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FEBRUARY 2018 NEWSLETTER

THE AGE OF AMAZON

LESSON 1: WHAT CAUSES INCUMBENTS TO FALL?

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

By Steve Murray, president

Amazon has succeeded in trashing more than a few industries. There are some who claim that the myriad of retail declines or outright failures can be laid at the doorstep of Amazon. Surely, they have changed how investors and consumers view old-world retail establishments, but it's not true that Amazon alone caused the decline of so many.

Here's some history. As late as the 1980s, IBM was the world's largest computing company; Sears the world's largest retailer; GM the world's largest auto company; the oligopoly of CBS, NBC and ABC controlled almost all television viewership. All lost their positions long before Amazon arrived. IBM did not lose its position because of outside

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competitors so much as they became complacent and did not see the future as did Bill Gates or Steve Jobs. They missed the importance of the personal computer and the internet.

Failure to Capitalize

IBM was once the largest computing company in the world. At one point, it was estimated that they had 70 percent of the world's installed technology. Then, they ignored the midrange computing market (it would cannibalize their large machines), gave Bill Gates the license for the software for the IBM PC (but also allowed him to sell it to anyone who made a similar machine), never saw the internet, never saw browsers—well, you get the point. They were focused on the large computing market and never capitalized on the rest of the computing market.

Too Many Focuses

Sears wasn't killed by Walmart alone. Home Depot, Lowes, Crate and Barrel, Office Depot and many others took a piece of Sears' market. But it wasn't these outside entities that killed Sears, it was the leadership who moved in stocks, real estate brokerage, credit cards, etc., and stopped focusing on what was happening to its customer base. They didn't pay attention to the many competitors posing a threat any more than they dreamed that one day there would be an Amazon.

Dismissed Competitors

GM once ruled the U.S. auto market with well over 50 percent market share of domestic car and truck sales. They first dismissed foreign competition as too niche to ever pose a threat to their dominion. And, despite numerous attempts to get the Federal government to protect them, they began to lose market share to niche competitions. Again, it wasn't just that they didn't see these competitors as real threats, but they also began to focus their attention in other directions (remember when they bought Ross Perot's EDS?). Today, their market share is close to half of what it once was.

Stuck in Old Ways

The big three networks lost market share to many new entrants, but mainly they lost share because they, too, stuck to tried-and-true formulas of success from the past. Viewers were looking for something else and finding new ways other than watching TV to get their news, sports and weather. The standard morning and evening news shows no longer attracted consumers who could get their daily information fix from many sources at any time. They weren't paying attention. Consumers now had many more choices of news and entertainment and could have it on demand.

It's not just new entrants that cause a diminution of incumbents; it's just as likely that incumbents were not paying attention. Arrogance is as likely a cause as what new competitors are bringing.

This is part of a series on the age of Amazon and how brokers can innovate and stay profitable through market changes.

A GREAT AND SUCCESSFUL FIRST CAREER

Pam O'Connor steps down as CEO of Leading Real Estate Companies of the World

By Steve Murray, president

Pam O'Connor announced that she was stepping down from the role she has had for nearly the last 20 years as CEO of Leading Real Estate Companies of the World (LeadingRE). As we had written late last year, after nearly 20 years with five leaders all in their roles at leading U.S. real estate organizations, some changes would ultimately take place. Pam is the second major figure to step down after Richard Smith of Realogy did so late last year.

It is not that those of us who know Pam think this means she's retiring. Hardly. For one, she will remain a Board member of Leading RE. Her friends believe she will be involved in the industry in areas yet for her to determine. My thought is that it is a matter of which opportunities she will choose from in the weeks and months ahead. For, without doubt, she is one of the great talented leaders of our times.

For those who don't know, Pam and I have been competitors, peers and friends for nearly 40 years. Once upon a time, I had a job like Pam's, managing a network of independent brokerage firms. What most people don't realize is that LeadingRE didn't just happen; it was not ordained that it would. There were huge competitive issues between the large independent networks at that time, RELO, All Points, Reliance Relocation, etc. There was actually more that divided them than what may have caused them to merge. Those of us who have been around for some time know some of this. Pam knows it all.

As much as any single factor, it was Pam's calmness and character that helped those large independent brokerage firm merge in the first place. And, she was instrumental in developing key organizational structures that have helped it thrive today. Her team oversaw the rebranding from the referral-focused RELO to today's Leading Real Estate Companies of the World. She also helped recruit and develop Paul Boomsma, who succeeds her in the CEO role. He is as well prepared as a person can be, and in our view, the ideal candidate to lead the organization forward.

While Pam will still be around the industry, doing as Jim Collins suggests and being useful, those who have known and enjoyed Pam will miss her nonetheless. The list of her qualities and attributes would require more time and space than this publication has available. But some that stand out to us are smart, steadfast, positive, integrity and humility. She has them all.

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NEW REPORT

FUTURE OF BROKERAGE

Sunny Lake and Rob Hahn, partners in life and business, have released a new report called "Future of Brokerage" that lays out their views of the brokerage industry.

By Steve Murray, president

In a new report, "Future of Brokerage," the authors lay out certain underlying views of the brokerage industry, how it's operated, where it's heading, their thoughts on the consequences for brokerage firms given some changes that have taken place and, lastly, some thoughts on how brokerage firms could take advantage of these emerging trends.

If this were almost anyone else, I wouldn't recommend that you read this with more than a passing thought. But, having come to know Rob and Sunny over the past six to eight months, I've come to respect their views on some things because I believe they have done a fair amount of homework on whatever topic they are addressing and they actually care that what they do will help make the industry better than it was and not just the celebrity value of what the article says.

Sunny, Rob and I have discussed the whole issue of how a new relationship between brokerage firms and teams or high-producing agents may be a way for both parties to prosper.

Hear Rob Hahn at the 2018 Gathering of Eagles! For more information, **CLICK HERE.**

I think there are some merits to investigating how this might work, and I have encouraged Sunny and Rob to do so. We may also assist in their efforts. It's possible that brokerage firms and teams can build different kinds of business relationships along the lines of a "professional services" organization.

Whether you agree or not, Sunny and Rob's report is worth reading.

Download the report, "The Future of Brokerage."
CLICK HERE

DO YOU UNDERSTAND BLOCKCHAIN TECHNOLOGY?

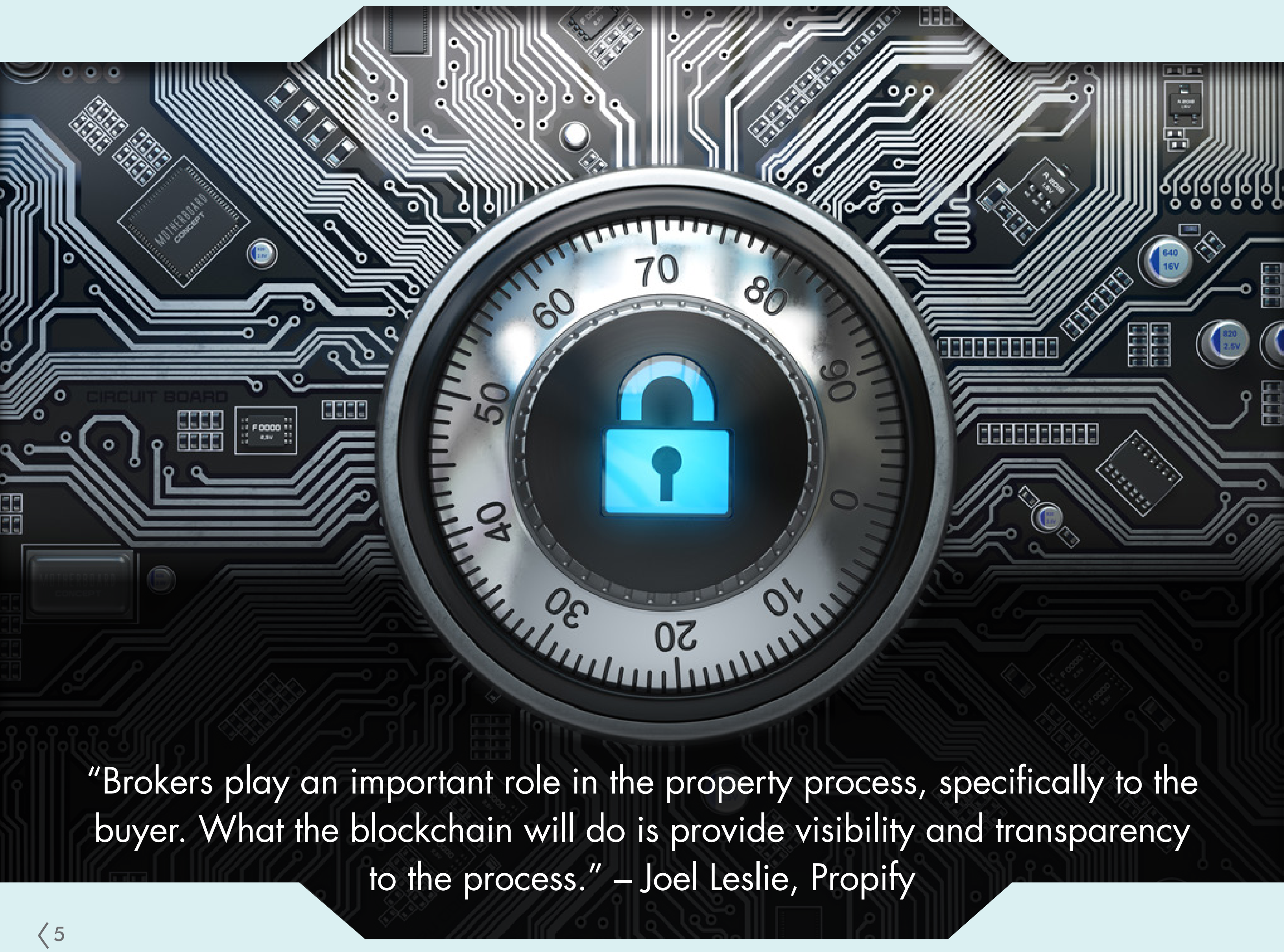
Two industry vendors capitalize on Blockchain technology. Is it the next big trend?

By Tracey C. Velt, publisher

Before one understands how companies are using the blockchain, one has to understand what it is. Originally developed as a secure way to trade Bitcoin and other cryptocurrencies, the blockchain, according to Wikipedia, is a growing list of records, called blocks, which are linked and secured using cryptography. Each block typically contains a timestamp and transaction data. By design, blockchains are inherently resistant to modification of the data.

Why is it Important?

What does that mean to you? According to Joel Leslie, a partner at Propify, a blockchain-based real estate marketing solution, "Brokers play an important role in the property process, specifically to the buyer. What the blockchain will do is provide visibility and transparency to the process. Real estate professionals and brokers will be able to find out exactly what is happening to a property at any given point in time. The blockchain can vouch for the trust of the data."



"Brokers play an important role in the property process, specifically to the buyer. What the blockchain will do is provide visibility and transparency to the process." – Joel Leslie, Propify

Propify promotes property content via a non-portal model. The platform provides transparency across the entire property listing process, facilitating the safe and secure marketing of real estate and the secure communication between the consumer, agent and peers.

Data Quality

The key is that blockchain is a protocol-first technology, meaning that all the data is encrypted and can't be changed or altered. So, once it's in the blockchain (good or bad), it's quality information. "The way our system works is that we have two blockchains working in tandem—one for the broker and one for the property asset. We match those together throughout the system, and it outputs data in the most accurate form possible. It's 100 percent qualified, and anyone can look at the data and each block (which represents a property's change) and see where the information came from," says Leslie.

Another product, ShelterZoom is also using blockchain technology to ensure the quality of its data. Built to be Real Estate Standards Organization (RESO) data dictionary-compliant, ShelterZoom refines and streamlines the process of making real estate offers, thereby reducing paperwork and bringing greater openness to what has traditionally been a fragmented and opaque process. The complete ShelterZoom Online Offer and Acceptance platform includes a dashboard, the Offer NOW widget and a mobile app (available on iTunes and Google Play) that enables buyers and buyer agents to instantly submit offers from online real estate listings with just a few clicks or screen taps.

According to Sergey Fradkov, ShelterZoom technical advisor and General Partner of Startup Accelerator iDealMachine, "We'll see rapid adoption of blockchain technology by marketplaces, organizations and entire industries. Blockchain and related cryptocurrency implementations will enable new business models and streamline interactions between participants. They will also enable new participants to quickly establish themselves in the industry segments and create many new business opportunities."

Time will tell if this technology will bring about a slew of new disrupters and innovative marketing companies, but it will, no doubt, impact everything from title search and appraisal to digital marketing and the mortgage qualification process.

Want more? Check out the REAL Trends podcast on the subject where Tracey Velt interviews ShelterZoom founders Chao Cheng-Sorland and Amir Allen Alishahi.

CLICK HERE

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BROKERAGE BELOW-THE-LINE SPEND

How does your firm compare to your competitor's firms?

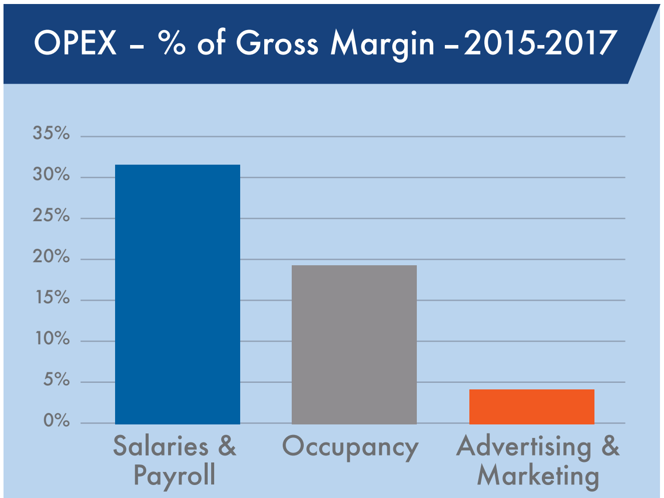
By Scott Wright, director of mergers and acquisitions

Our highly sought-after REAL Trends Brokerage Benchmark report is an incredibly useful tool for our valuation clients. It not only gives them insight into how their firm compares to regional peers using various performance metrics (retained company dollar, return on revenue, etc.) and agent productivity benchmarks, but it also offers a snapshot of how they scrub up with several key expense ratios.

Brokerage financial performance can be broken out into two areas of focus, above-the-line and below-the-line. Above-the-line focuses on Gross Margin, or Retained Company Dollar. Simply put, Retained Company Dollar is what's left after brokers pay their agents. It's the portion of every dollar of commission they keep as well as any transaction fees that may be charged. Below-the-line is operating expenses, what brokers spend to keep the doors open, the lights on, the staff paid and for getting their name out there.

Areas of Pain

Of course, brokers have some control over above-the-line performance, but as they will all tell you, this is an area of pain that they've been losing their grip on over the years. Many broker/owners remember the days when 30 percent+ retained company dollar was the norm, a stark contrast from a national average that is now well under 20 percent. In today's hyper-competitive environment brokers only have so much control above the line, so below-the-line management of operating expenses is key to driving profits.



Salaries and payroll-related costs are by far the largest expense for real estate brokerage companies. In fact, the three-year average shows brokers spending nearly one-third of Gross Margin on the management and support of their companies' operations.

As part of our Benchmark, we look at three crucial areas of spend: Salaries & Payroll, Occupancy and Advertising & Marketing. To quantify comparably, we look at these expenses as a percentage of Gross Margin, and as you can see in the chart, the three combine for over half of all operating expenses.

Salaries & Payroll

Salaries and payroll-related costs are by far the largest expense for real estate brokerage companies. In fact, the three-year average shows brokers spending nearly one-third of Gross Margin on the management and support of their companies' operations. Executives, office managers and support staff like admins and transaction coordinators play an integral role in the success of a broker's primary asset, the agent.

Though this expense bucket is a big one, it's been *trending down* over the years. 2012 was the first year we started compiling this benchmark data, which interestingly was also the first year average U.S. home prices rose coming out of the Great Recession. Since then, spend for Salaries & Payroll has declined by 20 percent on average. There are many reasons for this decline, but the biggest is the response to decreasing retained company dollar. As mentioned, brokers need to work below the line to manage their profits, and naturally, this large expense is a prime target for reduction.

Occupancy

Occupancy-related expenses, of which the lion's share is rent, comprises about one-fifth of a broker's operating expenses. With this age of technology making it easier to telecommute, you'd think this would be an expense that brokers would aggressively target for reduction. Interestingly though, occupancy expenses have only decreased by about 11 percent since 2012.

Many brokers are trying to reduce this expense, but what this slower-than-expected decline shows is that brick and mortar is still important to most agents. Even the telecommuters like to have a place to drop by whether it be for making photocopies or using a conference room.

Advertising & Marketing

As you can see, Advertising & Marketing expenses aren't that large relative to the other two categories. Though on average, this spend is just under 5 percent of Gross Margin, it's an important one that brokers carefully monitor. Like the other two, this bucket has also seen a decline since 2012, but this decline has been much larger, to the tune of nearly 50 percent.

This decline is a head-scratcher to many brokers. How do you get away with only spending 5 percent of Gross Margin in this important area? It makes more sense when you take into consideration the effects of Keller Williams and RE/MAX. Brokerages running under these brand names spend practically nothing on advertising and marketing given the name recognition and a little bit of advertising at the national level.

Keller Williams has seen so much growth over the last five years that it alone has skewed the data. Interestingly, if we remove Keller from the Benchmark, the national average for advertising & marketing spend is just over 8 percent and the five-year decline is not nearly as severe.

The bottom line is that, given the tightening margins above the line, brokers must focus below the line in their efforts to maximize profitability. With expenses on the salaries & payroll, occupancy and advertising & marketing fronts declining, according to our latest Benchmark update, brokers are successfully adapting.

FOLLOW THE ROAD LESS TRAVELED

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

At a recent Ninja Selling workshop, a woman came up to me and asked if I was concerned about all the so-called industry disruptors—Zillow Leads, Instant Offers, Open Door, Redfin, Purple Bricks, etc. She was obviously distraught and said, “We won’t even have a chance to compete for the business. They will have the business before we ever get in the game!”

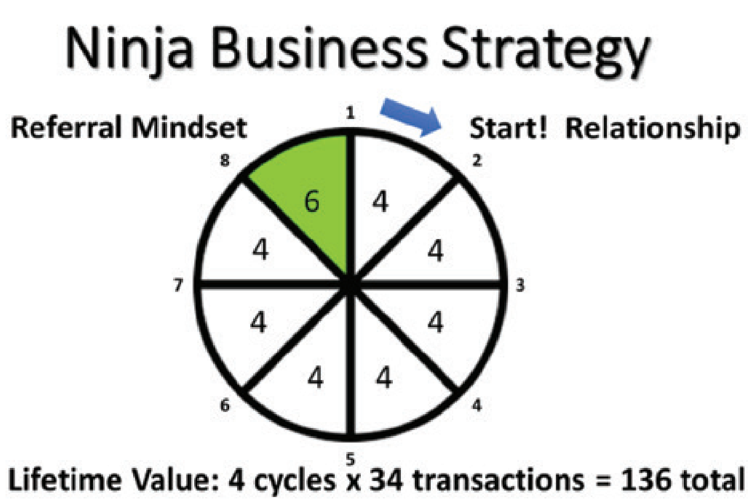
As she continued her rant, she suddenly stopped and said, “You don’t seem too concerned! Why aren’t you concerned?” I replied that we have a different business strategy—a road traveled by only 6 percent of our industry. The other 94 percent are trying to compete with or buy leads from the disruptors.

Here's what the industry looks like.

The typical American household buys and sells a home every seven to nine years—let's say eight years on average. The wheel above represents this eight-year cycle. Nearly our entire industry (94%) as well as the disruptors are focused on that last 12 months of the cycle (green section). Who's moving? How do we capture them? How do we sell (or buy) the leads? Lead generation, capture, and conversion is the name of the game here.

At closing, the pattern starts over and the real estate professional runs back to the green section looking for leads and the next deal. According to the Zillow Consumer Housing Trends Report, only 6 percent of real estate professionals have a consistent (monthly) follow-up program with their customers after closing. An amazing 74 percent of buyers surveyed said they never heard from their real estate professional again after closing! Their real estate professional is back chasing the next lead in the final year of the eight-year cycle rather than building and maintaining a relationship.

Here's the Ninja Business Strategy, which is the road traveled by only 6 percent of the real estate professionals in our industry.



The Ninja Business Strategy is built around three principles:

1. **Relationship Activities.** The closing is the START of the relationship not the end. Stay in flow with three touches a month that create value for the client. Maintain your relationship with them, and you will know well in advance when they are ready for a move—pre-empting the disruptors who are swarming in the last 12 months of the home buying/selling cycle.

2. **Referrals Mindset.** According to Harris Interactive, Americans know at least four people who will move this year. The Ninja Mindset is, "How do I discover and earn those referrals?" Four referrals a year over the eight-year cycle is 32 transactions, plus the client's purchase and sale in year eight, results in 34 potential transactions over this eight-year cycle.

3. **Lifetime Value.** Assuming your client moves four times in their lifetime (four 8-year cycles), there are 136 potential transactions available to you. The relationship with this client is solid gold. Do the math. Take 136 times your average commission. What if you have 100 of these clients? You are swimming in abundance!

Why jump into the *mosh pit* with the disrupters and 94 percent of the real estate professionals who are chasing leads in the last 12 months of the process? Pre-empt them! Build a lucrative and fun relationship business by following the road less traveled.

BITCOIN AND CRYPTOCURRENCIES: ONE BROKER'S EXPERIENCE

Real estate professionals in several resort locations have already closed transactions with buyers using bitcoin or other cryptocurrencies. Here's what you need to know.

By Tracey C. Velt, publisher

Paul Benson, co-owner and licensed partner of Engel & Völkers in Park City, Utah, closed two successful bitcoin transactions, both over $2 million, in less than 45 days. "Most importantly, these transactions happened before bitcoin's huge upswing," says Benson, who notes that bitcoin is extremely volatile. Both investors came from Europe. "Because it's not on the United State's monitored currency systems, it doesn't go through the same channels, so a savvy investor who gets appropriate legal and tax advice can see tax benefits."

Paul Benson

Both transactions went "smoother than we thought," says Benson. "We thought it would take four days to convert the bitcoin to U.S. currency, but we got the title company and attorney on board. The title company was able to initiate the request, convert to U.S. dollars and put the money in the seller's bank account in only 18 hours."

Because Benson works with many investors, he's seen a lot of interest in buyers using bitcoin and other cryptocurrencies. "Many investors are coming from Europe, the Mideast and China. Bitcoin is truly an international currency. We forget how many countries are feeling bad about their economies, so it appeals to that group. "This is one of the currency's biggest draws for investors who want to avoid the volatility of euros, dollars, and yen, especially in today's tense global climate. For this reason, real estate professionals can expect to see increased interest in bitcoin among their international clientele."

According to Bitcoin.com, the heaviest user demographic of bitcoin is European males between the ages of 25-34. "Bitcoin is still very much in its infancy, and not every buyer is ready to do business in the cryptocurrency. The U.S. market especially has been slower to adopt bitcoin for real estate, so brokers and agents must take that learning curve into account," notes Benson.

Benson says he's learned two valuable lessons through the transactions. The first is that bitcoin values are volatile. The value of bitcoin fluctuates by the second so there is a gap between when the title company can get on the computer to sell it and have it converted to U.S. dollars. "You have to get buyers and sellers to agree on that window of fluctuation," he says. "We have it written into the contract that there will be a three-day window and during that time, if the value of bitcoin falls outside of the parameters outlined by both parties, they can walk away with no penalty," he says.

Second, he says you should have flexible partners who truly understand how a bitcoin transaction works. From real estate agent to title company, sellers must find fluid partners who are comfortable working with bitcoin. Because the currency is so new and its value changes every day, there are payment service providers who will convert bitcoins into dollars to mitigate the risk for wary buyers.

Right now, we're figuring out how to market it. We're also exploring the legalities and how we can protect our brokerage from any untoward transactions. Always work with an attorney and tax professional to ensure your brokerage is doing it correctly. Notes Benson, "The buyer of the future is open to creative ideas. I think it's important to get onboard even if it's not that comfortable."

THE MISUSE OF *GROW* OR *DIE*

By Patrick Lencioni

We've all heard leaders refer to the adage *grow or die* in their attempt to motivate employees. Most people don't dispute it and push harder to increase sales or revenue or customers. Well, I think it's time to dispute the wisdom of this axiom, or better yet, to clarify it.

Good growth is about improvement and development. Sometimes that growth leads to increasing size and scale. Sometimes it doesn't. When leaders mistakenly insist that size and scale are necessary for growth, they often jeopardize the success of their organizations. And it happens all the time.

Now, there are some organizations that feel an understandable pressure to continue growing. These are public companies who must keep their stock prices high to fund their operations or fend off the threat of a hostile takeover. For the vast majority of other companies, the compulsion to grow is a result of groupthink and pride. It is not; however, a good predictor of long-term success.

Boredom may be another driver of the misapplication of *grow or die*. When executives successfully lead their organization to a record year in revenue, they are faced with the prospect of what's next? The easy answer is "more of the same." While that may sometimes be the right answer; in many cases, it is not.

Having a great year might actually be an opportunity to slow down and invest in infrastructure or product development or culture. While those options are not mutually exclusive to growth in size or scale, they are not necessarily correlated. The fact is, the best companies, like the best athletes and performers in other disciplines, often need to slow down after a big push, to recover and reflect and restore. Forcing themselves to keep pushing without a compelling reason other than pride or boredom is a recipe for burnout, employee disillusionment and cultural implosion.

Patrick Lencioni is founder of The Table Group and author of 11 books on leadership and organizational excellence.

When leaders mistakenly insist that size and scale are necessary for growth, they often jeopardize the success of their organizations. And it happens all the time.

BUYER INTEREST REMAINS HIGH
AS NATIONAL SHOWING INDEX EXHIBITS 7% YEAR-OVER-YEAR INCREASE IN DECEMBER

Showing activity rises 8.5% nationally in 2017; strong demand expected to continue into early 2018

Key Points:

- Showing activity increased nationally in 2017 as demand continued to outweigh supply.
- West (13.3 percent), Midwest (12.2 percent), Northeast (4.3 percent) and South (3.6 percent) regions all record year-over-year gains to close the year strong.
- 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 7 percent year-over-year increase in December 2017 to close a year in which showing activity increased 8.5 percent nationally, according to the ShowingTime Showing Index®.

All four regions finished the year strong, with the West Region experiencing a 13.3 percent year-over-year increase in buyer interest.

The Midwest (12.2 percent), Northeast (4.3 percent) and South (3.6 percent) regions also saw an increase of showing activity compared to the same period last year.

ShowingTime Chief Analytics Officer Daniil Cherkasskiy said the December increase can be attributed to the lack of inventory, which continues to lag behind consumer demand.

Cherkasskiy said he anticipates a similarly intense market in early 2018.

"While, unsurprisingly, December is always the slowest month for showings, activity in December 2017 was substantially higher than the previous year due to lack of inventory," Cherkasskiy said. "This points toward higher demand in early 2018 because of new buyers and those coming back to the market from last year."

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 to communicate to local media. To view the full report, visit **www.showingtime.com/index.**

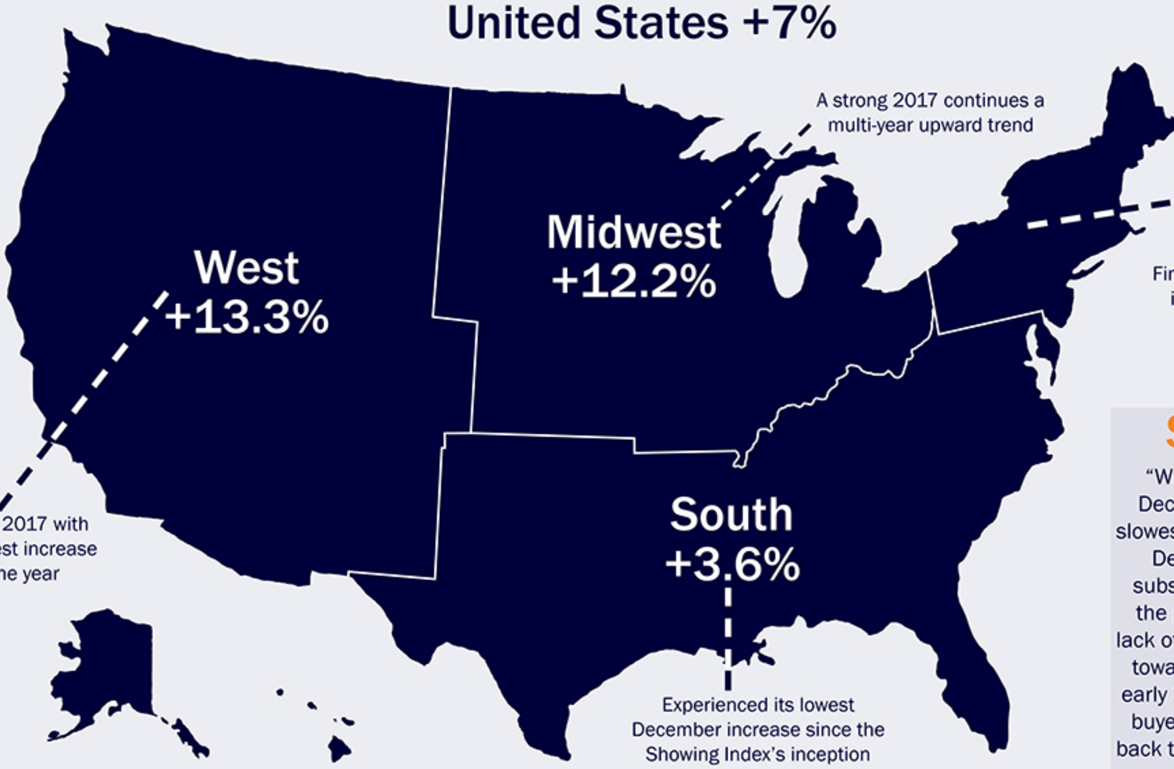
About ShowingTime
ShowingTime is the leading market stats and showing management technology provider to the residential real estate industry. Its MarketStats division provides interactive tools and easy-to-read market reports for MLSs, associations, brokers, agents and other real estate companies. Its 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®

December 2017

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 +7%



Spotlight

"While, unsurprisingly, December is always the slowest month for showings, December 2017 was substantially higher than the previous year due to lack of inventory. This points toward higher demand in early 2018 because of new buyers and those coming back to the market from last year."

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.

FEDERAL HOUSING FINANCE AGENCY

CLOSER TO ALTERNATIVE CREDIT SCORING DECISION

Should models other than FICO be used by the Enterprises to make mortgage purchasing decisions?

By Sue Johnson, strategic alliance consultant

In a move that could trigger a final decision this year on the use of alternative credit scoring models by Fannie Mae and Freddie Mac, the Federal Housing Finance Agency (FHFA) requested public input in December on whether models other than FICO should be used by the Enterprises to make mortgage purchasing decisions.

The topic of whether Fannie Mae and Freddie Mac should adopt alternative credit scoring models has been debated for years. Bipartisan bills requiring them to consider models other than FICO have been introduced in both the House and Senate for two consecutive years. In 2017, the Consumer Financial Protection Bureau (CFPB) requested public input on the advisability of using alternative data in credit scoring as part of a broader inquiry into ways to expand access to credit for consumers.

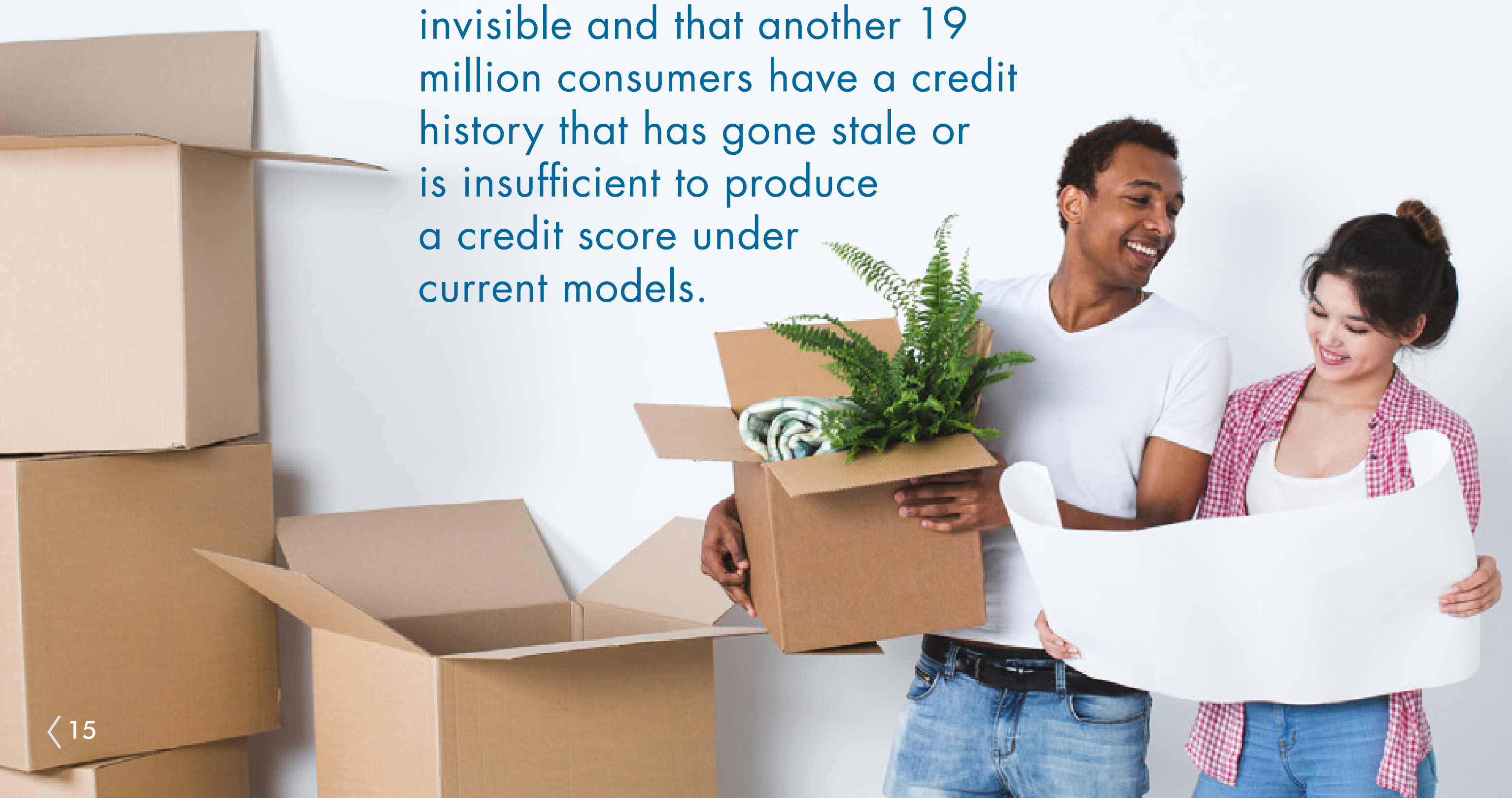
But unless legislation is passed, the decision over the use of alternative credit scoring models lies with the FHFA, which supervises the Enterprises. Here is an overview of the issues at stake and the FHFA's Request for Input.

The Issues

Fannie Mae and Freddie Mac now rely on Classic FICO credit scoring models, which consider traditional information such payment history, debt burden, and length of credit history.

Newer models that look at a broader range of data (such as mobile phone, utility and rental payments) are available in the marketplace but are not allowed by the Enterprises. One prominent example of such a competitor is VantageScore, a joint venture of the three major credit bureaus (Equifax, Experian and TransUnion). Advocates of alternative credit scoring models argue that if sources of alternative data were used, a large number of consumers that are *credit-invisible*—meaning they have no credit history with a nationwide consumer reporting

A 2017 CFPB study found that 26 million consumers are credit-invisible and that another 19 million consumers have a credit history that has gone stale or is insufficient to produce a credit score under current models.



agency—would get access to mortgage credit or lower borrowing costs. A 2017 CFPB study found that 26 million consumers are credit-invisible and that another 19 million consumers have a credit history that has gone stale or is insufficient to produce a credit score under current models. A 2015 VantageScore study estimated that the use of alternative models could give roughly 72,000 more households access to credit each year, 16 percent of these being Hispanic and African-American households.

Skeptics believe that the issue is not so simple. Some point to the fact that the credit bureau owners of VantageScore control the supply of information now used by FICO and could gain an unfair advantage that could diminish long-term competition, although the credit bureaus could be required to sell their holdings in VantageScore. Some believe that the use of alternative data could be prone to more errors because of weaker standards in its collection, or could create privacy issues if consumers do not know that it is being collected or shared.

The FHFA Request for Input

The FHFA already required the Enterprises to assess the potential impact of allowing the use of alternative credit scoring models such as FICO 9 and VantageScore in its 2015-2017 Scorecards, which outlined conservatorship priorities for the Enterprises. Its 2017 Scorecard concluded that empirical evidence shows only marginal benefits to requiring a different credit score than Classic FICO since their automated underwriting systems incorporate additional information provided by the borrower and third parties during the mortgage application process.

The Request for Input is intended to gather further feedback from all interested parties impacted by a possible change. Specifically, the FHFA is evaluating four credit score model options:

- **Option 1: Single Score.** The Enterprises would require delivery of a single score, either FICO 9 or VantageScore, if available, on every loan.
- **Option 2: Require Both.** The Enterprises would require delivery of both scores, FICO 9 and VantageScore, if available, on every loan.
- **Option 3: Lender Choice on Which Score to Deliver with Constraints.** The Enterprises would allow lenders to deliver loans with either FICO 9 or VantageScore, when available. Lenders would have to choose one score or the other for a defined period of time.
- **Option 4: Waterfall.** The Enterprises would allow delivery of multiple scores through a waterfall approach that would establish a primary credit score and secondary credit score. Where a borrower did not have a credit score under the primary credit score, a lender would have the option to provide the secondary credit score.

FHFA Director Mel Watts said in a December speech that any credit scoring change would not take effect until 2019, although a decision could be announced in 2018. "The more we looked into this issue, the more complicated it became, and it is turning out to be among the most complicated decisions I have faced during my tenure at FHFA," he told another audience. Now, it looks like a decision may finally come this year.

GLOBAL WORKPLACES OF THE FUTURE

How will the workplaces of the future impact the real estate industry?

By Peter Gilmour, chief foreign correspondent

Over the next decade, workplaces are likely to change from drab, formal, functional designs to those geared to the needs of the employees containing a diverse mix of spaces, furniture, décor and services. There will be a strong move to flexibility in the workplace design and co-working platforms with a range of memberships to suit the needs of growing businesses, says Ron Friedman, organizational psychologist and author of "The Best Places to Work." In researching his book, he analyzed thousands of academic studies to understand conditions that help people work more effectively.

The recent update to the REAL Trends Brokerage Benchmark report shows that, on average, the retained company dollar that brokers are keeping is dropping. Being tied to long leases for space that you may outgrow or that may be too large, has always been a problem and comprises a major expense to real estate offices.

Co-Working Spaces

Co-working community spaces are mushrooming all over the world and combine flexibility with creative eco-friendly elements such as green roofs to reduce energy use, solar power and windows that allow views and exposure to sunlight—all make for happier workers. One element that is constant in all countries is speed and consistency of internet supply as this is the driver of most businesses.

In Australia, one such co-working space, called The Hub, has locations in Sydney, Melbourne and Adelaide, and offers common facilities such as high-speed fiber optics, excellent kitchens, jump-in phone booths, bookable meeting rooms and more. Spaces range from single desks to shared offices, to private offices and suites, and membership is flexible from month-to-month arrangements to longer periods of occupation.

In Cape Town, South Africa, The Bureaux has been in existence for five years with multiple locations and offers a range of modern spaces with strong networking between tenants. Most locations are close to residential areas, provide convenience and promote work-life balance.

Spaces Close to Home

In the United States, many co-working operations are small with less than 20 locations. The industry is led by Regus with locations in over 475 cities in the U.S. and globally. We Work has spaces in 19 cities as well as internationally, and there are others such as Proximity Space in Colorado, The Yard in New York City, Boston, Philadelphia and Washington D.C., and NextSpace with locations in California and Chicago.

In some countries, real estate agents and teams are choosing these spaces rather than go to the home office as the added networking benefits assist them in controlling their costs and meeting the needs of their team members. Millennials and younger entrepreneurs are driving change in all industries and promoting the co-working concept in the workplaces of the future around the world.

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SEO AND PPC

SUCCESS THROUGH TARGETED KEYWORDS

By Paul Salley, director of business development

The framework for understanding your visibility on both paid and unpaid search results depends on keywords that have been incorporated into your website and Google AdWords campaign structures. Keywords that are used should go hand-in-hand with what is heavily searched in your area concerning real estate and homes for sale. In addition to specific keywords, take into consideration primary keyword phrases, such as "homes for sale in Denver."

How do you know which keywords to incorporate into your website and blog copy? Here is how to get started:

1. **Identify which keywords people are searching for in your area.** There are multiple resources to help you accomplish this. The leading authority for identifying the most searched and used keywords is Google's Keyword Planner: **CLICK HERE**

2. **Incorporate them.** Once you have obtained the keywords and phrases you would like to use, incorporate them into your website structure, content and marketing campaigns. Remember to also incorporate these keywords into content that changes such as blog posts and social articles.

3. **Keep tabs on keyword trends and changes.** Neighborhoods within your area of business can increase and decrease in popularity, thus increase and decrease in the number of organic searches. Keep a pulse on events and new or popular restaurants that occur within the neighborhoods, subdivisions and towns within your brokerage's borders.

A keyword strategy and content strategy go hand-in-hand. Focus on local content and being a local resource to give both potential and regular visitors to your site a reason to continue to come back. Establishing your real estate website as a local resource and authority of a particular geographic region is what will ultimately drive the most leads and traffic to your site. Being a local expert and resource is something with which the national listing portals and other sources trying to obtain your same leads cannot compete.

Recognizing and implementing keywords is a small but critical step that forms the foundation of a successful web presence, both paid and organic.

Establishing your real estate website as a local resource and authority of a particular geographic region is what will ultimately drive the most leads and traffic to your site.

SUBMIT TODAY!

REAL TRENDS AGENT RANKINGS – THE THOUSAND

AS ADVERTISED IN THE WALL STREET JOURNAL

The Annual REAL Trends The Thousand and America's Best survey is open for those individuals closing 50 transaction sides or $20 million in sales volume or for teams closing 75 transaction sides or $30 million in sales volume in calendar year 2017.

New in 2018!

Definitions of an Individual sales professional versus a team:

INDIVIDUAL: An agent who works alone, under a brokerage company, does not share transactions or commissions with other Buyer or Seller agents on their transactions and who may employ unlicensed or licensed, non-selling administrative staff is an INDIVIDUAL AGENT.

TEAM: All others will be considered TEAMS for purposes of our study. REAL Trends will no longer produce a special report for top agents and teams by average sales price. REAL Trends no longer allows an individual within a team to break out their individual production and submit that way. If you are in a team, you will have to submit as a team regardless and when a Team and a Brokerage are owned by the same person(s) the Team production must be filed separately. Those in the Top 20 will be required to show their tax return/GCI as well as the entire brokerage's tax return/GCI. They cannot be the same.

"After ten years of ranking individual agents and teams, we believe that there must be more clarity and differentiation between individuals and teams, particularly as these top sales professionals invent new forms of business organizations to achieve their personal goals. Our goal is to clarify the differences, yet also make it simpler to know where one stands," says Steve Murray.

For more information, please contact Doniece Welch at Dwelch@realtrends.com or 303-741-1000.

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

REALTRENDS
AMERICA'S BEST
REAL ESTATE PROFESSIONALS

ARE YOU A TOP BROKER?

EVERYTHING YOU NEED TO KNOW ABOUT THE RANKINGS CATEGORIES OF

THE REALTRENDS FIVE HUNDRED

What is the REAL Trends 500?

The REAL Trends 500 has been the 31-year undisputed leading report ranking the performance of the top residential real estate brokerage firms in the United States.

APPLY NOW!

QUALIFICATIONS?

You qualify if your firm closed a minimum of 500 residential transaction sides. All submissions must be independently verified.

WHAT DOES IT MEAN TO BE A TOP 500 FIRM?

There are 150,000 brokerage firms in the U.S. To be one of the top 500 firms means your firm is among the top three tenths of one percent of all the brokerage firms in the country.

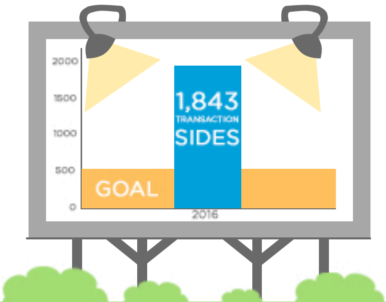
1%

> "The REAL Trends 500 Report drives me because it gives me a benchmark to improve who we are and how we can do better."

Vince Leisey, CEO,
Berkshire Hathaway HomeServices Ambassador Real Estate,
Omaha, Nebraska

THE 500 VS UP-AND-COMERS

The top 500 firms closed at least 1,843 transaction sides in 2016, well above the minimum 500. Firms that closed at least 500 transactions in a calendar year are still among the industry's elite and deserve to be recognized as Up-and-Comers.



WHAT IS REAL TRENDS MARKET LEADERS?

As part of the REAL Trends 500 Report, Market Leaders ranks the top residential real estate firms in 125 metropolitan markets.

MORE INFO

TOP MOVERS

Top Movers are those 50 firms that had the largest increase in closed sides and volume over the previous calendar year. We also rank the top 50 firms that had the largest increase in sides and volume over the past 5 years!

Cumulative Changes: 2016 VS 2015 for REAL Trends 500

UP 6.6%	UP 8.3%	UP 1.6%
Change in Sides by Top 500 $2,918,175 (2015) $3,110,960 (2016)	Change in Volume by Top 500 $935 billion (2015) $1,013 billion (2016)	Change in Average Home Price $320,404 (2015) $325,644 (2016)

Top States Represented in the REAL Trends 500