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Commentary

My Take

Bumps in the Road This Year

While we're heading for fairly smooth sailing in 2014, there may be some challenges and uncertainty.

Written by Steve Murray, publisher

2014 looks to be the first normal year in the last decade—normal in the sense that sales aren't shooting up or dropping off the face of the cliff. Mortgage rates, while up from a year ago, are still at historic low levels. Inventories in most markets are still below the normal six months' worth. Household formations are again on the rise and may reach the projected forecast from the Joint Center for Housing Studies of Harvard University.

There are new bumps in the road, however. The implementation of QM and QRM mortgage standards create a certain amount of uncertainty. While the new head of the Federal Housing Finance Agency (which runs Fannie and Freddie) seems to be an easy money proponent, no one can predict with certainty what actions he will propose and how that may impact mortgage availability. The diminution of core services, as a driver of profitability for most realty firms, will create new challenges in business planning. The continued proliferation of real estate technologies creates more consternation than ever before.



Commentary cont. on p2

INSIDE:

- p4** Shareholder Value and the High Performance Agent
- p6** February Showing Index
- p7** Show Up
- p8** Focus On: Linda Sherrer
- p9** REAL Trends Housing Market Report
- p11** Inside the Minds of Two Well-Known Brands
- p13** Critical Flaws in Real Estate Response
- p14** 7 Tips for Protecting Your Identity

- p15** Weak Income Growth and Rising Rents Create Severe Affordability Problems
- p17** Home Deal Closing Issues



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Matters of Importance

CEOs Concerned About Long Term

Leaders aren't concerned about real estate in the short term, but not so sure about the long-term view.

Written by Steve Murray, publisher

In research and interviews for a new book (out April 30, 2014), we found that most industry CEO's are positive about the short run and concerned about the longer term. Given that the residential realty industry has changed in an evolutionary way as opposed to a revolutionary manner, this is not surprising. Consumer behavior and realty practices haven't changed very quickly over the past 30 years.



Establishing Value

One concern is the challenge of establishing value to both the sales agent and the consumer given the constraints

CEOs Concerned cont. on p6

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Commentary cont. from p1

On balance in 2014, the industry will more likely than not see the following:

- Mid-single-digit growth in unit sales and average prices. Some markets will be slightly better and some not quite as good depending on local conditions and regulations.
- The percentage of total sales to investors will shrink, and the percentage of total sales to first-time homebuyers will increase.
- The dampening effect of QM and QRM will be offset by loosening of standards in mortgage underwriting, especially for lower-income households.

While the new head of the Federal Housing Finance Agency seems to be an easy money proponent, no one can predict with certainty what actions he will propose and how that may affect mortgage availability.

- Distressed property sales as a percent of the total available inventory will shrink but remain a significant part of the mix.
- Marketing service agreements will become more numerous as true joint ventures between mortgage firms and realty firms shrink drastically. One result is lower incomes in this area for realty firms.
- Consolidation among both realty firms and within sales agents and teams will increase. Acquisition activity is quite strong again among realty firms, and we note that top producing sales agents and teams are growing their businesses faster than the market as a whole.
- On the technology front, agent ratings are the newest bogeyman to arrive and while there is significant angst about these, they will not have a large short-term impact. What is unknown is how much of an impact they may have long term.
- Listing portals will continue to grow audience among housing consumers and drive more leads and referrals to sales agents and brokerage firms.
- The range of private agent networks will likely fade in most markets as inventory grows and competition for listings gets even stronger.
- The number of new licensees will increase from 3 percent to 5 percent, which will be the first decent year of growth in the last 10 years or so. This represents about 30,000 to 50,000 new licensees. What is unknown is how many will become full-fledged Realtor® participants since around 60 percent of all licensees don't belong to NAR. ■

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Shareholder Value and the High Performance Agent

Agent compensation has had a disastrous impact on profitability. What's to be done?

Written
by Jeremy Conaway,
contributing editor

The long off and on courtship between Wall Street and the American residential real estate industry reached record levels of passion and engagement in 2013. It's a trend that appears to be a clear indicator of the real estate industry to come. With this trend has come a number of quandaries, either ignored, overlooked or inadequately addressed, by an industry held privately in the past.

Let's Talk Profits

Certainly among the most important of these issues is the subject of profitability. Paramount with respect to this issue will be the question of shareholder value versus agent compensation. There appears to be no doubt that most (although apparently not all) of the new equity-based players understand the disastrous impact that agent compensation has had on profitability over the past quarter century. It remains to be seen whether or not yet another iteration of industry ownership will fall victim to agent centricity or whether this time around investors will be given an opportunity to earn a market level return on their investment.

This discussion is taking place in real estate entity boardrooms across the country. One can only be impressed with the importance of the decisions to be made. Given the almost total lack of individuals willing to plunge their private fortunes into "this is how we have always done it" follies in any industry today, the idea of this new breed following the same course seems unbelievable. Yet, it has apparently happened in at least one significant case, so who knows?

Stay the Course?

Given the presence of so many executives and managers who were raised in the agent centric world there is no

doubt that an endless number of points are being made in support of staying the course and honoring the system that got us where we are today. We have all heard that argument. It is just a matter of doing what we have always done in the past, only doing it better. We will get there this time.

At the same time, we are all aware of those who are advocating a complete abandonment of investment in the brokerage world in favor of using technology and the force of the new consumer to create and implement new life forms. They are called portals.

The interesting question is whether or not there are effective individuals advocating a brokerage business model that celebrates profitability and incorporates the new technology and interactive systems that create it. What might such a presentation look like?

The Place to Start

A simple shareholder value argument might be the place to start. This position might seem radical in the face of the long-standing argument that only happy agents create broker profitability. Where should the priorities lie?

Profitability Through the Years

During the 1960's corporate America saw a rise in a concept that became known as corporate responsibility. This theory suggested that corporations had responsibilities to not just its shareholders, but also to its community and the environment. Many corporations worked hard to become good citizens and stewards of the environment. Some even survived. Those familiar with the history of the

American real estate industry might suspect that such an agreement of the minds also occurred with the agent being substituted for the community and the environment.

Then, in the 1980's, the mood in American business changed and the concept of shareholder value moved to the forefront. The essence of the shareholder value movement was that while some peripheral issues had to be considered, the overwhelming priority of publically held corporations was the creation and growth of shareholder value. Other players and entities could be responsible for the community and the environment.

Over the past 30 years, the debate outside of real estate has continued with shareholder value holding a decisive lead in the debate and in corporate operations. Successful corporations have used increasingly more effective public relations and media resources to spin their citizenship and green qualities, but behind the scenes, it was all about shareholder value. Not so in the real estate industry.

When, in the late 1970s the industry was attacked by the Boomer generation lawyers there was little or no cooperation with the brokerage's efforts to implement risk management practices.

When the potentials of technology became evident in the 1990s, there was little or no effort to cooperate with brokerages, even those who were investing millions of would-be profit dollars in trying to help the entire organization be more competitive.

The arrival of the Internet in the early days of the 21st century was met by a similar refusal to play.

Growing Importance of Data

At the same time, the growing importance of data and information was deemed not appropriate for this group who favored their own sense of matters. "I don't need no stinking boss" was the favorite bumper sticker.

The same resistance and refusal met the emergence of social media a few years later.

The rise of the engaged consumer over the past five years has been largely ignored. The impact of these decisions is being reflected in both surveys and the consumer's current migration to the portals, a factor that will cost investor-owned brokerages millions of dollars to counter.

To top off the list, many of these same individuals are engaged in highly destructive off-MLS marketing practices. Some experts are now predicting that these practices will cause immense legal liability and lost opportunities for both agents and brokerages in the near term future.

It hasn't worked! In short, a strong argument can be made to support the conclusion that, despite an investment of gargantuan proportions, the American real estate brokerage's efforts with respect to its agent community have not produced even a psychic return let alone a market level financial return. Even more to the point, literally thousands of brokers are about to discover the ultimate truth of this effort as they struggle to sell their businesses and collect a well-deserved retirement. ■

Evaluating Agent Centricity

Written by Jeremy Conaway, contributing editor

Let's evaluate the agent centricity decision and consider how successful it has been. At this point in the discussion some well-meaning soul will probably say, "Wait, perhaps agent centricity wasn't done that well, perhaps we could do it even better. Let's give it another chance." When this argument is presented it should be ruled out of order. Since the beginning of American business, no group has even come close to demonstrating a level of loyalty and selflessness equal to that of the American real estate broker towards its agents. It has been a complete and total commitment and sacrifice by some of the most competent and committed businesspersons on earth. No one could have done it better.

So how did this investment in agent centricity work out?

It turned out that there was never a rich enough commission split to satisfy. Imagine that during the heyday of the great boom some brokers were actually paying out 125 percent commission splits. Despite this, and with few exceptions, brokerages became a revolving door.

Again, with precious few exceptions (every broker can name 10 out of a 1,000) there was little (and in some cases no) reciprocity with respect to either loyalty or the idea of building financially and culturally strong brokerage organizations capable of meeting everyone's needs, including the owner.



of the independent contractor relationship. Many ask, "How does the leader of a brokerage firm create long-term value for sales agents and consumers when we are unable to force behavioral change in sales agents to match the demand for responsiveness and service demands of consumers?" This one question is at the heart of what plagues the leaders of realty organizations.

Pressure on Gross Margins

Pressure on gross margins is another contributing factor to the long-term unease. How does one continue to invest in technology, marketing and training with a decreasing pool of investable dollars? Further, how does one provide these services when the services are available from multiple sources outside of the realty firm? With the MLSs, Associations, outside technology vendors and others in a position to provide much of what a brokerage has done historically, how does a realty firm build a stable long-term organization to address the needs of both consumers and agents?

As one industry executive put it, "How can a realty firm have strong margins in brokerage when it is being forced, by economics, to outsource technology, education and marketing? How can they make significant investments in such things when the revenue sources are so elusive?"

It's All About Culture

In hearing about these challenges from realty CEOs, the answer is that this has been the case for many, many years.

Establishment of a strong culture still matters more than any other factor in building and growing a strong realty firm. Of course, technology, marketing and educational offerings are also important to be competitive today. As one leader says, "I have never had agents fire us over any of these things—they fired the leadership."

Culture continues to be the single most important attribute of a successful realty firm. Yes, a firm must field a strong agent support package. Yes, leads are important, and firms that can deliver lead opportunities to its agents have an edge over those who don't in the long run.

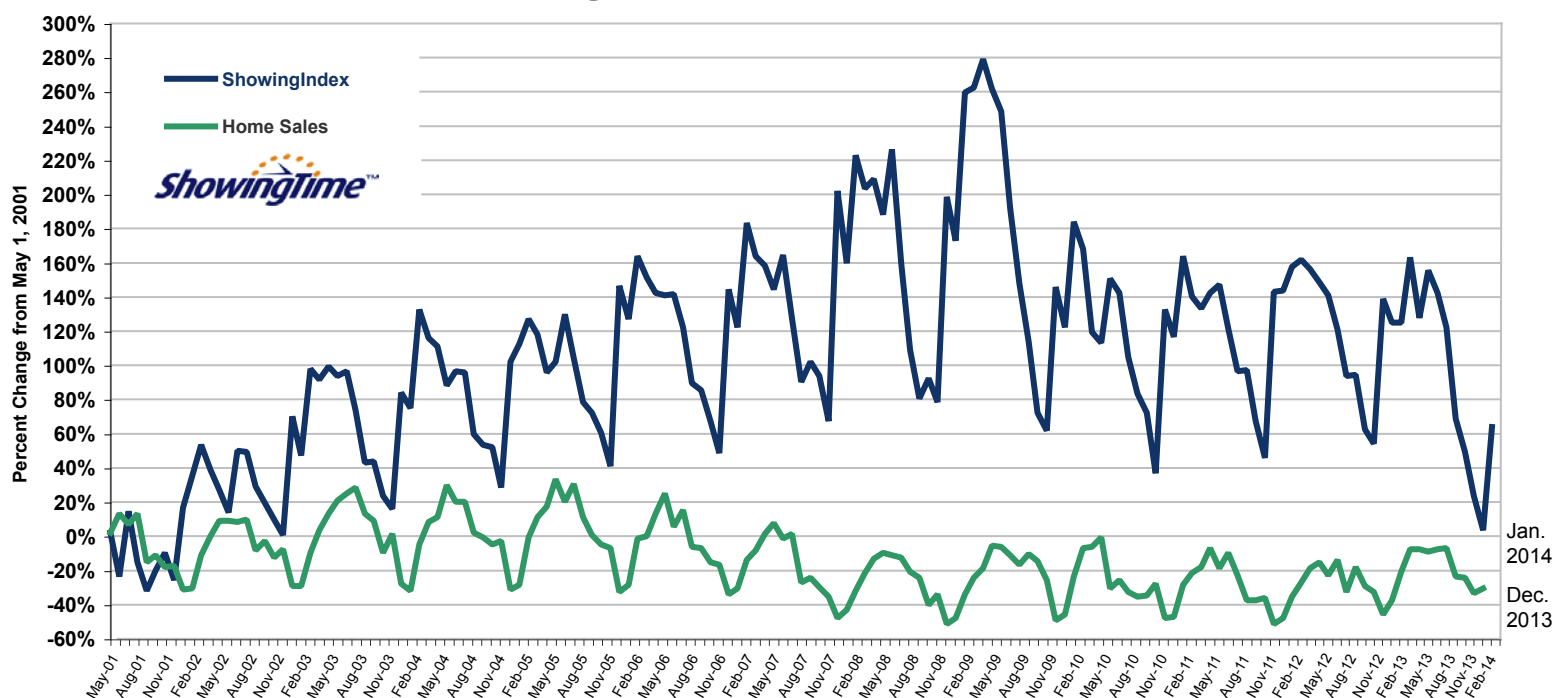
Even after all the changes in and around the realty business over the past 30 years, it is the relationships that a leader establishes with the management team and sales agents that matter the most.

Parting Shot

One last thought to share—in talking to one realty leader during the interview process, she said that, in reflecting over the past few years, she came to the conclusion that she had been distracted by all the news about huge changes coming. She felt it was time for her to refocus on the importance of relationships and to bring her absolute best game from this point forward in this area.

Sounds solid. ■

ShowingIndex - Leading Indication of Home Sales



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

Rule No. 1

[Show Up]

Written by Larry Kendall, author of *Ninja Selling* and Eric Thompson, president of *The Group, Inc.*

Today's customer needs us more than ever and today's customer expects us to show up. By that, we mean showing up at the office, showing up at the sales meetings, showing up for training classes, showing up at Association meetings, and showing up for floor shifts.

Consumers expect us to be the trusted source of information. How can we be the source if we don't show up? One of the top Realtors® in our company says, "Not showing up is the biggest threat our industry faces today."

Our research in *Ninja Selling* shows that those who show up the most often make the most money. Our challenge as leaders and managers is to get people to show up. We offer two simple strategies.

1. Ask them. Simply asking your people to attend events and meetings will communicate to them that it is important to you and that it is expected in your company's culture. Asking them will communicate that you notice when they don't show up. Asking them will make it top of mind. And, you don't need to be the only one asking. The real estate professionals who do show up can ask the others to attend an event. Sometimes a message from the "team captain" is more powerful than the messages from the coach.

2. Give them a reason to show up. The reality is that real estate professionals vote with their feet. A company committed to excellent sales meetings and a high performance culture will get people to show up.

We can learn a lesson from our friends in real estate development who know that high value is created through world-class settings. As the Urban Land Institute says about retail

In our company Rule No. 1 is to show up. Einstein said, "Nothing happens until something moves." Our observation is that nothing happens until they show up.

development: "People stay longer, spend more money and come back more often to places that attract their affection." What would happen if we committed to attracting our people's affection?

Companies in other industries also notice the importance of people showing up to the office. Zappos, for instance, decided to consolidate all of its operations into one building with small offices to encourage what founder Tony

Ninja Selling research shows that those who show up the most often make the most money.

Hsieh calls "collisions." When our real estate professionals collide with each other in the office, great things happen.

As leaders and managers we are charged with bringing out the best in our people. Let's start with a commitment to Rule No. 1. ■



Focus On: Linda Sherrer

President and CEO of Berkshire Hathaway HomeServices Florida Network Realty (formerly Prudential Network Realty)

Written by Tracey C. Velt, editor

As the wife of a military man, Linda Sherrer, president and CEO of Berkshire Hathaway HomeServices Florida Network Realty (formerly Prudential Network Realty) in Jacksonville, Fla., wanted a career that allowed her to work part time and make money. She found so much more. Here is her story:

REAL Trends: Tell us about your career path. How did you get your start in real estate?

Sherrer: The brokerage was a labor of love. We now have eight offices and 300 sales associates. But, I started as a Navy wife. When we were stationed in Hawaii during Vietnam, we bought our first home for \$30,000. Two years later, we sold it for \$60,500. It was a VA loan, and it scared me to sign all those papers. I never wanted to be in that situation again, plus I thought selling real estate was a great way to make money. Once we relocated to Florida, I earned my real estate license in 1979 and worked with a major development. In 1988, when Prudential Real Estate came to the area, I received a call to open my own Prudential brokerage. I was about to sell out that development I was working with, and opening my own brokerage was a perfect opportunity for me.

Of course, it was a challenge. I had a great brand but needed to acquire enough talent to grow at the pace I wanted to grow.

REAL Trends: How do you do business differently?

Sherrer: For us, it's all about the people. We are highly involved in our community. I have great partners outside of the business of real estate who help us network in the community. Members of our brokerage and executive

committee are highly visible and sit on many charitable and business boards. Since 21 percent of our business is with corporate relocations, we think it's critical that we give back to the community and to the business community.

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

Sherrer: My daughter, Christy Budnick, works for the brokerage. I spend a lot of time with my adult children and my grandchildren. We love to travel together and will be heading to Mexico this year. I also live near the beach and enjoy kayaking and picnicking on the beach.



Linda Sherrer (right) with daughter Christy Budnick.

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

Sherrer: It really comes back to the community. I'm passionate about giving back. For the brokerage's 25th anniversary, last August, we decided against having a party. Instead, we adopted a specific charity—Dreams Come True, which offers trips and programs for those suffering from life-threatening illnesses. We will give a part of every single transaction that closes to the charity. Our goal is \$25,000, and I know we'll exceed that. ■

NOW YOU KNOW

In one poll, by Office Team, 45 percent of senior executives said their firms would be more productive if they **banned all meetings at least one day a week!**

"The problem that often occurs – beyond the obvious, like lacking a clear agenda – is the underlying current of competition that each person brings to the table," says Berny Dohrmann, chairman and founder of CEO Space International, and author of "Redemption: The Cooperation Revolution," (www.ceospaceinternational.com).

REAL Trends

HOUSING MARKET REPORT



Housing Still on Upward Trend

After a small decrease in November, the housing market is back on the upswing.

Housing unit sales for December 2013 increased 10.6 percent in the South, the strongest showing in the country. The next highest region was in the Northeast region with an increase of 7.8 percent, the Midwest region was up 6.9 percent and the West was up 0.3 percent.

“December 2013 sales of new and existing homes rebounded from the low point of sales in 2013 which occurred in November. The market appears to be shrugging off rising interest rates, sluggishness in employment growth and an uncertain economic environment,” said Steve Murray, editor of the REAL Trends Housing Market Report.

“We expect that year over year increases will continue to be only slightly improved on a year over year basis for the coming year.” — Steve Murray

“As we stated last month we believe that unit sales are nearing a normal level given employment, the number of households, mortgage rates and household income and that other factors such as the Federal government shutdown or the rise in mortgage rates were not as important in the slowdown in year over year increases in housing sales,” he added. “We expect that year over year increases will continue to be only slightly improved on a year over year basis for the coming year.”

The average price of homes sold in December 2013 increased 2.5 percent across the country. The Midwest had the best results with the average price of homes sold increasing 6.9 percent followed by the South region at 5.2 percent and the West at 4.6 percent. The Northeast region saw prices move downward by -2.5 percent. ■

The REAL Trends Housing Market Report for December 2013 shows that the rate of housing sales increased on a year over year reversing course after November 2013's decrease. Sales of new and existing homes in December 2013 increased 6.8 percent from the rate of sales in December 2012. The annual rate of new and existing home sales for December 2013 was 6.303 million units up significantly from 5.902 million units sold in December 2012.

The average price of homes sold increased by 2.5 percent in December 2013 compared to December 2012.



REAL Trends December/November Housing Market Report (Versus same month a year ago)

	December 2013 Closed Sales	December 2013 Average Price	November 2013 Closed Sales	November 2013 Average Price
National	+6.8%	+2.5%	-0.1%	+2.6%
Regional Report				
Northeast	+7.8%	-2.5%	+3.0%	-0.7%
South	+10.6%	+5.2%	+2.8%	+7.0%
Midwest	+6.9%	+6.9%	+3.6%	+5.4%
West	+0.3%	+4.6%	-9.1%	+3.9%



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Zillow & Trulia

Inside the Minds of Two Well-Known Brands

REAL Trends recently traveled to Seattle to visit with Zillow and Market Leader/Trulia, two of the largest and best-known new brands (yes, brands) in the real estate business. Here's what we learned.

Written by Travis Saxton, REAL Trends technology and marketing manager

Love them or hate them—the fact is Trulia and Zillow are two powerhouse brands in the real estate technology space. REAL Trends recently had an opportunity to see how they were run and what the future holds for these two tech giants. Here are some interesting observations from our visits.

Data Power

Both of these companies operate extremely efficiently with much of their success centered on the use and interpretation of data. These companies don't just interpret housing market data, but also data about what they offer to real estate agent and broker customers and how to service these customers more effectively. Zillow also has a whole group dedicated to market and data analytics on housing. At Market Leader, the accuracy of its data enables them to tell the sales team that they will have “x” amount of open leads this month for “x” market at “x” cost per lead so that the sales team knows exactly what volume of leads they can sell and promise to customers. Remarkable.

Sales Success

We received a tour of the sales group from both firms. Zillow's sales team has a wonderful setup, and I observed some interesting developments. They use an internal reporting, metric and gamification (rewards for those who accomplish certain tasks) strategy to hold their representatives accountable and to recognize excellence. They have completely transparent high-definition monitors placed strategically around the sales floor with a live feed from their customer relationship manager (CRM.) They can broadcast big sales, inspirational quotes and leader boards. The algorithm they use to identify the top salespeople is a blend of immediate success, scale, retention, customer satisfaction and more.

One unique strategy for the massive sales team at Zillow was the fact that everything they do is an open book. No secrets. They can all see the production and details of other agents, and they have a system that allows them to tap into other sales rep's phones at any time and listen to their sales conversations. They try to encourage learning and growth through the ability to get live experience from top-producing reps. This is an interesting model for sales and customer service. Market Leader's sales team and systems were also impressive.

An interesting note from both is that they both use Salesforce as their CRM and clearly this platform is key to their success. They can measure everything that matters to their sales and service efforts. The advanced customizations, like Zillow's transparent leader board with up-to-the-minute reporting and tracking and Market Leader's instant inventory notifications and alerts, are examples of the power of a CRM. Most importantly, they have a top-down commitment to streamline their operations.

Inside the Minds cont. on p12



Future Look

Shifting focus to the future of these companies, both have left significant room for growth in the following areas:

- 1. Real Estate Agent Penetration.** Both companies have more than 50,000 paying customers in advertising and lead business areas with significant room for growth in this area. Offering tools, leads, insight and viewership to these folks are big revenue generators and opportunities.
- 2. Traffic.** This correlates directly to sellable inventory of impressions and/or lead opportunities. Essentially they have room to grow their consumer traffic to be able to open more inventory or lower the cost-per-lead for existing clients.
- 3. Rental Market.** A common theme was that the rental market was a huge traffic and revenue opportunity for both companies. It is also a lead feeding source for the real estate side.
- 4. Ancillary services.** With opportunities in areas such as mortgage, title and insurance, there are many untapped opportunities to drive leads and traffic for these areas.
- 5. International.** Competing on the international level is certainly a vision of these firms. The stiff competition and lack of data uniformity in many of these markets creates a large barrier. Many European countries already have significant portal presences that dominate the real estate scene, so these too will provide formidable barriers to easy entry.

There has been much speculation that these two companies will be entering the real estate brokerage space. At this time, we don't sense that they have the need to do so given the remaining upside in their business models. Cannibalism of the single biggest contributing revenue source for both companies will certainly be a big hurdle.

There has been much speculation that these two companies will be entering the real estate brokerage space. At this time, we don't sense that they have the need to do so given the remaining upside in their business models.

One area I would keep my eye on is the MLS side. With Zillow's purchase of Street Easy, a New York-based MLS-like operation, they acquired a set of data in one of the biggest markets in the world—one market that has always been difficult to crack. Will this deal be a platform from which to expand or was it just opportunistic? Only the years ahead will tell us the answer to that question.

Regardless of your views of these firms and those like them, they have shown resilience and a tight focus on serving their primary customer—the housing consumer—and building useful relationships with those trying to reach these consumers—the real estate sales and brokerage professionals. ■

INAUGURAL CONFERENCE OF THE FELLOWSHIP OF REALTY PROFESSIONALS

THE RETREAT

JULY 16 - 18, 2014 • FOUR SEASONS HOTEL DENVER

REAL Trends is excited to announce that **The Retreat**, the inaugural conference of The Fellowship of Realty Professionals, will be held July 16 through July 18, 2014 at the brand new Four Seasons Hotel in Denver, Colorado.

The program will commence with a reception on the evening of July 16 and adjourn at noon on July 18 allowing Fellows and their guests to enjoy Denver or the mountains of Colorado for the weekend that follows. There will be a series of both general and breakout sessions for guests addressing key opportunities of the finest real estate professionals in North America.

The Fellowship of Realty Professionals is an organization founded in 2013 to recognize the highest performing sales professionals in the real estate industry and to foster the exchange of insights and ideas among the membership.

There will be a limit of 100 guests allowed at this inaugural conference. It is only open to members of The Fellowship and qualified nominated candidates. Each member is limited to bringing 2 persons from their organizations and one personal guest.



THE FELLOWSHIP
OF REALTY PROFESSIONALS

The fee for members of The Fellowship is \$200.00. For those who are not yet members the fee is \$700.00. For more details contact Jaime O'Connell at joconnell@realtrends.com or 303-741-1000.

New Study

Critical Flaws in Real Estate Lead Response

Whitepaper shows that real estate professionals still aren't responding to leads quickly enough.

A new whitepaper reveals that failure to respond to leads in a timely manner is a major problem for many real estate professionals. The whitepaper is the result of the collaboration between partners at leading consulting firm WAV Group and Weichert Lead Network, the Internet lead generation arm of Weichert, Realtors®. What they uncovered was remarkable and could help real estate professionals achieve new levels of service and prosperity.

In the whitepaper, WAV Group details lead responsiveness results from a sample of 384 different brokers across 11 states. Researchers posed as consumers and inquired about listings on broker websites, Zillow.com, Realtor.com, and Trulia.com. They found that:

- **48% of buyer inquiries were NEVER responded to.**
- **Average number of call back attempts after the initial contact was 1.5**
- **Average number of email contact attempts was 2.07**
- **Average response time was 917 minutes (or 15.29 hours)**

Victor Lund, partner at WAV Group explains, "These numbers reveal a staggering failure of real estate professionals to serve the consumer. But this failure actually represents an important opportunity. If brokers and agents take steps to rectify this problem, and respond more effectively to consumers, they are opening the door to a great increase in revenue."

These numbers reveal a staggering failure of real estate professionals to serve the consumer. But this failure actually represents an important opportunity.

As previously mentioned, the research began as an effort to help one company, Weichert Lead Network, understand how they were performing. But in order to understand their effectiveness, they needed a benchmark. Because so few companies are comparable to Weichert in size or leads



generated, WAV Group needed to create a sample group from the industry as a whole. They chose listings only in states where Weichert also has a presence. In addition to illuminating the industry's failings, the results also demonstrated Weichert's success:

- **Number of leads generated by Weichert per month: 60,663**
- **Percent of buyers responded to: 100%**
- **Average response time: 3 minutes**
- **Number of follow-up attempts: 5-11**
- **Number of referrals per year: 301,772**

The authors of the whitepaper offer recommendations for solving the problem. "This is a solvable problem if you have the correct systems in place and make the right investments. Most lead routing solutions today give you the flexibility to ensure that a hot lead never goes cold. If the listing agent is not immediately available, brokers need to ensure that it is transferred to another appropriate agent, someone familiar with the property type and neighborhood," says Lund.

Click below to register and download a copy of the whitepaper. ■

WAVGROUP.COM WHITEPAPER

Hacking & ID Theft

7 Tips for Protecting Your Identity

What can you do to protect yourself from hackers?

Written by Scott A. Merritt, CEO of Merritt & Associates

At least 110 million consumers were affected by the hack involving Target and Neiman Marcus retailers. Whether or not millions more will have their identities manipulated and finances ruined within the coming months due to more breaches of security at other stores is anyone's guess, says identity theft recovery expert Scott A. Merritt.

"By necessity, I became an expert on identity theft. My information was stolen in 2006, and in repairing the damage, I learned some not-so-obvious ways we can all protect against identity theft in the first place," says Merritt, CEO of Merritt & Associates (scottamerritt.com) and author of "Identity Theft Do's and Don'ts."

Merritt's problems began quickly. While disputing financial charges and dealing with resulting business problems, in 2007 he was stopped for a traffic violation and arrested on a false outstanding felony warrant. He immediately knew why. "I had to enlist my U.S. congressman and convince the state police, NCIC, FBI and Secret Service that I didn't commit the felonies. For a few years, I had to prove that the prints did not match the false record in question. After legal action, however, I was able to have this corrected."

Unfortunately, the millions affected by the recent hacks may be dealing with similar repercussions in the years ahead, he says.

Before you become a victim of identity theft, Merritt offers seven ways to guard against it.

1. Understand how and where it happens.

Identity theft is like being robbed when you are away from home; most thefts occur in places where you do business every day. Either a place of business is robbed, a bad employee acts improperly or a hacker breaches the office through the computer.

2. Secure your wallet's information. Photocopy everything in your wallet: photos, credit cards (front and back), membership cards—everything. Put the copies in the order the cards are arranged in your wallet, staple the pictures and place them in a strong box or safe.

3. Make sure your information is consistent.

For all of your identity and financial documents, make absolutely sure, to the smallest detail, that all of your personal information is accurate and consistent.

Discrepancies such as using your middle initial on some documents, and not others, or having different addresses, can wreck havoc in proving your identity, and can compromise your credit score.

4. Secure your digital habits and data. Change your passwords at least twice a year on a non-scheduled basis. Don't be predictable. Have a strong firewall if you shop online, and only access sites that are protected by a strong firewall and high industry standards. Access accounts of a financial nature only from your personal computer.

5. Protect your banking information. While in the bank, keep account numbers and other data out of sight, and avoid stating account numbers, Social Security numbers and similar information out loud. When planning a bank visit, have items such as deposits and withdrawal slips prepared in advance.



6. Account for your interactions with vendors.

Every time you speak to someone with whom you do business, write down the time, date, name and the purpose or outcome of the call. If an identity theft occurs on the vendor's end, you will be able to reference these prior conversations effectively. Be sure to note any animosity or reluctance from the vendor.

7. Don't carry around your birth certificate or Social Security card. Unless it's necessary, keep those vital items in a safe, or at least a firebox. If you know someone is going to need a copy of your tax returns or your driver's license, for example, make the copies ahead of time. This avoids the need for a firm's employee to leave the room with such information. ■

Renters

Weak Income Growth and Rising Rents Create Severe Affordability Problems

Affordability problems for renters have skyrocketed over the past decade both in number and the share of renters facing them, according to a new report on rental housing from the Joint Center for Housing Studies of Harvard University. The inability of so many to find housing they can afford dramatically impacts the health and well-being of U.S. renters, as lower-income households cut back on food, healthcare, and savings, just to keep up.

The report, *America's Rental Housing: Evolving Markets and Needs*, finds that half of U.S. renters pay more than 30 percent or more of their income on rent, up an astonishing 12 percentage points from a decade earlier. Much of the increase was among renters facing severe burdens (paying more than half their income on rent), boosting their share to 27 percent. These levels were unimaginable just a decade ago, when the share of American renters paying half their income on housing, at 19 percent, was already a cause for serious concern.

Escalating Rental Affordability

Escalating rental affordability problems come at a time when the share of Americans that rent has increased from 31 percent in 2004 to 35 percent in 2012. In fact, the 2000s marked the strongest numerical growth in renter households in the last fifty years. As ownership rates fell, housing markets have adjusted dynamically to the increased demand for single-family rentals, with about 3 million existing homes switching from owner to rental occupancy from 2007-2011 alone.

On the strength of the surge in rental demand, rental vacancies have fallen, rents have climbed, and construction of new rental housing has picked up sharply, giving an important spur to the struggling residential construction market. Rising rents combined with softness in wages has put the squeeze on affordability. The report points out that between 2000 and 2012 real median rents (adjusted for inflation) nationally

increased by 6 percent, while over the same period the real median income of renters dropped by 13 percent. More than ever before, the private market struggles to provide decent housing that is affordable for people of even modest means.



Impacts of Housing Affordability on Families

"The gravity of the situation for the large proportion of renters spending so much of their incomes on housing is plain," said Eric Belsky, managing director of the Joint

Center for Housing Studies of Harvard University, which publishes its report on the state of rental housing in the U.S. every other year. “We are losing ground rapidly against a chronic problem that forces households to cut essential spending. With little else to cut in their already tight budgets, America’s lowest-income renters with severe cost burdens spend about \$130 less on food each month, and make similar reductions in healthcare, clothing, and savings. And while many choose longer commutes to lower their housing costs, the combined cost of housing and transportation means even less remains for other expenses.”

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Growth in the Gap

“For many low-income families, the rental housing affordability crisis is like a game of musical chairs in which there is never a chair left for them,” said Chris Herbert, Research Director at the Harvard Joint Center for Housing Studies. “The shortfall in the number of units affordable to extremely low-income renters in the U.S. (those earning no more than 30 percent of the area median) more than doubled from 1.9 million in 2001 to 4.9 million in 2011. The situation just keeps getting worse. Assistance efforts have failed to keep pace with escalating need, undermining the nation’s longstanding goal of ensuring decent and affordable housing for all.”

Trends in Housing

“The release of the Harvard Joint Center for Housing Studies rental housing report is a further indicator that serious discussion about market trends and implications for U.S. housing policy can no longer be deferred. The profound and growing needs of the expanding rental housing population should be considered a front-burner issue,” said Julia Stasch, vice president, U.S. Programs, the John D. and Catherine T. MacArthur Foundation.

For a full copy of the report, **click below.** ■

JHCS REPORT: FIRST-TIME BUYERS

NOW YOU KNOW

First-time homebuyers continue to decline. According to an article on abc.com, “The latest housing finance figures show home buyers remain active, with the notable exception of first time purchasers who have fallen to a fresh record low proportion of mortgage approvals.” To read more:

ABC.COM ARTICLE: FIRST-TIME BUYERS



Consumer Financial Protection Bureau

Home Deal Closing Issues

The Consumer Financial Protection Bureau wants to know whether there are common problems with real estate settlements that need to be fixed.

Written by Kenneth R. Harney, Washington Post Columnist

The federal government has a real estate question for consumers who have bought or refinanced homes that's certain to generate more than an earful: Were there any problems when you went to close the deal?

Any last-minute glitches or surprises that delayed the settlement, required unexpected negotiations or, worst of all, blew up the sale or refinancing? Did you get your settlement sheet in advance so that you could review the documents intelligently? Were there any errors or discrepancies that popped up — charges that were considerably higher than you had expected, loan-related fees or an interest rate that differed from what you thought you had signed up for? Was the whole process pleasant? Was it “empowering”?

Stirring Up Hornets

Wow. Talk about stirring up hornets. The Consumer Financial Protection Bureau, which has broad regulatory powers in the real estate settlement arena, wants to know whether there are common problems that need to be fixed. If so, it may make what it euphemistically calls “interventions” to right what seems to be wrong.

The bureau also wants to hear from realty professionals, lenders, title insurance and escrow agents, attorneys and others who play roles in closings on homes — the people who produce, bless and witness the signings of mounds and pounds of paper associated with the settling of America's home transactions.

Most Closings Successful

From industry accounts, the vast majority of closings are successful. The National Association of Realtors® estimates that roughly 10% to 12% of pending sales don't close for various reasons. But conversations with agents suggest that a much higher percentage of settlements experience problems that arise just before or during the event that either delay or complicate the process.

Though eleventh-hour delays can occur because of title insurance-related issues and various others, a disproportionate percentage appear to be related to the mortgage. Late in the game, the lender might inform the borrower: Sorry, but we've encountered some underwriting red flags in your application that you'll need to resolve before we can proceed. Or oops, we didn't get all the loan



Uniform Residential Loan Application
This application is designed to be completed by the applicant(s) as applicable. Co-Borrower information must also be provided (including the Borrower's spouse) will be used as a basis for qualification, but his or her liabilities must be considered property state, or the Borrower is relying on
☒ Conventional ☐ A/Rural Home

documents to the closing agent in time. Or worst of all, we've changed our mind. We simply cannot do this loan and we sincerely regret that we're telling you this on the day before your scheduled closing.

Gary Kassan, an agent with Pinnacle Estate Properties Inc. in Valencia, says he routinely gets buyers pre-approved by lenders, but in at least 20 percent of purchases, problems pop up after the pre-approval that threaten to delay or disrupt closings. In early January, Kassan was waiting for a lender to agree to close on a deal that was originally scheduled for late December. The problem: underwriters' questions that arose late in the process about the borrower's income.

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“I want to ask all these [loan officers]—why didn’t you bring this up earlier, before you gave [my client] a pre-approval letter?” Kassan said.

Cindy Westfall, an agent with Premiere Property Group in the Portland, Ore., area, has had two recent sales knocked off track by underwriting issues just before the closing, one of which caused the entire sale to blow up, forcing her buyers to start their home search all over again. “My clients were very stressed” by the entire experience, she said.

Rhonda Masotta, an agent with Bright Realty in Sarasota, Fla., almost found herself in the same situation: Last year she was sitting at a table for her buyer’s closing on a \$1.25-million home. The only thing missing was confirmation that the bank committed to do the loan had wired the money needed to complete the transaction.

“We all waited for hours,” but there was no word from the bank, Masotta said. The closing was rescheduled for the following day, but then came the bad news: The bank had decided to back out of the deal. That’s usually a death sentence on a home sale, but Masotta and her colleagues on both sides of the transaction opted for an emergency rescue attempt and found a bank willing to underwrite and fund the loan on an expedited basis later the same day.

That’s not the way closings are supposed to work, but stuff happens. ■

Editor’s Note

New Book
Game Changers

Watch for some informative research in the coming months.

On April 30, at the 2014 Gathering of Eagles in Dallas, REAL Trends will release a new book. Tentatively titled “Game Changers: The Unfounded Fears and Future Prosperity of the Residential Real Estate Industry,” the book will cover a number of significant scenarios that concern all who are involved in the residential real estate industry.

In each scenario, the book will address the issue, the probability of it happening and its impact, the forces arrayed for and against the change, the implications of change and the solutions. The research leading to the publication includes interviews with more than 45 industry leaders, surveys of more than 1,400 brokerage CEO’s, 5,500 top sales agents and a national consumer study done in partnership with Harris Interactive.

Coming in April: REAL Trends 500

At the REAL Trends Gathering of Eagles, we will release the annual REAL Trends 500 and Up-and-Comers and the REAL Trends Canadian Top 250. ■