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REAL Trends
The Trusted Source

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OMAHA AREA BOARD OF REALTORS®

Commentary

On Technology and Leadership

We think that there are only a few basics necessary to the operation of a successful residential brokerage.

Written by Steve Murray, REAL Trends publisher

As one CEO recently shared with us, "If you can recruit well, develop your agents' selling abilities and spend less money than you take in, the rest will take of itself." That encapsulates the essence of brokerage.

Leadership Is Key

The one ingredient it takes to succeed in these core functions is leadership—at the top of an organization and throughout. The principal leader cannot be present at

Commentary cont. on p2

No Housing Bias Here

Court Rejects Disparate Impact Allegations

Written by Lawrence Hurley, Reuter's

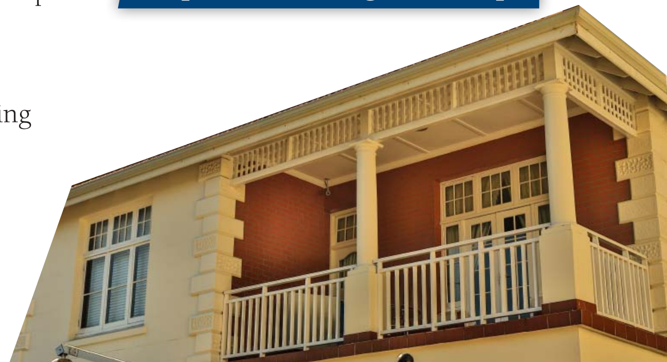
In November, a federal judge threw out a housing regulation issued by President Barack Obama's administration that said racial bias claims can be based on seemingly neutral practices that may have a discriminatory effect.

U.S. District Judge Richard Leon said the Fair Housing Act allows for only direct discrimination claims and not those based on so-called disparate impact allegations. Leon wrote that the administration's view that the language of the Fair Housing Act assumes that disparate impact claims are permitted "appears to be nothing more than wishful thinking on steroids."

The ruling was a win for the American Insurance Association and other business groups that oppose disparate impact claims, which allow for a broad range of business decisions related to housing to be subject to civil rights litigation.

As an example of such a claim, the National Fair Housing Alliance sued Allstate Corp in 2012 for refusing to insure flat-roofed houses in Delaware,

Disparate Housing cont. on p4



INSIDE:

REAL Trends
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Commentary cont. from p1

every recruiting appointment nor every training session. Nor can they learn each and every technology tool that a sales agent may desire to use. But, the leader can and should set the vision, objectives and means by which a firm succeeds at recruiting and developing sales agents. He or she should also watch that expenses don't exceed revenues.

Which brings us to this: How much money and time has been and is being spent on technology tools versus investment in developing the skills and habits of the leadership and management of the brokerage firm? How much time do leaders spend on examining the latest and greatest versus how much time they spend with their leadership group inculcating the building blocks of a successful brokerage?

In both cases, we suspect the answer is far more time is spent not just on technology, but on the myriad other areas of the real estate enterprise than is spent on developing the capabilities of the leadership/management team. At the same time, most brokerage firms admit that they don't recruit particularly well and that they have been unable materially to affect the average productivity of their sales agents.

The leader can and should set the vision, objectives and means by which a firm succeeds at recruiting and developing sales agents.

Recruitment

We have observed some realty organizations that recruit and develop agents extremely well. The first thing we note is that they seem to grasp more readily that these two areas lead directly to success, and they act accordingly. They tend to invest less time in the marketing and technology areas of their businesses and more time in training and education at all levels of the realty enterprise. Some of those who are most successful in these areas are seen as maniacal about it. The hours and monies that are spent on recruiting the right people and then pouring significant efforts into training them in the tactics, habits and practices that create results are well beyond the norm in our industry.

Where Are You Spending?

As we start a new year it may be worthwhile to reconsider where you are spending your time and money. Is it in recruiting new people to your organization and developing their skills and talents or is it elsewhere? ■

Real Stories

The Greatest Opportunity Known

Only inaction causes good people to fail at being successful.

Written by Steve Murray, publisher

We have presented the findings of our May 2014 book, “Game Changers – The Unfounded Fears and Future Prosperity of the Residential Real Estate Business” several times this year, both in person and in webinars for numerous clients. Occasionally, we will hear from those who attended with questions related to how a relatively new agent can get him or herself established in such a complex, competitive environment.

Inevitably, our answer is that this is a challenging business, and it is not easy to learn all that one needs to know while developing clients and customers and generating actual income. But, then we share actual stories from our reporting in *LORE* magazine, about women and men who from scratch, and in short periods of time, built hugely successful businesses. What we share is that only inaction causes good people to fail at being successful real estate professionals.

We share that there are many paths to success in our business but almost every successful real estate agent started with talking and interacting with people—real people—about his profession, about how he might be able to assist someone with buying or selling. It doesn’t matter whether an agent follows Kendall, Buffini or Ferry—they all talk about the importance of referrals, of reaching out to those you know, of establishing relationships as the best means for building and maintaining a real estate practice.

And it takes hard, persistent, effort to do this.

It does not matter whether one is Millennial, Gen-X, Boomer or Traditional, reaching out to those you know, or your neighbors, or those who attend your church, or those in your social circles (whether in person or online). It only matters that one establishes communication.

Then, we share that this is the greatest business in the country, that earnings are limited only by ones’ efforts, skills and desire. That once established it is a business that cannot be taken away or marginalized. It is surely the property of the individual agent. Regardless of whether you practice in Seattle, Albuquerque, Kansas City, Birmingham or Philadelphia, the truth is that this is a $60 billion-revenue industry with no dominant firm. It is the most wide-open, free market, unlimited business this country has to offer.

After sharing this with new people, they begin to understand that they may have wandered into the greatest gig they have ever known. We trust also that they realize it is not for the lazy, unfocused dilettante, but for someone who wants to put himself on the line and truly build a business, real estate sales is the greatest opportunity. ■

“Real estate is the greatest business in the country in that earnings are limited only by ones’ efforts, skills and desires.”

2015

The Year Ahead

What's in store for the real estate industry?

Written by Steve Murray, publisher

We can talk about the year ahead with some certainty. Housing sales are more likely than not to be flat to slightly up, with the surprise mainly on the upside. The use of technology in real estate will continue to increase. The mess in settlement services created by Dodd-Frank will begin to subside, and there will be more clarity in the mortgage market. There will continue to be downward pressure on the commission rate and the gross margin.

We can also say that one could have said the same things at the beginning of 2014 and been correct also. What this means is that 2015 will probably look like 2014. There is a significant consolidation wave hitting the brokerage business, yet the number of associates is rising strongly again.

Some 5.5 million people will purchase homes in 2015. It remains a great business. Best wishes for a wonderful holiday season and Merry Christmas. ■

Disparate Housing cont. from p1

claiming the practice had a discriminatory effect on poor minorities most likely to live in such buildings.

The immediate impact of Leon's decision is limited as the U.S. Supreme Court said it would take up a related case and is likely to decide by the end of June 2015 once and for all whether the Fair Housing Act allows for disparate impact lawsuits.

The Fair Housing Act, passed in 1968, does not specifically allow disparate impact claims but courts have permitted lawsuits making such allegations for decades. The Supreme Court has never ruled on the issue.

In recent years, the high court has twice agreed to hear a disparate impact case but both times the dispute was settled before the justices could rule.

The U.S. Department of Housing and Urban Development issued the rule in 2013 to codify the administration's position that disparate impact claims should be allowed. The move came after it became clear the Supreme Court was likely to rule on the issue.

The case is American Insurance Association v. U.S. Department of Housing and Urban Development, U.S. District Court for the District of Columbia, No. 13-00966.

NOW YOU KNOW

The number of mortgage originations issued from credit unions in the first half of 2014 climbed 10 percent year-over-year, and credit union loans are now 8 percent of the home loan market. That makes credit unions a growing option for homebuyers seeking financing, according to data from the Credit Union National Association (CUNA). Nearly two-thirds of credit unions offer mortgages.

Source: "Shopping for a Loan? Credit Unions Can be Consumer-Friendly Option," Los Angeles Times (Nov. 9, 2014)

Tsunami of Change

Trends in the Industry Will Shake Things Up

From predictive farming to succession planning, topics discussed at NAR's annual meeting proved that big changes are coming to the industry. Here's a recap.

Written by Jeremy J. Conaway, contributing editor

The 2015 NAR Annual Meeting in New Orleans was, at many levels, a far different experience than any of its predecessors. There was a clear and consistent vibe that, after all of the years of talking about transition and disruption, that the long predicted tsunami of change had indeed arrived to create something *far different*. Moreover, that this *far different* thing was going to be broker-centric with a strong consumer flavor rather than consumer-centric with a strong broker flavor.

You could hear it in the presentations. You could sense it in conversations and hallway huddles. You could feel it in the demeanor of the late-night gatherings. Interestingly enough, one came to understand that those who were not receiving this vibe were also those who were probably never going to get it.

Perhaps it was the specter of the recent News Corp.-related purchase of Move.com. The realization that the industry demographic had expanded to include yet another team of powerful global experts for whom the industry's traditions and legacies paled in comparison to its long denied financial potential. One could not help but feel the gaze of Rupert Murdock looking down on the trade show floor working a checklist of what was relevant and what was fluff.

Core Standards

There is no doubt that the vibe was driven by the influence of NAR's association core standards program that has thousands of association junkies at the edge of their seats. It has become increasingly obvious that, like so many other powerful players, NAR's vision of the future of Realtors® has moved significantly from its classic position. At the end of the meeting, the vibe was literally shot into the sky by the decision of the nearly 850-member NAR board of directors that approved policy recommendations directing NAR's leadership team to create a new "Code of Excellence" educational requirement. It will make the current requirement to complete Realtor Code of Ethics training biennial instead of quadrennial. The yet-to-be-developed "Code of Excellence" appears to be the trade group's latest effort to raise the bar of professionalism in the industry. These actions seemed to support the growing sense that the current role of the agent is not working for anyone.

Digital Disruption

Interestingly enough, in the middle of this confusion, Trey Garrison, writing for *HousingWire,* published an article entitled "Prediction: Realtors Almost Totally Unnecessary by 2025." The article centered on the continuing world of digital disruption. One of the article's more interesting quotes suggested that the gap between real estate services and market demands would continue to expand creating a vacuum that would demand to be filled. "Real estate traditionally changes slowly but these new emerging aggregators could revolutionize the market."

Somehow this article generated a new round of the now-decade-old discussion regarding agent disintermediation. Politically motivated industry players once again rushed to the forefront to insist that real estate agents would always exist as if to say "don't sweat the changes, you are irreplaceable." Yes, there will probably always be humans involved in the real estate transaction. The real question is how far they will fall from the center of the transaction to an administrative runner.

Realty Alliance

Continuing the search for the origins of the vibe, one cannot underestimate the impact of the ongoing buzz within the large brokerage sector regarding the flawed conceptualization that is the Realty Alliance's downstream project. How can it be that we refuse to recognize that the MLS challenge is not about technology? The act of melding over 70 of the most magnificent corporate cultures ever

Yes, there will probably always be humans involved in the real estate transaction. The real question is how far they will fall from the center of the transaction to an administrative runner.

created by man will require an almost biblical act of leadership when it comes time for each to sacrifice individual uniqueness in favor of the common good. Is Solomon really waiting in the wings?

Continuing with the MLS theme, some observers might suggest that the vibe was impacted by the constant background buzz regarding the rapidly deteriorating MLS situation. Another round of seasonal MLS leadership meetings has, with the exception of CMLS Best Practices program, expended significant resources yet netted little or no substantial progress. In the meantime, the large brokerage sector has given transparency to a growing realization that far too many MLSs are little more than vigilantes manning strategic roadblocks designed to protect local village markets. It is clear that the industry will not allow this situation to continue. It is just a matter of who will rescue the industry from this unacceptable behavior.

Final Analysis

In the final analysis, if one were to convert this stream of consciousness into a "vibe causer" beauty contest, the clear winners might be two organizations—Realogy and Smartzip. During the meetings, Realogy announced its new Ascend program. While only time will tell whether this program has the potential to make a major contribution to both the mindset and procedures involved in the long-standing dilemma of succession planning within the real estate brokerage industry, the initial design looks promising.

The fact is that despite the major role that the "having the kids take over" fantasy has played in the industry over the years, and it has not been a successful play. The Realogy press release quotes the Family Business Institute as suggesting that only about 30 percent of family businesses made it through the second generation in 2012. Experience over the past two years will probably find that even this number has dropped due in part to the massive changes that are taking place in all industries. Daughters and sons who might have found their parent's traditional business model attractive may not find the task of reinventing it and/or rehabilitating its dysfunctions equally attractive. The problem will not be improved by the fact that an ever-aging brokerage population will be seeking an escape from an invading technology sector, increased competition from new business models, a consumer who is now some 30 years younger and, most importantly, seeking a well-deserved retirement.

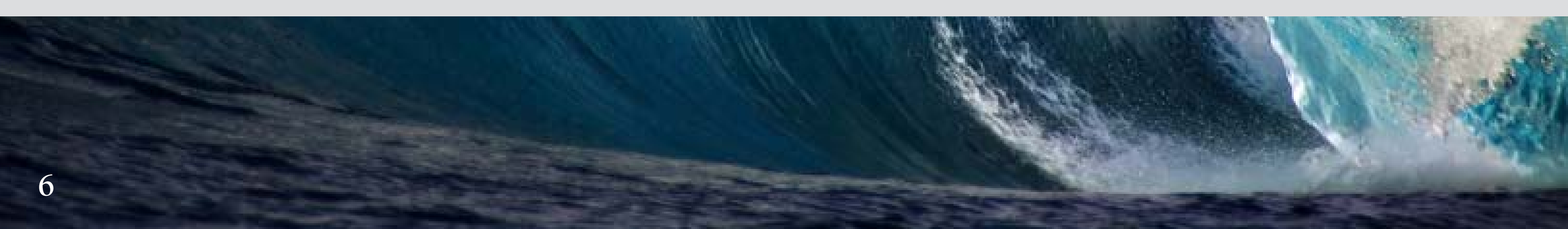
This program is a brilliant idea. Realogy is to be congratulated for addressing this major industry issue. Hopefully, they will be rewarded with many high-quality relationships with the next generation of brokers created through the Ascend program.

SmartZip

The second winner has to be SmartZip and its SmartTargeting product. This is not a new product. Instead, it's a product whose time has arrived. The product places the extensive powers of "big data" and "predictive marketing" in the hands of the brokerage to deliver a farming system of which many agents only dream.

Brokers may purchase a marketing farm comprised of about 2,000 contiguous residential properties. Once this farm has been established, SmartZip will target its impressive big data resources on the residents living in that farm. Using a sophisticated logarithm, SmartZip can correlate certain residents with behaviors or actions that are consistent with a decision to buy or sell property. One can only imagine how many Rotary Club meetings would be required to match such a system's momentary sweep. SmartZip's product is just one example of how the agent function is being systematized and automated.

It's clear that the industry has now fully engaged with a new era. ■



Getting in Front of the Inevitable

Anticipate changes to the way "things have always been" to keep your business running smoothly.

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

The ability to anticipate and manage change is a critical leadership skill. The first step in being a "Change Leader" is recognizing the four types of change: cyclical, structural, exponential and incremental. In this article, we'll focus on structural change. This is the kind of change that changes the rules.

Disrupters

What are some examples of these rule changers? Think of technology. Cassette tapes replace vinyl records. CDs replace cassettes. iTunes replaces CDs. Think of market disrupters such as Apple iTunes and Amazon replacing Borders Books & Music. Redbox and Netflix are replacing Blockbuster. Whenever there is structural change, the old market doesn't come back. It morphs into a new market.

For real estate, changes in government policy or regulation can quickly change the rules of the game. Are you able to anticipate changes in tax law, zoning law and mortgage qualification rules and prepare a strategy for your team? What is your plan if the government outlaws the independent contractor status for your real estate associates, and you are required to guarantee them minimum wage plus benefits?

Forty years ago, market disrupters Realty Executives and RE/MAX changed the rules on agent compensation by popularizing the 100 percent commission concept. This caused a structural change in the industry, moving us from an owner-centric industry to one that is agent-centric. We have been in the agent-centric era for about 40 years.

Today, the so-called freedom shop with a minimal monthly fee to the sales associate and a push to have access to the MLS without being a Realtor is disrupting the traditional rules of the game on compensation, cooperation, arbitration and subscription to the Realtor® Code of Ethics. This movement may signal the finale of the agent-centric era.

We are now experiencing the structural change from agent-centric to customer-centric. To understand these eras, simply follow the money.

- Owner-centric era: "This is my money and how much do I have to pay the agent?"
- Agent-centric era: "This is my money and how much do I have to pay the owner?"
- Customer-centric era: "You want how much money to sell my house? Show me the value!"

One of the biggest drivers (and structural changes) of the customer-centric era is the Internet. While the Internet has dramatically changed how we do our business, it hasn't changed who does the business. Consumers go to the Internet for information. Then, 88 percent choose to use the services of a real estate professional, about 70 percent choosing someone they already know or to whom they are referred. (Source: NAR Profile of Buyers and Sellers) So, the who (a real estate agent I know) has remained constant. What has changed dramatically is how.

It's the Internet

The Internet has changed how we sell real estate in two profound ways. First, today, most customers have done a great deal of research even before they enter the real estate office, sales center or open house. In many cases, these empowered consumers know more about the market and the product than the salesperson. Second, customers in social media can roast salespeople who deliver poor customer service. A salesperson's (and company's) reputation can be made or broken by just one customer in the online world.

How will our industry and its leadership respond to this customer-centric era? We have a 40-year history of focusing on what our agents want—seeing them as our primary customer. What happens when the goals of customers (our buyers and sellers) conflict with the goals of our independent contractor salespeople? How will we respond? Our ability to anticipate, respond and navigate these structural changes will determine our future. ■

Adversity

6 Rules for Dealing with Uncertainty

As a business owner, you must be prepared for the unknown. Here are some tips.

Written by Todd Ordal, president of Applied Strategy LLC

"Toddy-boy, you're just going to have to deal with the ambiguity!"

Paul Orfalea, founder of Kinko's, said that to me after significantly changing our growth targets. I'd just spent weeks working with my team on capital plans, new store locations, staffing plans, etc., for the coming year. Turns out, he taught me a valuable lesson.

As a senior executive, you must try to provide a clear path forward for your people. They deserve it, and making predictions is part of your job. However, as a senior manager, you need to sometimes plow ahead with momentary certainty when there's ambiguity.

Here are six rules for dealing with ambiguity and uncertainty:

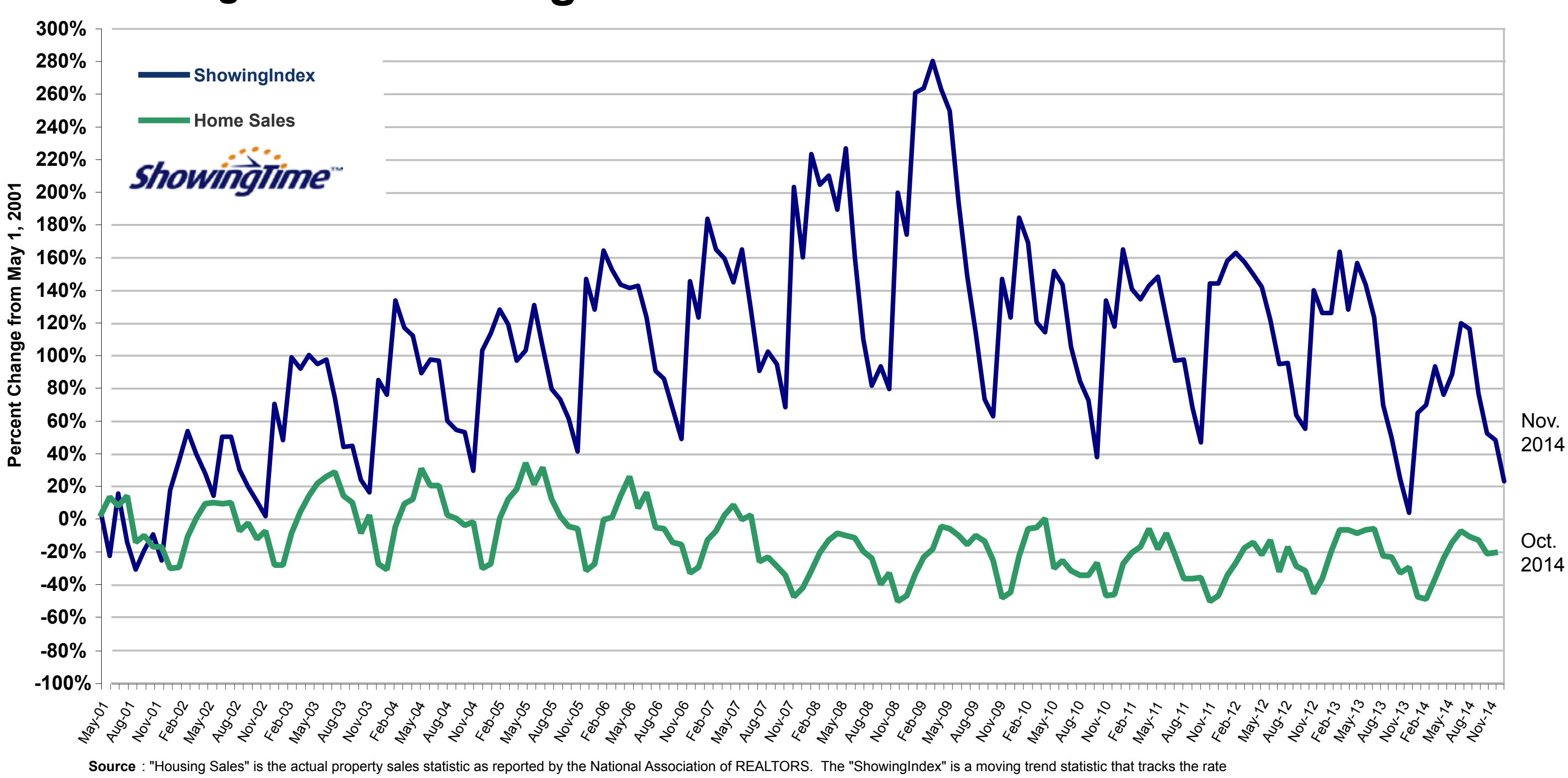
1. **Don't take ambiguity lying down.** Do something about it! What can you do to search for clarity? Fretting isn't good for your self-esteem or the business.
2. **Be transparent with your team members.** Tell them the future is uncertain and there are many moving parts, but treading water isn't a good option. You'll need their help figuring out a path.
3. **Sometimes temporarily doing nothing is your best option.** Get over it. If, however, you wait for problems to solve themselves and decisions to make themselves, you'll get passed on the race to the finish line.
4. **Shoot for success, not perfection.** Once you have 80 percent of the information you need to make a decision, make it. Spending hours, weeks or months looking for the one thing that'll make all of your problems disappear is usually a waste of time.
5. **If you can't see clarity, try to make it.** Create your own future rather than have it foisted on you.
6. **Don't amplify or create ambiguity and uncertainty.** Think, then speak or act. Ambiguity in art is often a positive, but in business communication or strategic direction, it's lethal.

I'll leave you with this: "A man with a watch knows what time it is. A man with two watches is never sure." —Segal's law

Todd Ordal is President of Applied Strategy LLC. Todd helps CEOs achieve better financial results, become more effective leaders and sleep easier at night. He speaks, writes, consults and advises on issues of strategy and leadership. Todd is a former CEO and has led teams as large as 7,000. You can find him at www.appliedstrategy.info or todd@appliedstrategy.info

Source: *ColoradoBiz Magazine, November 18, 2014*

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*.

Focus On: Robert H. Hamrick

Chairman/CEO, Coldwell Banker Premier Realty Las Vegas, Nev.

As Chairman and CEO of Coldwell Banker Premier Realty (CBPR), Hamrick has become a spokesperson for the ever-changing real estate market in Las Vegas and an industry leader.

REAL *Trends:* Tell us about your path into real estate.

Hamrick: Before my 21st birthday, I helped grow a 50-person office to 100 sales associates while maintaining multi-million dollar personal sales. I repeated these leadership accomplishments at yet another office in 1988, before being hired at CBPR in February 1995 as managing broker. Shortly thereafter, this office became recognized as the "most improved office" for the entire Western Region (over 500 offices). After a nationwide search, I was chosen as CityCenter Realty Corporation's broker and senior vice president.

I am also the chairman for the Coldwell Banker (CB) Large Office Group, a committee of over 20 of the top CB brokers nationwide.

In 1998, my wife, Molly and I acquired CBPR. We also operate philanthropic endeavors through the Hamrick Family Foundation. We've contributed to the Juvenile Diabetes Research Foundation, Women's Development Center, the UNLV Community Foundation and Habitat for Humanity. CBPR has supported the Salvation Army, Safe Nest, Habitat for Humanity and United Blood Services. We are also undertaking projects and fundraising with the Nevada Childhood Cancer Foundation.

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

Hamrick: When we acquired the company, I was the branch manager of one office. My background and expertise have been working with managers, teaching and coaching. A good friend once told me not to get caught up in the back office. Of course, it's very important that dollars and cents be tended. You must be profitable, but it's really about the people working on the front line.

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

Hamrick: Market conditions present turning points. We really got tested as a marketplace and as a company when Las Vegas hit the bust in 2007 to 2009. We had to be nimble and respond to the marketplace. Ultimately, it has always been about the agents and the staff that supports our agents. I realized that instead of getting caught up in the back office and trying to figure out how to survive, I had to think of how I could help our agents survive. It runs true in every market, good or bad. You have to stay ahead of the market and deliver to your agents.

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?

Hamrick: We've had many turning points. One big one was when we fine-tuned our coaching program. We work very closely with agents to help them identify what it takes to be successful. We guide them in making necessary changes along the way. Agents like being held accountable to what they want to accomplish because, ultimately, they make more money. We also realized that it's not about the commission. If our brokerage provides value and helps sales associates be successful, then you can justify the dollars to run the company at a reasonable profit. ■

NOW YOU KNOW: SAFETY TIP

Familiarize yourself with the exits: Prior to your open house, take a few minutes to learn where the exits are and unlock the deadbolts, in case you encounter a situation that requires a quick exit. Create a virtual floor plan of the house using an app like Home Design 3D (iOS, Free). Mark all entries and exits throughout the house so you can quickly exit if necessary.

Source: Homefinder.com

REAL *Trends*

HOUSING MARKET REPORT

VIEW the VIDEO

October Results Surprise on the Upside

Housing sales and prices increased from a year ago.

The REAL Trends Housing Market Report for October 2014 shows that housing sales increased 9.3 percent from the same month a year ago. The annual rate of new and existing home sales for October 2014 was 6.184 million units up from a rate of 5.659 million in October 2013.

Housing prices rose an average of 2.4 percent from October 2013, continuing the slow decline of year over year price increases in housing sales. Price increases have now settled to a mid-single to low digit growth rate for the past five months.

Housing unit sales for October 2014 increased 13.8 percent in the South, the best performance in all regions. Northeast sales were up 9.6 percent; the Midwest region saw unit sales increases of 6.6 percent, and the Western region saw unit sales increase by 4.5 percent.

"The October housing data surprised us with much higher increases in the rate of home sales than were expected. This shows that, as the year has progressed, and job growth has grown, so too have housing sales followed this upward trend. Home price increases have calmed down significantly since the first quarter allowing household incomes and calm mortgage rates to improve the ability for home buyers to catch up with the market," said Steve Murray, editor of the REAL *Trends* Housing Market Report.

The average price of homes sold in October 2014 in the Midwest region increased by 4.9 percent, the best result in the nation. The Western region saw average prices increase 4.4 percent, average prices in the South were up 2.0 percent, and the Northeast had an average price increase of 1.0 percent.

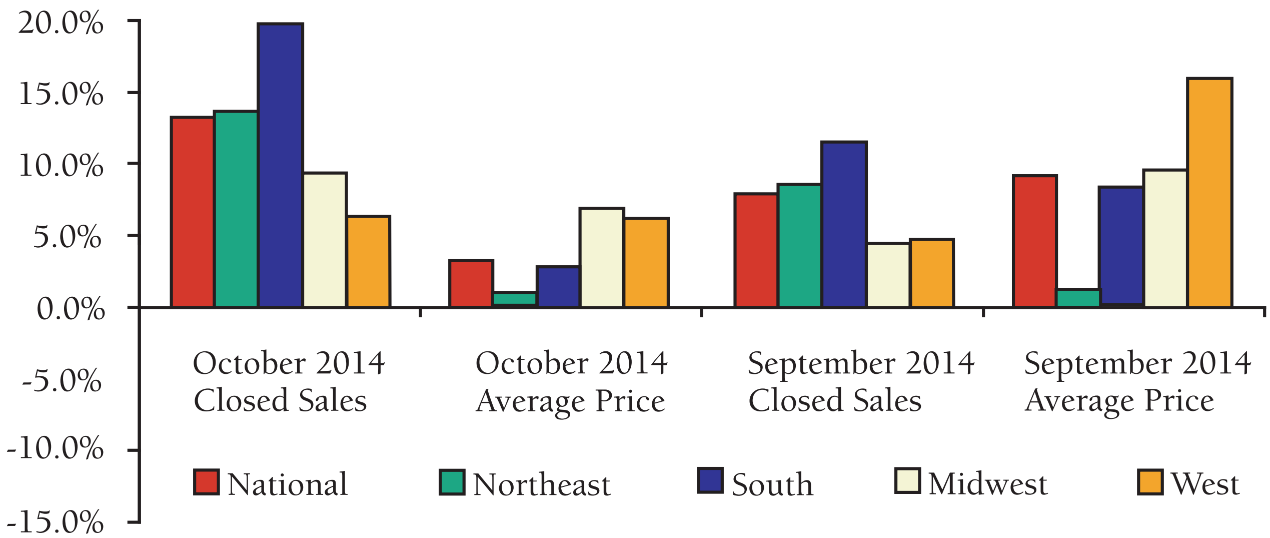
"Should the mortgage rate environment and job growth continue to be positive we expect housing sales will continue a very slow but steady improvement in the months ahead." – Steve Murray

"It seems that month to month we are now seeing strength in the market that was unexpected," says Murray. "Should the mortgage rate environment and job growth continue to be positive we expect housing sales will continue a very slow but steady improvement in the months ahead." ■

REAL *Trends* October/September Housing Market Report

(Versus same month a year ago)

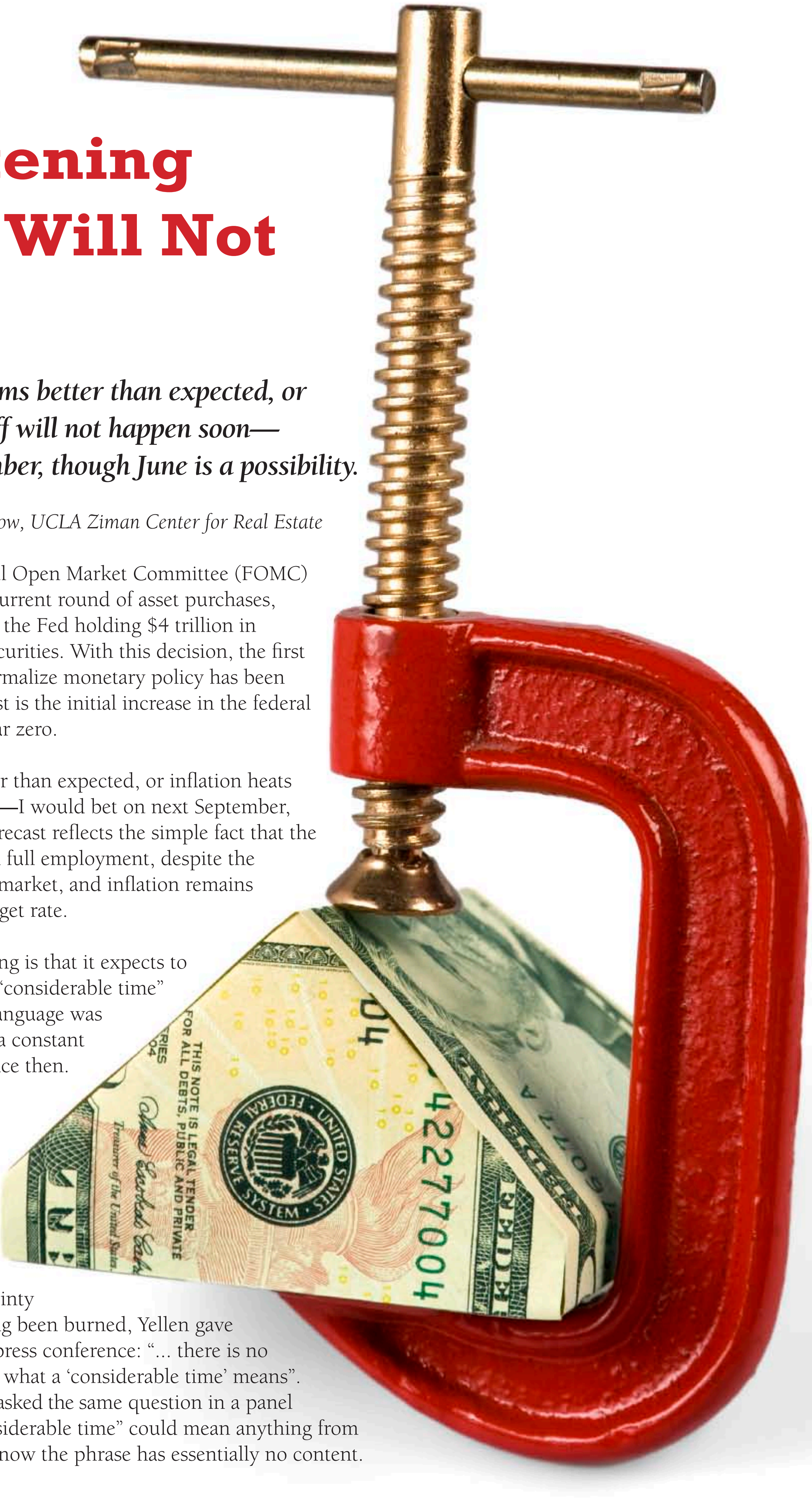
	October 2014 Closed Sales	October 2014 Average Price	September 2014 Closed Sales	September 2014 Average Price
National	+9.3%	+2.4%	+5.6%	+6.5%
Regional Report				
Northeast	+9.6%	+1.0%	+6.1%	+1.0%
South	+13.8%	+2.0%	+8.1%	+6.0%
Midwest	+6.6%	+4.9%	+3.2%	+6.8%
West	+4.5%	+4.4%	+3.4%	+11.2%



The First Fed Tightening Probably Will Not Be Soon

Unless the economy performs better than expected, or inflation heats up, the liftoff will not happen soon—I would bet on next September, though June is a possibility.

Written By Stephen Oliner, senior fellow, UCLA Ziman Center for Real Estate



As was widely expected, the Federal Open Market Committee (FOMC) recently announced the end of its current round of asset purchases, which began two years ago and left the Fed holding $4 trillion in Treasuries and mortgage-backed securities. With this decision, the first item on the Fed's list of steps to normalize monetary policy has been crossed off. The next item on the list is the initial increase in the federal funds rate from its current level near zero.

Unless the economy performs better than expected, or inflation heats up, the liftoff will not happen soon—I would bet on next September, though June is a possibility. This forecast reflects the simple fact that the economy is still a fair distance from full employment, despite the ongoing improvement in the labor market, and inflation remains persistently below the 2 percent target rate.

The FOMC's only guidance on timing is that it expects to keep the funds rate near zero for a "considerable time" after its asset purchases end. This language was introduced in March and has been a constant feature of the FOMC statements since then.

But what does "considerable time" mean? During her press conference in March, Fed Chair Yellen offered that, "it probably means something on the order of around six months...". That answer was roundly criticized for being too specific given the uncertainty about the economic outlook. Having been burned, Yellen gave a much fuzzier answer at her next press conference: "... there is no mechanical formula whatsoever for what a 'considerable time' means". Last month, Vice Chair Fischer was asked the same question in a panel discussion and responded that "considerable time" could mean anything from two months to a year. So we now know the phrase has essentially no content.

The financial market provides a forecast of the funds rate every day. For the past several weeks, including after the recent employment report, the market judgment has been that a rate increase before next September is pretty unlikely. I think the market has it right.

Let's consider the Fed's options for the date of its first tightening. The FOMC has demonstrated that it makes significant policy changes only at meetings followed by a press conference—March, June, September, and December under the current schedule. Only the most hawkish members of the FOMC have been talking about next March as a realistic option. That leaves June as the earliest possible meeting with more than trivial odds. The FOMC has stressed that its rate decisions will be data-driven. When the Committee meets next June, it will have data on the labor market and inflation through May. How will the data look at that point and how will they be interpreted?

In assessing the degree of slack in the labor market, the FOMC (and everyone else) is looking beyond the official unemployment rate because it fails to capture important aspects of underemployment in today's economy. Notably, the official rate does not count discouraged workers who have left the labor force, but are still interested in working, nor does it count people who are working part-time, but want a full-time job. A broader measure of slack known as the U-6 rate captures both aspects of underemployment. In October, the U-6 rate stood at 11.5 percent, down from 13.7 percent a year earlier. If the average monthly decline over the past year—which has been substantial—were to continue, the U-6 rate would be 10.2 percent in May of next year. Despite the further decline, the projected May reading would be only a shade below the peak for the U-6 rate during the 2001 recession.

That doesn't describe a labor market at close to full employment.

Inflation is currently running below the FOMC's 2 percent target and, in the near term, will be heading lower because of the plunge in oil prices and the stronger dollar, both of which reflect concern about weak economic performance abroad. The FOMC statement does not suggest much confidence that inflation will move back up to target. It merely says: "... the Committee judges that the likelihood of inflation running persistently below 2 percent has diminished somewhat since early this year." At that time, the Committee was very worried about low inflation. So now the Committee is only somewhat worried. For the FOMC to become confident by June that inflation is heading in the right direction, they'll need to see a sustained period of faster price increases that begins no more than three or four months from now. That's a high hurdle.

Unless the data send a clear signal that the FOMC is falling behind the curve, the Committee has a strong incentive to be patient given the asymmetry of the risks it faces. On the one hand, with the funds rate near zero and the Fed's balance sheet already enormous, a tightening that turns out to be premature leaves the Committee with limited and risky tools to spur growth. Conversely, if the FOMC ends up waiting too long, it can raise the funds rate more rapidly than is currently anticipated and, if need be, can sell assets. Although an abrupt policy tightening could be disruptive to the economy and financial markets, the Fed at least has the tools to do the job.

The Fed's decision to end the QE purchases was easy. The harder decision—when to raise the funds rate—lies ahead.

Could the data provide a compelling case by June in favor of tightening given the risk of making a policy mistake that would be difficult to reverse? It's certainly possible, but a later date seems likely.

Stephen Oliner is a resident scholar at the American Enterprise Institute and a senior fellow at the UCLA Ziman Center for Real Estate. He was formerly an associate director in the Division of Research and Statistics at the Board of Governors of the Federal Reserve System. ■

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Confidence Cools for Housing

Top real estate executives lose confidence in the U.S. housing market; however Imprev confidence differs by the size of the firm.

Top real estate executives continue to be bullish about improvement in the U.S. housing market, but less than they have been over the last two years. In fact, they have grown significantly less confident in the world economy since January 2014, according to 2014 Imprev Thought Leader Survey.

"Housing enthusiasm among real estate business leaders overall is still strong, but has definitely cooled down during the last two years," said Renwick Congdon, chief executive officer of Imprev, a real estate technology company.

[Housing enthusiasm among real estate business leaders overall is still strong, but has definitely cooled down during the last two years.]

"What's most interesting is that leaders of larger brokerage firms are typically far more bullish on the outlook for housing and the U.S. economy than leaders of smaller brokerage firms, but comparatively less confident in their firm's ability to be more profitable in the next 12 months," adds Congdon.

Here are some key findings:

1. **U.S. housing market demand:** Approximately half (52 percent) of the real estate leaders surveyed say that housing market demand will improve or significantly improve over the next 12 months, down from 58 percent last year. Some 42 percent say the housing market demand will stay the same, up from 35 percent in 2013. Only 6 percent say it will deteriorate. Optimism is significantly lower than reported in the 2012 Imprev Thought Leader Survey, where 70 percent of top real estate executives predicted that the housing market would continue to improve over the coming year.
2. **2015 housing market confidence:** Confidence in next year's housing market is a little less bullish compared to last year's survey: 18 percent are "very confident" in the 2015 housing market, down from 23 percent last year. However, 79 percent are "somewhat confident," up from 73 percent from last year's survey. Only 3 percent say they are "not at all confident" in the 2015 housing market.
3. **World economy confidence:** More than half of the real estate leaders surveyed say they have grown less confident (55 percent) in the world economy since January; that compares to 24 percent last year.
4. **Profitability concerns—size matters:** When asked how confident real estate business leaders are that their brokerage businesses will be more profitable in the next 12 months, 43 percent are "very confident," down from 48 percent last year. The larger the brokerage, the lower the confidence in greater profits ahead. Only 32 percent of leaders of brokerages with 1,000 or more agents are "very confident," compared with 51 percent of leaders of firms with 50 agents or fewer.
5. **U.S. economic outlook:** For the second year in a row, there's a split view among real estate leaders on what will happen with the national economy over the next 12 months. Some 47 percent believe it will improve (down from 50 percent in 2013), 44 percent say it will stay the same (up from 37 percent in 2013), and 9 percent believe it will deteriorate (versus 13 percent in 2013).
6. **Economic confidence locally vs. globally:** Overall economic confidence increased significantly when the executives look closer to home. Nearly 10 times as many real estate business leaders say their confidence in their local economies has improved since January versus overall confidence that the world economy has improved. Some 48 percent are more confident in their local economy since January compared to only 5 percent for the world economy, 21 percent for the U.S. economy, and 39 percent for their state economy. A remarkable 55 percent are less confident in the world economy since January, versus 7 percent less confidence in their local economy.
7. **Size of firm and economic confidence:** Leaders of the largest real estate brokerage firms were the most bullish on the improvement in the U.S. economy in the next 12 months, with 61 percent of top execs with firms of 1,000 or more agents saying it will "improve," compared to 34 percent of leaders of brokerage firms with 51 to 100 agents.

The Thought Leader Survey was developed by Imprev to provide insight on key business challenges top executives face, encouraging the exchange of ideas and solutions. For more information, go to www.imprev.com. ■

The Importance of Local Content Strategies

Learn from neighborhood pages and other hyper-local strategies

by Travis Saxton, REAL Trends technology and marketing manager

There was a great article published recently about "Putting IDX Out To Pasture," from Joel Burslem of 1000Watt Consulting. The article drives home that as more real estate consumers move towards mobile real estate searching, the listing portals are stealing online traffic market share. This is due to the listing portals' superior products in this space. Brokerages just don't have the time to keep up with features and "wow" factor; however, it's not impossible. The article offers great advice, including the fact that implementing more neighborhood and lifestyle information will project you as the local expert in your respective area.

It's All About Local Content

While brokers may not be able to launch the best mobile app (one caveat I will touch on later), they can implement better local content strategies than portals.

Let's start with a granular example and bring it back to the big picture. When our technology consulting team works with brokerages, we help them create a neighborhood content strategy. We start with the MLS, RPR account or broker metrics and pull data on local areas, zip codes and cities. This is your starting point. Do not, and I repeat DO NOT, regurgitate that onto your website in some mess of statistics. Instead, create a catchy infographic. They are easy to make with tools such as Pictochart and Info.gram, but there are other online infographic tools out there as well. In addition to the infographics, consumers want insights, not data. So, interpret this data into layman's terms and place that on your website into easily decipherable images and text.

Take It Up a Notch

That's the hyperlocal example, now let's look big picture. Take this same strategy and put it on steroids. Do it for every neighborhood in your market area. Here's a look at one year of doing this for one neighborhood a week:

Monday: Create your infographic for neighborhood or city and put it on a corresponding neighborhood page on your website. Create the webpage with rich keywords like "real estate in Highlands Ranch, Colorado." Create a detailed description about life in Highlands Ranch. Interpret the data with a short write up and voilà, you're created a neighborhood page. Ideally, this neighborhood page includes listings that match the area. Check the capabilities of your website vendor to hone your search. **Total time: 1-2 hours**

Tuesday: Encourage a top-producing agent to shoot a quick video about a specific neighborhood. Focus on lifestyle and trends, and leave out the sales pitch. Place the video on the neighborhood page. Keep it short (30 seconds max). Share the video on your social media channels and drive traffic back to your website. **Total time: Less than 1 hour**

Wednesday: Set up a small budget in Google AdWords, such as $50 a month, to drive search engine clicks to this neighborhood page. Remember, this is a hyper-local strategy, so don't be intimidated by the high cost per clicks. It is unlikely there is stiff competition for a specific neighborhood, so expect to pay less than 50 cents a click on average. For $50, you can drive over 100 clicks to this page. Make sure you have a conversion or contact form on the page. **Total time: 1-hour setup**

Thursday: Write a lifestyle blog post about this neighborhood and focus on schools, activities, events and more. Feed this from your blog to your neighborhood page or simply add it straight to your neighborhood page. This is unique SEO content to drive traffic from the search engines. You can use content from numerous sources such as city-data.com, Sitegeist (app) or niche.com. There are many sources with great school content such as RealtyTrac and Onboard Informatics. Share that content on social media, then place on your neighborhood page. **Total time: 1-2 hours**

Friday: Just like with any good exercise program, a day off won't kill you. However, if you are ambitious, take all the great content you just created and place it into a local drip marketing campaign with links back to your website. This way, new leads you derive from that neighborhood page or customers you acquire elsewhere who are interested in that neighborhood, will get valuable local content each time that neighborhood page is updated.

Monday: Rinse and repeat with a new neighborhood

In one week, you can create a neighborhood page rich with local, unique content. You have generated traffic using Google AdWords and a social media campaign. You have built inbound links that are shared by your agents and consumers in that market. You have developed video and a drip marketing campaign centered around this unique pocket of your market. Commit to this for a year with regular updates to your already created neighborhood pages, and you have a full-blown and effective strategy (with followup/relationship marketing tactics built in) for 52 neighborhoods.

The Advanced Route

Want to take the advanced route? Add in two more strategies. First, target prospective job seekers in that area using Google's Display Network, but only focus on three sites. We like careerbuilder.com, simplyhired.com and indeed.com. Target your ad to job seekers looking in that area and drive the traffic to your neighborhood page. Then, place a mobile ad on Trulia and Zillow for corresponding zip codes of home shoppers and drive traffic to your new neighborhood page. Have the ad say something like, "Want the best local information for *"enter neighborhood,"* click here."

The Mobile Experience

Earlier in the article, I said it is hard for brokers to compete with the portals on a mobile playing surface. There are providers that offer a unique mobile experience that can compete, however it takes a big commitment. There is nothing wrong with advertising your mobile app on the listing portals site as a mobile ad. It's a great way to drive downloads of your app to prospective home seekers already on a mobile device. Take a look at vendors such as HomeNdo, Virtual Agent, Virtual Properties and Mobile Realty Apps to handle your online presence.

In a research study by REAL *Trends*, we recently found that 31 percent of the top 500 brokerage firms did not have a mobile-optimized website, and nearly 80 percent did not have a mobile app. With almost 50 percent of all real estate web traffic visiting on a mobile device, it is time for brokerages to acknowledge this. I am not ready to "put IDX out to pasture," so let's compete! ■

What's your local content strategy? REAL *Trends* wants to know what you're doing to develop a local strategy. What works? Email us at tvelt@realtrends.com to share.

Industry Changes

Let's Ring in the New Year

What a year. News Corp. buys Move Inc. and Zillow proposes to merge with Trulia. Realogy acquired ZipRealty. Firms such as SmartZip and Boomtown raised millions of investment capital. Berkshire Hathaway HomeServices and Realogy continue to acquire additional brokerage firms as they seek to increase their share.

Why? Residential brokerage is a huge business that remains remarkably fragmented. Brokerage shares are fragmented just like in advertising and media segments. Add up all the national brands, and they still have barely 50 percent market share. There are few metropolitan areas where the top three to four firms have more than 60 percent of the business done. The leading online real estate portals total revenues don't equal 2 percent of the gross revenues of the industry, which are nearly $60 billion this year.

This is an industry filled with opportunity for growth and innovation. That is what makes it so interesting to the investment community and why someone like Warren Buffett would want to invest in it. What we reach for far exceeds our grasp, and there are literally dozens of new brokerage firms and real estate tech startups emerging each week with the intent to become the new dominant form of business enterprise.

What's ahead for REAL *Trends*?

In the first quarter, look for the REAL *Trends* 2014 Online Performance Report—the authoritative source for information about what works and what doesn't in the online real estate world. A brand new opportunity in the use of video—Tagible by REAL *Trends*—launches (wait until you see this). A new special report on benchmarked trends in brokerage will reveal trends in how brokerage firms of different business models operate. Then, in April, we will release the REAL *Trends* 500, the most reliable source of information and trends about the nation's top residential realty firms.

We look forward to sharing the opportunities of 2015 with you.