

REALTrends

The Trusted Source

Commentary

6 Clear Value Propositions

The Future of the Realtor® Association

NAR vows to create a clear value proposition for its members.

Written by Steve Murray, publisher

In a presentation at the annual Association Executive Institute, National Association of Realtors® (NAR) President Steve Brown shared some views of what NAR would be focused on during the next few years. Every item he listed was of strong importance to the Realtors. He said that NAR was focused on creating a clear value proposition for the organization and that the leadership team had come up with six clear value propositions.

We respect Brown and his team and know he has created a successful realty firm of his own in Ohio. He has certainly paid his dues in the leadership of the Realtor organization. He knows what he is about and is clearly dedicated to the task facing him. He and Dale Stinton are together on the important work that needs doing. During the same session, new and vigorous standards and accountability measures were proposed that help in getting the local and state associations more focused on being efficient in how they operate and deliver service to members.

Value Propositions of Great Organizations

Our thought is that great organizations usually have but a single value proposition, not two and certainly not six. An effective value proposition is clear, concise and focuses on what makes the organization unique and valuable. It is

Commentary cont. on p2

INSIDE:

p4 From Challenge Comes Greatness

p8 The Hunter and the Hunted

p9 Leadership During Turmoil

p11 FOCUS!

p12 Featured Leader: Merrily Hackett

p13 REAL Trends Market Update

p15 Homes More Affordable

p18 ERA Launches New Brand Campaign

p19 Broker Technology Audits

p20 Publisher's Letter

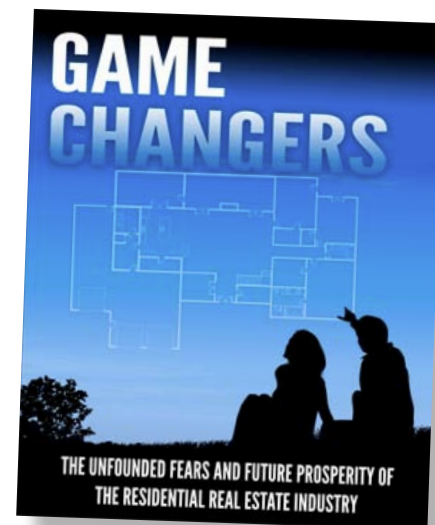


New Book Unfounded FEARS

Trends and insight into the future of our industry

Written by Steve Murray, publisher

The authors of the new book, "Game Changers—The Unfounded Fears and Future Prosperity of the Residential Real Estate Industry," (available at realtrends.com) started with the premise that there are realistic fears about the future of the



residential realty business. The threat from listing portals, the decline in the commission rate, the intrusion of technology into the agent/client relationship—for years we have heard from brokerage leaders and agents about these and other fears. We set out to investigate what real estate practitioners, buyers and sellers and other stakeholders thought about these issues.

We surveyed 6,000 top-producing sales agents; 1,350

Unfounded cont. on p6

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

Publisher:

Steve Murray – smurray@realtrends.com

Editor:

Tracey Velt – tvelt@realtrends.com

REAL Trends Team:

Bob Bill – bbill@realtrends.com

Amy Broset – abroset@realtrends.com

Cade Madison – cmadison@realtrends.com

Jaime O'Connell – joconnell@realtrends.com

Terry Penza – tpenza@realtrends.com

Paul Salley – psalley@realtrends.com

Travis Saxton – tsaxton@realtrends.com

Daniele Stuftt – dstuftt@realtrends.com

Doniece Welch – dwelch@realtrends.com

Copyright 2014 by REAL Trends. All rights reserved. Material in this publication may not be electronically stored or reproduced in any form without written permission. Violators will be punishable by a fine of up to \$100,000 per offense.



Please visit us at www.realtrends.com for the following noteworthy products:

- New Book: Game Changers
- Online Performance Study
- REAL Facts
- REAL Trends 500
- REAL Trends Canadian 250
- Valuing a Residential Real Estate Services Business

Commentary cont. from p1

not a list of what one wants to get done, as with goals and objectives. While we agree wholeheartedly with the concept of higher standards of organizational behavior for all levels of the association, the lack of a clear, compelling and simple value proposition, will continue to hinder its effectiveness.

Expressing Your Value Proposition

An organization may have one value proposition and six ways to express the foundation of that value proposition, but no successful organization can have more than one true value proposition. Doing so would be akin to Walmart saying that its value proposition is “Every Day Low Prices” and “Middle Class Fashion,” which they tried a few times and, after dropping billions of dollars, subsequently gave up.

An organization can be extremely successful at very few things and a value proposition expresses the pinnacle of what it believes it is about. Ask Realtor® leaders, what is your one absolute? What is your core value? An organization cannot communicate to its stakeholders more than one value proposition and believe it can succeed.

Brokers Want One Thing

In a panel of large brokerage leaders, they said that anything related to the functioning of the marketplace was the only must-have from the Realtor organization. Public advocacy, ethics and the standards of conduct within the market were what they specifically mentioned. These are areas in which the Realtor organization must perform to remain valuable to all participants. Everything else puts them in conflict with one segment of the membership or another. We have never heard it said so clearly. This is a value proposition that uniquely belongs to the Realtor organization.

What tends to happen is that one constituent group or another gets into leadership and immediately decides that a new value proposition, mission statement or vision needs to be designed and implemented. When the leadership is made up primarily of small-to medium-sized brokers and agents, then the value proposition, mission and goals will be expanded to fill perceived gaps. After a time, a new leadership, composed of larger brokers gets on the board, and they promptly redraft the value proposition, mission and/or vision to collapse the range of things provided by the local association (and MLS to some extent). And so it goes back and forth (and we have been both a participant and observer of this process for years), with the association staff constantly shifting from one value proposition to the other, from one vision to another.

We Need Clear Vision

What is most needed is one clear, concise value proposition that encompasses all of the critical elements of what the Realtors stand for at the core of their being. We need one statement that includes advocacy, standards, professionalism, education, cooperation and compensation. When we think about these foundational issues, that virtually everyone would agree are at the core of the value that the Realtor association and MLS brings to the market, we think of the marketplace that the Realtors alone helped create. They are the only entity that can build, refine and maintain the marketplace.

Commentary cont. on p6

*"We've received over 6,000 leads from Weichert since joining the team, adding 50 agents and opening a second office. We owe it all to a system that simply works better."**

MICHAEL MCKENNA, Owner
WEICHERT, REALTORS® - New Colony
Columbia, MD
Franchisee since 2007

The hardest thing for most brokers to achieve – no matter how hard they work – is a level of growth that reflects the hours they put in. If this is your challenge, perhaps it's time for a strategic partner.

The Weichert Family of Companies is one of America's leading providers of homeownership services with a rapidly growing network of Weichert franchisees. The top reasons they join us?

- A Culture of Support
- Unmatched Credibility
- Best-in-Class Technology
- A Blueprint for Growth



For more information: 877-533-9007 | www.weichertfranchise.com

Weichert Real Estate Affiliates, Inc. | 225 Littleton Road, Morris Plains, NJ 07950

*Each franchisee's results may vary. We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets.

This offering is registered in Minnesota under registration No. F-5056. This advertisement is not an offering. An offering can only be made through a Franchise Disclosure Document and in states where authorized. In New York State, an offering can only be made by a prospectus filed first with the Department of Law of the State of New York. Such filing does not constitute approval by the Department of Law. If you are currently a member of another franchise organization, please disregard. Weichert® is a federally registered trademark owned by Weichert Co. Each WEICHERT® franchised office is independently owned and operated.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER OF CORPORATIONS NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE, AND NOT MISLEADING.



A Powerful Reminder

From Challenge Comes Greatness

Since 1961, this editorial has appeared in The Wall Street Journal. Written by Vermont Royster, this editorial has been on my desk for more than 20 years. When I get concerned about the challenges ahead, I read it, and everything looks better.

The Desolate Wilderness

Here beginneth the chronicle of those memorable circumstances of the year 1620, as recorded by Nathaniel Morton, keeper of the records of Plymouth Colony, based on the account of William Bradford, sometime governor thereof:

So they left that goodly and pleasant city of Leyden, which had been their resting-place for above eleven years, but they knew that they were pilgrims and strangers here below, and looked not much on these things, but lifted up their eyes to Heaven, their dearest country, where God hath prepared for them a city (Heb. XI, 16), and therein quieted their spirits.

When they came to Delfs-Haven they found the ship and all things ready, and such of their friends as could not come with them followed after them, and sundry came from Amsterdam to see them shipt, and to take their leaves of them. One night was spent with little sleep with the most, but with friendly entertainment and Christian discourse, and other real expressions of true Christian love.

The next day they went on board, and their friends with them, where truly doleful was the sight of that sad and mournful parting, to hear what sighs and sobs and prayers did sound amongst them; what tears did gush from every eye, and pithy speeches pierced each other's heart, that sundry of the Dutch strangers that stood on the Key as

spectators could not refrain from tears. But the tide (Which stays for no man) calling them away, that were thus loath to depart, their Reverend Pastor, falling down on his knees, and they all with him with watery cheeks commended them with the most fervent prayers unto the Lord and His blessing; and then with mutual embraces and many tears they took their leaves one of another, which proved to be the last leave to many of them.



Being now passed the vast ocean, and a sea of troubles before them in expectations, they had now no friends to welcome them, no inns to entertain or refresh them, no houses, or much less towns, to repair unto to seek for succor; and for the season it was winter, and they that know the winters of the country know them to be sharp and violent, subject to cruel and fierce storms, dangerous to travel to known places, much more to search unknown coasts.

Besides, what could they see but a hideous and desolate wilderness, full of wilde beasts and wilde men? And what multitudes of them there were, they then knew not: for which way soever they turned their eyes (save upward to Heaven) they could have but little solace or content in respect of any outward object; for summer being ended, all things stand in appearance with a weatherbeaten face, and the whole country, full of woods and thickets, represented a wild and savage hew.

If they looked behind them, there was a mighty ocean which they had passed, and was now as a main bar or gulph to separate them from all the civil parts of the world.

And the Fair Land

Anyone whose labors take him into the far reaches of the country, as ours lately have done, is bound to mark how the years have made the land grow fruitful.

**A traveler cannot but be struck
on his journey by the thought
that this country, one day,
can be even greater.**

This is indeed a big country, a rich country, in a way no array of figures can measure and so in a way past belief of those who have not seen it. Even those who journey through its Northeastern complex, into the Southern lands, across the central plains and to its Western slopes can only glimpse a measure of the bounty of America.

And a traveler cannot but be struck on his journey by the thought that this country, one day, can be even greater. America, though many know it not, is one of the great underdeveloped countries of the world; what it reaches for exceeds by far what it has grasped.

So the visitor returns thankful for much of what he has seen, and, in spite of everything, an optimist about what his country might be. Yet the visitor, if he is to make an honest report, must also note the air of unease that hangs everywhere.

For the traveler, as travelers have been always, is as much questioned as questioning. And for all the abundance he sees, he finds the questions put to him ask where men may repair for succor from the troubles that beset them.

His countrymen cannot forget the savage face of war. Too often they have been asked to fight in strange and distant places, for no clear purpose they could see and for no accomplishment they can measure. Their spirits are not quieted by the thought that the good and pleasant bounty that surrounds them can be destroyed in an instant by a single bomb. Yet they find no escape, for their survival and comfort now depend on unpredictable strangers in far-off corners of the globe. How can they turn from melancholy when at home they see young arrayed against old, black against white, neighbor against neighbor, so that they stand in peril of social discord. Or not despair when they see that the cities and countryside are in need of repair, yet find themselves threatened by scarcities of the resources that sustain their way of life. Or when, in the face of these challenges, they turn for leadership to men in high places-only to find those men as frail as any others.

So sometimes the traveler is asked whence will come their succor. What is to preserve their abundance, or even their civility? How can they pass on to their children a nation as strong and free as the one they inherited from their forefathers? How is their country to endure these cruel storms that beset it from without and from within?

Of course the stranger cannot quiet their spirits. For it is true that everywhere men turn their eyes today much of the world has a truly wild and savage hue. No man, if he be truthful, can say that the specter of war is banished. Nor can he say that when men or communities are put upon their own resources they are sure of solace; nor be sure that men of diverse kinds and diverse views can live peaceably together in a time of troubles.

But we can all remind ourselves that the richness of this country was not born in the resources of the earth, though they be plentiful, but in the men that took its measure. For that reminder is everywhere—in the cities, towns, farms, roads, factories, homes, hospitals, schools—that spread everywhere over the wilderness.

We can remind ourselves that for all our social discord we yet remain the longest enduring society of free men governing themselves without benefits of kings or dictators. Being so, we are the marvel and the mystery of the world, for that enduring liberty is no less a blessing than the abundance of the earth.

And we might remind ourselves also, that if those men setting out from Delftshaven had been daunted by the troubles they saw around them, then we could not this autumn be thankful for a fair land.

This editorial is reprinted, for use in this publication only, with the permission of The Wall Street Journal. ■

Unfounded Fears cont. from p1

brokerage owners; 1,000 recent buyers and sellers and interviewed more than 50 industry leaders to gain a deeper understanding of the future of our business. We asked what they were concerned about and what they thought the implications would be in each area of concern. We also asked for their solutions.

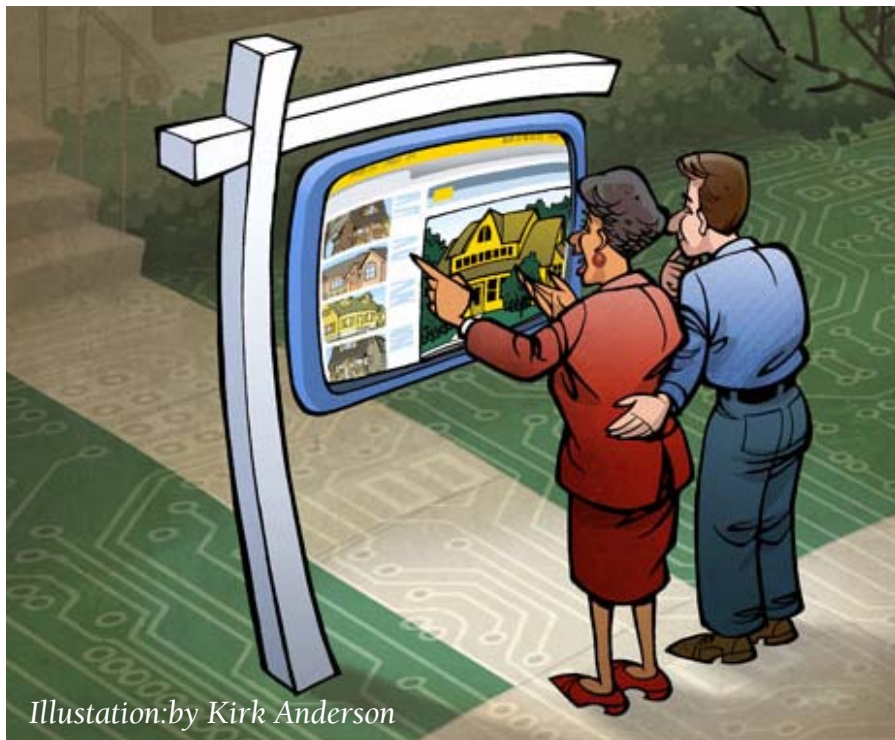


Illustration:by Kirk Anderson

What Did We Find?

We found that brokers, sales agents, association and MLS executives and other industry participants should be concerned. Change is happening and it affects many of the fundamental underpinnings of the residential realty business. In most cases, the trends are not new and such change has been occurring for several years already. For instance, one

fear is that the listing portals will compete with the existing traditional real estate service providers for the relationship with the housing consumer. Our research showed that not only are they competing, but they are also quickly catching up in terms of consumer familiarity and trust. The decline in the commission rate has been happening over the past 20-plus years and, except for an interruption from 2006-2010, the trend has been down.

Evolutionary Changes

In each of the eight fear scenarios that we investigated, we also found that the changes will continue to be evolutionary, not revolutionary. The changes will take place over time, not suddenly or sharply. In each case, there are plausible solutions for brokerages and agents that leave them with the potential for a bright, profitable future. In short, it appears to us that there is nothing coming in the next 10 years that makes the existing realty structure obsolete. It just changes the incentives and economics. As Lon Welsh puts it in an appendix, "If you found a way to survive the last 10 years then odds are you will find a way to survive the next 10 years."

Painful Adjustment?

There is one thing. Do not think that the changes coming our way are without painful adjustment. Although we don't think that the current structure will come apart, new developments,

such as private off-market property systems by and between top sales agents and teams, could cause a substantial change in the numbers and kinds of realty firms. It won't kill brokerages, but it may shift the monies around to different pockets. Of course, there are developments that no one, least of all the authors of this book, knows about that will cause disruption ■

Future cont. from p2

That which makes the Realtor and MLS unique and valuable is the assurance of a fair and efficient marketplace. Few would argue that they are not only needed, but required to have a fair and efficient marketplace. Everything that is most dear to national, state and local Realtor leaders can be encapsulated in that concept.

Many years ago, then-CEO of McDonalds Corporation was asked in an interview in *Fortune* magazine whether McDonalds was interested in diversification. The CEO responded by saying, "We have 16,000 restrooms in our restaurants worldwide. When they are all clean at the same time, then we will talk about diversification." He went on to add that, while the company would always be open to new menu ideas or more efficient ways to deliver food to its

customers, under his watch the company would stay focused on delivering good food, quickly, at a fair price with attractive, clean restaurants. Period. Apart from that, everything else was secondary. Despite Wall Street's demands to the contrary, he stuck to his guns and produced great results.

So we would ask of the Realtors, "What is the one thing that you would die to defend? What is it that makes the Realtor organization so totally valuable to its stakeholders that without them providing it, the industry, as we know it, would fall apart?" Whatever that is becomes your one and only value proposition. We believe that along with the planned emphasis on organizational effectiveness and practices, it is time for the Realtor organization to choose one concise value proposition that focuses on what makes them unique, relevant and valuable. ■



WHO SAYS IT HAS TO BE LONELY AT THE TOP?



The mission of The Fellowship of Realty Professionals is to recognize, reward and build relationships between the world's most successful real estate professionals.

APPLY TODAY

Find out more at www.realtyfellowship.com
or call 855-433-5569 (855-4FELLOWS)

The Fellowship of Realty Professionals | REAL Trends, Inc.
7501 Village Square Drive, Suite 200
Castle Rock, CO 80108



THE FELLOWSHIP
OF REALTY PROFESSIONALS

The most exclusive REAL ESTATE CLUB in the world.

REAL *Trends*
The Trusted Source

The REAL Trends 500

The Hunter and the Hunted

Real estate disrupters have been around for years. Here's a front row seat to the action.

Written by Steve Murray, publisher

We have been privileged to have a front-row seat for competition in the residential brokerage business since 1979. Having the opportunity to manage a large network of independent brokerage firms (which is now a part of Leading Real Estate Companies of the World®) and watching new entrants knock holes in the incumbent realty organizations has been informative. It's almost like living on the coast of Florida waiting on the next hurricane to develop, knowing the havoc it will cause once it makes landfall.

The early 1980's showed the big relation companies launching their own networks and reducing the ranks of incumbent networks like RELO, ICR, Allpoints and Translo. At the same time, Merrill Lynch Realty was launched and Sears entered the market by acquiring Coldwell Banker. Let's not forget that RE/MAX, a decade old by the early 1980's, began to assert itself in markets around the country. The independents were the hunted, Merrill and RE/MAX the hunters. What a time.

Then came the 2000's. Now, there are new hunters and new companies being hunted. Keller Williams, virtual brokerages and the Internet became the new wolves. The hunters had changed, but the process stayed the same. The anxiety among incumbents was much the same as it had been 20 years before, only now RE/MAX joined the hunted. The leader had a target on its back, much as it had targeted others in prior years. Some might have felt a sense of vindication. Instead, they were busy keeping the hunters at bay.

The New Hunters

Now, there are new hunters and the ranks of the hunted now include the hunter known as Keller Williams. For as RE/MAX before them, they now lead the country in many metrics and now become a target for others. The new hunter: the virtual brokerage firms. Two of these new hunters cracked the REAL Trends 500 top 10 firms (on transaction sides) and their ranks grow daily. They have developed a niche among those agents who want low costs and little in the way of brokerage management. They pursue all the incumbents, independents, RE/MAX and Keller Williams.

The New Hunters

The REAL Trends 500 and Up-and-Comers report is now out. Here are a few tidbits:

- The top five in growth in the number of closed sides were HomeServices of America (+54,585 closed sides) followed by Realogy's NRT unit, Howard Hanna, Long and Foster and Real Estate One (yes the one in Michigan).
- The top five in percentage growth in closed sides were swept by Keller Williams Realty firms in Dallas (+397%), Columbia, S.C., Hilton Head, S.C., Bellingham, Wash. and South Ogden, Utah.
- The top five in growth in sales volume were NRT (+22.3 billion), HomeServices of America, Long and Foster, Douglas Elliman and Howard Hanna.
- The top five in percentage growth in closed sales volume were also Keller Williams Realty firms led by the market center in Columbia, S.C. (+521%) followed by market centers in Bellingham, Wash., Hilton Head, S.C., Ogden, Utah and Dallas, Tex.
- The REAL Trend 500 closed 17.93 percent more transactions in 2013 compared to 2012. This is contrasted with the 11.3 percent growth in sides reported in the REAL Trends Housing Market Report and higher than growth rates reported by NAR for the year.
- The largest firms picked up significant market share in 2013.

We have clients who feel the pressure from these new hunters. After the initial flight, strong realty firms fire right back, just as so many firms did over the last 30 years. They adapt to the new laws of the jungle, find a way to survive and grow in new ways. These firms have survived this far, and we know that there is only one answer—adapt and move forward.

Today's leading realty firms are tougher, smarter and faster to move than ever before. Some 76 percent of the REAL Trends 500 made it through the downturn. To them, a new form of competition isn't anything to be concerned about compared to that. Competition clears the way for strong, vital and smart realty operators to grow and prosper. It frees leaders to experiment and explore new ways of delivering service to agents and consumers alike.

Congratulations to those firms on the REAL Trends 500 and Up-and-Comers. They are the very best of the best. ■

Moments of Brilliance

Leadership During Turmoil

To be an effective leader, you must be able to thrive in the tough times.

Written by Jeremy J. Conaway, contributing editor

Volumes are being written about the dynamics of today's North American residential real estate industry. While only historians will have the ultimate privilege of defining and designating the nature of the current industry environment, it is highly likely that their choice of words will exceed turmoil.

Leadership, vulnerability and survival are ideas that were on everyone's mind. In some industry segments, we are watching in amazement at what can only be described as a dearth of leadership. In others, we observe what appears to be leadership even though we instinctively know that it is exerted in the wrong direction. In still other segments, we see moments of brilliance that give us hope for the future.

For many, the leadership sector that is of most concern is that which reflects one's own efforts and energies, those sectors that they have been assigned, have accepted or feel a burden or responsibility.

Are You Adapting?

Today's industry leaders are often mesmerized as they watch the industry unfold. In the face of this spectacular rate of change, few do not feel the need to adjust leadership courses, approaches, strategies and tactics. Even those with constitutions and commitments that require, even demand, that they stay the course, feel the gravitational pull of change and transition.

What is it that leaders can do to ensure that their personal leadership is adjusting and responding in a manner that is appropriate for these extraordinary circumstances?

Adjusting and Thriving

A solid first step is to accept that these are extraordinary times for our nation, its economy and our industry. Understand that these roads have been traveled before. Read "No Ordinary Time," by Doris Kearns Goodwin. It chronicles America's leadership challenges during the early years of WWII when suddenly everything was the same and everything was different. Learn how men and women in virtually all walks and stations of life met challenges that might seem quite similar in intensity to those facing our industry today.

- Accept the fact that regardless of life's experiences, wealth, power and/or influence, few have led in this environment before.
- Understand that the refusal to accept this reality places a crippling handicap upon the industry's leadership potential.
- Appreciate the fact that every aspect of the marketplace and transaction has changed, is changing or will change over the next few years.
- Realize that your cumulative leadership portfolio, regardless of how magnificent it may be, will probably not



- serve you well without some adjustment.
- Consider the fact that almost all of the factors that surround industry leaders, including shareholders executives, managers, agents, customers, financing methodologies, technologies and even competitors, are in change mode. Business cultures, as well as associated practices, ethics, rules and regulations, are all transitioning.

Together these forces are creating a new world, one that requires that you adjust and perhaps even overhaul your leadership style, strategies and tactics.

A New Approach

Leading in the midst of turmoil, even for the most accomplished of leaders, requires a significantly different approach. Whether the turmoil is viewed as an opportunity or as a threat, it requires competencies that are markedly different from those used in a normalized environment. Leading in turmoil that is viewed as a threat constitutes a struggle. Leading in turmoil that is perceived as an opportunity constitutes a campaign. How leaders handle their leadership struggles or campaigns over the next two years will, more than any other factor, determine the real estate market's new configuration.

How leaders handle their leadership struggles or campaigns over the next two years will, more than any other factor, determine the real estate market's new configuration.

It is a cause for concern how many leaders are attempting to fool themselves as well as those around them, both allies and competitors, by sending out false bravado signals. Leadership modification is mandatory. There are struggle-related leadership strategies and tactics, and there are campaign-related strategies and tactics. Far too many industry leaders are declaring their experiences to be fully relevant with no change required.

Business Struggles

In 2013, Harvard Business School Professor Joseph Badaracco evaluated the concept of struggle in a business context. He presented the results of his research in a book entitled, "The Good Struggle: Responsible Leadership in an Unforgiving World," which provides an excellent look into the unique challenges presented by the turmoil that is today's emerging business economy.

One of Professor Badaracco's most salient findings is that the primary characteristic of today's business environment is turbulence. Badaracco suggests, "What's going on now is a return to an earlier, more volatile, form of capitalism, where there is lots of turbulence. The new invisible hand of markets is even more intense than the old one due to rapid global dissemination of information." Badaracco's work is extremely relevant to the leadership challenges faced by the modern day industry executive and leader.

Leadership Vulnerability

Another critical concept regarding contemporary business leadership is the idea of vulnerability or, perhaps more to the point, invulnerability. One of the most destabilizing psychological factors in today's real estate world comes from the constant drumbeat of change. Industry and brokerage leaders start each day by visiting one of the several respected blogs that currently serve the industry faithful. Over the past several months, this task has become increasingly anxiety ridden because of an unending flood of stories, intense to the minutest detail, relative to how the real estate business has changed overnight. Of course, half of what is announced will not, in the long run, make any difference at all. Yet, the daunting task of evaluating each announcement and projecting its likely impact has taken on a life and a pressure of its own. These events lead to a growing sense of vulnerability.

The severity of this situation was recently brought to the forefront when one of the blogs wrote a post that announced the employment of a former Obama administration celebrity by an industry entity. The news traveled through the industry like a shot, causing untold numbers of leaders to evaluate its possible ramifications. While the blogger must have thought that such an undertaking was cute, very few of his formally loyal readers agreed.

These are no ordinary times. For real estate industry leaders and executives, it is a time of constant challenge, opportunity, threat and vulnerability. No one in an environment of this intensity can take either their leadership talents of experience for granted. The leaders who will fail in their responsibilities are assuming legacy positions. The leaders who will make a difference are taking specific actions to improve leadership skill sets and competencies. It is a choice that all will have to make. We can do this. ■

Understanding Vulnerability

An excellent source of understanding the impact of vulnerability or invulnerability on leaders can be found in the work of Dr. Brene Brown of the University of Houston.

Watch Dr. Brown's recent TED talk on YouTube.com:

CLICK HERE





Success Secret

FOCUS!

It's not always about having the most agents or resources. Being successful takes focus.

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

In today's market, we see companies that don't necessarily have the most talent, biggest resources or the best brand. Yet, they are incredibly successful. What is their success secret? FOCUS!

These brokerages are focused on the vital few factors that make the biggest difference. In 1897, Italian economist Vilfredo Pareto discovered that 80 percent of our results come from 20 percent of our effort. We call this Pareto's Principle or The 80/20 Rule. Pareto's advice: Concentrate (focus) your efforts on the vital few activities that generate the greatest results.

Here are three areas that successful companies focus on:

1. Customer relationships. Successful companies focus first on the people who know, like and trust them, making sure to invest the time and money to flow with them. This isn't as sexy as the newest Internet lead capture module, marketing campaign or mobile app, but it works! Spend at least as much time and money focusing on your current customers before chasing more strangers.

2. Coaching their salespeople. Sales people are easily distracted. Psychologists say that most Americans live a "continuous state of partial attention." Successful companies have found ways to keep their sales professionals focused on the work at hand with hot lists, warm lists, flow systems, skills training and accountability.

3. What works. Successful companies focus their time, talent and treasure on what works. One of the most effective tools a company can create is auto-flow for their sales associates. With auto-flow, the company simply designs three valuable mailings or e-mailings per month for their sales associates. Then, they set up a way for these to be sent out automatically each month to the associates' databases. The sales associates pay for the design, production and mailing, but don't have to set it up and run it. It runs automatically for them. We have found a direct correlation between auto-flow and market share. We have also found auto-flow is an effective recruiting and retention tool.

What causes companies and sales professionals to lose focus? Here's an observation from Business Coach Robin Sharma: "The enemy of mastery is not mediocrity. It is distractions. The addiction to distractions ruins many potentially awesome lives." Stay focused! ■

Focus On: Merrily Hackett

Managing partner, Sutton Group-West Coast Realty, British Columbia

Written by Tracey C. Velt, editor

With 23 offices and 1,760 sales associates, Managing Broker Merrily Hackett runs her business with passion and purpose. *REAL Trends* interviewed Hackett, recently named a top broker by the *REAL Trends* Canadian 250. Here's what she had to say:

REAL Trends: Tell us about your career path.

Hackett: I opened my first real estate brokerage in 1990 and became a managing broker. I built my first office in Vancouver (Sutton Group - Elite Realty). In 1995, I opened Sutton Group—Killarney Realty, also located in Vancouver, and that office grew to be one of Vancouver's largest and most productive real estate offices with 200 sales associates focused on productivity and a strong, supportive culture.

In 2000, I started managing an additional office in Coquitlam (Sutton Group—West Coast Realty). Focused on providing outstanding service, coaching and support resulted in our team growing from 45 sales associates to over 200 agents in the Coquitlam office, moving to a larger, higher visibility location in the process.

In January 2009, I merged five "Metro Vancouver" offices and in the process, created a central training center with a director of education who delivered daily training, coaching and advanced development programs. We added integrated mobility for our sales team through our various locations. A new website, concierge services and a large team of managing brokers were able to offer support at higher levels than ever before.

We now have over 22 offices and continue to grow, keeping our focus on delivering an unparalleled environment focused on coaching, leading and inspiring our agents to greater levels of success.

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

Hackett: My greatest challenge was building my second real estate office. The timing was awful, and my competitors

were guessing how soon I would close the doors. I had mounting bills, and I needed to learn how to bring experienced agents to my company. It forced me to build a brokerage and create an environment that attracted top producers. I had to become an expert recruiter. It compelled me to build new skills and was a compelling reason why we were so successful in the future.



REAL Trends: Tell me one lesson learned when building your brokerage. What one thing would you do differently if you had the chance? Or, if you would do things the same, what did you learn through the process?

Hackett: As my business grew more complex, constant change became normal, and the workload became more intense. I didn't take the time to ensure people on my team were on board and understood what direction we were going. I recognized that no matter how busy you are, you must take the time to invest in time with your sales associates so that everyone becomes part of the team. Then, sales associates support the company's

objective. I've changed that and positioned myself as a leader who listens and understands the sales associates. I'm more in tune with my business. As we work more closely together, I'm constantly in awe of the amazing skills of those around me.

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

Hackett: It was key for us that we took on an aggressive approach to mergers and acquisitions, even when the Canadian market went through about six months of pain. Despite that, we went ahead with our first big move and we were bold to do so. From there on, we kept going. It allowed us to centralize services, reinvest in strong value propositions and solid branding. Our larger size allows us to leverage market position further than we ever expected. It was the growth by mergers and acquisitions that was key. ■

REAL Trends

HOUSING MARKET REPORT



Sales Decline Slightly

Sales decline but home prices increase in March.

The REAL Trends Housing Market Report for March 2014 shows that housing sales declined by 1.5 percent from the same month a year ago. This is the worst result since the recovery began in September 2011. The annual rate of new and existing home sales for March 2014 was 5.504 million units down slightly from 5.589 million units sold in March 2013.

Even though home sales decreased on a year over year basis, the average price of homes sold increased by 8.8 percent in March 2014 compared to March 2013, one of the strongest showings in the last year.

Housing unit sales for March 2014 increased 2.8 percent in the South, the strongest showing in the country. The Northeast saw a decrease of 0.2 percent. The West region had a decline of 4.3 percent and the Midwest was hit the hardest with a decline of 7.7 percent.

The average price of homes sold in March 2014 increased 8.8 percent across the country, a strong showing despite the decline in home sales. The West region had the best results with the average price of homes sold increasing 12.8 percent followed by the South region at 7.9 percent, the Northeast region at 7.8 percent and the Midwest saw average prices rise 2.9 percent.

“March 2014 sales of new and existing homes reflected the decline in the affordability rate in most regions, the widespread inclement weather and the lack of inventory that is plaguing most markets. The slowdown in year over year unit sales also reflects the absence of real growth in employment and household incomes,” said Steve Murray, editor of the REAL Trends Housing Market Report.

“We believe that unit sales are nearing a normal level given employment, the number of households, mortgage rates and household income.”

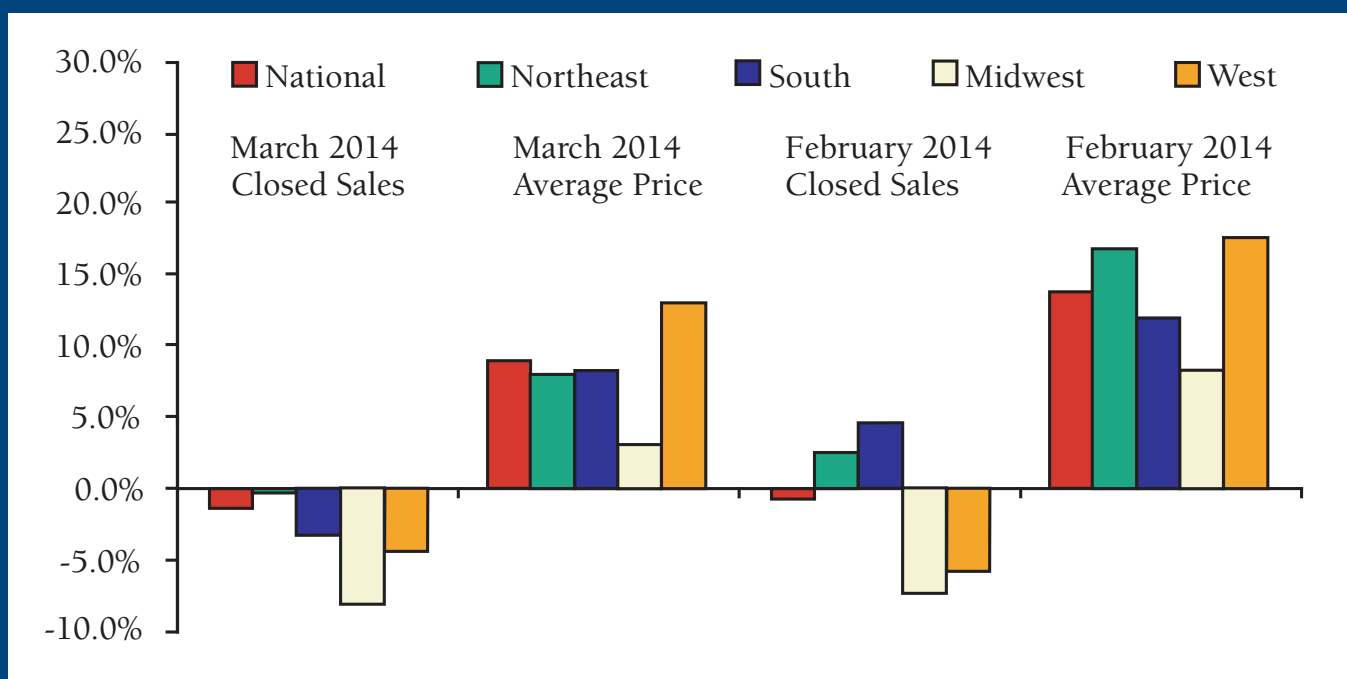
— Steve Murray

“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. We expect that year over year increases will continue to be only slightly improved on a year over year basis in the months ahead.”

REAL Trends March/February Housing Market Report

(Versus same month a year ago)

	March 2014 Closed Sales	March 2014 Average Price	February 2014 Closed Sales	February 2014 Average Price
National	-1.5%	+8.8%	-0.8%	+13.8%
Regional Report				
Northeast	-0.2%	+7.8%	+2.5%	+16.7%
South	+2.8%	+7.9%	+4.6%	+11.9%
Midwest	-7.7%	+2.9%	-7.3%	+8.1%
West	-4.3%	+12.8%	-5.9%	+17.4%



Advertising Opportunities in REAL Trends

Contact Doniece Welch at dwelch@realtrends.com or 303-741-1000.

REAL Trends
The Trusted Source

Housing More Affordable for Working Households

Despite improved housing affordability, housing costs still a burden.

The continuing economic recovery has improved housing affordability for low- and moderate-income working households, but housing costs are still a significant burden, especially to renters, according to a new report by the Center for Housing Policy, the research division of the National Housing Conference.

The report, “Housing Landscape 2014,” finds that after peaking at 23.7 percent in 2011, the share of working households with severe housing cost burdens fell in 2012 to 22.1 percent. Renters are much more likely to be severely cost burdened—25.4 percent of working renters spent more than half of household income on housing costs, compared to 18.6 percent of working homeowners.

Most of the affordability improvements between 2009 and 2012 were among homeowners who benefitted from falling housing costs, as many were able to modify or refinance their mortgages at lower interest rates or buy homes at low prices.

The widespread affordability challenges have implications for the country’s economy as well as for the welfare of individual households. “Working households who spend half or more of their income on housing costs have difficulty keeping up with other essential expenses, like food, healthcare, and transportation,” said Dr. Lisa Sturtevant, Director of the Center. “Spending on non-essentials will also go down when households spend a disproportionate share of their income on housing. Lower household spending is a drag on the slowly recovering economy.”

Working households are defined in the report as households whose members work a total of at least 20 hours per week on average, and where household income does not exceed 120 percent of the area median.



Widespread Improvements Mask Regional Challenges

Between 2009 and 2012, housing affordability improved in 13 states, mostly in the Midwest and West where in many regions, the for-sale market has not yet fully rebounded and owner costs continued to fall. However, in New York State, the share of working households with severe housing cost burdens actually increased between 2009 and 2012, and in 36 states (and the District of Columbia) there was no significant improvement, implying that there much of the nation is still recovering from the financial crisis.

While median renter incomes have increased faster than their median housing costs over the past three years, the share of severely cost burdened working renters was still higher in 2012 than at the end of the Great Recession in 2009. While between 2009 and 2012, median housing costs for working renters rose 3.9 percent and median

incomes rose 5.1 percent, only in 2012 did the share of severely cost burdened working renters decline for the first time since the end of the recession, from 26.4 percent to 25.4 percent.

“The increase in renter incomes is certainly positive, but we don’t know what the future will bring,” said Janet Viveiros, Center for Housing Policy research associate and lead author on the report. “Without an increase in the number of available rental units over the next few years, particularly where demand for rental housing is high, rents will continue to increase. If incomes stagnate or don’t match the increase in rents, we could see even more working renters with severe housing challenges. It is important to remember that a quarter of all working renters are still severely cost burdened.”

“It is important to remember that a quarter of all working renters are still severely cost burdened.” — Janet Viveiros

Housing Landscape 2014 also finds that the lowest income households continue to experience the greatest housing cost burdens. Nearly eight in 10 extremely low-income working households—those earning 30 percent or less of the area median income—are severely cost burdened, and over a third of very low-income working households—those earning 31 to 50 percent of the area median income— face severe housing cost burden.

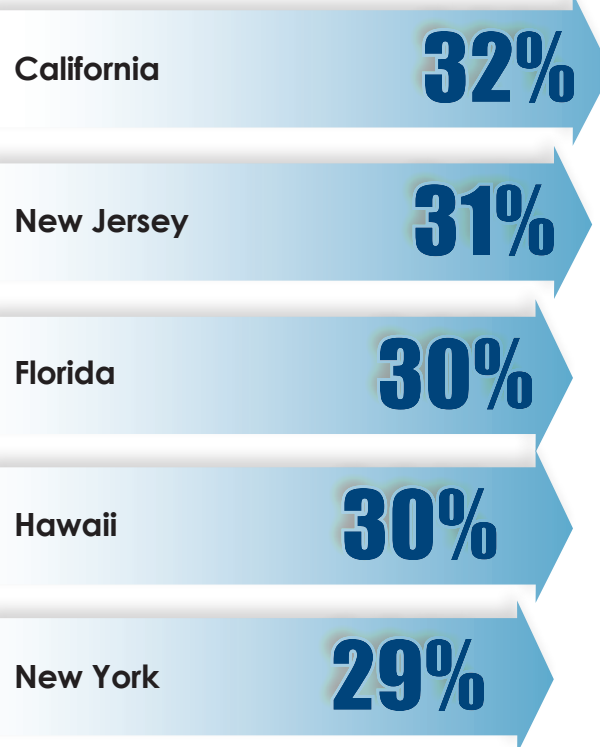
These figures likely underreport the cost burden experienced by low-income households, as underemployed and non-working households, such as those including seniors and persons with disabilities, are not counted in this analysis.

“While the cost burden faced by many renters and homeowners are significant, America’s housing affordability obstacles are not insurmountable,” said Chris Estes, President and CEO of the National Housing Conference. “Preserving federal assistance for the lowest income renters, protecting and expanding housing production programs like the Low-Income Housing Tax Credit and the National Housing Trust Fund, and ensuring that low-and moderate-income first-time homebuyers have access to affordable, safe mortgages are clear ways to improve stability of families and our economy.”

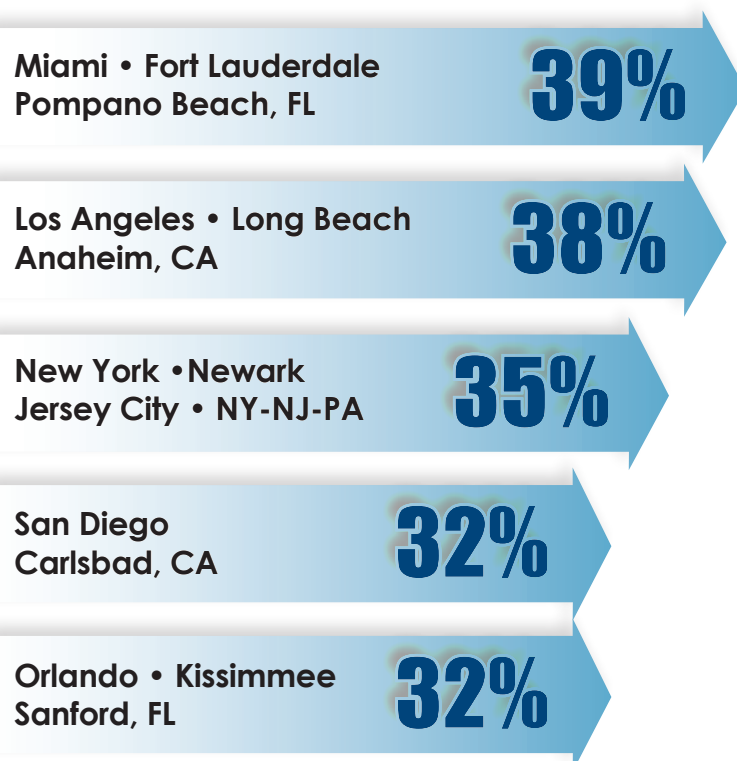
View the report online: [**CLICK HERE**](#)

State and Local Findings

Among the 50 states and the District of Columbia, the following five had the highest share of low- and moderate-working households with a severe housing cost burden in 2012:



Among the 50 largest metropolitan areas, the following five metropolitan areas had the highest share of low- and moderate-working households with a severe housing cost burden in 2012:



Source: National Housing Conference, www.nhc.org

BRIAN BUFFINI'S ★ SUCCESS TOUR™



Guarantee Your Success!

- **CREATE** your customized plan
- **INCREASE** your production
- **TRANSFORM** your business & life
- **MAXIMIZE** your success with 2 days of training

A NEW VISION FOR THE NEXT ERA OF REAL ESTATE



10,000+
in attendance!

BRIAN TRACY
SEATTLE



*Outstanding
EVENT!*

JON GORDON
RICHMOND



SHAWN ACHOR
SAN JOSE
JUN 16-17



RUDY GIULIANI
NEW YORK
SEP 9-10



LES BROWN
TORONTO
NOV 4-5

REGISTER TODAY! brianbuffini.com

or call 800-945-3485 x 4

ONLY
\$95
Seats are limited!

New Look

ERA Launching Refreshed Brand Campaign

New branding is as much about franchising as it is looks.

For newcomers to the business, ERA Real Estate is clearly not the largest or one of the best-known brands. Most don't know that it has the longest life when compared with the major national brands. Founded in the mid-1970s, this brand has survived numerous ownership groups, leaders and all the other waves of change—all to survive.

Brand Refresh

ERA just announced a new refreshed brand image and campaign to reflect the leadership of CEO Charlie Young, himself no stranger to effective marketing. Since taking over, Young has changed almost everything about ERA. Now he is backing that up with an entirely new look.

Not Just the Look

It is not just the look that is changing. Under Young, the company has released a new approach to franchising, one that recognizes that many of the most traditional brokerage firms in the nation believe strongly in their own names and brands, not so much in a national brand. So, ERA structured the “Powered by ERA” approach that allows the local brand to maintain its prominence but also provide the affiliate with access to the whole range of other services and products offered by the brand. More formerly independent firms are taking a look for all the reasons one would want to be part of a national organization while keeping their own local name front and center.

Well Known Overseas

It is interesting to note that while ERA may not be a household name in the United States, in several overseas markets they are among the top-ranked real estate

organizations. Some examples:

- **ERA Japan** was the first international affiliate when they joined the ERA system in 1981. Today, they have 2,500 agents.
- **ERA Singapore** was established in 1982. Today, ERA Singapore commands significant market presence with a unique business model. The firm's more than 5,300 sales associates serve the 646-square-mile island operating from one mega-office in Toa Payoh.
- **ERA Indonesia**, which was established in 1992, has 4,500 agents.
- Opened in Europe in 1993 with **ERA France**, that brokerage today has approximately 1,800 agents.

The new brand and approach to affiliating with major local firms also extends to assisting their own affiliates to grow through acquisition. Recently, ERA announced that one of its large affiliates, The Herman Group, had acquired Shorewood Realtors®, a prominent brokerage in the Los Angeles market. It will become a “Powered by” ERA company. Early indications are that the transition has gone smoothly. ERA seems to be well positioned to grow with its “Powered by” approach. ■



NOW YOU KNOW ••➤ Crowdfunding for Real Estate

Crowdfunding is the practice of funding a project or venture by raising small amounts of money from a large number of people, typically via the Internet. If you haven't heard about it yet, trust us, you will. It's now being applied to real estate.

Through crowdfunding, investors can pool money and buy shares of real property, such as apartment buildings, office buildings and retail centers. Rather than buying the entire property and dealing with property management issues, individuals investing through crowdfunding do not deal with any of the day-to-day

management of the property. The investor can do it all online.

Three platforms to watch: **Realty Mogul**, **RealCrowd** and **Groundfloor**.

For the real estate investor market, an Internet-based transaction could mean a substantial innovation and the opportunity for small investors to participate on a larger scale. Read more about it in *REAL Trends TechTouch* at realtrends.com/technology/tech-touch.

REAL Trends Tech Service

Broker Technology Audits

Why should a brokerage have a technology audit?

Written by Travis Saxton, REAL Trends technology and marketing manager

There has been an explosion in real estate technology in the past 10 years. Web sites, CRM (customer relationship management) tools, sales and listing management systems, lead management systems, mobile applications (apps) and mobile web, remarketing tools—the list seems endless, and that is just for the techno-literate. Brokerage leaders and sales agents are bombarded with the newest widgets at every turn.

Brokerage leaders understand the need to have solid technology offerings to recruit and retain their agents but also want their systems to be able to work with each other, work effectively to deliver the promised service, measure the effectiveness of their organizations and the metrics that are critical to their business and give them insight into how to drive more business to their sales agents. Since most leaders of realty firms are not technologists this is a big challenge, and for most, an impossibility. There are too many systems and too many options for most firms to be able to make well-informed choices.

These challenges are not going away. The advent of big data is upon us. Those firms which not only have systems that can deliver promised results, but have systems that can deliver intelligence are those that will grow faster than the market and likely have the greatest chance to win in the future. Answering questions about which agents close the most business, how to match inquiries with demographics and how to measure the overall mix of business are all examples of how big data is affecting the business.

REAL Trends role

Since 2010, REAL Trends has grown its technology consulting and industry exposure greatly. With reports such as the REAL Trends Online Performance Study, The Mobile Real Estate Landscape and more, our technology information is essential for today's brokerages.

For the past four years, the REAL Trends technology team has analyzed and guided brokerages through the often-confusing brokerage technology space. With many brokers



seeing two to five new technologies a week and being bombarded with demo requests, how do these companies know what is vital to their businesses? This is where we step in. We vet, analyze and use almost all real estate technology systems available. We retain our unbiased position in the real estate industry and combine our thought leadership and data into a robust brokerage solution.

What's a Tech Audit?

What is in a brokerage technology audit? Our 30-point system covers consumer-facing marketing, including search engine optimization (SEO), search engine marketing (SEM), social media and lead conversion, as well as lead flow, accountability and follow-up process development. We help numerous brokerages with advanced technology integration strategies such as API integrations (tying multiple technology systems to increase efficiency and reduce data entry) along with lead flow e-mail parsers so brokers have all their leads in one place without having to manually enter them.

If you have a technology or marketing issue, it is likely that our technology team can solve it. With our unique skill sets and unbiased look in the industry, nobody is in a better position than our team to help you in your endeavors.

Team Tech Strategies

Outside of brokerage consulting, the REAL Trends technology team also works with several of the top teams in the country with their technology strategies in very much the same way it works with brokers. REAL Trends has numerous technology companies working closely with it on business development, data research and thought leadership, along with aiding young and emerging technology companies. This adds to our inherent knowledge of strategies and real estate technology products. Rounding out our technology services is speaking services. Give us a call at 303-741-1000, or email Travis Saxton at tsaxton@realtrends.com to learn more about our technology services. Clients of our technology team get free technology research on a periodic basis that can be extremely valuable. Plus, our clients get to learn about and beta test new technologies before anybody else. ■

Trends and Analysis

New Reports Available Soon!

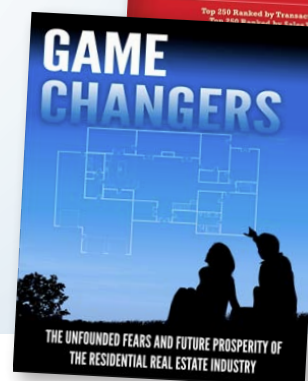
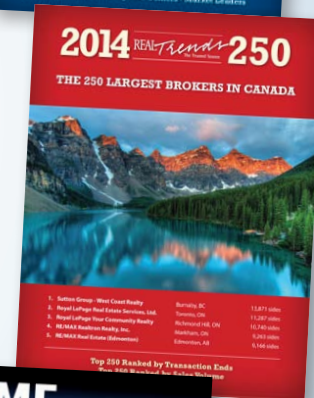
New REAL Trends reports and a book offer insight into the industry.

With the publication of this newsletter, we also are releasing the REAL Trends 500, which includes the REAL Trends Up-and-Comers, the most complete and accurate ranking of the top brokers in the United States. We are also releasing the REAL Trends Canadian Top 250, the most authoritative ranking of Canada's most successful real estate brokerage firms. These reports are only part of the story of these enormously talented firms and the leaders who led their success.

We are also proud to release our new book, "Game Changers—The Unfounded Fears and Future Prosperity of the Residential Real Estate Industry." Each attendee at this year's Gathering of Eagles will receive a copy.

This Gathering is the best-attended event in our 28-year history, and we are honored to have the most significant number of brokerage leaders ever. As always, we attempt to present the most relevant and interesting information on leadership and new ways to profit in the realty business.

This summer, we will host our first conference for the nation's most productive lifetime real estate agents and teams. Called The Retreat, this event is open only to members of The Fellowship of Realty Professionals and qualified nominees. The Retreat will be held at the Four Seasons Hotel in Denver, Colo. For more information, please visit thefellowshipretreat.com or call 303-741-1000. Ask for Jaime O'Connell. ■



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, Colo.

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 two persons from their organizations and one personal guest.



THE FELLOWSHIP
OF REALTY PROFESSIONALS

The fee for members of The Fellowship is \$200. For those who are not yet members the fee is \$700. For more details contact Jaime O'Connell at joconnell@realtrends.com or 303-741-1000.