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APRIL 2018 NEWSLETTER

This is part three of a six-part series on brokerages in the age of Amazon.

THE AGE OF AMAZON: LESSON 3

THE ONLINE EXPERIENCE

Your website is fantastic but are you delivering on the last mile *to the consumer?*

By Steve Murray, president

If you read about Amazon, Walmart, Target and others, you'll see that all offer online ordering that will deliver to your home or allow you to pick up your order, already prepped and ready to go, at the store. Numerous retailers are doing the same.

While there are no precise statistics about the percentage of consumers who do either, imagine if that was the only way to get your goods from Amazon, or your favorite wine club shipments, or any item you order online. Does anyone seriously think that Amazon would be as successful as they are today if they didn't give consumers delivery options?

Real Estate Online Merchants

Now, let's think about the online merchants in residential brokerage. No one can argue that Zillow, Realtor.com, Homes.com and

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others have come to dominate the residential online viewing market. Their viewership dwarfs all the others. But, they have a real challenge. As successful as they are in pleasing the online housing viewer, they've been unable to find a way to connect the *last mile*. Once a consumer gets excited about what they find on these sites, they then turn to finding an agent to deliver on the ground service. Here's the problem—even agents who pay for leads from these sources are poor at follow up. Most brokerage firms have the same problem. They excite the consumer with their online services then fail to deliver that *last mile*.

How do You Compete?

Can you imagine if you used Amazon and they only delivered the products you order a third of the time? That's the challenge facing everyone who spends money to build an online audience among housing consumers. How does an online portal or brokerage firm deliver a full, satisfying experience to housing consumers if they can't deliver the right agent to the housing consumer when the consumer wants to interact? How does an industry not set up to deliver a seamless service compete in the new environment?

Can Redfin Complete the Last Mile?

This, of course, makes Redfin interesting. They have an excellent web presentation (some say one of the best), and they have full-time employee-agents and support staff to attempt to complete the *last mile*. This doesn't mean they do it perfectly (no human system is perfect), and it doesn't relieve them of the problem of hundreds of thousands of inquiries that lead to no business. For instance, they reported that they had over 20 million visitors to Redfin in 2016 yet closed only 36,000 transactions, some through their agents and some through partner agents. That kind of visitor to closed transaction rate is typical of many brokerage firms and portals.

However, Wall Street seems to think that Redfin is the model of the future. Currently, they award a valuation higher than that of RE/MAX and not far behind Realogy, each of which closed over one million transactions in the United States—and made money doing so. One stock market analyst projects revenues of more than $700 million and EBITDA of $40 million for Redfin for the calendar year 2019. That values them today at more than 50 times their projected earnings three years from now!

It's not just a great web presence that will create long-lasting prosperity for those in the residential brokerage industry. For portals and brokerage firms, completing that *last mile* is going to be critical for the future success of anyone operating in the age of Amazon.

Lesson: Amazon has a range of products, but it's their ability to deliver them to their customers that's enviable. Brokerages and listing portals who can't complete the last mile to the consumer will be challenged.

IF YOU BUILD IT; WILL THEY COME?

Many of the national networks are making moves to bring technology in-house. Will it work?

By Steve Murray, president

Keller Williams recently announced that they are providing a total platform for their agents and customers. RE/MAX announced the acquisition of one of the better real estate web services' companies in the country. Realogy reshuffled their senior team, and the CEO announced a focus on better use of data. Berkshire Hathaway wants to take their technology in-house.

Last year, we said that each of the national real estate national franchisers had announced and signaled their intentions to bring their technology in-house as opposed to assembling outside suppliers. Whether this was the view that big data and artificial intelligence were becoming far more important than in the past or a myriad of other reasons, these global real estate firms were moving in a wholly new direction than in the past. Certainly, each was also watching firms like Redfin, Compass and others, raising hundreds of millions of dollars of capital to invest in real estate technology and brokerage.

Will Agents Adopt These Platforms?

There are thousands of other words written about whether they are too late to the game, that they can't catch up to Zillow, Realtor.com and others in the technology game or that they will never get their agents to buy-in to their technology platforms. After all, agents and teams already have access to their own and will be loath to adopt the franchisers' tech platforms. On this last score, brokerage firms talk about the struggle to get their agents to adopt technology that the broker has vetted and deployed. So, this is not a new story. As for whether the first two issues are right or wrong depends on your understanding and reading of franchisers' and affiliates' perspectives.

A Different Look

We tend to look at this differently. First, saying that they are too late to the game is to say that Google couldn't supplant Microsoft; that Apple couldn't compete in the cell phone market; that Facebook couldn't catch

> What national networks know is that the strategic use of data and artificial intelligence are not fads. That would be like saying that Billy Beane and Paul DePodesta of *Moneyball* fame were just data geeks.

Google—you get the point. Saying that the major franchise organizations can't compete in providing technology against incumbents is nonsense. They have enormous sums of capital to deploy. They have thousands of agents and hundreds of thousands of customers and have well-known and trusted brand names. They can, and likely will, compete just fine. We don't doubt their ability to build or buy technology that will enable them to do so.

The Use of Data and Artificial Intelligence (AI)

What national networks know is that the strategic use of data and artificial intelligence are not fads. That would be like saying that Billy Beane and Paul DePodesta of *Moneyball* fame were just data geeks. Except, they showed how using data could change an entire industry forever. No one doubts that using data strategically or using intelligent systems are highly important. They also know that the major challenge is not whether they should build such systems, but whether they can get their brokerage affiliates, agents and housing consumers to use these systems.

Consider this. Google, Amazon, Realtor.com and Zillow did not get our information for free. There was an exchange of value. Without going into this deeply, that is a fact. Google gave us the ability to search everything for free easily—something those of us born before they were invented know was not easy. Facebook enabled users to find friends and stay in touch in ways never dreamed about before. Amazon allows you to buy tons of products and have them on your doorstep within days. Realtor.com and Zillow gave us access to everything residential—listings, sales, valuations and millions of housing consumers. In each case, there was an exchange of value that was acceptable to millions of people.

Find Answers to Everyday Challenges

Rather than deliver raw data, many of these firms brought answers and solutions to everyday challenges. Call them smart solutions or intelligent systems, but they delivered more than data. Years ago, it was noted that data is at the bottom of the value chain. Organize that data, and you have information. Put that information into the hands of people who know what to do with it, and you have knowledge. Knowledge is the top of the food chain, not data. Those firms listed above are focusing on knowledge, not just data. The *Moneyball* system doesn't work if owners, general managers and coaches don't know how to use the data to pick the right players.

How to Be Successful

So, the way any franchiser can be successful is to create systems that incorporate both the exchange of value and the delivery of information to the right people who know how to act on it. Hence, their challenge is not so much about whether they can assemble the systems to compete with Redfin, Realtor.com or Zillow, but that they can solve for the problem of getting their brokerage affiliates, teams and agents to adopt what they are providing.

Hence, if they build it, will they come is the real question.

Gary Keller thinks they can. If Keller Williams builds a large ecosystem of consumer and housing data and delivers it in a way that gives agents more knowledge about these things than their competitors, why shouldn't we think that Realogy, RE/MAX and Berkshire Hathaway can do it too?

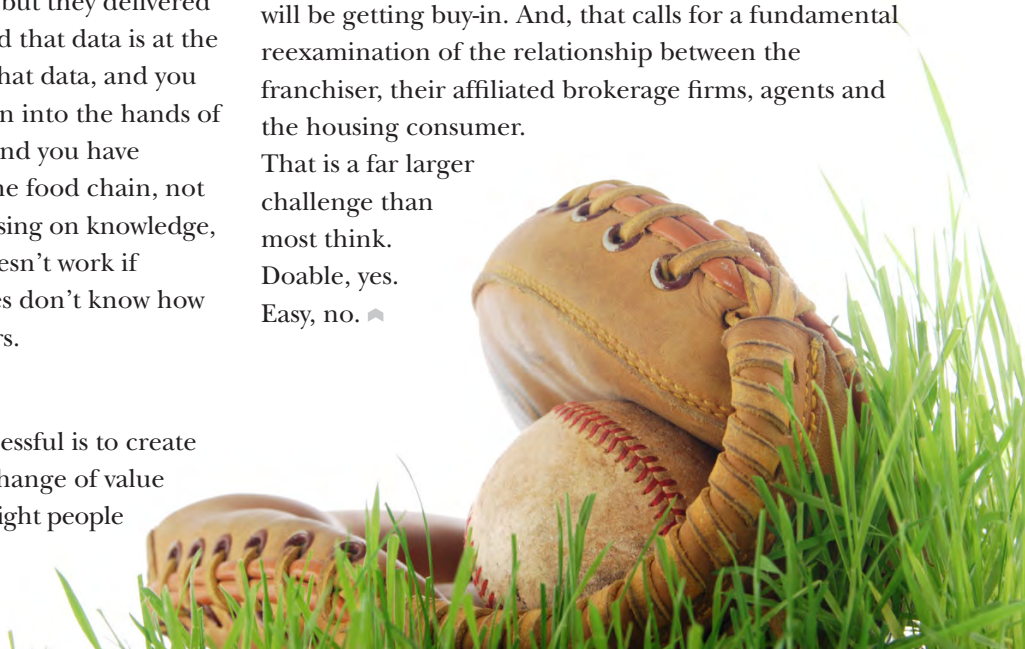
How to Get Buy-in is the Question

How they get buy-in from their brokerage firms, agents and teams is an entirely different question. They do have some advantages. They can amend their current value exchange in a myriad of ways, and they can make it so easy and inexpensive to use their systems that agents would be foolish not to do so.

Lastly, given the turnover in the industry, how long is it before more than half of their agents were new to them in the past five years? Further, if we move to proprietary systems among these large enterprises, how much more difficult is it to move from one organization to the next?

We are not saying that building a complete platform is easy. It's not. If it were, it would have been done already. Redfin has one of the most complete real estate platforms and spent hundreds of millions building it. Yet, after 10 years, their brand still has less than 1 percent market share in the United States. It's not easy.

What we are saying is that we think the real challenge will be getting buy-in. And, that calls for a fundamental reexamination of the relationship between the franchiser, their affiliated brokerage firms, agents and the housing consumer.
That is a far larger challenge than most think.
Doable, yes.
Easy, no.



2018 REAL TRENDS 500 AND UP-AND-COMERS RANKINGS

THESE AREN'T LIKE THE OLD DAYS

The tops firms on the REAL Trends 500 used to be predictable. Not anymore.

By Steve Murray, president

It seems like yesterday you could count on the same brokerage firms at the top of our rankings in the REAL Trends 500 and Up-and-Comers. With some minor changes, the top 20 or so firms were always there. And, 20 years ago, independent brokerage firms made up the majority of brokerage firms.

The mix between franchised brokers and independent brokerage firms changed some time ago. It was over 10 years ago that franchised firms passed independent firms on the REAL Trends 500 regarding the number of firms in both segments. The recently released rankings will show this.

The bigger change happened more rapidly. There are now several firms that didn't even exist 10 years ago but are now in the top 20 on the list. Firms such as Redfin, HomeSmart, Real Home Solutions and eXp are all in the top 15 in the country this year. Another surprise is that Keller Williams has an affiliate which is now in the top 10.

Compass, while not in the top 10 in closed transaction sides, is in the top 10 when looking at closed volume.

These new entrants are using a combination of low costs, either to the agent, consumer or both, along with technology and low operating costs to drive growth. Most readers know that, in general, low-cost agent models have been around for quite some time but don't see how pervasive they are in today's brokerage market.

From our view, it shows that rather than a brokerage being a business for incumbents, it's a business that is showing signs of significant change in which models and firms are innovating more than ever before.

To view the 2018 REAL Trends 500 **CLICK HERE**

RATHER THAN a brokerage being a business for incumbents, it's a business that is showing signs of significant change in which models and firms are innovating more than ever before.

THE IMPACT OF CHANGES

NEW LEADERS NEW PERSPECTIVES

There are big leadership changes at many of the large franchises. How will this change their companies?

By Steve Murray, president

We wrote last year that there were big changes coming to our industry caused by a new generation of leaders taking the reins at Realogy, RE/MAX and Leading RE. While we didn't mention Keller Williams, it should be noted that CEO John Davis has only been in his role for a few years.

In each case, we can expect significant changes in the direction these organizations take given their new leadership. Whether or not the new leaders came from outside the industry; they are younger, have different backgrounds and many different perspectives compared to those of us who have called this industry home for 25 to 40 years.

REAL Trends has had the privilege to meet with all four of these new leaders in the past few months, and we know that while each will preserve many of the traditions of their organizations, they will remake not only the operational investments but will also be remaking and strengthening the cultures. Much of this is already visible, yet much won't be seen for months or years.

We do believe that each of the big five (including Berkshire Hathaway HomeServices) will be investing in technology and data like never before while also strengthening the service delivered to the global affiliates.

It will be an interesting next 10 years.

TOO TRUSTING?

KEY INDICATORS THAT **FRAUD** EXISTS IN YOUR COMPANY

It's great to have employees you can trust, but stay vigilant. Look for these key indicators that something may be amiss.

By Alicia Vivian, CFO

Follow Your Gut

If you feel like something is not quite right, it probably isn't. Note changes in your employees' behavior, whether it be emotional conduct or lifestyle changes. Does your sales manager, who has not recently received a raise or experienced significant personal life changes, suddenly sport a new wardrobe and a new vehicle? Take note. Is the accountant who is responsible for reporting for your brokerage suddenly unavailable and overwhelmed and did not have the time to review financial information and answer questions? Take note. These changes are not necessarily indicative of fraud, but, in hindsight, many who have detected fraud in their own companies noticed these things.

Familiarize Yourself with Company Vendors and Employees

If you scanned a list of your brokerage's vendors, could you identify additions and outliers? Depending on the size and structure of your office, there may be only one or two people who manage this list. Most likely, they are individuals who you trust but don't let that trust overshadow the need for you to protect yourself and your business. On a periodic basis, ask for a vendor list and amounts paid to each vendor. Ask questions about any that seem unfamiliar. Every vendor may be valid, but often, fraud can be prevented if employees feel like activity is being regularly monitored.

You may know the first and last names of every person in your brokerage. You may know their roles, compensation levels, birthdates—even their favorite color. If that sounds like you, then this recommendation will be easy for you. Ask whoever is in charge of payroll to run a report of three different pay periods of your choice and the amounts paid to each person. Is there anyone on that report with whom you're not familiar? Are there any amounts being paid that make you scratch your head?

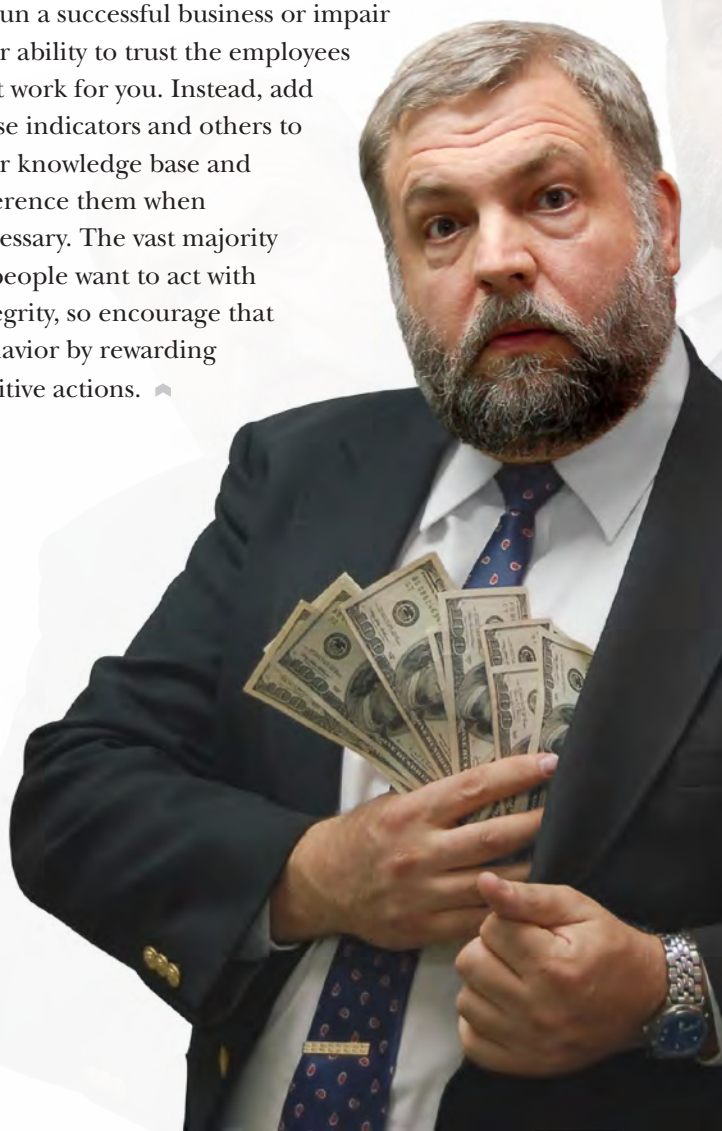
If you have a large team, this may not be a reasonable recommendation. In larger organizations, I recommend having paystubs or paychecks for all employees provided to you and other management. Hand-deliver them to each employee. Worst case scenario, you will find an employee or two who does not exist. Best case scenario, you meet more of the individuals who support your business on a daily basis.

Reduce the Opportunity for Fraud

The top three factors that cause employees to steal from their employer are pressure to commit fraud, justification of their right to steal (i.e., "I should have received a bigger bonus") and opportunity. As an employer, here's how do you combat this behavior:

- Demonstrate a high level of ethics and transparency.
- Don't rely on trust to prevent fraud; controls correlate to function, not individuals.
- Consider a whistle blower hotline or process so that employees feel comfortable reporting activity without the fear of retaliation.

Above all things, the fact that theft and fraud exist in the workplace should not impede your ability to run a successful business or impair your ability to trust the employees that work for you. Instead, add these indicators and others to your knowledge base and reference them when necessary. The vast majority of people want to act with integrity, so encourage that behavior by rewarding positive actions.



WHAT'S YOUR STRATEGY?

Your job is to provide clarity. By doing so, you'll alleviate agents' anxieties about technology.

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

Gary Keller declares, "Keller Williams is no longer a real estate company. We are now a technology company." He also pledges to invest $1 billion in technology. Ryan Schneider, president and CEO of Realogy announces, "Leveraging our untapped real estate data now takes center stage." Compass and Redfin claim to have the best real estate technology. Zillow Instant Offers, Open Door, Offer Pad, and Purple Bricks are disrupting the industry with their technology platforms. What's your strategy?

Are your people confused, anxious or afraid about these tech wars? As a leader, your No. 1 job is to clarify the future for them. Clarity is the antidote to anxiety. What's your strategy? Here are some ideas that may help you.

First, take 10 minutes and watch Bill Chee's famous "Hungry Lions Coming Over the Hill" speech on YouTube. Bill was 1993 NAR President and delivered his speech on April 26, 1993, to NAR's Board of Directors. He predicted, "There is a high probability that the Realtor® organization will lose control over and direction of the MLS as it currently exists. We must allow greater public access versus being secret and exclusive. We must have a consumer focus versus a Realtor focus." How prophetic 25 years ago!

At the time, Bill saw the hungry lions as IBM, Microsoft and media companies. Today, they are Zillow, Compass, and perhaps, at some point, Amazon. Bill missed the specific identities of the lions, but he was correct that, in the age of the internet-empowered consumer, our industry needs to be more consumer-centric. Which leads to the first of four fundamentals for building a tech strategy:

1. **Consumer Centric.** Focus on what the consumer wants. This is often in conflict with what the agents want. Your leadership skills will be tested on this one. What is the common thread among all the industry disruptors (Zillow, Open Door, etc.)? They are consumer-centric whereas most of the real estate industry is agent-centric. Build your technology to be consumer-centric.

2. **Immutable Laws of the Internet.** In their breakthrough 2000 book, The 11 Immutable Laws of Internet Branding, Al and Laura Ries clarify that your business, as it relates to the internet, will either be a market or a medium. It will not be both, and you will not decide. Your customer will. A market is where goods and services are sold—think Amazon and eBay. A medium is where people go for information—think Google and Zillow.

   It's fairly clear now that our industry, as it relates to the internet, is a medium, not a market. The early fears that consumers would "buy or sell a house with a mouse" have been resurrected recently by Open Door and Zillow Instant Offers. We'll see if these disrupters can change this immutable law. It's my understanding that in the first beta test of Instant Offers, only 1 in 80 sellers took the offer. The real game is generating 80 seller leads to sell to real estate professionals. Again, the strategy reverts to a medium versus a market. The fundamentals still say build your technology to be a medium.

3. **Nature of a Real Estate Transaction.** Real estate transactions are infrequent (an average of every 8.18 years); high dollar (much higher than anything you are buying from Amazon); complex (not as simple as buying a book or an airplane ticket; uncertain (there are a lot of moving parts in a real estate transaction); and high risk (for all the reasons mentioned above). These five factors combine to require a human's interaction. Build your technology to make it easier and to create smooth transactions that close on time.

4. **Power of Relationships.** Thought leader Simon Sinek was asked what he thought about the new technologies being introduced in the real estate industry. His observation: "Human beings are social animals and relationships will always win. There is a small percentage of people who just want a transaction. Most want a relationship. Invest in your relationships. They are your most valuable asset." Relationships are the "killer app." Build your technology to enhance relationships. In Ninja Selling, we believe this is your CRM and your flow systems for consumers.

Much of the tech buzz involves big data, predictive analytics and artificial intelligent (AI). Here's what Apple, Google, Microsoft and the leading tech companies are saying about AI, "The keys to figuring out AI are the sociology, the psychology, and the anthropology, not the technology." This was their conclusion when their Association of Boards of Directors met at the most recent Consumer Electronics Show (CES) in Las Vegas. Their speakers were sociologists and anthropologists—not technologists.

The key is the human factor. How do humans relate to the technology? Is it friendly (R2D2) or is it a threat (The Terminator)? Is it simple or is it confusing? Does it serve us or hurt us? Design your technology to serve your consumers and your agents—not to disrupt, confuse, use or bypass them—and you will have a winning strategy.

Design your technology to serve your consumers and your agents—not to disrupt, confuse, use or bypass them—and you will have a winning strategy.

TRAINING IS IMPORTANT

WHO EDUCATES THE EDUCATORS?

How do you build a training program that truly works? Hire the right people first.

By Doug Devitre, CSP

REAL Trends' Steve Murray has a knack for taking high-level concepts and breaking them into simple, easy-to-understand language that drives the overall strategy and operations for some of the largest real estate companies in the world. If you were to ask him, what makes a successful real estate brokerage today, he would say you need three things. You must be strong at recruiting top talent, sound with your strategic decision-making and the best at developing your people.

Training and development. Professional development. Performance improvement—whatever you want to call it. This is an area where consumers expect perfection, brokerages do what they can to support it, and brokerages rarely, if ever, measure the impact the training function has on key performance indicators. This is one of many reasons for why real estate training has turned into the Wild, Wild, West and hopeful with a little attention, love, and guidance; we can corral the industry into a better place than we left it. Let's talk about these issues around training so that you can invest wisely into tooling your team to outperform the competition.

KEY ISSUES

1. **Everyone is an Educator.** There are some teenagers with webcams who are making more revenue on social media than some real estate companies. All you need is an inspiring message, a computer with a webcam, and access to Facebook Live to be in business. But, the quality and the context of a real business application is diluted. We need real facts and empirical evidence from those who are in a position to make a real difference. A great book that shines the spotlight on this phenomenon is *The Death of Expertise,* by Tom Collins.

2. **Most Brokerage Training is Linear, not Geometric.** Training is typically a straight-line, compartmentalized deliverable that focuses on fundamental knowledge transfer. Susie takes the class. Susie remembers. Susie applies that knowledge. However, we need to look at training more strategically so that it impacts each area of the company using the same resources.

   For example, a training class can be repurposed into a recruiting event, a private live-stream video to agents can be recorded for future playback on the company Intranet or posted to Facebook Live. The video can be transcribed and repurposed into a blog or policy manual. Implementing a geometric approach would hit more key performance indicators than one-off training ever could. The challenge is never the technology. It's getting buy-in and collaboration at the top so that marketing, IT and education play nice.

3. **Lack of Business Metrics and Communicating the Value.** When the Tennessee Real Education Foundation retained me to rethink learning performance for the state, the No. 1 priority was to turn it into a data-driven change management solution that would measure the impact instructors have in 10 different skill categories and 100 data points. It's no coincidence that category No. 1 is communicating the value of education. Too often education gets slighted because educator's measure how people feel when they leave instead of what they implemented; only a handful of educators know how to measure the economic impact, the intangible value or peripheral benefits; and what's rarely discussed is the risk and cost of doing nothing.

4. **Educational Conferences Disguised as Sales Pitches.** I used to think it was a great honor, and that you

A training class can be repurposed into a recruiting event, a private live-stream video to agents can be recorded for future playback on the company Intranet or posted to Facebook Live.

needed skill to be a paid speaker at a real estate conference. Now, the waters have darkened to embrace a newer model where speakers either pay to speak at a conference, pay kickbacks to meeting planners from shared revenue, or the company will sponsor the entire event and bring in their speakers. These conferences don't pay professionals and rely on local talent to volunteer their time and expertise in exchange for an ego boost. You can spot these conferences since many of them are free to attend.

5. **No Uniform Credentialing for Educators.** Is a CRS better than an ABR or is an ePRO better than a GRI? Anyone outside the real estate industry wouldn't have a clue until you told them. In my quest for the best training for trainers, I've found the National Speakers Association (the business of training), the Association for Talent Development (the art and science of training), and Real Estate Educators Association to be at the top. Surprisingly, only a small minority of real estate educators belong, and the annual fees are low. Among their designations, fewer than 15 people with real estate experience hold the Certified Speaking Professional, 55 hold the Distinguished Real Estate Instructor, and no one has earned the Certified Professional in Learning and Performance by the Association for Talent Development. I guess there are around 2,000 instructors who teach real estate education and fewer than 4 percent take their professional development seriously enough to be the best in their market.

6. **Lack of Business Ethics in Real Estate Education.** If you're a voracious reader like me, then you've probably read the story of when Jim Carrey started out in Hollywood and wrote himself a check for a $1 million in order to visualize himself depositing that check when he became successful. Guess what? That story started in the Success Principles by Jack Canfield and has appeared in three different real estate books since then with no attribution to the original author. R&D doesn't stand for rip off and duplicate. It stands for research and development. You collect your own research, develop your own stories, and develop them so they can authentically inspire people to take action. Take it from Oscar Wilde who says, "Be yourself, everyone else is already taken." Unfortunately, the National Association of REALTORS® Code of Ethics does not cover real estate education, and it's not enforced at the Real Estate Educators Association either.

WHAT NOW?

Real estate brokerages don't need more training. Ok, if you are talking about high-level knowledge sharing and collaboration and call that training, then fine. Training is always my last recommendation to any real estate brokerage, because if you have the wrong people using the wrong systems with outdated policies and procedures, then training on that broken environment will always be a waste of money. The same goes for technology. You don't need more technology. You need the right people and culture first. There seems to be a massive perception gap of what the leaders in this industry say about their training vs. the impact training has on their organization.

Doug Devitre is a technology marketing, productivity and sales performance coach. He was named the University of Missouri-Columbia Business School Entrepreneur of the Year, National Association of Realtors® Business Specialties Hall of Fame Educator and is a Certified Speaking Professional of the National Speakers Association. He is also the author of Screen to Screen Selling: How to Increase Sales, Productivity, and the Customer Experience with the Latest Technology, published by McGraw Hill October 2015. Learn more at http://treef.dougdevitre.com

YOU COULD BE YOUR OWN INSURANCE BUSINESS PARTNER

Think about it. Each day, you likely send business to an insurance agent with whom you partner to close deals efficiently and effectively. And, while you earn commission on the sale, your insurance agent referral partner earns commission on the sale—and every time the policy renews.

When you think about expanding your enterprise into complementary businesses, there is only one that provides residual income year-after-year, building an annuity over time: Insurance.

Right now you're thinking, "Hey, that sounds like a great idea, but I have no insurance experience." While that's a valid thought process, there's an insurance franchise model that provides you with comprehensive business support—you don't need insurance experience to realize the unlimited growth potential the opportunity offers. It's called Brightway Insurance and, half of Brightway's franchisees have no prior insurance experience.

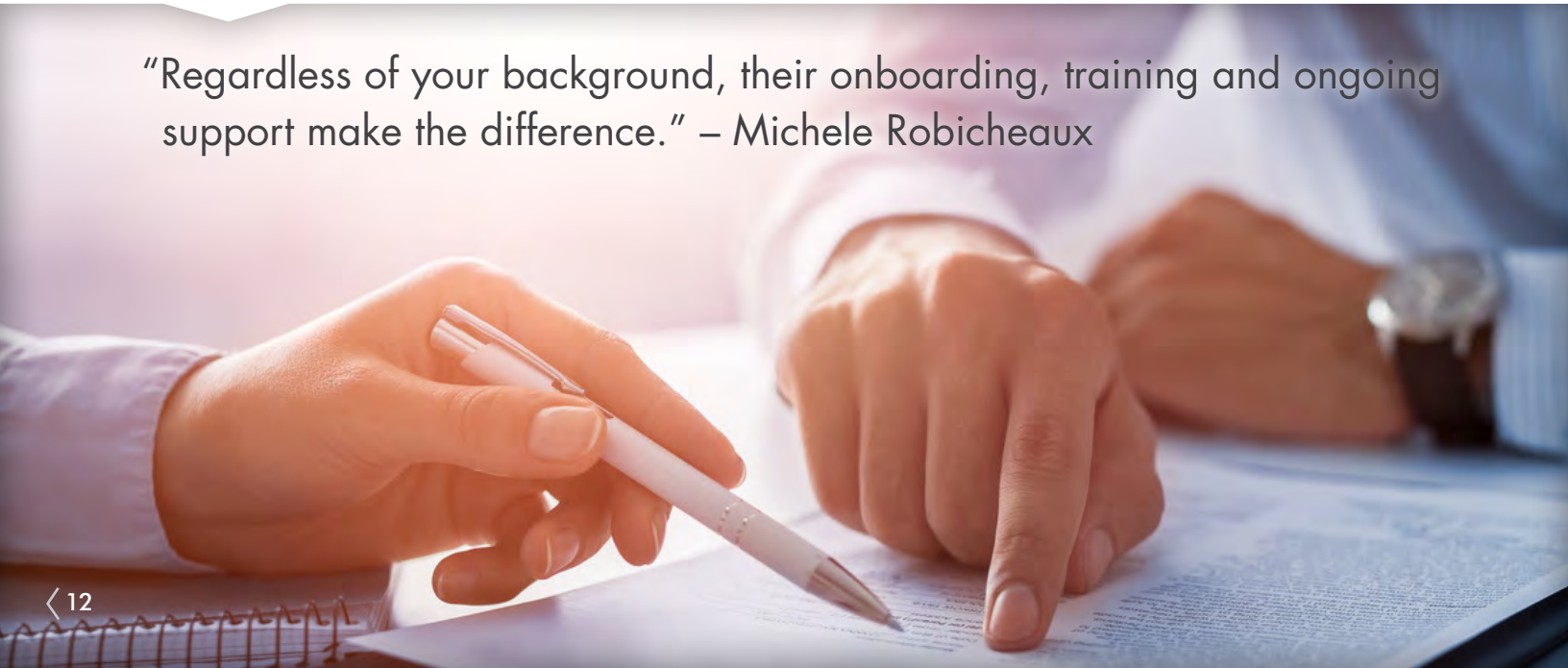
"I had no prior insurance experience, said Brightway franchisee Mike Milano in Tarrytown, New York. "But, I had sales experience, just like realtors do. I learned about Brightway, joined the system and leveraged it and am proud to be one of the top-performing new Brightway Store Owners in the system."

Entrepreneurs join franchises to enjoy the support of a system. The support Brightway provides has been recognized by Franchise Business Review as superior to the average franchise for the second year in a row. According to FBR, successful execution of a franchise business is all about the training, support and ongoing development that franchisees receive from their franchisor. Brightway outperforms the index of franchisors measured by 16 percent in this area, according to FBR.

And, the model's well-documented financial success has led Brightway to be recognized as the #1 Franchise to Buy by *Forbes* magazine.

Ready to build a business that could serve her community and provide unlimited growth potential, Agency Owner Michele Robicheaux, Youngsville, Louisiana, turned to Brightway Insurance and found true partnership.

"I've worked in insurance for many years. While that experience helps, it's really Brightway's system of support that has set me up for success," Robicheaux explained. "Regardless of your background, their onboarding, training and ongoing support make the difference. The model is so aligned—Brightway doesn't make money unless their franchisees are making money—that everyone is working to ensure my success every day."



When outfitting her Brightway store, Robicheaux experienced an issue with cost. "Rather than spending weeks trying to negotiate with the vendor for my office furniture, the Brightway Home Office team was able to step in and actually save me money." – Michele Robicheaux

The Model

According to Robicheaux, "the Brightway model is very thorough, and makes business ownership simple. From the onboarding and training process, to opening my doors and now running my business day-to-day, I have a team standing by me helping me to build a business plan, hire my producers, help me tap into a referral network to build my pipeline and ensure that I have the right insurance companies available to me for my market."

Brightway Founders David and Michael Miller had a goal of building the best business opportunity in the U.S., bar none. They started franchising in 2008 with a commitment to creating Win-Win-Win outcomes for agents, customers and employees.

Brightway Insurance provides the widest variety of business and personal insurance products through locally owned and operated agencies. A key to their offering is "centralized service" that frees all franchisees up to focus on their customers, tailoring insurance packages that meet each family's unique needs. After-the-sale service is handled by a highly trained and licensed Service Center staff focused on customer satisfaction and retention.

When Robicheaux started her business opportunity discovery process, she knew she wanted the advantages that a franchise offers, while still having flexibility. "With other franchises, when a glitch happens, the solution doesn't always make sense, and is not always in the franchisee's best interest. With Brightway, if you hit a bump in the road, or have an idea about how to make a certain process even better, they do what is best for the company and the franchisee, and are willing to create a solution that everyone can benefit from," she says. "They listen, and are aligned with their franchisees."

For example, when outfitting her Brightway store, Robicheaux experienced an issue with cost. "Rather than spending weeks trying to negotiate with the vendor for my office furniture, the Brightway Home Office team was able to step in and actually save me money."

Robicheaux says that this is a small example of how Brightway demonstrates partnership every day. "Brightway doesn't throw you into the middle of a pond and force you to swim. They give you the tools and resources to make sure you can reach unlimited success, and are there every step of the way."

"Opening my Brightway office is one of the best business decisions I've ever made," says Robicheaux. "Brightway is a true partner. Other companies may say it; but Brightway truly lives it."

To learn more about expanding your business enterprise by owning a Brightway franchise, visit http://www.brightwaydifference.com/landing/real-trends, and speak to a Franchise Consultant today.

Brightway® INSURANCE

The insurance agency reinvented around *you*.®

ECONOMICS OF HOUSING

MAKING AN IMPACT

How the laws of economics are starting to weigh down housing. | By Steve Murray, president

Unit sales are down. Price increases are flattening out. The pending sales index is down. Each is a sign that the laws of economics are starting to weigh on the housing market.

We saw this last year when, even in a strengthening economy, housing unit sales increases were flattening. Several months of the last two quarters saw dips in year-over-year comparisons.

When the supply of a product, service or, in this case, asset, declines relative to demand, then prices will rise. At some point, the price of the goods, services or assets becomes out of reach for consumers of those items. Then, sales will flatten, and prices will soften until the supply, and the prices come down to the point where purchases will increase once again. This is true in any market for any goods, services or assets.

Such is the case of housing. We don't have enough. Demand greatly exceeds supply, especially in the lower-priced segments of the market. To correct this imbalance either more supply must be created, or demand must be cooled. Builders don't appear to be able to create much more. They are building some, but not enough in the near term to have much impact. Holders of investor-owned homes (22 million units of one-to-four family homes mostly owned by private individuals) don't appear to be in any mood to sell their investments (returns from renting too good).

So that leaves cooling demand. And, while mortgage rates are heading up and prices are cooling a bit, there remains an imbalance between new households being created and new homes being built, whether single-family or multi-family between $400,000 to $500,000 per year. That imbalance is not going to go away either.

From 2009 until 2017, the average price of a home sold rose far faster than the average household income. That is starting to ease mainly because household incomes and overall employment are increasing at the best rates since 2004. The general economy is strong and looks to get a little bit stronger (although how the new tax act and potential trade issues will affect it is anyone's guess).

We are in for a slowdown. No one we read or listen to thinks it will be dramatic. But, it now appears to be underway in most markets. For the strong, this is a good time. It's a matter of historical fact that only twice in the past 25 years have leading brokerage firms gained share when the market was growing. But, almost every time there is a market downturn, leading brokerage firms gain share.

Unit sales are down. Price increases are flattening out. The pending sales index is down. Each is a sign that the laws of economics are starting to weigh on the housing market.

HOME PRICES ROSE MORE THAN 6 PERCENT IN JANUARY

According to the CoreLogic Home Price Index (HPI™) and HPI Forecast™ for January 2018, home prices nationally increased year-over-year by 6.6 percent from January 2017 to January 2018, and on a month-over-month basis, home prices increased by 0.5 percent in January 2018 compared with December 2017*.

Looking ahead, the CoreLogic HPI Forecast indicates that the national home-price index is projected to increase by 4.8 percent on a year-over-year basis from January 2018 to January 2019, with a 12-month increase of more than 7 percent projected for California, Florida, Nevada and Oregon.

The CoreLogic HPI Forecast is a projection of home prices that is calculated using the CoreLogic HPI and other economic variables. Values are derived from state-level forecasts by weighting indices according to the number of owner-occupied households for each state.

"Entry-level homes have been in particularly short supply, leading to more rapid home-price growth compared with more expensive homes," said Dr. Frank Nothaft, chief economist for CoreLogic. "Homes with a purchase price less than 75 percent of the local area median had price growth of 9.0 percent during the year ending January 2018. Homes that sold for more than 125 percent of median appreciated 5.3 percent over the same 12-month period. Thus, first-time buyers are facing acute affordability challenges in some high-cost areas."

According to CoreLogic Market Condition Indicators (MCI) data, an analysis of housing values in the country's 100 largest metropolitan areas based on housing stock, 34 percent of metropolitan areas have an overvalued housing market as of January 2018. The MCI analysis categorizes home prices in individual markets as undervalued, at value or overvalued, by comparing home prices to their long-run, sustainable levels, which are supported by local market fundamentals such as disposable income.

Also, as of January 2018, 27 percent of the top 100 metropolitan areas were undervalued, and 39 percent were at value. When looking at only the top 50 markets based on housing stock, 48 percent were overvalued, 14 percent were undervalued, and 38 percent were at value. The MCI analysis defines an overvalued housing market as one in which home prices are at least 10 percent higher than the long-term, sustainable level, while an undervalued housing market is one in which home prices are at least 10 percent below the sustainable level.

Due to the overvalued markets, millennials looking to make their first entry-level home purchase may find it more challenging. Entry-level home supply is short, which is leading to home-price growth.

** December 2017 data was revised. Revisions with public records data are standard, and to ensure accuracy, CoreLogic incorporates the newly released public data to provide updated results.*

"Our projections continue to show tightness in the entry-level market for the foreseeable future, which could further prevent millennials from purchasing homes in 2018 and 2019." – Frank Martell, president and CEO, CoreLogic

"A rise in mortgage rates coupled with home-price growth further erodes affordability," said Frank Martell, president and CEO of CoreLogic. "CoreLogic has identified nearly one-half of the 50 largest metropolitan areas as overvalued. Millennials who are looking to become first-time homeowners find it particularly challenging to find an affordable home in these areas. Our projections continue to show tightness in the entry-level market for the foreseeable future, which could further prevent millennials from purchasing homes in 2018 and 2019, even as much of that generation reaches its prime home-buying years."

State	January 2018 12-Month Change Year-Over-Year Single Family
National	**6.6%**
Alabama	5.1%
Alaska	0.7%
Arizona	6.4%
Arkansas	4.0%
California	8.3%
Colorado	8.3%
Connecticut	1.7%
Delaware	0.7%
District of Columbia	1.5%
Florida	5.6%
Georgia	6.5%
Hawaii	4.1%
Idaho	10.3%
Illinois	3.7%
Indiana	5.8%
Iowa	3.7%
Kansas	5.1%
Kentucky	5.6%
Louisiana	6.0%
Maine	8.1%
Maryland	3.4%
Massachusetts	6.1%
Michigan	7.3%
Minnesota	6.0%
Mississippi	3.3%
Missouri	4.8%
Montana	8.4%
Nebraska	5.4%
Nevada	11.3%
New Hampshire	5.0%
New Jersey	2.2%
New Mexico	4.3%
New York	5.7%
North Carolina	5.5%
North Dakota	5.5%
Ohio	6.2%
Oklahoma	2.0%
Oregon	6.8%
Pennsylvania	3.5%
Rhode Island	8.4%
South Carolina	5.5%
South Dakota	9.2%
Tennessee	6.5%
Texas	5.6%
Utah	10.8%
Vermont	4.1%
Virginia	2.6%
Washington	12.1%
West Virginia	2.3%
Wisconsin	5.8%
Wyoming	1.7%

Source: CoreLogic January 2018

BUYER DEMAND CONTINUES TO CLIMB WITH FEBRUARY'S 3.7% YEAR-OVER-YEAR INCREASE

Northeast Region posts largest year-over-year increase; West, Midwest regions decline slightly

Key Points:

- Documented property sowing activity continues to increase nationally as buyer demand remains high despite low inventory in many U.S. markets
- Northeast (8.4 percent) and South (5.3 percent) regions outpace national growth, while West (-4.4 percent) and Midwest (-0.4 percent) regions experience slight declines
- ShowingTime combines showing data with findings from its MarketStats division to provide a set of benchmarks that track demand for active listings throughout the country

Home showings on the national level posted a 3.7 percent year-over-year increase in February, according to the ShowingTime Showing Index®, as high consumer demand continued throughout the winter and ahead of the spring market, real estate's most important time of year for booking sales.

Buyer engagement via showings in the Northeast and South regions outpaced the national numbers, with the Northeast Region exhibiting an 8.4 percent year-over-year increase and the South Region experiencing a year-over-year increase of 5.3 percent.

Showing activity in the West and Midwest regions experienced slight declines in showing activity in February, with the West Region dropping 4.4 percent and the Midwest Region declining 0.4 percent compared to the previous year. The Midwest's decline was its first in more than a year, while the slight drop in the West snapped a six-month growth period. Those numbers can be attributed to a very busy February 2017, ShowingTime Chief Analytics Officer Daniil Cherkasskiy said.

Other issues that bear monitoring in the coming months are whether higher mortgage rates and new tax laws will impact buyers, and if the new steel and aluminum tariffs will influence the already low inventory of new homes.

"Buyer demand remains strong throughout the U.S. despite prices continuing to rise across the country," Cherkasskiy said. "We experienced a very substantial increase in buyer activity during the last spring season, and this year seems to be just as busy throughout all of the regions. Activity in the Northeast has especially increased as we head into the spring season."

MIDWEST REGION: - 0.4%

SOUTH REGION: + 5.3%

NORTHEAST REGION: + 8.4%

WEST REGION: - 4.4%

THE SHOWINGTIME SHOWING INDEX

The ShowingTime Showing Index, the first of its kind in the residential real estate industry, is compiled using data from property showings scheduled across the country on listings using ShowingTime products and services, which facilitates more than 4 million showings each month. It tracks the average number of appointments received on an active listing during the month. The Showing Index, released the third week of each month, will eventually be released on a weekly basis. Local MLS indices are also now available for select markets and are distributed to MLS and association leadership to provide them with another resource to share with members and the local media. To view the full report, visit **www.showingtime.com/index.**

About ShowingTime

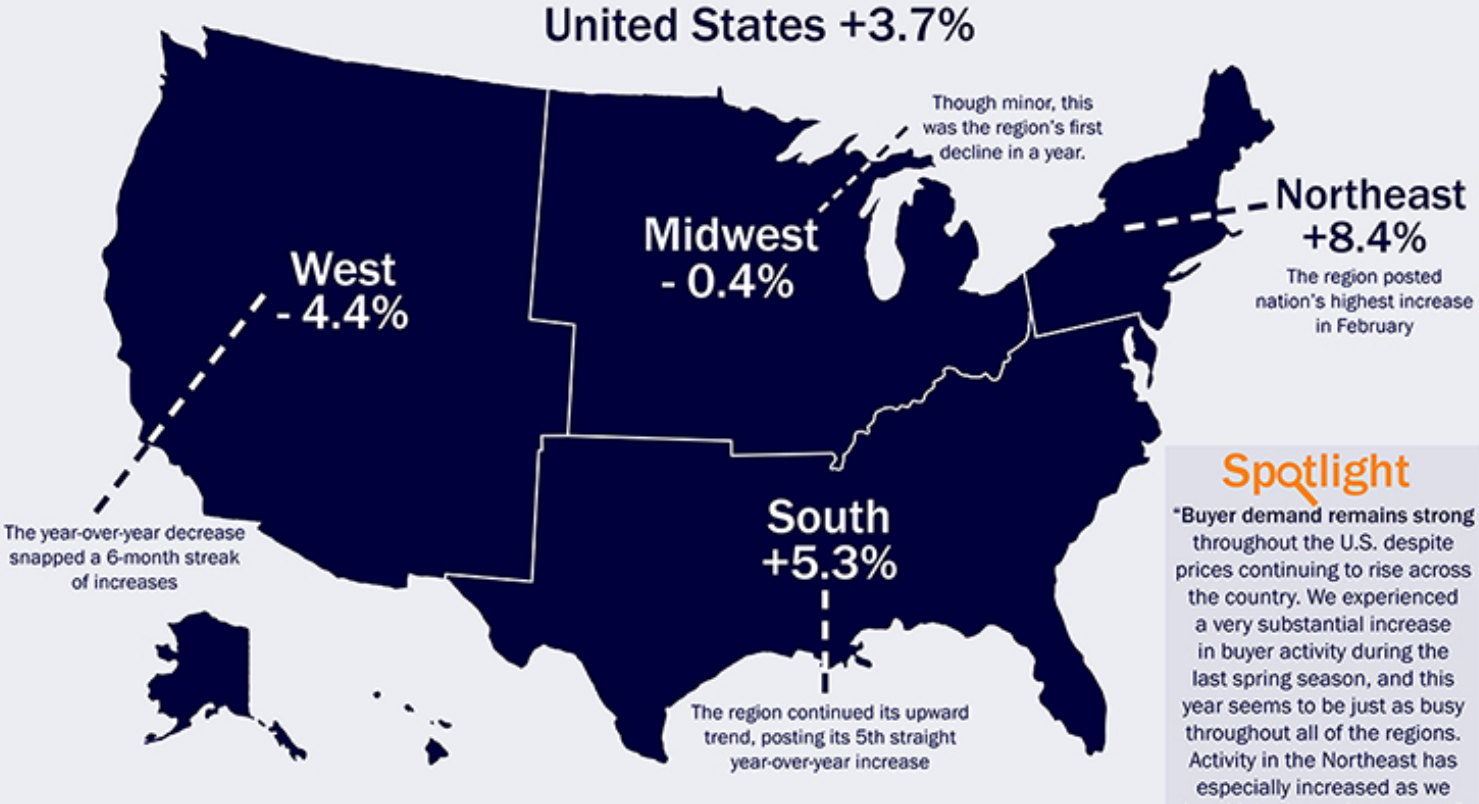
ShowingTime is the leading market stats and showing management technology provider to the residential real estate industry. Its MarketStats division provides interactive tools and easy-to-read market reports for MLSs, associations, brokers, agents and other real estate companies. Its showing products and services take the inefficiencies out of the appointment scheduling process for real estate professionals, buyers and sellers, resulting in more showings, more feedback and quicker sales. ShowingTime products are used by 180-plus MLSs and associations representing more than 900,000 real estate professionals across the U.S. and Canada. Visit www.showingtime.com.

ShowingTime Showing Index®

February 2018

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

United States +3.7%



Spotlight

"Buyer demand remains strong throughout the U.S. despite prices continuing to rise across the country. We experienced a very substantial increase in buyer activity during the last spring season, and this year seems to be just as busy throughout all of the regions. Activity in the Northeast has especially increased as we head into the spring season."

Daniil Cherkasskiy
Chief Analytics Officer

ShowingTime®

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

PHH APPEALS COURT DEBUNKS CORDRAY'S CREATIVE RESPA THEORY

CFPB Director Richard Cordray was wrong when he stated that there is no RESPA exemption for fair market value payments if they are made in anticipation of referrals.

By Sue Johnson, strategic alliance consultant

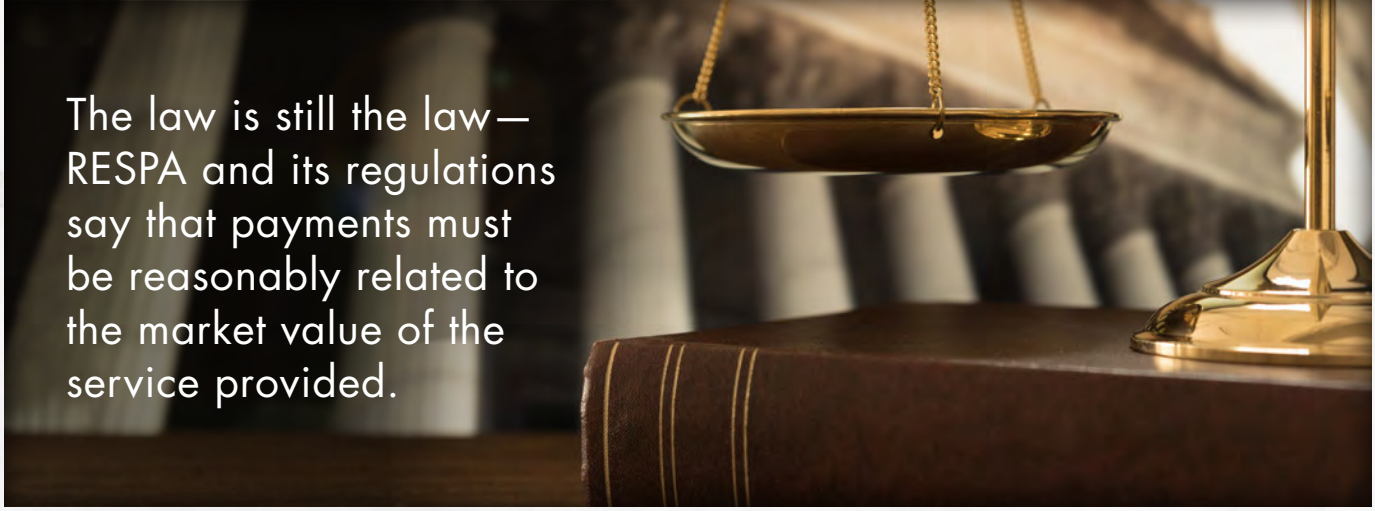
On January 31, the D.C. Circuit Court of Appeals issued its long-awaited decision in *PHH Corp. v. Consumer Financial Protection Bureau (CFPB),* overturning a three-judge panel's finding that the single-director leadership structure of the CFPB is unconstitutional.

What was neglected in much of the decision's press coverage was the court's ruling on the underlying RESPA issue of the case. By a seven to three majority, the appeals court reaffirmed the panel's conclusion that former CFPB Director Richard Cordray was wrong when he stated in his 2015 administrative ruling against PHH that there is no RESPA exemption for fair market value payments if they are made in anticipation of referrals.

The RESPA holding is significant in that it puts the federal circuit court with the most binding authority over the CFPB on record as rejecting a novel interpretation of RESPA that has cast uncertainty over the legitimacy of Marketing Services Agreements (MSAs) and other partnerships over the last few years. For that reason, it deserves a closer look.

MSAs and RESPA

MSA payments must comply with Sections 8(a) of RESPA, which prohibits kickbacks made in connection with real estate settlement services.



Section 8(c)(2) sets forth an exemption for "bona fide" payments for "services actually performed." HUD, RESPA's former regulator, considered payments to be "bona fide" when they were reasonably related to the market value of the service provided. RESPA regulations further state that the payment must be for services that are "actual, necessary and distinct" from the primary services provided by the person receiving the payment and HUD separately issued policy statements to clarify which mortgage origination and title services are considered to be "actual, necessary and distinct."

How Cordray Overreached

In his PHH administrative ruling, Cordray declared—contrary to HUD interpretations—that Section 8(c)(2) is *not* a RESPA exemption and that even payments for the fair market value of services are illegal if they are made in anticipation of business referrals. In other words, *any* payments made as part of any initiative to generate referrals and encourage business is a potential RESPA violation. It would be difficult to conceive of any marketing agreement that would meet Cordray's standards.

The Courts' Rejection of Cordray's Approach

The three-judge panel, whose decision the full D.C. Circuit now has reinstated as binding law, rejected Cordray's interpretation of RESPA and rebuked the CFPB in the process.

The panel held that "[t]he basic statutory question in this case is not a close call," and that Section 8(c)(2) of RESPA unambiguously allows arrangements where a payment for services is no more than for the reasonable market value for the services provided—even when future referrals of business are foreseen.

Significantly, the panel said, "[T]ying arrangements can be *beneficial* to consumers and the economy by enhancing efficiencies and lowering costs…[RESPA] *allows* vertical integration of lenders and other settlement service providers under its affiliated business provisions. If such vertical integration is allowed, it would not make much sense to conclude that similar vertical contractual relationships are proscribed."

The Impact of the Court's Decision

In short, the D.C. Circuit's reinstatement of the three-judge panel's strongly-worded decision restores some clarity for real estate settlement service providers which create and operate MSAs and other types of tying arrangements. Cordray's view that there is no RESPA exemption for fair market value payments made with the hope of future referrals of business has been debunked.

At the same time, companies should not assume they can disregard MSA compliance issues. The law is still the law—RESPA and its regulations say that payments must be reasonably related to the market value of the service provided and that they must be actual, necessary and distinct from the primary services provided by the recipient of the payment. RESPA violations have been enforced both in Republican and Democratic Administrations, and Acting CFPB Director Mick Mulvaney has said that that he will still enforce clear violations of consumer financial protection laws.

State regulators can be expected to step up their enforcement of RESPA and other laws under the CFPB's jurisdiction. Mulvaney told State Attorneys General in a February 28 speech that the CFPB will depend heavily on state Attorneys General when it comes to enforcement, and that it will defer to them and state regulatory agencies in determining whether a company under their jurisdiction has violated the law.

What has changed is that the most influential court over CFPB activities has rebuffed Cordray's creative legal theory regarding Section 8. While such theories would not likely be advanced by Mulvaney and his Republican successor, there now is a strong legal precedent for future CFPB Directors and state regulators who may want to push the envelope when enforcing RESPA.

GLOBAL MARKET

HOME PRICES RECORD SLOWER GROWTH

By Peter Gilmour, chief foreign correspondent

According to the recently published Global Residential Cities Index by Knight Frank, the global house price index increased by 6.1 percent in the year to June 2017. This is down from 6.9 percent in the previous quarter. This is the first decline in the index since 2016. The number of cities registering an annual price growth above 20 percent for the year fell from twelve to nine in the last three months of the study due, in part, to a slowdown in China's cities.

In the three months ending June 2017, the number of Chinese cities in the top 10 rankings dropped from seven to three, with only Wuxi, Zhengzhou and Changsha retaining their prices. Knight Frank sees this as a gradual slowdown with lower-tier cities outpricing the price growth in Shanghai and Beijing, which have seen stringent cooling measures.

Tracking 150 Global Cities

The index tracks 150 global cities annually, and this year Toronto, Canada leads the rankings with prices to June 2017 that are 29 percent higher than the previous period. It's anticipated that due to a new tax on foreign buyers, Toronto may see more moderate growth in the upcoming year. Regular frontrunners in price growth such as Reykjavik and Hong Kong retain their high ranking with price increases of 25 percent and 21.5 percent respectively. Iceland, as a country, has topped the annual house price rankings for the last four consecutive quarters.

An interesting analysis of the survey highlights the extent to which house price growth is accelerating fastest in cities located in emerging markets. Cities in the BRIC nations averaged 7.5 percent annual growth compared with cities in the European Union who averaged only 4.7 percent growth. Twenty-seven cities registered declining house prices, but European cities are becoming well represented at the bottom of the table, particularly in countries like Greece, Cyprus and Italy, with the latter recording a negative price growth.

If one looks at continents, the average house price growth in Asia was 10.9 percent, and, at the other end of the rankings, Africa was the only continent to see an average urban house price decline year-on-year. Leading the United States' cities in the rankings was Seattle (13.4 percent), followed by Portland (8.2 percent), Dallas (7.7 percent) and Detroit and Denver (both 7.6 percent). Canadian cities of Edmonton and Quebec both showed declining house price growth over the period under review.

We will continue to monitor and report on global trends in house price growth on a biannual basis.

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WHAT'S NEXT?

With so much happening in the real estate technology world, what is important in the coming year?

By Paul Salley, director of business development, Inside Real Estate

A lot has happened in the last month in the world of real estate technology—RE/MAX announced their purchase of the BOOJ website platform, Keller Williams rolled out a new voice AI technology platform and REAL Trends released its *2018 REAL Trends Online Performance Study*.

With all this technology news breaking, one can't help but take a step back and guess what will truly be important in the real estate technology landscape in 2018 and beyond.

Trending

The main trends that are emerging in the technology landscape can be summed up by two main bullet points: The continual importance of an all-in-one platform and taking advantage of AI and advanced marketing methods and solutions.

All-in-one Platform

The emphasis placed on having a proven platform from which to run your brokerage is paramount. With the advent and integration of numerous technology platforms and lead sources, it's critical to have a solution that works well alone but also plays friendly with other ancillary systems your brokerage may have in place. Many of these all-in-one solutions only display their quality on the surface level. Just as the adage goes "you can't judge a book by its cover," the same can be said for technology—You can't judge a web platform by its design. Many times, the design is trivial and can easily be manipulated to a brokerage's liking. What really matters is how the system can handle and distribute leads from multiple sources, execute on automated follow-ups, incorporate reporting and workflows, integrate with other systems, and be simple enough to use to support widespread agent adoption.

Artificial Intelligence & Predictive Analytics

The second major trend that the industry will be observing comes from the digital marketing side. Being able to deploy elements of AI, predictive marketing, interest marketing, intent-driven marketing and big data analytics have all made for the perfect storm. The result has introduced some of the most sophisticated marketing solutions to date.

Some of these focus on the predictive and physical locations of potential buyers and sellers, while others present relevant messages based on shown intent across the internet. Tried and true digital marketing juggernauts (looking at you Google and Facebook) have also continued to improve their platforms and include advanced marketing tools and tactics to their platform. Not only do these allow the correct messages to reach the correct people, but they also prove an ROI on your marketing dollar with built-in analytics, reporting and tracking features.

Keep an eye on these technologies; they will mature quickly. Those aware of or taking advantage of these tools will noticeably pull away from the top performing brokerages in their market area.

Being able to deploy elements of AI, predictive marketing, interest marketing, intent-driven marketing and big data analytics have all made for the perfect storm. **THE RESULT HAS INTRODUCED SOME OF THE MOST SOPHISTICATED MARKETING SOLUTIONS TO DATE.**

REAL TRENDS LAUNCHES TOP 500 BROKERAGE FIRMS REPORT

Did you make the 500 or Up-and-Comers rankings? CLICK HERE to find out! There you can view the rankings and download the free report.

A record 1,752 firms qualified for this year's REAL Trends 500. According to REAL Trends, the 500 largest residential real estate brokerage firms in the nation closed over 3.2 million residential sales transactions in 2017. These transactions represent approximately one-third of all new and resale transactions completed by brokers during the year, yet the REAL Trends 500 represented less than one-half of one percent of all brokerage firms. The 500-ranked brokers closed 3.2 million home transactions with a value of over $1.1 trillion during 2017, up from $1.0 trillion in the calendar year 2016.

This year's survey represents the most comprehensive collection of data assembled on the leaders of the residential brokerage industry. Numbers are documented by outside accounting firms.

FUN FACTS ABOUT THE TOP FIRMS

- NRT has been No. 1 on our rankings for the last 20 years.
- HomeServices jumped the most in total transaction sides from 2016-2017, more than any firm has ever jumped in one year.
- Hanna is the largest family-owned real estate service in the country.
- Keller Williams Go Management is the largest KW franchise in the country and the highest ranked in their history.
- HomeSmart is less than 20 years old and is one of the youngest companies to ever make the top 10 in transactions.
- Crye-Leike has operations in more states than anyone below them in the rankings.
- eXp grew by more than 200 percent in one year, without an acquisition. This has never happened before in the rankings.
- Real Estate One has been a member of the top 10 in the country for past 10 years.
- RE/MAX Results is the single largest RE/MAX firm of the last 15 years.