. I would raise the bar of entry so that people would worry about whether they would qualify to become a real estate professional. We must respect one another."

2018 REAL TRENDS GATHERING OF EAGLES SPONSORS

THE FOLLOWING COMPANIES HAVE MADE THIS EVENT POSSIBLE!

One of the fastest growing companies in real estate technology, Adwerx automates digital advertising for brokerages to delight the seller and increase agent satisfaction. Adwerx helps individual agents promote themselves and their listings online, working with over 100,000 real estate customers across the US, Canada and Australia. Adwerx is comprised of a team of savvy marketers, experienced software developers, and advertising veterans who are bound together by the simple belief that online marketing should work for everyone. For more information, visit **www.adwerx.com.**

Berkshire Hathaway HomeServices, based in Irvine, CA, is a real estate brokerage network built for a new era in residential real estate. The network, among the few organizations entrusted to use the world-renowned Berkshire Hathaway name, brings to the real estate market a definitive mark of trust, integrity, stability and longevity. The brand in 2017 was recognized for "Highest Overall Satisfaction for Repeat Home Sellers Among National Full Service Real Estate Firms" in J.D. Power's Home Buyer/Seller Satisfaction Study. Visit **www.berkshirehathawayhs.com.**

Better Homes and Gardens Real Estate LLC is a dynamic real estate brand that offers a full range of services to brokers, sales associates and home buyers and sellers. Using innovative technology, sophisticated business systems and the broad appeal of a lifestyle brand, Better Homes and Gardens Real Estate embodies the future of the real estate industry while remaining grounded in the tradition of home. Since its launch in 2008, Better Homes and Gardens Real Estate has quickly grown to more than 10,000 sales associates serving home buyers and sellers across the United States and Canada. **www.BHGRE.com.**

Boston Logic, formed in 2004 and based in Boston, Mass., provides software, online marketing and design services to real estate companies looking to be the technology leaders in their marketplace. For more information, visit **www.bostonlogic.com.**

Buyside is a data analytics & marketing company on a mission to help real estate brokers profit from their largest untapped asset: data. Buyside aggregates the activity your buyers generate online, using it to power actionable insights and intelligent marketing tools that help brokers: Capture Seller Leads, Win More Listings, Close More Transaction Sides In-House. Visit **www.getbuyside.com.**

Inside Real Estate is among the most successful and fastest growing real estate software companies in the market and serves tens of thousands of agents, teams, and brokers throughout the U.S. and Canada. The company is the residential real estate SaaS leader and developer of the kvCORE Platform. kvCORE is one of the only platform for brokers, team, and agents to run their entire business on one solution. The platform's components include a Lead Engine, Website & IDX tools, SmartCRM, Listing CRM and Transaction Integrations - all powered by Marketing Autopilot with behavioral automation, Business Analytics to understand and grow your business, and a scalable cloud infrastructure. For more information, please visit **www.insiderealestate.com.**

Keller Williams Realty, Inc. is the largest real estate franchise by agent count in the world with more than 700 offices and 133,000 associates across the Americas, Europe, Africa and Asia. In 2015, Training Magazine named Keller Williams the No. 1 training organization across all industries in the world. Since 1983, Keller Williams has grown exponentially and continues to cultivate an agent-centric, education-based, technology-driven culture that rewards agents as stakeholders. The company also provides specialized agents in luxury homes, commercial and farm and ranch properties. For more information, visit **kw.com.**

Leading Real Estate Companies of the World® is a selective global community of the highest quality independent real estate companies. LeadingRE exists to make its members better by connecting them to opportunities and people around the globe, supporting them with an international referral network, award-winning professional development programs and unique events worldwide. For more information on the 550+ member firms that span six continents with 130,000 sales professionals, visit: **LeadingRE.com.**

For nearly 30 years, Lone Wolf Real Estate Technologies has been the trusted source for real estate software solutions. Their experience and unmatched knowledge of the industry provides a unique opportunity for the company to develop a suite of solutions, services and partnerships that enable brokerages to operate more efficiently. **www.lwolf.com.**

Market leader – A pioneer in lead generation and CRM systems, Market Leader proudly serves over 250,000 agents and teams across the North America and uniquely offers the power of several cutting-edge tools in one seamless lead-to-close solution – including lead-generating websites, a full-featured marketing center, and robust CRM to simplify and grow your business. **www.marketleader.com.**

New Penn & Shelter logo- For 30 years, our company has been in the mortgage joint venture partnership business. Our belief is that if we focus on aligning ourselves with partner companies who share our values, then our partnerships will outperform the industry. At Shelter Mortgage, we don't strive to have the greatest number of partnerships. We strive to have the greatest partnerships, period. Come discover everything Shelter Mortgage has to offer. We look forward to the opportunity to work together now and for years to come. Contact Al Miller today for more information about Shelter Mortgage! Cell: 949-303-8600 email: **alan.miller@sheltermortgage.com.**

Ninja Selling is complete sales system based on building relationships, listening to the customer & helping them achieve their goals. It is less about selling & more about helping people. We achieve these results by providing value to both the sales person as well as the customer.
Our basic principles include:
1. Stop Selling, Start Attracting- this teaches you how to add value that attracts customers
2. Business Strategy- People prefer to work with people they know, like, and trust, so we help you build that
3. Customer Centric- Learn to read the customer's motivation and provide a solution.
4. Personal Mastery- The key to your success starts with you, your energy, focus and vision.

Real Estate Webmasters, founded in 2004 by Morgan Carey, is one of the world's largest custom technology providers serving real estate professionals across North America and beyond. REW offers end-to-end technology solutions for real estate companies, franchises, teams and agents, including custom and semi-custom websites, marketing tools, lead management (SEO and PPC on Expert Level) CRMs and consulting services. Some of the most successful real estate professionals in the United States and Canada trust and use REW's solutions; therefore billions of dollars in annual real estate sales are powered by REW's technology. For more information, visit: **www.realestatewebmasters.com.**

RE/MAX, founded in 1973 by Dave and Gail Liniger, has an entrepreneurial culture that provides its agents and franchisees the flexibility to operate their businesses with great independence. Today, more than 100,000 agents provide RE/MAX a global reach in nearly 100 countries. RE/MAX Affiliates enjoy tremendous competitive advantages created through world-class resources, including a national advertising campaign, the remax.com and global.remax.com websites, the LeadStreet lead-generation system (which has distributed more than 15 million referral-fee-free leads since 2006) and distinct marketing programs for commercial or luxury specialists.
Visit **remax.com.**

The Wall Street Journal engages readers with authoritative and trustworthy journalism across print, digital, mobile, social and video. Building on its heritage as the preeminent source of global business and financial news, The Journal reaches luxury real estate enthusiasts through its weekly feature section, Mansion. Launched in May 2015, Mansion Global is a standalone luxury real estate website connecting wealthy, international buyers with exceptional properties. Together, these products inspire and engage homebuyers and sellers and connect them to the world's top real estate firms, agents and developers. Visit **www.wsj.com.**

Wells Fargo & Company (NYSE: WFC) is a nationwide, diversified financial services company with $1.7 trillion in assets. Founded in 1852, Wells Fargo provides banking, insurance, investments, mortgage and consumer and commercial finance services through more than 8,700 locations, 12,500 ATMs, online (wellsfargo.com) and mobile devices. Vist **www.wellsfargo.com.**

Zavvie is the HyperLocal marketing automation platform for professional real estate brokers and agents that generates seller leads.
We believe that becoming the neighborhood expert is the most valued way agents can differentiate themselves. Zavvie provides an automated content marketing system that generates local leads so our clients dominate their exclusive neighborhood territories (not zip codes or cities).
Zavvie also includes publishing tools that make it easy for our clients to share their expertise across multiple pages and social media sites. The platform scales from the agent to the enterprise level. **www.zavvie.com.**

Zillow Group houses a portfolio of the largest real estate and home-related brands on the web and mobile. The company's brands focus on all stages of the home lifecycle—renting, buying, selling, financing and home improvement. Zillow Group is committed to empowering consumers with unparalleled data, inspiration and knowledge around homes, and connecting them with the right local professionals to help. The Zillow Group portfolio of consumer brands includes real estate and rental marketplaces Zillow®, Trulia®, StreetEasy® and HotPads®. In addition, Zillow Group works with tens of thousands of real estate agents, lenders and rental professionals, helping them maximize business opportunities and connect to consumers. Contact **brokerengagement@zillow.com** to ensure your listings are seen by the tens of millions of consumers visiting Zillow Group sites every month. **www.zillowgroup.com.**

REALTRENDS

GATHERING OF EAGLES

THANK YOU TO OUR SPONSORS

ANALYSIS

REAL TRENDS 500 **MARKET LEADERS REPORT**

A breakdown of the firms on the 2018 Market Leaders Report

By Scott Wright, director of mergers and acquisitions

Each year, REAL Trends publishes a supplement to the REAL Trends 500 Brokerage Rankings called the Market Leaders Report. This popular report ranks the nation's leading brokerage firms by both sides and volume in their respective markets. We strive to expand the scope of these rankings in each edition, and in the 2018 report (which uses the calendar year 2017 numbers) we examined over 125 metropolitan markets in 46 states.

Every year we see a combination of the usual suspects who continue to dominate their markets, firms jockeying for position in close battles and some new faces doing their best to give the usual suspects a run for their money. 2017 was no different.

Breaking Out the Firms

Market Leaders allows us to break out the production of national behemoths NRT and HomeServices of America, as well as segment the production of regional powerhouses like Hanna Holdings. These firms are among the leaders in many of the markets in which they operate, with HomeServices, in particular, making its presence known in several key markets as a result of its acquisitive 2017.

WE STRIVE TO EXPAND THE SCOPE of these rankings in each edition, and in the 2018 report (which uses the calendar year 2017 numbers) we examined over 125 metropolitan markets in 46 states.

HomeServices' acquisitions of Long & Foster, Houlihan Lawrence and Gloria Nilson either added its name or increased its presence in several major markets in the Mid-Atlantic region, New York City's northern suburbs and New Jersey.

Networks Represented

The national franchises also remained stout on the Market Leaders leaderboards, which isn't surprising given their affiliates comprise some 76 percent of the REAL Trends 500. At least one firm from one of the Realogy brands (Coldwell Banker, Century 21, Better Homes and Gardens Real Estate, Sotheby's International Realty and ERA), Keller Williams, RE/MAX, or Berkshire Hathaway HomeServices were represented in nearly all reviewed metropolitan markets.

Keller Williams was again the big winner among the national franchises, continuing its assault on the industry. Measured by transaction sides, Keller grew its share to 22 percent of the REAL Trends 500, behind only Realogy at just over 25 percent (which includes NRT). Keller Williams now has 170 firms represented in the REAL Trends 500. With most experiencing positive year-over-year growth, their positions in their respective markets have strengthened.

The Independents

Let's not forget the independents. Independent brokerage firms were also well represented in the Market Leaders Report, with the likes of Pacific Union, Allen Tate, @properties, Real Estate One and others exhibiting strong showings in their respective markets.

The 2018 Market Leaders report is now available on our website for viewing and free download. Visit today to find out which brokerage firms are the leaders in their markets.

CLICK HERE TO DOWNLOAD REAL TRENDS MARKET LEADERS

YOUR JOB: CLARIFY THE FUTURE

What keeps you up at night and why you should sleep soundly.

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

"If you manage my fear of the future, I will follow you."

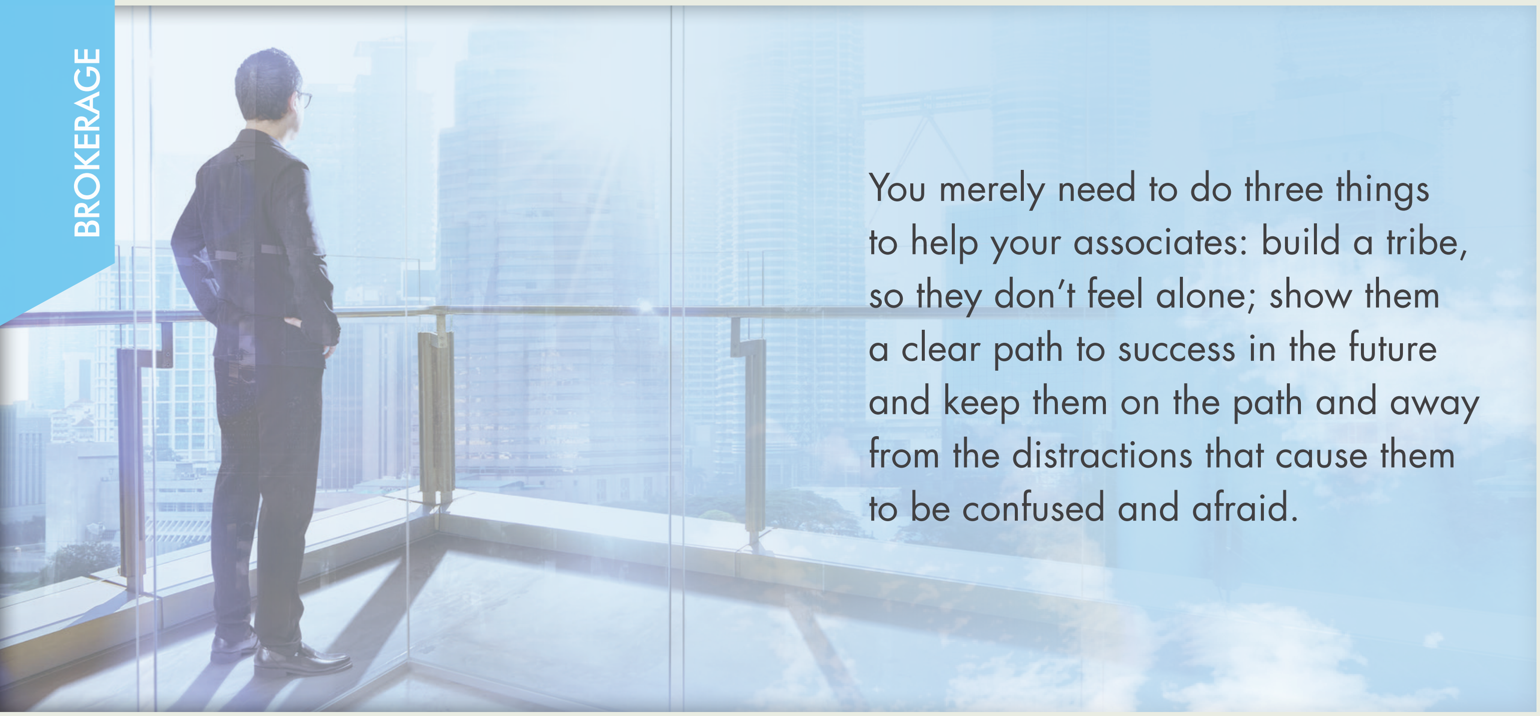
In my 45 years in the real estate industry, I've never seen as much confusion and fear as we are experiencing right now. A recent survey of several hundred top- producing real estate professionals asked, "What is causing you to lay awake at night?" Their No. 1 fear was *lack of inventory*. Number 2 was their *fear of changes in our industry*. Specifically: Which lead generation, marketing and social media platforms should I be using? How should I be using them? Will the outside disruptors come in and reinvent our industry leaving me out? How is AI (artificial intelligence) going to change my business? If we are moving from a real estate industry to a technology industry, what does that mean for me? I'm confused and afraid.

As a leader, your primary role is to *clarify the future*. Clarity is the antidote to anxiety. Help your people see the clear path through the noise and confusion. What to do? First, get clear on a successful strategy. Here are some ideas to help you.

Build Your Strategy on Universal Truths

Start by reading Marcus Buckingham's classic *The One Thing You Need to Know*. The one thing you need to know is that, as a leader, you must *clarify the future*. Your job is to get as many people as possible excited about the future. To do that, Buckingham says, "The great leader must discover what is universal and capitalize on it." Build your strategy on universal truths.

When buyers get confused and afraid, what do they do? They do nothing. They think about it. The same is true of real estate professionals. They either freeze up or they panic and start throwing money at it, hoping that something works. We found a real estate agent who generated over $700,000 in gross commission income (GCI) last year but spent $43,000 per month buying internet leads. He's a big producer, but he's lying awake at night, confused and afraid.



How do you discover what is universal? Anthropologist Donald Brown's book, *Human Universals,* lists 372 universals. Here are the top three:

1. Fear of death—our own and our family
2. Fear of the outsider and the need for community (the safety of a tribe)
3. Fear of the future and our need for clarity

Other than the fear of death, the next two fears are the responsibility of the leader. You merely need to do three things to help your associates: build a tribe, so they don't feel alone; show them a clear path to success in the future and keep them on the path and away from the distractions that cause them to be confused and afraid.

Build Your Tribe

While your associates want to be a part of something, building a tribe can be a challenge today. With technology, mobile agents have become more independent and separate. It's easier for them to be less connected and less of a tribe. They used to look to their tribe (each other) or their leader for answers. Now, they look to their screens searching for silver bullets, magic dust and leads. They simply get more distracted, confused and afraid.

To build your tribe, focus on building relationships with your people. Relationships are built on what we call *flow. Flow* is the frequency of interaction. Increase your flow with your people. There are companies where nearly their entire sales force is mobile. They don't have an office where they can see each other each day, yet they have an amazing culture and tribe because their leaders focus on flow. Flow fixes everything.

Show them a Clear Path to Success

Clarify a winning strategy and business model for your associates to follow. We recommend having your sales associates place their bets on building relationships. Humans are social animals and want relationships (another universal truth). Help your associates invest their money in the people they know and want to get to know versus buying leads and spending their time and money chasing strangers. Chasing strangers causes fear and confusion.

Keep them on the Path

Keep your associates focused on the winning strategy by encouraging them to turn off the noise of the continuous internet feeds tempting them to buy the latest shiny object. They are easily distracted, and we live a world of endless distraction. Sell the clear path strategy by sharing the success stories you learn from your associates.

Finally, clarify that we are not in the real estate business. We are in the people (relationship) business. Real estate is simply the vehicle we use to help our clients get from the life they have to the life about which they dream. Clarify that relationships are the *killer* app. Clarify the power and culture of your tribe. Your associates will no longer be confused and afraid. They will be clear, empowered, prosperous, and sleeping at night! And, so will you.

SOCIAL RESPONSIBILITY

THE SIMPLEST GOALS CAN MAKE THE BIGGEST IMPACT

Why we need to take the corporate *out of corporate social responsibility.*

By Caroline Pinal, Giveback Homes

Corporate social responsibility (CSR) sounds so… well, corporate. It implies that it's something only large corporations need, have the resources to develop or that you have to solve complex issues for it to be worthy. The reality is that every business of every size has a social responsibility to its stakeholders and the world. Sometimes the simplest goals can make the biggest impact. The more we can simplify this idea of CSR and showcase examples of how real estate leaders are applying it to their business, the more brokerages and real estate companies will be inspired to get started.

Instead of CSR, I encourage companies to develop a *Giving Program* or a *Social Impact Strategy,* because there's nothing corporate about reminding people about their humanity.

Here are a few ways to know if a Giving Program is right for you and your business:

- You're a brokerage owner who wants to make a positive impact on your community and the world.
- You want to do good, but don't have a huge budget or a big team.
- You let your agents do their own giving but have always wanted to focus the brokerage giving efforts.

- You want to increase audience engagement and positive brand recognition.
- You want to find the perfect nonprofit partners with whom to work.

A recent APCO survey found that 90 percent of consumers expect brands to take a stand on issues affecting the world, and the best companies serve society as a whole, not just their customers. Consumers are inspired by it and more willing to support and buy products from that brand. Another study ranked the companies with the best reputation for social responsibility. Is it a surprise that there weren't any real estate companies on the list? Almost every brokerage donates here and there, but most lack the kind of strategy that can maximize impact or leverage these efforts for business.

Opportunity for Brokerages

There is a massive opportunity for brokerage owners to play a more active role in social responsibility, inclusive of fundraising, volunteerism, advocacy and both internal- and consumer-facing strategies. In fact, they are positioned perfectly for it. As local experts, brokerage owners can help identify community issues, they can get key players in a room to discuss ideas and solutions, and they have a network of people who can help drive their initiatives.

Many leaders are unable to see the long-term business benefits of a strategic giving or social impact program—the kind that leads to enhancing culture, aiding recruitment and connecting with consumers on a deeper level. Brokerages are clawing to have the best tech or be the best luxury companies, but how many are racing to be the most socially conscious, the most diverse, or the loudest advocates for affordable housing? If you want to build trust and stay relevant with the conscious consumers of today, social responsibility is the place to start, and it requires leaders with a more enlightened way of doing business. Not everyone is there yet. That's OK. We'll get there.

It can seem overwhelming, trying to add this layer of goodness on top of running a brokerage, and it's easy to stick to what you've been doing year after year. But the best giving programs are aligned with your business goals, connect you with the right partners and engage your audience, all while enhancing your brand with goodwill. They're strategic.

I believe in making your reasons better than your excuses. Here are a few reasons why you should create a giving program:

- Giving Programs, Social Impact Strategies, CSR—these things are not a trend. They are here to stay and five years from now you will have wished you started it 10 years ago.
- Think small. Your giving program doesn't have to be this giant, world-changing idea. It will still have a big impact.
- A focused strategy doesn't take a huge budget or a lot of time—it's about consistent actions.
- You will help create a legacy bigger than you or your brokerage while making a positive impact on the world.

Does your brokerage have a positive influence on society? If yes, fantastic, how can it be better? If no, no worries, but let's get it started today!

There is a massive opportunity for brokerage owners to play a more active role in social responsibility, inclusive of fundraising, volunteerism, advocacy and both internal- and consumer-facing strategies.

TRENDS IN ENERGY EFFICIENT HOME PRICES

20% OF U.S. HOMES ARE UNDERVALUED

Agents must highlight the energy-efficiency comforts of a new listing to boost the sales price.

By Cynthia Adams, Pearl Certification

Bring up the topic of energy efficiency, and many agents will tell you about the investments they've made in their homes for comfort and efficiency.

And yet, the real estate industry hasn't made the connection between what we enjoy as homeowners (i.e., comfort) and what buyers are looking for (also comfort!)—even though NAR surveys consistently show buyers want and will pay more for comfortable and efficient homes.

A Disconnect

Here's the problem: In 2018 this disconnect was responsible for sellers leaving about $11 billion in potential home value on the table at closing.

The U.S. Dept. of Energy tracks sales and market penetration of energy efficient products, as well as the number of ENERGY STAR homes, built. They also track the requirements and implementation of residential energy code. They know a lot about the profile of our homes' performance for comfort, energy efficiency and indoor air quality.

Features Add to Value

National Renewable Energy Lab and ENERGY STAR data show about 20 percent of homes sold have significant features installed which have been proven to add value at the time of sale. Depending on the regional study, the sales premium ranges from a 2 to 10 percent.

Let's assume a potential 4 percent increase in value is possible for homes with energy-efficient features properly identified and marketed at resale. The average U.S. home price is $250,000, and 4 percent of that is $10,000 of hidden value. If we multiply $10,000 by 20 percent of the 5.5 million homes sold in 2018, it totals $11 billion. Ouch.

Are You Asking the Right Questions?

Listing agents typically ask sellers about the newness of specific features, like heating and cooling equipment. But, "Is it new?" is not the same as, "Is it energy efficient?" When agents don't ask the right questions, they don't get the right answers, and both the features and their benefits remain hidden from buyers.

Missing home data affects the CMA, home price, a future appraisal—and, ultimately, the seller's return on investment.

Agents who ignore expensive and sought-after features in their listings may find themselves liable for not marketing the home to achieve full value. But there is another critical reason to ask the right questions. Between housing supply and buyer demand, a real market opportunity awaits.

Agents who understand where the market is going have the edge over the competition for 20 percent of the listings out there. To capture this opportunity, agents' next step to business growth is an easy one with a good reward—ask the right questions during the listing appointment. Get educated on energy-efficient technology and learn how to articulate the buyer benefits these technologies enable. Lastly, agents should be sure to use all applicable MLS fields when creating a CMA to inform their pricing strategy and ultimately to market the home.

Consumer interest, energy-building code, smart-home automation and other new technologies demand a higher level of professional service from agents.

Cynthia Adams is CEO and Co-Founder of Pearl Home Certification, a real estate tech firm that captures data on high-performing home features to increase home value. Pearl is a NAR REach Technology Accelerator company.

CORELOGIC REPORTS DECLINING FORECLOSURE RATES IN FEBRUARY, SIGNALING A STRONG ECONOMY

- *Despite 2017 Hurricanes, National Mortgage Delinquency Rate Fell Year Over Year*
- *February Foreclosure Rate Declined 0.2 Percentage Points Year Over Year*
- *Early-Stage Delinquency Rates Were Flat from February a Year Ago*

CoreLogic® (NYSE: CLGX) released its monthly Loan Performance Insights Report, which shows that, nationally, 4.8 percent of mortgages were in some stage of delinquency (30 days or more past due, including those in foreclosure) in February 2018. This represents a 0.2 percentage point decline in the overall delinquency rate, compared with February 2017 when it was 5 percent.

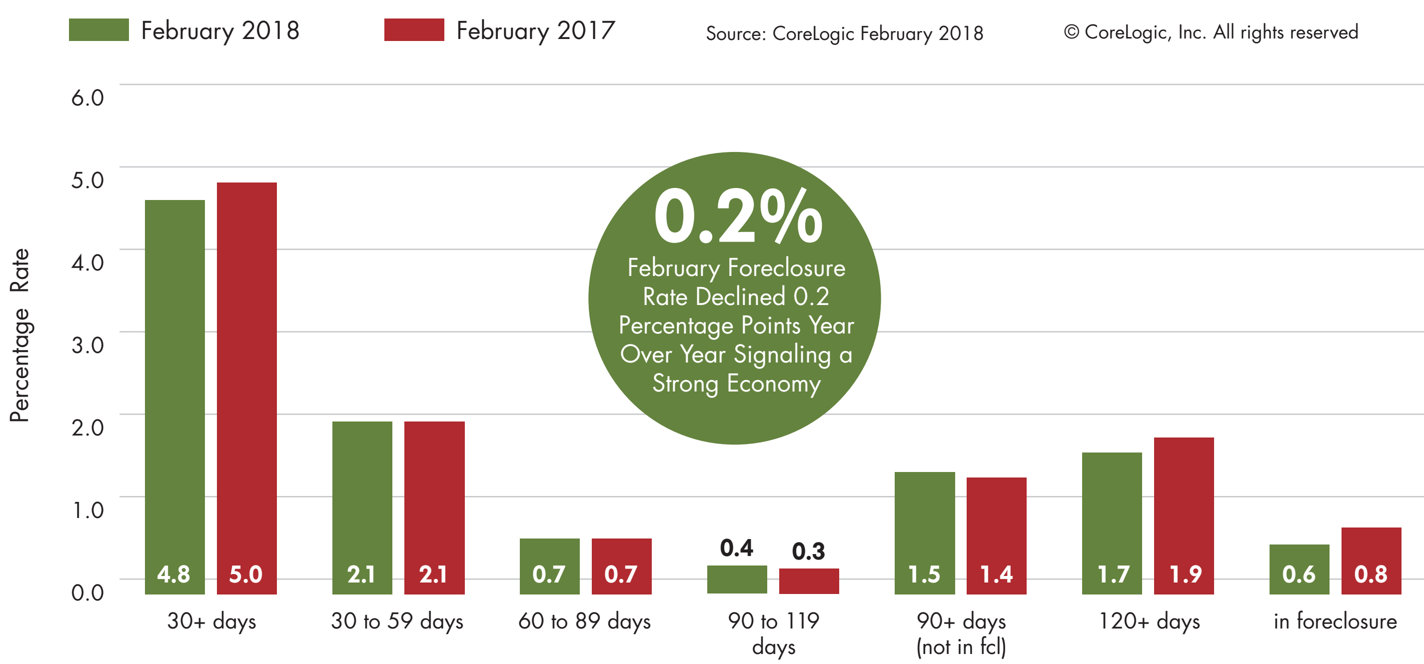
As of February 2018, the foreclosure inventory rate—which measures the share of mortgages in some stage of the foreclosure process—was 0.6 percent, down 0.2 percentage points from 0.8 percent in February 2017. Since August 2017, the foreclosure inventory rate has been steady at 0.6 percent, the lowest level since June 2007, when it was also 0.6 percent. The February 2018 foreclosure inventory rate was the lowest for February in 11 years; it was also 0.6 percent in February 2007.

Measuring early-stage delinquency rates is essential for analyzing the health of the mortgage market. To monitor mortgage performance comprehensively, CoreLogic examines all stages of delinquency, as well as transition rates, which indicate the percentage of mortgages is moving from one stage of delinquency to the next.

The rate for early-stage delinquencies (defined as 30-59 days past due) was 2.1 percent in February 2018, up from 2 percent in January 2018 and unchanged from February 2017. The share of mortgages that were 60-89 days past due in February 2018 was 0.7 percent, down from 0.8 percent in January 2018 and unchanged 0.7 percent in February 2017. The serious delinquency rate (defined as 90 days or more past due, including loans in foreclosure) was 2.1 percent in February 2018, unchanged from January 2018 and down from 2.2 percent in February 2017. The

continued on page 21

NATIONAL OVERVIEW OF MORTGAGE LOAN PERFORMANCE



FORECLOSURE AND DELINQUENCY RATES BY STATE

State	30 Days or More Delinquency Rate February 2018 (%)	Serious Delinquency Rate February 2018 (%)	Foreclosure Rate February 2018 (%)	30 Days or More Delinquency Rate February 2017 (%)	Serious Delinquency Rate February 2017 (%)	Foreclosure Rate February 2017 (%)
National	**4.8**	**2.1**	**0.6**	**5.0**	**2.2**	**0.8**
Alabama	6.4	2.4	0.4	6.9	2.7	0.5
Alaska	3.4	1.2	0.3	3.4	1.1	0.3
Arizona	3.1	0.9	0.2	3.5	1.2	0.3
Arkansas	5.9	2.3	0.5	6.2	2.7	0.6
California	2.8	0.9	0.2	3.1	1.1	0.3
Colorado	2.0	0.6	0.1	2.4	0.8	0.2
Connecticut	5.5	2.4	0.9	6.1	3.0	1.3
Delaware	5.6	2.5	0.8	6.4	3.1	1.2
District of Columbia	4.3	2.1	1.0	5.1	2.7	1.5
Florida	8.1	5.0	0.9	5.9	3.0	1.3
Georgia	5.9	2.1	0.4	6.3	2.4	0.5
Hawaii	3.6	2.0	1.1	4.2	2.5	1.5
Idaho	2.6	0.8	0.3	3.0	1.1	0.4
Illinois	4.8	2.1	0.8	5.2	2.6	1.0
Indiana	5.3	2.1	0.7	5.9	2.5	0.9
Iowa	3.5	1.2	0.4	4.0	1.6	0.6
Kansas	4.4	1.6	0.5	4.8	2.0	0.6
Kentucky	4.8	1.9	0.6	5.2	2.3	0.9
Louisiana	8.0	3.3	0.8	8.6	3.9	1.0
Maine	5.5	2.7	1.3	6.3	3.4	1.6
Maryland	5.7	2.4	0.7	6.3	3.0	0.9
Massachusetts	4.3	1.7	0.6	4.9	2.2	0.9
Michigan	4.0	1.2	0.2	4.4	1.5	0.3
Minnesota	2.8	0.8	0.2	3.1	1.1	0.3
Mississippi	8.6	3.3	0.5	9.0	3.5	0.7
Missouri	4.3	1.4	0.3	4.8	1.8	0.4
Montana	2.5	0.9	0.3	2.8	1.0	0.4
Nebraska	3.3	1.1	0.2	3.5	1.3	0.3
Nevada	3.9	1.9	0.8	4.6	2.5	1.0
New Hampshire	3.7	1.1	0.3	4.1	1.5	0.5
New Jersey	6.3	3.3	1.4	8.0	4.8	2.5
New Mexico	5.0	2.1	0.9	5.6	2.7	1.4
New York	6.7	3.7	1.8	7.7	4.6	2.5
North Carolina	4.9	1.7	0.4	5.4	2.2	0.6
North Dakota	2.2	0.9	0.4	2.1	0.9	0.4
Ohio	5.3	2.2	0.8	5.9	2.7	1.0
Oklahoma	5.6	2.3	0.8	6.1	2.7	1.1
Oregon	2.5	0.9	0.4	3.0	1.4	0.7
Pennsylvania	5.8	2.4	0.8	6.5	2.9	1.0
Rhode Island	5.3	2.2	0.8	6.1	2.9	1.1
South Carolina	5.3	2.0	0.6	5.9	2.4	0.9
South Dakota	2.7	1.0	0.4	3.0	1.2	0.5
Tennessee	5.4	1.9	0.3	5.9	2.3	0.4
Texas	6.1	2.6	0.3	5.4	1.9	0.5
Utah	2.7	0.8	0.2	3.1	1.1	0.3
Vermont	3.9	1.6	0.7	4.8	2.0	1.0
Virginia	3.8	1.3	0.3	4.2	1.6	0.4
Washington	2.4	0.9	0.3	2.9	1.4	0.5
West Virginia	6.1	2.0	0.6	6.6	2.4	0.6
Wisconsin	2.9	1.2	0.4	3.4	1.5	0.5
Wyoming	3.3	1.3	0.3	3.8	1.6	0.4

Source: CoreLogic February 2018

continued from page 19

February 2018 serious delinquency rate was the lowest for February since February 2007, when it was 1.6 percent.

"Last year's hurricanes continue to affect loan performance in affected markets, showing up in statewide data," said Dr. Frank Nothaft, chief economist for CoreLogic. "Serious delinquency rates in February were 50 percent higher than in August 2017 in Texas, and nearly double in Florida, even though the wind and flood damage was primarily in coastal markets. In Puerto Rico, the damage was widespread. Serious delinquency rates were up five-fold over the August-to-February period, with a significant increase in all metropolitan areas there."

Since early-stage delinquencies can be volatile, CoreLogic also analyzes transition rates. The share of mortgages that transitioned from current to 30 days past due was 0.9 percent in February 2018, up from 0.8 percent in January 2018 and down from 1 percent in February 2017. By comparison, in January 2007, just before the start of the financial crisis, the current- to 30-day transition rate was 1.2 percent, while it peaked in November 2008 at 2 percent.

"Overall delinquency rates fell in the U.S. over the past year, driven by a long run of stringent underwriting, higher employment and wages," said Frank Martell, president and CEO of CoreLogic. "At the same time, our CoreLogic U.S. Home Price Index (HPI) showed a 6.4 percent increase in home-price appreciation for the 12 months, which ended in February 2018. These factors bode well for the fortunes of both homeowners and mortgage servicers."

FORECLOSURE AND DELINQUENCY RATES FOR SELECT CORE-BASED STATISTICAL AREAS (CBSAs)*

CBSA	30 Days or More Delinquency Rate (%)	Serious Delinquency Rate February 2018 (%)	Foreclosure Rate February 2018 (%)	30 Days or More Delinquency Rate February 2017 (%)	Serious Delinquency Rate February 2017 (%)	Foreclosure Rate February 2017 (%)
Boston • Cambridge • Newton Massachusetts / New Hampshire	3.6	1.3	0.5	4.1	1.7	0.7
Chicago • Naperville • Elgin Illinois / Indiana / Wisconsin	4.9	2.1	0.8	5.4	2.7	1.0
Denver • Aurora • Lakewood Colorado	1.9	0.5	0.1	2.2	0.7	0.2
Houston • The Woodlands • Sugar Land Texas	8.6	4.9	0.4	5.8	2.0	0.5
Las Vegas • Henderson • Paradise Nevada	4.3	2.2	0.9	5.1	2.9	1.1
Los Angeles • Long Beach • Anaheim California	2.8	0.9	0.2	3.1	1.1	0.3
Miami • Fort Lauderdale • West Palm Beach Florida	10.3	6.5	1.1	7.0	3.6	1.5
New York • Newark • Jersey City New York / New Jersey / Pennsylvania	6.4	3.5	1.7	7.6	4.7	2.5
San Francisco • Oakland • Hayward California	1.7	0.5	0.1	1.9	0.7	0.2
Washington • Arlington • Alexandria DC / Virginia / Maryland / West Virginia	3.9	1.5	0.4	4.4	1.9	0.6

*Data for additional CBSAs available upon request

Source: CoreLogic February 2018

For ongoing housing trends and data, visit the CoreLogic Insights Blog: www.corelogic.com/insights.

HIGH CONSUMER DEMAND CONTINUES TO PROPEL SHOWING ACTIVITY TO NEAR-RECORD LEVELS

ShowingTime Showing Index® shows South with largest regional increase at 9.3 percent

Key Points:

- South Region (9.3 percent) exhibits highest regional increase for second consecutive month, while Northeast (4.9 percent) and Midwest (4 percent) regions also experience increased showing activity
- West Region (-8.2 percent) sees year-over-year decrease for third straight month
- ShowingTime combines showing data with findings from its MarketStats division to provide a set of benchmarks that track demand for active listings throughout the country

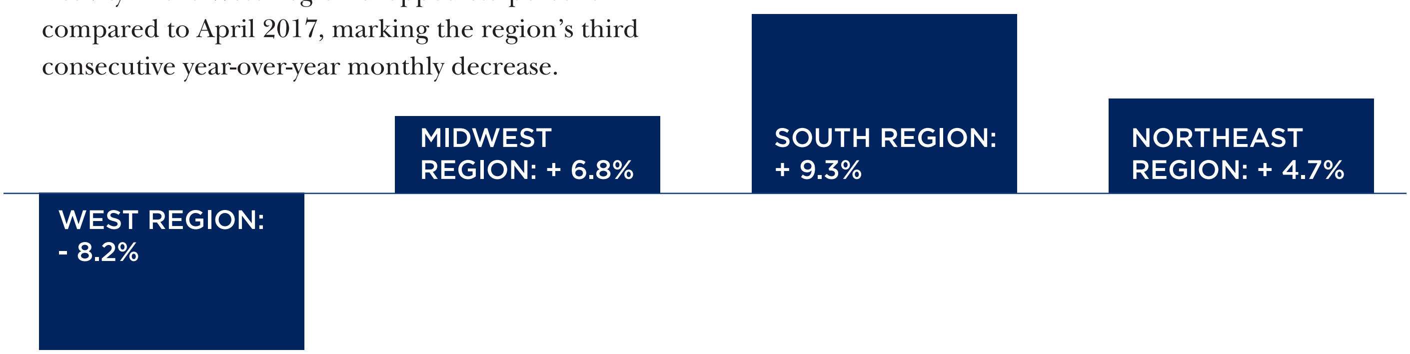
Showing activity across the U.S. increased 4.6 percent year over year in April, according to the Showing Time Showing Index®, as buyer demand continues to rise throughout most of the country.

The South Region experienced the highest regional year-over-year increase for the second consecutive month, jumping 9.3 percent, while the Northeast (4.9 percent) and Midwest (4 percent) regions also saw a rise in showing activity.

Activity in the West Region dropped 8.3 percent compared to April 2017, marking the region's third consecutive year-over-year monthly decrease.

ShowingTime Chief Analytics Officer Daniil Cherkasskiy said the near-record level of showing activity across the country indicates high consumer demand remains despite rising home prices.

"Overall, we continue to see record levels of activity across the U.S.," Cherkasskiy said. "Showing activity only declined in the West Region, while other regions throughout the country have consistently experienced increased demand."



> "Overall, we continue to see record levels of activity across the United States. Showing activity only declined in the West Region, while other regions throughout the country have consistently experienced increased demand."— **Daniil Cherkasskiy, ShowingTime Chief Analytics Officer**

THE SHOWINGTIME SHOWING INDEX

The ShowingTime Showing Index, the first of its kind in the residential real estate industry, is compiled using data from property showings scheduled across the country on listings using ShowingTime products and services, which facilitate more than 4 million showings each month.

The Showing Index, released the third week of each month, tracks the average number of appointments received on an active listing during the month. Local MLS indices are also available for select markets and are distributed to MLS and association leadership.

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

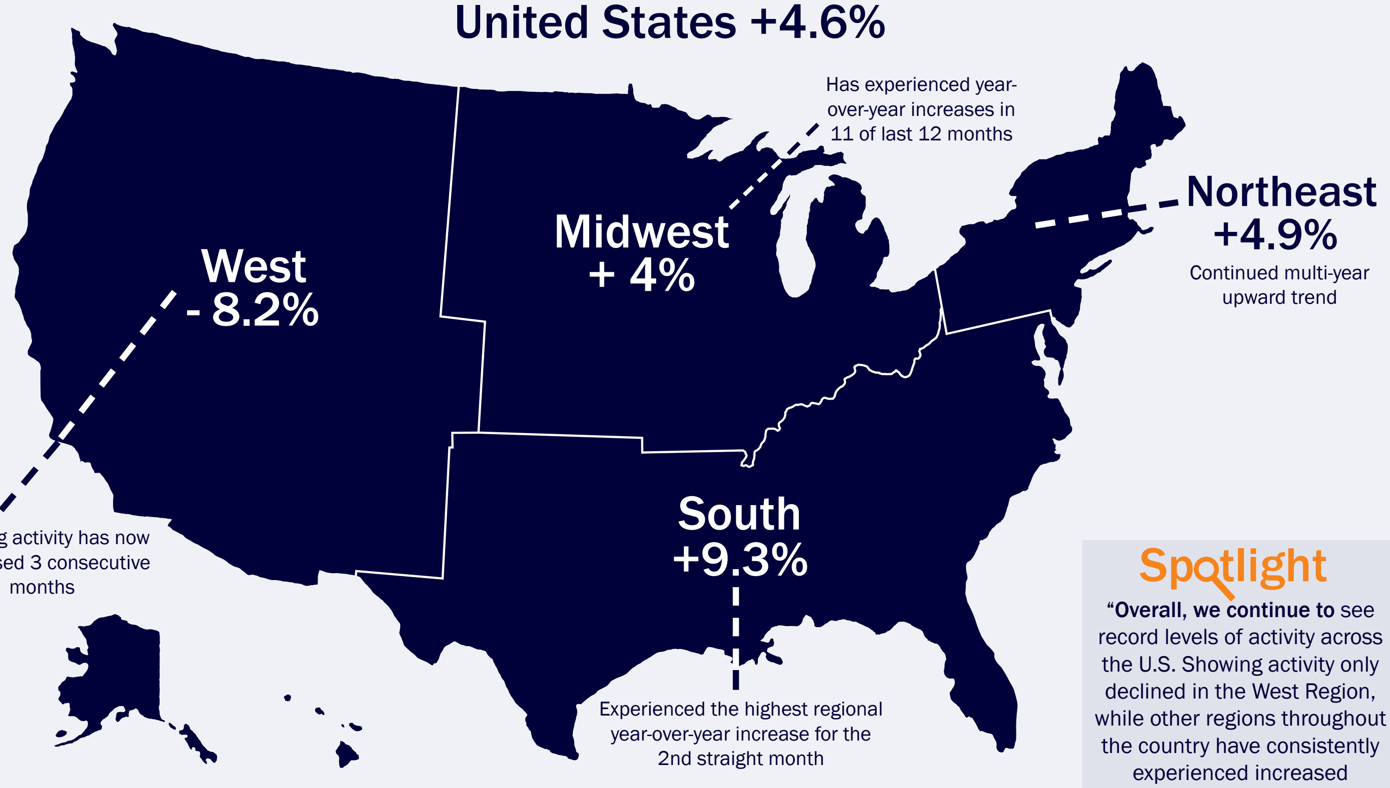
About ShowingTime
ShowingTime is the leading showing management and market stats technology provider to the residential real estate industry, with more than 1.2 million active listings subscribed to its services. Its MarketStats division provides interactive tools and market reports for MLSs, associations, brokers, agents and other real estate companies, along with recruiting software that enables brokers to identify top agents. Its showing products take the inefficiencies out of the appointment scheduling process for real estate agents, buyers and sellers. ShowingTime products are used in more than 200 MLSs representing over 1 million real estate professionals across the U.S. and Canada.

ShowingTime Showing Index®

April 2018

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

United States +4.6%



Spotlight

"Overall, we continue to see record levels of activity across the U.S. Showing activity only declined in the West Region, while other regions throughout the country have consistently experienced increased demand."

Daniil Cherkasskiy
Chief Analytics Officer

ShowingTime®

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

REGULATORY REFORM

MULVANEY PRESENTS HIS CFPB VISION TO CONGRESS

Highlights from Mulvaney's testimony to Congress.

By Sue Johnson, strategic alliance consultant

In April, Acting CFPB Director Mick Mulvaney appeared for the first time before House and Senate Congressional Committees to present the Consumer Finance Protection Bureau's (CFPB) Semi-Annual Report.

Not surprisingly, he was welcomed by Republicans and often disparaged by Democrats, notably Senator Elizabeth Warren (D-MA). At both hearings, he adhered to his strategic priority of taking a more consistent, moderate and humble approach to consumer finance regulation and enforcement. Here are some of the highlights from his testimony:

Clearer and More Quantifiable Regulations

The CFPB is committed to making sure that its regulations "work not only for those who use consumer financial products and services but also for those who provide them…This means clear rules that, where appropriate, can be tailored to the business models of the companies that are subject to these rules." The Bureau also will use a more robust quantitative analysis of the potential costs and benefits of regulations to both consumers and industry. It is willing to revisit existing rules to find ways to ease undue burdens and protect consumer choice.

No More Regulation by Enforcement

The CFPB practice of "regulation by enforcement" has ceased. It will continue to enforce the laws under its jurisdiction, but "financial service providers should be allowed to know what the law is before they are accused of breaking it."

An Enforcement Status Report

The CFPB has initiated no new enforcement actions during Mulvaney's tenure, although it is "actively litigating" 25 pending cases and continues to manage over 100 investigations. Mulvaney puts enforcement actions into

The CFPB practice of **"REGULATION BY ENFORCEMENT" HAS CEASED.** It will continue to enforce the laws under its jurisdiction …

… but "financial service providers **SHOULD BE ALLOWED TO KNOW WHAT THE LAW IS** before they are accused of breaking it."

The Bureau will continue to enforce fair lending laws but is restructuring the fair lending offices to make enforcement and supervision **“MORE EFFICIENT, EFFECTIVE, AND ACCOUNTABLE.”**

three “buckets” – investigate, sue or settle, and litigate. He has not stopped enforcement, but so far nothing has moved out the “sue or settle” bucket into the “litigation” bucket.

A New Approach Towards HMDA

The CFPB will open a rulemaking to reconsider aspects of the 2015 Home Mortgage Disclosure Act (HMDA) rule, such as reporting thresholds and transactional coverage. Along with its banking regulatory agency partners, it has announced that supervisory examinations of 2018 HMDA data will be diagnostic to help companies identify any weaknesses and that the CFPB will credit good-faith efforts to comply.

A More Efficient Fair Lending Supervision and Enforcement Process

The Bureau will continue to enforce fair lending laws but is restructuring the fair lending offices to make enforcement and supervision “more efficient, effective, and accountable.” The current fair lending supervision and enforcement functions will be housed in a soon-to-be-renamed Division of Supervision, Enforcement, and Fair Lending. Accordingly, the Bureau will have one office, not two, that handles enforcement matters. It will have one office, not two, that will handle supervision policy, and one office, not two, that handle supervision examinations. This will make enforcement and supervision more efficient, effective, and accountable.

A Critique on CFPB Salaries and Budget Process

The salaries of 370 CFPB employees exceed the $174,000 annual salary of Members of Congress. The Bureau spends $40 million annually on “advertising.” The Federal Reserve pays the CFPB’s budget, and the CFPB sends a letter requesting funds for specific budgetary items. Congress should pass legislation requiring the CFPB to annually present lawmakers with a detailed list of proposed spending items.

More Congressional Guidance Needed on UDAAP

Dodd-Frank gave the CFPB broad authority to target unfair, deceptive or abusive acts or practices (UDAAP). While there is case history defining what “unfair” and deceptive” means, there is no definition of “abusive” in the statute or case history. “Help me with a definition of “abusive,” Mulvaney asked Members of Congress.

One Further Note

The same day Mulvaney testified before the Senate, the D.C. Circuit Court of Appeals held oral argument on the appeal brought by CFPB Deputy Director Leandra English, former CFPB Director Richard Cordray’s chosen successor, on a district court’s denial of her application for a preliminary injunction to block Mulvaney’s appointment. If Ms. English’s request is granted, she could be installed as Acting CFPB Director until Congress confirms President Trump’s nominee for permanent Director (who has not yet been named).

It’s possible that Mulvaney’s vision for a new CFPB could be set aside for an indefinite period in the future. Nevertheless, his Congressional testimony makes clear how this Republican Administration views its role and functions in the financial marketplace.

SAVE THE DATE: JUNE 29

The REAL Trends The Thousand, as advertised in *The Wall Street Journal* will be released June 29! Mark your calendars today!

REALTRENDS
THE TRUSTED SOURCE
THE THOUSAND
AS ADVERTISED IN THE WALL STREET JOURNAL.

RAPID GROWTH AND DEVELOPMENT

TRENDS IN PROPERTY PORTALS WORLDWIDE

Global property portal business model trends and expansion.

By Peter Gilmour, chief foreign correspondent

Big property portals around the world are growing rapidly and have primarily replaced print advertising as the way for consumers to access property listings. The majority of property portals obtain revenue from real estate professionals who pay to list their inventory on the portal or who use their sellers' money to list on the portal, as is the practice in Australia. Zillow, for instance, receives around 70 percent of its revenue from agents. Large portals are thus continually looking to build revenues by price increases and additional services while agents are looking for more exposure and leads to maximize return on investment.

Expansion of Value Chain

While some portals are happy with their business model, others are actively pursuing revenue diversification, development of their value chain and mergers and acquisitions. In most developed real estate markets outside the United States and Canada, like the United Kingdom, Australia, New Zealand, South Africa and individual countries in Europe, there's a dominant portal and a No. 2 rival. In the U.K., Rightmove is by far the dominant portal and has not pursued much diversification while the No. 2 Zoopla has moved into offering valuation services, and into the insurance and mortgage arena with the acquisition of a company specializing in mortgage comparison services.

The REA Group, which is part of News Corp and operates the dominant portal in Australia—Realestate.com.au—diversified in 2015 with a product to estimate property values in Australia and has moved into the potentially lucrative area of home services and home repairs. The Domain Group, the No. 2 portal in Australia has also moved into offering a price guide, commercial listings, insurance and acquired a stake in Oneflare, an online marketplace for tradespeople.

The REA Group also operates in more than ten countries outside of Australia offering services in Germany, France, Singapore, Hong Kong, Thailand, and the Group acquired the iProperty portal in Malaysia in 2015, giving it a strong presence in Asia.

Adding Services

Trade Me is New Zealand's dominant portal and is adding services through partnerships and acquisitions, although the marketplace they are working in is relatively small with New Zealand's population just 4.5 million people. RealEstate.co.nz, the No. 2 portal in New Zealand, is industry-owned. In South Africa, the dominant portal is Propery24, part of the News24 Group. To date, Property24 has focused on its core business of agent listings. The No. 2 portal there is Private Property which is owned jointly by the real estate industry and a publishing house. It may have to add more to its value chain to challenge Property24.

In Europe, we've also seen a growth of industry-owned portals, including Wikicasa in Italy and Funda in the Netherlands amongst others. China's Juwai.com has over 2.5 million listings. Pakistan's Zameen, Japan's Suumo and the classifieds giant Mitula, which operates in nearly 50 countries aggregating property listings and has more than ten portals in South East Asia as Dotproperty.com, are all showing rapid growth.

In the months to come, all portals will have to determine what their value proposition will look like, what investments and acquisitions to make, how to incorporate these acquisitions into their business and how and when to innovate and execute on these innovations.

The majority of property portals obtain revenue from real estate professionals who pay to list their inventory on the portal or who use their sellers' money to list on the portal, as is the practice in Australia.

Melbourne, Australia

ARE WE PICKING CONVENIENCE OVER SECURITY?

How to protect your brokerage from cybercrime

By Nikki Lindholm, content marketing & social outreach manager

In 2018, it's become a common practice to lock your car doors, install security cameras and add home security systems. So, why isn't it a common practice to apply the same security measures to your online accounts? Physical safety is a threat you can see, whereas digital protection is typically out-of-sight, out-of-mind. Until now.

With wire fraud, ransomware and identity theft wreaking havoc in our industry, answer this question: In the last year, what steps have you taken to secure yourself and your brokerage against cyber attacks?

Brandon Wells, president and former chief technology officer of The Group Inc. spoke about cyber security this past week at The Gathering of Eagles. He hit the nail on the head when describing why our industry is falling for these attacks. "One, we are trying to keep up with the pace of innovation in our industry and two, I don't think we're asking a lot of security questions to the vendors we are plugging into in this industry."

Real Life Situations

Wells shared a video during his presentation of a man volunteering to be hacked. With the man sitting across from his hacker (a woman), she proceeds to dial his cell phone provider. Before calling in, the woman began audio of a crying baby (found on YouTube). She told a story of how she and her husband just had a baby and that she needs to fix a discrepancy in their account. After apologizing for the crying baby, and explaining how she's exhausted, the hacker can convince the customer service representative not only to add her to the account but also to change the password—all in under two minutes. Now, it's easy to get hung up on the fact that she was only on the phone with customer service for a few minutes (jealous!), instead, let's focus on how EASY this was for the hacker to accomplish.

Why was this so easy? Well, we typically imagine hackers in one of two ways, someone overseas maliciously hacking our accounts from afar, or as someone with his face hidden, typing away in a dark basement. Few see hackers as what they can be: everyday people! Hackers are much smarter than we give them credit for. They don't get our information by accident; they get it with intentional and calculated schemes. Another reason this task was so easy for the hacker is that she tapped into human emotion. It's already become harder for customer service reps, or clients, to distinguish real vs. fake, because these schemes are no longer a prince from Nigeria requesting money. Today, people say they know your Aunt Susie, and she said you would help them in a dire situation.

What Can You Do?

Brandon provided a list of five things a brokerage can implement. We suggest you do them as soon as possible.

1. **Multi-Factor Authentication**
   Encourage agents to use company email accounts that have multi-factor authentication over their email. This step can be a hard one to convey to your agents, especially if they run their business primarily through their g-mail or other personal accounts. But merely adding this process makes you less of an easy target. However, don't stop at e-mail.

2. **Encryption**
   As a brokerage, you have a lot of sensitive information on file. Using a form of encryption provides more security and allows those with authorization access to your private information.

3. **Brokerage Training and Education**
   Incorporate in-house training with your agents and staff members so they know what a cybersecurity threat is and what it can look like. Don't forget to include your loan officers and insurance providers. It's your responsibility to arm your agents and staff with what to do if a threat takes place.

4. **Consumer Education**
   It's not enough to only educate your brokerage—don't forget about the consumer! Add more than a wire disclosure to the bottom of your email. Make this education piece a part of a listing presentation and explain it again during the purchase agreement and again when your buyer or seller is meeting with a mortgage firm.

5. **Cyber Insurance**
   Wells sources a study that says 74 percent of our industry has no cyber insurance. While it can't solve all your cyber-security problems, if you were to run into an issue (much like regular insurance!) it's important to know your options for additional protection.

Take Action!

Don't wait for a cyber attack to get to your brokerage before you take action. Cyber threats are becoming more frequent and have already made their presence known in the real estate industry. Protect your brokerage's digital safety just like you would its physical security.

DON'T WAIT FOR A CYBER ATTACK to get to your brokerage before you take action. Cyber threats are becoming more frequent and have already made their presence known in the real estate industry.

REAL Trends DealMAKERS

A 24-HOUR CONFERENCE

Brokers & Teams: Boost Profits! Build Marketshare! Attend REAL Trends DealMAKERS

How much is your business worth? How do you make it more valuable? What are the tax implications of a merger or acquisition? What are the legal challenges of merging, acquiring or selling a realty firm? Get answers in this one-day, power-packed conference.

The REAL Trends DealMAKERS Conference will focus on answering the basic questions every business owner has, including brokerage firms, teams or those seeking to grow their business. REAL Trends has long been The Trusted Source in valuing brokerages and facilitating mergers and acquisitions. That's why we're bringing you this one-day, fast-paced conference that brings together the merger and acquisition professionals from HomeServices, Realogy and REAL Trends and two of the best legal and tax attorneys regarding mergers and acquisitions in the country.

CLICK HERE TO REGISTER or call 303-741-1000

Kuala Lumpur, site of the LeadingRE 2018 ASEAN Immersion Conference

Leading®
REAL ESTATE COMPANIES OF THE WORLD

QUALITY
CONNECTIONS
INDEPENDENCE™

WE'RE A COMMUNITY.

In an industry where relationships make the difference, Leading Real Estate Companies of the World® is a global community beyond compare — where the people behind the world's top independent real estate firms come together to do business, collaborate on ideas and share opportunities.

LeadingRE.com/OurCompanies