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Charlotte Regional Realtor® Association

JUNE 2015 NEWSLETTER



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COMMENTARY

**ANOTHER SOLD OUT GATHERING
LESSONS FOR LEADERS**

Organizational consultant Patrick Lencioni wows the crowd at this year's Gathering of Eagles.

- By Steve Murray, publisher

We held our 27th annual Gathering of Eagles in late April, and for the fourth time in a row, it was a sold out event.

While all of the sessions had takeaways that kept brokerage leaders busy jotting down ideas, we loved the story of RE/MAX as told by founder and CEO Dave Liniger. We were amazed at the depth of content and liveliness of Patrick Lencioni, one of the world's foremost organizational consultants and surprised

by the lessons learned about leadership from the humble Denver Broncos Quarterback Peyton Manning.

What was even more fulfilling was to have four of the nation's finest recruiters present their practices and theories about why they have been so successful. Three of the nations' top teams described what they did to attain top status, why they formed teams and how they view their brokerage firms. Then, we enjoyed

Continued on pg. 2

1-3 COMMENTARY

- GOE Lessons for Leaders
- The REAL Trends Difference

4-11 BROKERAGES

- New Mortgage Disclosures in Effect Aug. 1
- Experiencing the Real Estate Master's Event
- Finding and Interviewing Raw Talent
- Valuations of Teams

12-13 HOUSING MARKET

- April Housing Sales Continue Strong Surge Above Prior Year

14 FEATURED LEADER

- Focus On: Merle Whitehead

15-16 EVENTS

- 2015 Gathering of Eagles

17-21 TECHNOLOGY

- The Impact of Leadership on Agent Adoption of CRMs
- The Home of the Future

22-24 PUBLISHER'S NOTE

- A New Day; A New Look
- New CRM Study
- Two Great Reports Available Today



REAL TRENDS

THE TRUSTED SOURCE

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listening to four of the best-performing industry CEOs talk about the importance of culture to their firms' success, even though each was different from the other.

What makes the panels so successful is that the participants shared openly and answered questions patiently. The fact that they come from independent brokerages and national franchises, from RE/MAX to Keller Williams, makes the information they share even more relatable. Unlike other conferences, these men and women were willing to share everything with the guests who were in attendance. That is what makes the Gathering so unique to those who come year after year:

In a way, I am saddened, because many industry leaders that would have benefitted enormously from listening to Patrick Lencioni were not in attendance. Lencioni was simply the finest presenter I have ever heard at any conference, ever. It was not just his content, which was powerful and useful, but his delivery was second to none. I sensed from our guests that they would have liked him to present for a full day.

What were his lessons for leaders? He told us that the health of the culture of the organization is the defining difference between good organizations and those that excel. That leaders' behaviors matter more than almost any other factor. As we published in our [May edition](#), he focused on real world examples of the Five Temptations of a CEO:

- Status over results
- Invulnerability over trust
- Popularity over results
- Certainty over clarity
- Harmony over conflict

Those who weren't at the Gathering missed his summary of why meetings are so often misused. In a few minutes, he unlocked the mystery of why meetings can so often seem boring and useless (see his book "Death by Meeting").

Summing up the messages of the speakers and panelists, one could clearly get the sense that it is, in fact, the qualities of the leadership and their dedication to the health of their organizations that matter the most when creating a successful firm. It's not your financial capital, brand name or business model that determine your success.

As we adjourned the 2015 Gathering of Eagles, I heard one comment over and over, "How in the world are you going to top this one?" Well, that was asked last year and the year before, as well. All we can promise is that we will try. 🐾

SAVE THE DATE!
April 20-22, 2016 in Dallas, Texas



THE REAL TRENDS DIFFERENCE

At the recent Gathering of Eagles, we were blessed to have a large number of new guests from firms that had not attended before. More than once they asked, “What does REAL Trends do, what makes you different?”

For them and all our readers, we thought it would be helpful to outline some of what makes us unique. At its core, REAL Trends is The Trusted Source.

WHAT IS THE REAL TRENDS DIFFERENCE?

- More than **300** leading brokerage firms trust REAL Trends with their confidential business records every year.
- Over **670** leading firms have entrusted the sale or purchase of their most important asset, their brokerage company, to REAL Trends.
- Over **2,350** residential real estate firms have trusted REAL Trends to perform valuations and assessments of their firms.
- More than **100** leading brokerage firms rely on REAL Trends for guidance in their technology and online marketing.
- When firms like HomeServices of America, Realogy, RE/MAX and Keller Williams needed an industry expert in valuations or general industry issues, they have turned to REAL Trends.
- When the National Association of Realtors® required an industry expert witness when they were threatened by the U.S. Department of Justice, they turned to REAL Trends.
- When leading brokerage companies need expert testimony in valuations or industry practices, some **65** of them have turned to REAL Trends.
- About **1,500** brokerage firms and virtually every national real estate network trusts REAL Trends to create the most accurate rankings of America’s top firms in the annual REAL Trends 500 report.
- When The Wall Street Journal wanted to create a ranking of the top sales agents and teams in America, they turned to REAL Trends.
- Almost **10,000** of the nation’s most productive real estate agents and teams trust REAL Trends to rank them correctly each year in the America’s Best Real Estate Agent and The Thousand rankings.
- Only REAL Trends does its own original, fact-based research and has authored seven major consumer studies and dozens of industry studies, about the residential real estate industry.
- Unlike others, only REAL Trends insists that its employees may not accept equity or commission-like payments, nor serve on any boards as payment for services. Nor does REAL Trends allow ownership in any of the realty firms in this industry by any of its employees.

REAL Trends. For over 28 years, we have been the most trusted source in residential real estate consulting and publishing. For a free consultation of how we can assist you, please call us at 303-741-1000, or email realtrends@realtrends.com.



CFPB CHANGES

NEW MORTGAGE DISCLOSURES IN EFFECT AUG. 1

Prepare for delayed closings as the Consumer Federal Protection Bureau (CFPB) rolls out the new simplified mortgage disclosures.

Watch for changes to closing forms, coming soon as the CFPB rolls out a new rule. The rule replaces the current forms with two new forms: the Loan Estimate, given three business days after application, and the Closing Disclosure, given three business days before closing. Lenders will be required to give consumers these forms for mortgage applications submitted on or after August 1, 2015.

CFPB Director Richard Cordray addressed the National Association of Realtors in May explaining questions surrounding the three-day requirement.

“The three-day requirement should not interfere with a successful closing, as some have claimed. In fact, there has been some serious misunderstanding about what kinds of major changes would cause a delay of the closing date, so I want to take a moment to clear that up right now,” said Cordray.

“The timing of the closing date is not going to change based on any problems you discover with the home on the final walk-through, even matters that may change some of the sales terms or require seller’s credits.”

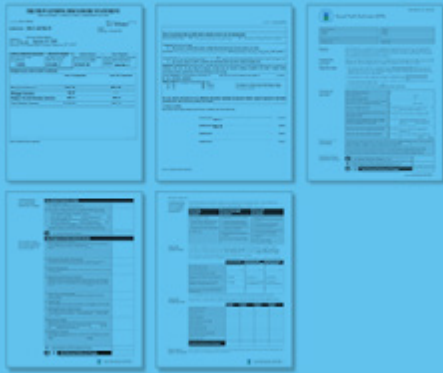
According to Cordray and Housingwire.com, here are the three circumstances that would allow for closing delays:

1. Any increases to the APR by more than one-eighth of a percent for fixed-rate loans or more than one-fourth of a percent for variable-rate loans
2. The addition of a prepayment penalty
3. A change in the basic loan product, such as moving from a fixed-rate loan to a variable-rate loan.

However, Cordray did add a cautionary note, “We recognize that various other things can and do change in the days leading up to the closing, so the rule makes allowances for

BEFORE

Current: Initial disclosure +
Good Faith Estimate



AFTER

New: Loan Estimate



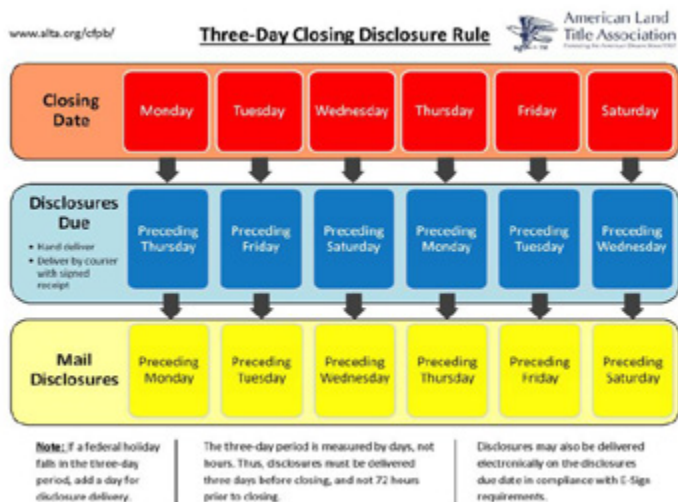
those ordinary changes without delaying the closing date in ways that neither the buyer nor the seller may be able to accommodate very easily.”

CONSUMER BENEFITS

Specific consumer benefits of the new forms and rules include:

- Combining several forms and additional statutory disclosure requirements into two forms. This will reduce paperwork and consumer confusion.
- Using clear language and design that will help consumers understand complicated mortgage loan and real estate transactions.
- Highlighting the information that has proven to be most important to consumers. On the new forms, the interest rate, monthly payments, and the total closing costs will be clearly presented on the first page. This will make it easier for consumers to compare mortgage loans and choose the one that is right for them.

- Providing more information about the costs of taxes and insurance and how the interest rate and payments may change in the future. This information will help consumers decide whether they can afford the mortgage loan and the home, now and in the future.
- Warning consumers about features they may want to avoid, like penalties for paying off the loan early or increases to the mortgage loan balance even if payments are made on time.
- Making the cost estimates consumers receive for services required to close a mortgage loan more reliable, for example, appraisal or pest inspection fees. The rule prohibits increases in charges from lenders, their affiliates, and for services for which the lender does not permit the consumer to shop unless a specific exception applies. Examples of the specific exceptions include when information provided by a consumer at application was inaccurate or becomes inaccurate, or when the consumer asks for a change in the services.
- Requiring that consumers receive the Closing Disclosure at least three business days before closing on the mortgage loan. Currently, consumers often receive this information at closing or shortly before closing.



This additional time will allow consumers to compare the final terms and costs to the terms and costs they received in the estimate. That will better equip them to raise any questions before they go to the closing table.

For more information, go to <http://www.consumerfinance.gov/regulations/#finalrules>.

BROKERAGE STRATEGIES

EXPERIENCING THE REAL ESTATE
MASTER'S EVENT

Written by Jeremy Conaway, contributing editor

The Masters Golf Tournament is, without a doubt, the premier golfing event of the year. In many ways, its legacy and traditions define the game of golf.

The American residential real estate industry also sponsors a defining masters-level event—the REAL Trends Gathering of Eagles.

Over the past few years, the rate of change within the American residential real estate industry has been nothing short of historic. Virtually every element of the industry, marketplace, demographics and transactions has been or is

Without question, Steve Murray and his impressive REAL Trends cast of thousands (actually just 14) rose to the challenge. The 2015 Gathering of the Eagles event provided attendees with a finely tuned and spectacularly accurate portrait of the leading edge of today's industry environment.

The event was launched with a presentation by national, award-winning director of marketing for Coldwell Banker International, Sean Blankenship, who established that defining the industry in 2015 meant taking another look at the configuration of the housing inventory, especially as it relates to

RECRUITING

The Gathering next delivered an excellent panel on the subject of recruiting competent people to manage the new real estate enterprise. The panel included a number of participants who can take credit for having invented the new brokerage business model. Jeremy Lambert from Your Castle Real Estate, Larry Matos from CENTURY 21 M&M Associates, David Osborn from Keller Williams Realty and Thad Wong from @properties in Chicago. These are the young “Turks” of today's industry. In an amazing number of ways, they have redefined the art of recruiting and managing sales associates in a manner that ensures the long-term success of the enterprise.

Much of what this group was sharing had to do with adding substance and strength to the brokerage value proposition. Techniques for adding spirit and viability to the firm in the eyes of its agents were other value points. Issues regarding space allocation were given priority. The panel spent a great deal of time articulating the attributes of a great recruiter, but in the final analysis it seemed to be all about making the calls, over and over again.

BIG PICTURE

Once again demonstrating his inordinate skill for creating the big picture, Steve's interview of RE/MAX Founder Dave Liniger probed 40



being recast and repositioned. Accordingly, the task and challenge of defining the parameters of the contemporary industry through the eyes of the Gathering event approached herculean.

the ideas of the smart or (for the cool set) the conscious structure. Sean's comments set the stage for a Coldwell Banker-produced seminar on that same subject that took place later that day.

years of innovation, competitiveness and courage to establish the point that some elements of greatness never change. Mr. Liniger's comments and recollections not only provided a connection of relevance between tradition and the leading edge but also reminded everyone that there aren't many classic pioneers left in the industry culture.

The appearance and presentation of the prolific business author and innovator Patrick Lencioni was another of the Gathering's high points. Mr. Lencioni's expertise revolves around the benefits of developing, encouraging and promoting great company cultures. In Patrick's world, company cultures are the foundations of effective value propositions. His comments served to frame the definition and value of the healthy company. He prioritized the four disciplines of a healthy organization. He spent considerable time talking about how to create a cohesive management team fueled by trust. If the Gathering provided an opportunity for its participants to think at an MBA level, this was that opportunity. The event had amazing substance and was an impressive learning experience.

GREAT AGENT TEAMS

The Gathering program next tapped into another asset of leading real estate firms, "Building Great Agent Teams." For many attendees, this panel provided the answer regarding why agent teams are such a big deal and how they can contribute to overall productivity and profitability. Participants included such agent team superstars as Lisa Burridge of Burridge and Associates, Mike McCann of BHHS Fox and Roach and Mark Spain from Keller Williams.

The agent team segment was especially interesting in terms of its point of reference with the brokerage. It established that an agent team does not operate free of management control or influence. The critical point that was made during this program was that, yes, agent teams can be very effective and can contribute to the overall success, productivity and profitability of the brokerage. However, this only happens if they exist and operate under the terms of very clear brokerage policies and practices. If the right agreements are in place, agent teams are in everyone's best interests. This is all about using new management techniques to meet the expectations and needs of all involved.



EXPLORING CONTEMPORARY BROKERAGES

The Gathering's continuing exploration of the contemporary brokerage business model next looked at the role of leadership in the new environment. This panel featured some of the most effective executive leaders in the industry. Sherry Chris from Better Homes and Gardens, Brian Fair from Keller Williams Atlanta Partners, Todd Hetherington from Century 21 New Millennium

and Merle Whitehead from RealtyUSA brought to the Gathering an amazing level of knowledge and experience regarding how to make leadership an effective and differentiating force within the brokerage.

For Gathering attendees, there was near-universal agreement that leadership is the single most important factor in determining the value of a brokerage. It is similarly agreed that leadership is more than a feeling or an effect. It must be a measurable and focused quality and value. Each of the above experts has developed within their respective companies unique leadership identification, development and

integration practices. Each spoke in concise and easy-to-understand terms about how he or she uses leadership applications and practices to move their firms forward. Most have adopted basic leadership qualities from a third-party expert such as Patrick Lencioni or John Maxwell.

FOOTBALL TEAM LEADER

The appearance of Peyton Manning at this year's Gathering can only be



described as a gift. This gentleman is an athlete and is obviously involved in professional sports. But, to use either of these points of reference to define him would be foolhardy. Peyton Manning presents himself more like a Fortune 500 CEO than a sports hero. He was articulate and visionary in his comments and observations regarding an impressive range of contemporary leadership environments and issues. Most impressive was how the audience responded to both his presence and his contributions. If one had known absolutely nothing about him from the onset, the initial impression would nevertheless have been overwhelming. On behalf of all of those who were present for this amazing experience, thank you, Steve.

From the Manning appearance, the program morphed into the art-of-the-possible thanks to the generosity of Coldwell Banker who had imported a panel of young experts to talk about the idea of conscious structures (they are no longer called smart houses.) This program provided insider knowledge

about enhancing one's life and career success with the modern magic of Tesla automobiles, LG appliances, Lutron switches, CNET magazine and Sengled smart lighting. Each of these items can fundamentally expand one's quality of life. Together, they demonstrated an ability to create a whole new lifestyle. Imagine this, all of these features can be added without impacting or modifying the actual structure.

For the last morning of the conference, the REAL Trends team provided an absolute treat. Scheduled at a time that one would have thought would limit participation, the expanded REAL Trends team provided 90 minutes of pure, unadulterated knowledge regarding the current state of valuations, mergers, and acquisitions. If limited attendance was part of the scheduling strategy, it failed. Even at an early hour, the room filled long before the program started and spilled out into the hallway. Everyone knew that this would be the "Gold of the Gathering." This was the opportunity

to share the expertise that has always been at the foundation of REAL Trend's power and influence. No one was disappointed and more than just a few would be nursing their sprained hands from note taking. More than just information, this program element was even more impressive because of the cool and professional way in which the REAL Trends team delivered their expertise through a complex series of questions and challenges. They were terrific. Steve has created the ultimate team here.

Fact: The real estate industry does support a masters-level tournament of knowledge, management skills, and productive excellence. It is called the Gathering of Eagles and once again, for 2015, it delivered on its promise to be the premiere industry brokerage event of the year. This impressive achievement left all who participated much more prepared to meet the challenges of the coming year. 🏹

BUILD A SECRET WEAPON—PART II

FINDING AND INTERVIEWING RAW TALENT

Turn rookies into top producers with smart recruiting and training.

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

As we mentioned in the [May REAL Trends](#) newsletter, about five years ago, we realized that most of our top producers had started with our company as rookies. Some 62 percent of our top quartile and 7 out of our top 10 sales associates had started their careers at our company. With this aha! moment, we decided to focus as much time finding and developing raw talent (rookies) as we were spending chasing top producers. This has become our secret weapon.

Here are our results over the past five years:

- **Rookies hired:** 92 (This represents about 18 per year—about 10 percent of our sales force each year.)
- **Number still with us:** 75 (81.52 percent)
- **Average income in 2014:** \$204,845 (gross commission income)
- **Average number of transaction sides in 2014:** 23.46

Where do we find this raw talent? Here are some great rookie sources:

- College of Business graduates. Many start with us as interns.
- Customers. Our sales associates are always on the lookout for raw talent.
- Hospitality industry. Servers, bartenders, etc. know how to deliver hospitality.
- Athletes, coaches, former military. They have a work ethic, are disciplined, and follow a system.
- Police officers, especially investigators. They know how to ask questions and listen.
- Nurses, schoolteachers, and moms. They nurture, are patient, and deliver hospitality.

What do we look for in the interview? After 42 years of interviewing potential sales associates, I know that we cannot pick the winners. Salespeople come in all shapes and sizes, and their results will surprise you. Instead, we look for the losers and make sure we don't hire them. We screen out the losers and give the rest a chance, as long as they meet these four criteria:

1. **Character.** How do we judge character? Much of it is subjective. Here are five things we look for that is our internal dialog during the interview.
 - Did they show up on time? (Indicates whether they do what they say.)
 - How are they dressed? Are they professional and prepared? What are their manners? Will they represent our company well?
 - Are they likable? Would I like to spend time with them? Will our customers?
 - Would I be proud to introduce them to Steve Murray as a new associate? Once they are trained, would I feel comfortable giving them a referral from Steve?
 - Trust. Am I comfortable giving them the keys to my car and my house?

A no answer to any of these questions disqualifies them from further consideration.

2. **Commitment.** Specifically, we are looking for a commitment to a work ethic. We will probe deeply into their past work experience. One of our favorite

questions is: "Tell me about your very first job." They will often assume we mean their first job out of college or high school. We mean their very first job as a kid. Their first job for money. Paperboy? Babysitting? Mowing lawns? Shoveling snow? Research by Dr. Gerald Bell at the Bell Leadership Institute indicates that those kids who have a job for pay prior to age 14 have a stronger work ethic. We have found this to be the case as well.

3. **Capacity.** Are they willing to make this a full-time career or do they want to be hobbyists? Do they keep their day job? Do they have the capacity and commitment to go 100 percent full on?
4. **Coachability.** Are they willing to follow our Ninja Selling System or are they focused on doing their own thing? We test them by giving them an assignment to bring to their second interview. Usually, this is their database. If they show up at the second interview without their database, it tells us two things. First, they didn't do what they promised (character issue) and second, they aren't coachable. They are screened out.

We believe that if we can find people of character; who have a work ethic; are willing to make this a full-time career, and are coachable; then we have a system to make them successful. If we can develop enough of them, they become our secret weapons. ♣



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TRENDS

VALUATIONS OF TEAMS

We are at the front end of a new trend where brokerage firms will look to apply their acquisition talents to the scalable systematic team.

Written by Steve Murray, publisher

The development of how brokerage firms are valued has taken place over nearly 30 years now. Before then, there were a variety of ways to value them, including a multiple of pretax income based on the average of the most recent 3 to 5 years, a multiple of the synergistic cash flow resulting from a combination of two or more firms and a percentage of gross margin from multiple years past results. The terms of deals were far less generous to sellers back then, and often a seller would be expected to wait up to five or more years to get a full payoff of the purchase amount.

As merger and acquisition activity picked up with the entry of Realogy (then HFS), HomeServices (then Amerus) and PREA in the late 1990s, the market adjusted and valuations were based on the most recent 12 months of EBITDA times a multiple that was far higher than in years' past. A big part of the difference was that, in the case of the three firms mentioned above, public capital entered the market. Further, in some cases these firms could arbitrage the difference between their public equity prices and the prices paid for brokerage firms. Most other large, privately owned regional firms desiring to grow through acquisitions followed suit.

A new form of business has arisen in the last 5 to 10 years—the large agent team. There are several types of teams. One model is a team that consists of 1 to 3 people who combine their efforts in order to share administrative costs and give each partner some scheduling flexibility. Another general form is the team that is headed by a large producer who still generates the majority of the business through their referral efforts and remains, if you will, the personal rainmaker for the team. The third kind is the team that has built some system for procuring clients and customers through a systematic approach, whether it is online marketing, cold calling, direct mail or some combination of these three general channels.

A NEW TREND

While we do not believe that the first two kinds of teams are going to receive much attention in terms of acquisition activity, we do believe that we are at the front end of a new trend where brokerage firms will look to apply their acquisition talents to the

latter team—the scalable systematic team. The reason for this new trend is due to the need for brokerage firms of all kinds to continue to grow. After all, the development of new agents is time-consuming, and high risk. Teams that are not driven so much by a personality but more by a business system and effective leadership can be a good investment. Brokerage firms may see that whether purchasing a team that does \$3 million in gross commissions or a brokerage firm that grosses \$3 million, the lesser risk and immediate accretion of earnings is more evident in purchasing a team of this kind.

ISSUES TO ADDRESS

There are several issues that a brokerage firm will have to address when seeking these opportunities. First, assessing the relative importance of the team owner/leader to the team. How much of its success is based on personal business and how much is derived from a business system? Second, how will the team be incorporated into the brokerage in terms of commission and other policies? Lastly, what will be the price and terms for such acquisitions? In our examination of several top system-oriented teams, their profit margins before adjustment for comparable cost of management are 25 to 40 percent, compared to a general brokerage firm of similar gross revenues, which are in the 4 to 8 percent profit-margin range.

TOO HIGH A PRICE?

The question of what market multiples and what terms will evolve for these new opportunities are unknown and not confirmed by any large number of transactions. It is likely, however, that system-based teams will seek higher prices than brokerage firms are willing to pay, at least initially. We do believe that, over time, with the need to boost earnings and grow share among many of the national and regional realty firms, prices will find a level that suits both parties to the transaction.

Today, there may be only 30 to 50 teams nationwide that fit the criteria for such an acquisition. We do believe, however, that these numbers will grow once the best and the brightest see that not only can they produce strong earnings for themselves, but that they can build equity value as well. ♣



REAL TRENDS HOUSING MARKET REPORT

April Housing Sales Continue Strong Surge Above Prior Year

The REAL Trends Housing Market Report for April 2015 shows that housing sales increased 13.2 percent from the same month a year ago. All four regions reported unit sales had increased from a year ago with the Midwest leading the way with an increase of 14.8 percent.

The annual rate of new and existing home sales for April 2015 was 5.659 million units up from a rate of 4.999 million in April 2014.

Housing prices rose an average of 3.5 percent from April 2014, continuing the moderate price increases of the past 12-month period.

“April housing sales continue to show extraordinarily strong growth that started with the March results. The results were robust in every region with only the Northeast reporting less

REAL TRENDS HOUSING MARKET REPORT

April 2015		March 2015	
Closed Sales	AVG Price	Closed Sales	AVG Price
National +13.2%	+3.5%	+15.9%	+4.9%
Regional Report			
Northeast +6.8%	+1.4%	+9.3%	+7.4%
South +14.1%	+5.0%	+16.7%	+4.6%
Midwest +14.8%	+3.1%	+18.4%	+9.8%
West +14.0%	+4.0%	+16.4%	+3.6%

than double-digit increases over the prior year,” said Steve Murray, editor of the REAL Trends Housing Market Report. “With pending contracts also reported to be very strong, we expect the trend of increasing housing unit sales to continue through the rest of the spring selling season,” He adds.

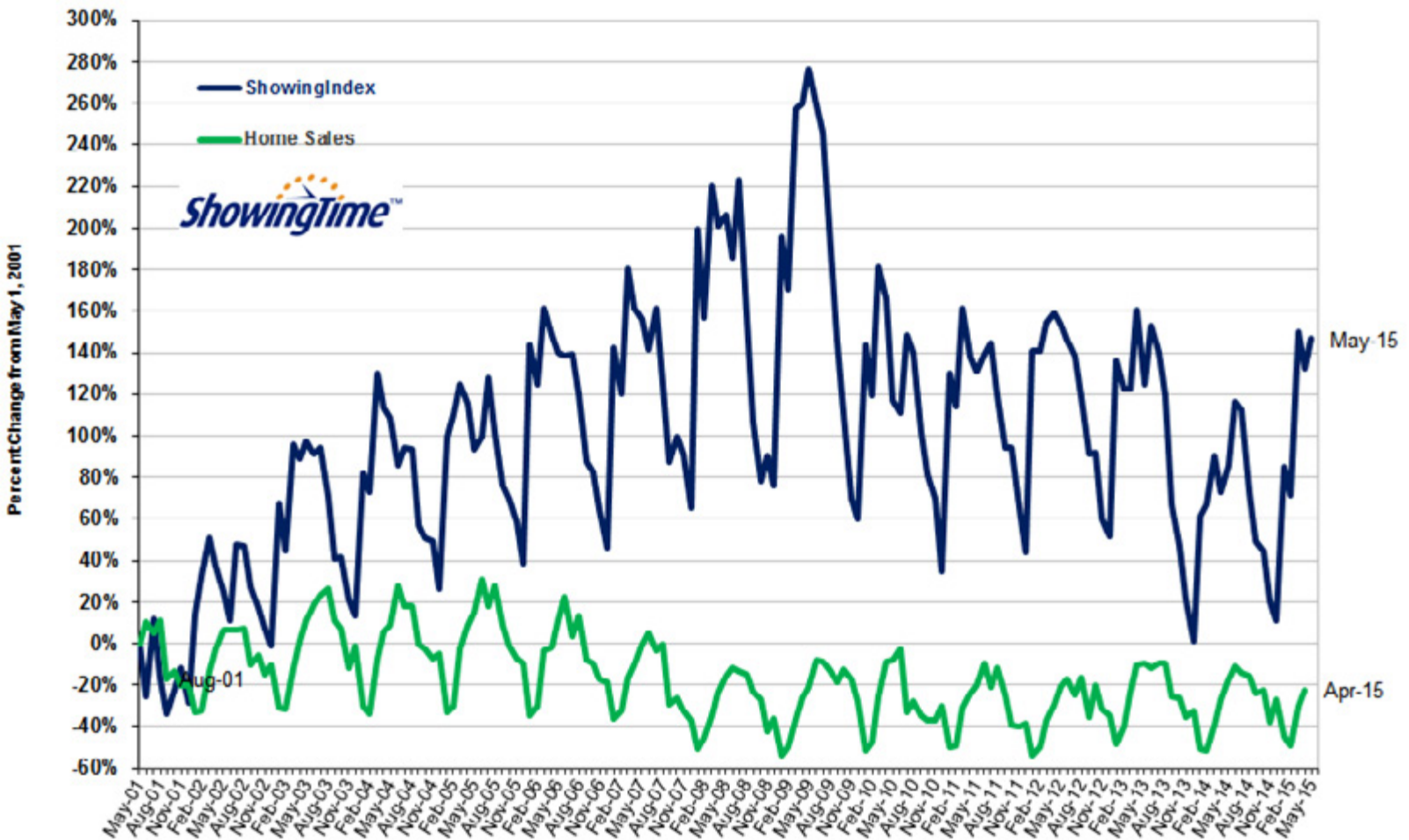
“Reports from industry CEO’s in late April and early May indicate that May business will continue to be stronger than expected just a few months ago. The only cautionary note is that inventory continues to decline, and in a large number of markets, it is approaching critical levels. Future month’s sales, as we head into the summer, may be negatively impacted by the lack of inventory and the decline of affordability.”

Housing unit sales for April 2015 increased 14.8 percent in the Midwest, the best performance in all regions. Sales in the South region were up 14.1 percent, the West saw an increase of 14.0 percent, and the Northeast had an increase of 6.8 percent.

The average price of homes sold in April 2015 in the South region increased by 5.0 percent, the best result in the nation. The West saw average prices increase 4.0 percent, average prices in the Midwest were up 3.1 percent, and the Northeast saw average prices rise 1.4 percent.

“While the job market remains strong, average household incomes continue to show sluggish growth. While the private market for mortgages is less stringent than it was in the past, many of the major lenders remain wary of adopting looser underwriting standards. So, while there has been a pick up in first-time homebuyer activity, it is not expected to return to normal historical levels of activity,” Murray added. ▲

ShowingIndex - Leading Indication of Home Sales



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

MERLE WHITEHEAD

President and CEO, Realty USA Upstate New York 65 offices Buffalo

With 65 offices in upstate New York, Merle Whitehead knows the challenges brokerages leaders face. REAL Trends recently spoke with Whitehead. Here's what he had to say.

REAL Trends: Tell us about your path to real estate.

Whitehead: I got into the real estate business when I was 18. I was selling men's clothing on commission in the 1970s. I liked the concept, but I needed something bigger to sell, so I got into real estate. I was a manager and agent for a company. I became a partner in 1985 with a four-office company. I bought out my partners and grew it from four to 17 offices. In the 1990s, we started to move across the state and grew. I bought Realty USA in Albany in 2000.

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

Whitehead: We had a tremendous amount of growth through mergers and acquisitions. The biggest challenge was to look at each entity and decide what it was going to be when it grew up. That's why you have to develop core values and behave consistently with those core values.

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

Whitehead: In this text-fax-email world, people seem to create a false urgency. Discount offers expire on new tech; vendors want you to buy now. I'm not buying into this false urgency. I learned to act on my own schedule, do my due diligence, and if it makes sense in a month, we'll act then.



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

Whitehead: In the mid-1990s, there were big Buffalo real estate brokerages and big Syracuse brokerages, but no company was regional. I had a vision for a regional brokerage. I decided to go to Albany, New York, which is 300 miles away. I bought a large, six-office company. It was having that vision of a regional company and getting invested in another marketplace that helped me build the company and become successful. Then, I moved to Rochester and Binghamton, New York. That was unheard of in the mid-1990s. Of course, now it's common.

Having that courage to drive 300 miles away and buy another company determined my success. 🏡



REAL TRENDS 2015 GATHERING OF EAGLES

Did you miss the 2015 GOE? This year's annual event attracted over 350 principals and CEOs from the nation's 500 largest residential real estate brokerage firms plus senior management of the nation's largest real estate franchise organizations.

The theme of the conference, Building Great Organizations, included high-powered sessions on recruiting talented people, building agent, leadership and lead generation teams and more. RE/MAX Inc. Founder and CEO Dave Liniger offered an hour-long, informative Q&A about how he built his brokerage despite all odds. Patrick Lencioni, a best-selling author and expert on organizational leadership, kept the crowd enthralled as he offered practical tips for being a better leader. The day ended with a fun session featuring Peyton Manning, quarterback for the Denver Broncos followed by a tailgate reception sponsored by Lone Wolf Real Estate Technologies. The last day featured a slew of strategies to strengthen the technology side of a broker's business.

Don't miss next year's GOE. For more information, email Daniele Stufft at dstufft@realtrends.com.





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50%

Video accounts for more than 50 percent of all Internet activity.

1.8 MILLION

A one-minute video is the equivalent of 1.8 million words, according to Dr. James McQuivry of Forrester Research. That's a lot of reading.

65%

100 million Internet users watch online video each day

100 MILLION

100 million Internet users watch online video each day

RESEARCH STUDY

THE IMPACT OF LEADERSHIP ON AGENT ADOPTION

Excerpts and Elaboration from the study, “CRM + Agent Adoption = Productivity”

Written by Travis Saxton, vice president of technology

REAL Trends recently [published a study on the impact of agent adoption and Customer Relationship Management \(CRM\) use on productivity](#). In collaboration with Boston Logic, we identified what was or wasn't being used. For those agents that did use a CRM, we found a statistically significant increase in productivity. Even without our findings, it was alarming that nearly all of the agents and brokers that participated in this study felt there was a significant increase in productivity, nearly 100 percent more productive than agents who don't use a CRM. They may have been optimistic as the actual percentage was just over 26 percent, at least we have a collective sentiment that using a CRM does indeed increase productivity. So, if this is the case, why do we see only 50 to 60 percent agent adoption of CRM tools nationwide? At least it was up from 40 percent a year and a half ago.

This is the basis of this article, where are some of the common pitfalls with real estate CRMs and how do

leadership and commitment play into the equation? Let's dive deeper into these critical areas by first taking a look at the technology itself.

LACK OF OVERSIGHT

One of the biggest flaws we see in many CRM systems is the lack of oversight on the features that truly matter. In our study, both brokers and agents indicated that email and drip marketing campaigns are the most important features. When we look at most CRM systems, those that are not industry specific, such as Salesforce, InfusionSoft, and Microsoft Dynamics, do not adequately offer email marketing solutions in their base packages. Many offer plugins (for an additional cost) through their app stores and are nice marketing platforms, but they lack real estate specific campaigns. This taxes the resources of either the broker's marketing department or the agent. This is one of the reasons agents aren't adopting CRM systems.

LACK OF FEATURES THAT MATTER MOST

Shifting our focus to real estate-specific CRMs, we are still seeing a lack of emphasis from technology providers on the features that matter most. This doesn't happen in all cases, of course. However, many times the technology vendor puts so much time and energy into features that simply are not as important as a high-quality, email-marketing platform. This will impact adoption. We see brokers that offer real estate CRMs get adoption rates in the 50 percent range, mainly due to the real estate-specific email marketing platform.

LEADERSHIP AND TRAINING

The last part of the equation is simply leadership, commitment and training. While these may be separate items, they intertwine on a multitude of areas. This is the single biggest factor in driving agent productivity through the use of technology systems, not just CRM systems. Here are a few common pitfalls we see in this vast area:

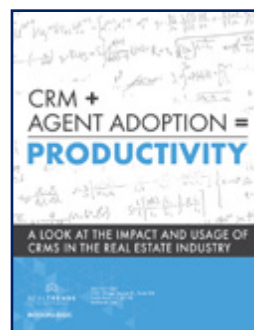
1. Failure of leadership to commit. If the broker/owner or the office manager doesn't use the systems, then they are setting a bad precedent. That will ultimately feed into the commitment of agents.
2. The roll out and hope strategy. This is all too common in our space. The leadership is sold on a great new technology, and they put some emphasis on training early on; then sit back and watch. Adoption of any technology by a mass crowd takes time. Look at the cell phone. It took nearly 5 to 10 years since its inception to be adopted. CRM use is no different. This ties into the next point as well.
3. Lack of training. Another common pitfall is the monthly or quarterly training sessions. These need to be weekly and, in some cases, more often. One company we work with instituted a drop-in, help desk that any agent can pop into and get CRM advice and help.
4. Focus of training. Some firms have too broad of a focus during training sessions. If you are hosting a technology-training day, you have already lost. The training sessions need to be much more focused and goal oriented. A rule of thumb we use is the 1-3-5 Rule. Focus on one goal. Your goal should not be "CRM Training" or "Getting Agent Adoption of our CRM," it should be something like, "5 ways our CRM can help increase your productivity." Name the training this as well. Place this title on the calendar. Then, shift

to three specific strategies in the CRM, such as email marketing, contact management, and social media. Breaking those down into no more than five specific tactics or tasks. Any more than this and you will lose the attention of the crowd.

Recently, at our Gathering of Eagles event in Denver, Patrick Lencioni, a renowned leadership speaker and business coach, led a session on the five dysfunctions of a team. This was a riveting session with a huge focus on leadership portraying the need for clarity. Clarity is the No. 1 reason agents do not adopt CRM systems. They aren't sure which to use, how to use it, etc. So, clarity and reinforcing the clarity to the point of exaggerating is completely necessary. Follow these simple instructions with your technology and marketing staff, management and leaders:

1. Have a staff meeting. Create a manifesto that collects input from the whole team. This may include 5 to 10 technology and marketing initiatives for the company. Things like: roll out a CRM, get better adoption for our CMA tool, get agents to adhere to the 5- to 15-minute response window on all leads.
2. Create this in a clear, easy-to-understand package for your agents.
3. Incentivize your team on these points.
4. Pinpoint the metrics that indicate success before you start. Know the accountability measures needed from the management side.
5. Train REGULARLY.
6. Reinforce this clarity REGULARLY.

If you need assistance with any of these matters, we are here to help. Contact tech@RealTrends.com. 🐦



DOWNLOAD THE STUDY NOW!



INNOVATION

THE HOME OF THE FUTURE

Coldwell Banker educates brokers on the accessibility and affordability of innovative smart homes.

Written by Tracey C. Velt, editor in chief

In one of the most interesting events at the 2015 REAL Trends Gathering of Eagles, Coldwell Banker partnered with some big-time brands to show and tell about the home of the future. “A Smart Look at Home Innovation,” drove home the fact that homebuyers are craving ways to make everyday home activities easier. “The Internet connection and technology make your home easier, safer and more functional,” said Courtney Cochrane, vice president of global media sales at CNET and publisher of CNET magazine. “It will help you sell more homes.”

The best part of home innovation is that it has little to do with the infrastructure in your house. So, even older homes

can take advantage of the home innovation products on the market today.

Here’s a look at the products featured by members of the CB Home Innovation Panel:

1. Caséta Wireless Dimmers by Lutron. Control your lights, shades and temperature from anywhere, whether you’re home or away. Caséta Wireless dimmers and switches install in minutes, work with numerous bulb types – including dimmable LEDs and CFLs, and bring the convenience of a connected home to your fingertips. “Smart lighting may be special now, but it’s going to be



REAL TRENDS REBRANDS

A NEW DAY; A NEW LOOK

Written by Steve Murray publisher

For 28 years, we have believed three things:

- Do great work and let it speak for itself
- Develop and nurture great relationships with our clients
- Be The Trusted Source

However, the world has changed. The abundance of information and media have clogged the sources and channels of information for everyone, everywhere, all the time and in our business

We are a different company than we used to be. We are adding new services to our core. Among them:

- The addition of a full range of technology consulting
- Rankings of top agents and brokerage firms
- A growing variety of analytic tools, research and industry data

Doing great work will always matter. We believe in letting our work speak for itself. Building positive relationships and caring for our clients will matter even more in the future.

Communicating more clearly and ensuring that our clients have the information they desire when they want it, this becomes equally important.

The new logo reflects our view of the future:

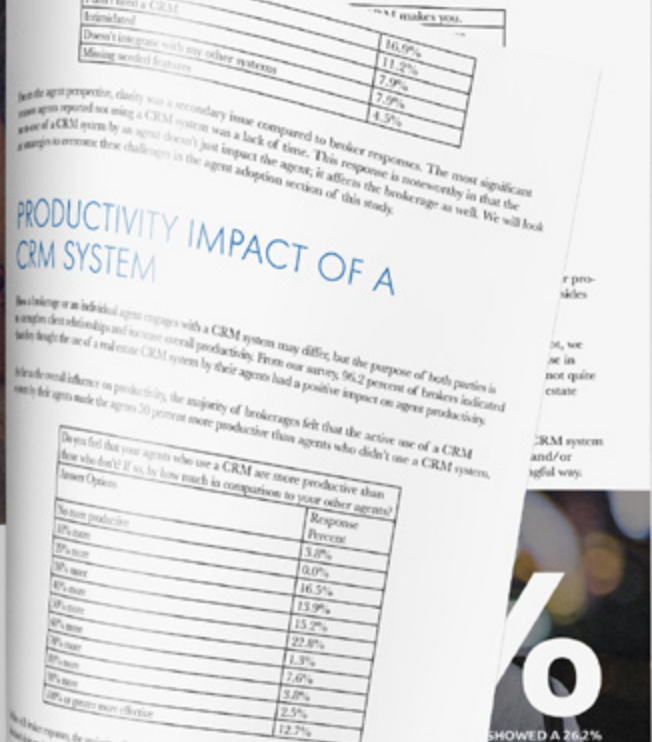
- Communicating more concisely
- To a new audience of clients and customers
- Remaining true to great work and solid relationships

With change, some things stay the same. Nothing matters more to the REAL Trends team than being your Trusted Source. Nothing. 🏡



As mentioned previously, approximately 30 percent of agents surveyed responded that they did not use a CRM system for their business. To understand why, see the most common agent responses below.

Answer Options	Response Percent
Too busy	32.0%
Time consuming	30.3%
I don't know where to start	27.0%
Uncure which CRM is right for me	24.7%
I do everything in Microsoft Outlook/Excel	20.2%

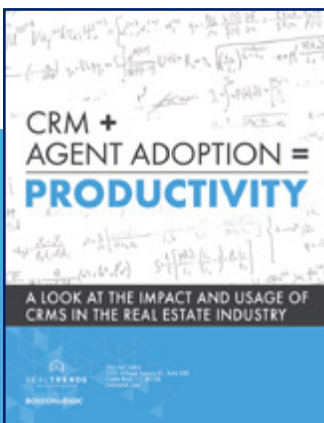


NEW STUDY BY REAL TRENDS AND BOSTON LOGIC

CRM + AGENT ADOPTION = PRODUCTIVITY

Having a robust customer relationship management system (CRM) is a goal of most brokerages. Make sure you're offering what your agents need. We tell you in this study. Here are some highlights:

1. CRM adoption has grown from 40 percent in 2013 to nearly 60 percent in 2015.
2. 60 percent of agents log in every day or more than once a day.
3. A growing trend for top producers is having someone manage their CRM for them.
4. Of those agents that don't use a CRM, the No. 1 reason was clarity. They are unsure which system to use.
5. By far, the most adopted and important feature within real estate technology platforms are tools that aid the agent in staying in touch with clients. Including follow-up marketing, drip marketing and any form of email marketing.
6. Agents who use a CRM are 26.2 percent more productive than agents without. ▲



DOWNLOAD THE STUDY NOW!

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TWO GREAT REPORTS AVAILABLE NOW

2015 ONLINE PERFORMANCE REPORT

The 2015 REAL Trends Online Performance Study is available for purchase. In this study, you will find a vast collection of data, trends, new technologies and strategies shaping the residential real estate industry. We collect data from numerous sources including the following:

- Direct from Real Estate Brokers and Agents
- Google Analytics
- Technology Vendors
- Data Providers
- Surveys and Studies
- REAL Trends Editorial Channels



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VALUATIONS

NEED A VALUATION? WE'RE THE EXPERTS

REAL Trends Consulting provides valuations for a variety of purposes including sale or purchase of brokerage firms, for ownership issues, insurance, gifting of shares and for partnership issues. A full report with all the financial analysis along with a narrative report is provided along with 2-4 hours of personal consultation.

Each assignment starts with a *confidential initial consultation* with a client to determine their actual needs. Valuations are done using recognized professional methodologies such as the Income Approach and the Discounted Cash Flow Approach. In addition, we develop a Company Revenue Approach to value that is industry specific.

Since 1987, we have performed over 2,350 valuations for realty firms in the United States and Canada and have provided expert testimony in over 65 legal proceedings related to the valuation of residential realty firms.

For more information on how we may assist your company please contact:

Steve Murray or Amy Broset at
303.741.1000 or abroset@realtrends.com



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