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FIRST PERSON

THE COACH

WHAT DO FOOTBALL AND REAL ESTATE HAVE IN COMMON?

It turns out the same things that make a good football coach, make a good realty leader, too.

by Steve Murray, publisher

A few weeks back, my wife and I took a vacation on a riverboat in Europe. While on the boat, I met a man who was a hugely successful football coach for a successful collegiate program. Proving that one can learn something at any time, we had a conversation about what he thought made his programs successful (at two separate major colleges over 20+ years). Here is what he shared.

The most important behaviors for leading people, in my opinion, are just two simple things listening carefully—really listening—and confirming what was discussed, whether you reached an agreement or not. He said in all his years working with *Continued on pg2*

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coaching staff and players; these were by far the two most important reasons for his success and that of his teams.

It was also interesting to hear him say that quite often he would recruit a player who starred at one position in high school but turned out excelling at an entirely different position at the collegiate level. He said that when recruiting top players, it is just as important to look at their character, drive and willingness to work as a part of the team as it is to look at their particular skills. When he talked about these key players, he said some of his best teams were made of young men who played positions other than what they had previously starred in but who, through their character and leadership skills, caused other players to want to play with them and around them.

Given his success over a long period at a very high level, I listened carefully. Reflecting on that, I recall some of the research we have done at REAL Trends about what causes some firms to outperform others over long periods of times through good markets and tough times. It seems that it all lines up. What makes for great college football coaches also makes for great realty leaders.
Listening and confirming what was said and follow through on commitments are what make great organizations. The words vision, trust, communication, empowerment and support may sound like gobbledygook from a consultant's handbook, but everywhere we look we find that they are the cornerstones of great organizations.

WHEN RECRUITING TOP PLAYERS, IT IS JUST AS IMPORTANT TO **LOOK AT THEIR CHARACTER**, DRIVE AND WILLINGNESS TO WORK AS A PART OF THE TEAM AS IT IS TO LOOK AT THEIR PARTICULAR SKILLS.

The financials, numbers and ratios only measure the output of an organization and not necessarily the key inputs into how an organization got successful. I am convinced that the how comes down to the key interpersonal skills of an organization's leaders.

One last note—assuming the coach was right, recruiting talent for your brokerage, especially at the management level, may mean you look outside our industry for the kinds of talent that will drive success in the future. It could be that we find talented people who have led other sales organization. Also, that we structure realty firms around talent wherever we may find it.

REGULATION

THE GREATEST CHALLENGE AHEAD?

Are regulatory changes a bigger threat than technological advances?

by Steve Murray, publisher

Most say technological change is the greatest threat to brokerage. Perhaps. What we see as possibly the greatest challenge may be in the regulatory arena. While the Consumer Finance Protection Bureau (CFPB) certainly has our industry's attention, and while many believe that the mortgage interest deduction may be amended in ways not favorable to our business, it is the myriad of state lawmakers and regulators that may also affect the ability to do business. This also does not take into account recent actions by the National Labor Relations Board (NRLB) which may raise the costs of doing business for tens of thousands of brokerage firms, nor does it consider the Federal government's research into *healthy homes*.

CONSOLIDATION?

If history is any indicator, it appears that every time government and regulators get involved with more regulation of an industry, that industry consolidates faster than it may have otherwise. Look at the market-share increases of the large banks since Dodd-Frank was introduced. Also, look what is happening with the CFPB's recent attempts to regulate the payday lending industry so much that they may cease to exist. Also, we can refer to the shrinking numbers of hospitals and health insurance firms since ObamaCare was implemented.

LOST MARKET SHARE

In brokerage, something happened in 2015 that we have not seen before. The REAL Trends 500 firms have historically lost market share in strong markets and gained it back in down markets. But, in 2015, these largest of brokerage firms gained nearly 5 percent share against the rest of the market. Might it have to do with the CFPB chasing thousands of small- to medium-sized brokerages to abandon their mortgage MSAs, removing a source of profit and reducing their ability to compete with larger brokerage firms? Only the largest brokerage firms can now add profit and revenue from mortgage. Are they using this to compete more effectively with medium and smaller firms that lack this source of profit?

BROKERAGES BEING INVESTIGATED

A client of ours was investigated by their state's department of corporations. The regulator had no complaints, no reason to believe anything was wrong with the brokerage. Nonetheless, this brokerage firm spent hundreds of thousands of dollars on legal and compliance fees to make the corrections demanded by the regulators. This is not an isolated incident. Several other states are in the process of examining how to increase brokerage supervision, or how to further regulate agent teams—the list is extensive.

So, while many think it's technology that will fundamentally change our industry and the way we do business, it may be that it is government and regulators who will do more to change the environment in which we do business.

A client of ours was investigated by their state's department of corporations. The regulator had no complaints, no reason to believe anything was wrong with the brokerage. Nonetheless, this brokerage firm **spent hundreds of thousands of dollars on legal and compliance fees** to make the corrections demanded by the regulators.

CELEBRATING REAL TRENDS 30TH ANNIVERSARY

JULY 1987: **EMPLOYEE-AGENTS**

To celebrate REAL Trends' 30th anniversary year, we will bring back old articles from our early years to see how much (or little) has changed about the industry.

In the July 1987 issue of REAL Trends, one of the main stories was about the entry of local financial institutions into residential brokerage as employee-agents. Now, having agents as employees was not new in 1987. Van Schaack Real Estate was one of the largest and most successful brokerage firms in the country from 1970-1985, and all of its agents were employees—some 350 of them each doing nearly 50 transactions per year in 1980.

It was the fact that S&Ls, which had entered brokerage some years before, were trying an entirely new tactic to deliver service to housing consumers. This particular S&L was in the New York area, but others were trying the same tactic in other parts of the country.

Since then, we have seen one large Coldwell Banker franchise attempt employee-agents in a large metro area. Clearly, ZipRealty and RedFin have tried it, as well. While the S&Ls attempt failed (for a variety of reasons), ZipRealty's and RedFin's experiences don't bode well for this kind of brokerage. While both achieved some positive results, it is not the classification of agents that has or will be the differentiating factors in their success.

Innovation comes in many different forms both in 1987 and today.

BROKERAGE

NEED INVENTORY? **TRY THIS!**

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

Most areas of the country are experiencing a shortage of listings, more buyers than sellers and multiple offers. In some markets, the pushing and shoving are so intense it's being called a "Mosh Pit Market." The companies with the listings are controlling the market. How do you help your team generate more listings?

In surveying top listing Ninjas, we find that many of them are listing more properties than ever. How do they do it? Here are three of their top strategies:

1. **Bring your *A Game.*** In a hot seller's market, the temptation is to cheap out. Why invest any money in professional photography, brochures, staging or pre-inspections? This house will sell in 72 hours with multiple offers. This is a short-sighted approach.

   Top listing real estate professionals have a mindset that "my next listing is embedded in this listing." They know that 65 percent of the buyers coming through that house will have a house to sell. They know that curious neighbors will also come through.

   When the buyers (sellers) and curious neighbors (sellers) see a beautifully staged home, professional color brochures, a wonderful counter display with all the information on the home, and a contract writing kit, what do they think? Wow! This home is a *cream puff* and this listing sale professional is a pro. I like how they market. When I sell, I want to list with them. Because the real estate professional brought her A Game, she generated her next listing(s) from this listing.

2. **Dog Days.** The opposite of a *cream puff* is a dog. This is a property that has always been hard to sell. Maybe it's on a busy street, has an obsolete floor plan, is in poor condition—or all three. In a normal market, this property has been nearly impossible to sell. However, anything will sell in the "Mosh Pit Market!" Top listing real estate professionals are calling these sellers and letting them know, "If you have ever wanted to unload that dog, your time is now!"

3. **Buyers are sellers.** Sixty-five percent of buyers have a house to sell. When they buy, they generate a listing. What if they are afraid to put their house on the market because they are worried it will sell quickly, and they won't be able to buy another home? Legitimate concern.

   Ask this question, "With perhaps the lowest interest rates in your lifetime, are you living in the home of your dreams?" Follow up with, "If you could wave a magic wand and live in your dream home, describe it to me." Rehearse these questions at a sales meeting and see how it feels when you are the buyer/seller. Discuss how, with the low interest rates; they could be living in that home today. How do they do it?

   In most markets, prices have risen dramatically in the past three years. In our market, the average home price has gone up over $100,000. In our market, sellers who put 20 percent down three years ago have seen their equities double or even triple. Most have equity again—big equity in many cases. What about refinancing, pulling money out of their current house, and using that money as a down payment on their dream home?

   This strategy isn't for everyone. They run the risk of owning two homes for a while. However, if they're in a hot seller's market, the risks are minimized, especially if they are moving up. In most markets, the hottest segments are the lower and mid-price points. The higher price points tend to be slower markets. If that is the case, they can buy in a slower market segment and sell in a hotter one. Again, this is not for everyone, but top real estate professionals are presenting the idea to their clients and letting their clients decide.

Real estate is like a game of monopoly. Control the board, and you control the game. The way we control the board in real estate is with listings. It's also how we thrive in the Mosh Pit.

ENOUGH ABOUT MILLENNIALS

By Patrick Lencioni, The Table Group

Am I the only person in the world who's tired of hearing people talk about Millennials? Whether it's a complaint about their entitlement mentality or a declaration of their brilliance, it all strikes me as shallow and simplistic.

Now, I do not deny that every generation has a few things that make it unique. Today's young people get their information differently than I did. I get that. And they communicate with one another using different devices than I did. No doubt. And I agree that they have different expectations around employment than I did. But isn't that true of every generation? Why is it that we seem to be fascinated with this new collection of human beings, as though they come from another planet?

My fascination with all this is related to my most recent book, "The Ideal Team Player," because it has ramifications on how we go about bringing Millennials into a workforce that is increasingly team focused. There seems to be a fear on the part of recruiters and hiring managers that they'll be forced to deal with hordes of self-focused, isolated and lazy geniuses who are incapable of working well with others.

As it turns out, there is a better way to think about hiring good people than focusing on a person's generational stereotype. It comes down to looking for three simple, timeless and observable virtues that are reliable predictors of whether someone of any age will be a good team player. Thankfully, while generations change, the nature of teamwork does not.

The first and most important of the three virtues is humility. And yes, plenty of Millennials are humble. Humility is a timeless virtue, one that society will always yearn for, even when its celebrities and cultural icons seem to renounce it. Plenty of Millennials are just as tired of self-indulgence and narcissism as the rest of us. They're capable of caring for others more than themselves and have the ability to enjoy team success more than individual achievement.

Another critical virtue is hunger, the desire and willingness to work hard, to go above and beyond what is required for something worthwhile. While paper routes and lawn-mowing businesses for teenagers may seem like a thing of the past, hard work and sacrifice is alive and well among young people. The question is whether or not they've ever been made to work hard. I'm convinced that a large percentage of people in any demographic group, including Millennials, are capable of hard work, and a certain percentage are destined to be slackers. The key is finding the right ones to hire, and weeding out the others.

The third virtue that indicates that a potential new hire will be a good team player is what I call smarts, which is having common sense about people, and knowing how one's words and actions impact others. While it may be true that Millennials have spent a disproportionate amount of their time using abbreviations and Emojis to communicate, it doesn't take long for them to adjust when they realize that the guy or gal sitting next to them in a meeting needs a little eye-contact and emotional connection. All human beings, yes, even teenagers, yearn for interpersonal connection and are capable of embracing it.

And so, let's take a breath and realize that our society, and our economy, will survive the onslaught of Millennials. Companies that place a high priority on teamwork, on finding people who are humble, hungry and smart, will have no problem with them, or with any other generation for that matter.

In the spirit of this current generation, I'll close with a tweetable summary: *Teamwork is not limited to any one generation. Millennials aren't so special. In fact, they'll be just fine.*

Patrick Lencioni is founder of The Table Group and author of several books including, "The Ideal Team Player," and "The Five Dysfunctions of a Team."

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CONTINUOUS LEARNING

THE SECRET TO DOMINATING THE REAL ESTATE INDUSTRY

By Kristen MacDonald, content specialist for Lone Wolf Real Estate Technologies

You spent the majority of the first 20 years of your life in some form of a classroom, trying to cram as much knowledge as possible to get prepared for the real world. And then suddenly, as if to signal the end of your potential, it stops. You've learned all you can learn. Now, go try to make something of yourself.

When you stop to think about it, the concept seems a little bizarre.

The world is constantly evolving; things are changing each day, and there is always some discovery or trend emerging. What you learned in the classroom 15, 10 or even five years ago, won't necessarily apply today.

The solution? Keep learning!

As a real estate professional, you are part of a highly competitive industry. Brokers and sales associates aren't in short supply. And that agent down the street? He completed that same entrance exam and sat through *The Fundamentals of Running Your Real Estate Business* with you last Saturday morning.

Yes, the fundamentals are important; they are what help to build the foundation of your business. The lessons you learn in those classes provide you with the knowledge needed to build trust with your clients. But how do you start those conversations? How do you overcome their objections? How do you stand out among the competition? Keep learning and go beyond what is expected.

Take Tom Brady, for example. The NFL quarterback has earned six trips to the Super Bowl (more than any other quarterback) and won four. The keyword here is earned; an accomplishment like this isn't achieved by just doing what is expected. Brady has gone above and beyond to perform better and reach his full potential. In a recent article by NESN, Brady even goes as far as attempting to get into stadiums in the middle of the night to get in some extra practice or watching game tape at 3 a.m. to analyze what he could do to be better.

> **There is always some discovery or trend emerging. What you learned in the classroom 15, 10 or even five years ago, won't necessarily apply today.**

Sure, you're not a football player but the principles still apply. Becoming great at anything requires putting in lots of effort; putting in more effort than those around you is what allows you to win. Remember, all of your competition has completed the same entrance exam and the additional hours of education that your licensing body requires every few years. It is up to you to ensure you stand out from your competition.

Leveraging new education opportunities is a great way to expand your knowledge and learn new skills that go beyond the basics of what was required to become a real estate professional. And pursuing continued education doesn't have to mean getting back into a physical classroom. There are plenty of options; here are three to get you started:

START READING

Instead of starting off your morning catching up on emails, dedicate time to some light reading—the Internet is filled with a ton of great tips, tricks and stories on the latest trends. I suggest picking a few favorite blogs or publications to read regularly and setting up Google Alerts for topics you don't want to miss. The key here is being aware. Reading may not necessarily make you an expert on a particular subject but it will set you in the right direction.

Pursuing continued education doesn't have to mean getting back into a physical classroom. There are plenty of other options.

FIND A VIRTUAL CLASSROOM

Webinars! Webinars are great for a number of reasons but No. 1 on my list is convenience. By attending a webinar, you can gain great value without the high cost of travel or even leaving your desk. Stepping into a virtual classroom also provides the opportunity to re-watch the session and become a master of the skill that was discussed. There are plenty of companies that offer webinars covering a variety of topics, all you have to do is pick which one to attend.

BRING THE CLASSROOM TO YOU

This is where you will get the most value and ROI. Bringing an industry expert into your brokerage or attending a speaking session allows you to feed off the energy of the room and engage at a level that can't be matched by other education opportunities. And since, in my opinion, this is the most important channel, I have a couple of extra tips when it comes to selecting an expert to come to your brokerage or when choosing a speaking session to attend.

First, ensure your experts are truly experts. Anyone can Google, *10 Up and Coming Real Estate Trends* and relay the information. The value comes in the lessons learned from professionals who have experienced client objections first-hand and learned from their personal wins and losses. Don't be afraid to look outside of the real estate industry. A professional with a background in tech or marketing will still have great lessons to share and if they are truly an expert, they will be able to relate their learnings to the real estate industry.

Second, and more important than the first, is to ensure that your speakers not only tell you what to do but how to do it. We all know you need to get leads and market yourself, the question is: how do you do it? Even better than giving you the how look for professionals who can suggest tools and technology that will allow you to execute on all of your new knowledge. Technology has changed dramatically over the last 10 years, and so has its role in business. Today, a brokerage cannot reach its full potential without the proper tools and technology in place. An expert with a solid understanding of what works and what doesn't will ensure your new education comes full circle and that you can streamline processes and easily implement what you have learned.

These are just three ways that you can continue to educate yourself and grow your business; the truth is, there are many more. How you choose to continue to develop professionally and learn continuously, is up to you. What is most important, is that you do it. In the real estate industry, what you know is what will set you apart. Take a step back into the classroom and towards a more successful real estate career.

Kristen MacDonald is the content specialist at Lone Wolf Real Estate Technologies. With a passion for writing and technology, Kristen loves exploring the latest trends in real estate and sharing her perspective with her audience.

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ALEX LANGE, CEO, UPSTREAM

The Culmination of His Life's Work

Lessons remembered—learn from leaders where tomorrow's opportunities and threats lie.

By Steve Murray, publisher

"It is the culmination of my life's work."—Alex Lange

One of the greatest new developments of the past few years has been Upstream, a brokerage industry effort to streamline listing and sales data and how it moves around the online world. It is a huge project with many moving parts and stakeholders. Thus, the selection of its founding CEO was critical.

Alex Lange, who has a long background in technology, start-ups, venture funding and the residential real estate brokerage business, was selected. Alex is well known in the business and has held significant roles with such firms as Art.com, Roost, Market Leader and 21st Century. REAL Trends caught up with Alex to ask about his new role. Here's what he said:

Lange: Some people asked me why I would accept this position when my background was about venture-funded deals where there is an exit plan. Upstream has no exit plan, no plan to sell to anyone at any time. My answer was simply that this is, in fact, the culmination of my life's work.

Upstream has no exit plan, no plan to sell to anyone at any time. My answer was simply that this is, in fact, the culmination of my life's work.

I feel like I understand and have a feel for technology, especially in residential real estate. I think I have a pretty good feel for residential brokerage firms and their agents, and how the business actually functions. Plus, I think I have a good feel for the interaction of brokers, agents, their data, MLSs and the Realtors®. While I will meet many people and learn more about these areas, I believe I have a good foundation.

This is a tremendous undertaking and not done in some traditional way. In ordinary tech start-ups, one has to get funding, acquire hardware, build a development and sales staff and all the rest. In this case, Upstream is developing its tech underpinning through our contract with the National Association of Realtors® and with technology that has already, to some extent, been field tested. Many

of the leaders of that unit are people I know. While there will be selling to do in the future, much of what first has to happen externally is communications—with the Upstream board, other brokerage groups and networks, MLSs, Realtor associations and others.

I love to build things, and this is a huge, important project to get built. This is the ultimate challenge, and one that I think will keep our team and me busy for many years ahead. Not having some of the usual challenges of start-ups, I can focus on building a small, focused team, getting our technology built through the NAR team and reaching out to the brokerage community. From my point of view, Upstream is all the really enjoyable parts of a new company without the other parts.

It is also cool when you see all these highly competitive brokerage firms working together to make Upstream successful. They are dedicated to seeing it to its finish, to having every brokerage and agent in the country have access to its benefits, regardless of size, model or brand. These are some smart, successful people, and they want this to succeed. I am going to do everything in my power to see that that is what happens.

Yes, it's different than normal start-ups, but as I said, the best parts are what I will get to do. It gives me a chance to do something important and large that will have a positive impact on how the whole industry works.

REAL TRENDS HOUSING MARKET REPORT

MAY HOUSING SALES SHOW STRONG UPWARD TREND FROM APRIL

WHILE PRICES ARE UP SLIGHTLY. UNIT SALES UP 11.9 PERCENT WHILE PRICES UP 1.1 PERCENT.

The REAL Trends Housing Market Report for May 2016 shows that housing sales increased a robust 11.9 percent from the same month a year ago. The year-over-year gain was slightly higher than April 2016 results and nearly back to the record increases recorded in January and February. The Northeast once again led the way with a huge 19.5 percent increase over May a year ago.

"The May Housing Market Report shows that an acceleration in year-over-year growth in housing sales is not a one-time occurrence. April and May 2016 were two of the strongest months so far this year," said Steve Murray, editor of the REAL Trends Housing Market Report. "In fact, except for the March results, the first five months of 2016 have all been among the strongest year-over-year results in the past five years. Additionally, price increases continue to soften as the year progresses" said Murray.

The annualized rate of new and existing home sales was 6.434 million which was up from the rate of 5.749 million recorded in May 2015. The results indicate that the housing market continues to show very strong growth.

Housing price increases continue to show moderate change with May 2016 showing a 1.1 percent increase in the average prices of homes sold a year ago.

"The Northeast region had the strongest showing with unit sales up an incredible 19.5 percent. Each region saw unit sales increases with the Midwest showing an increase of 15.1 percent, the South at 10.7 percent increase and the West coming in with an increase of 6.4 percent. The housing market appears to be in good shape despite continued evidence of lower-than-normal inventory levels and has shrugged off other negative news such as the decline in equity markets, low inventories and the slower rate of foreign purchases of homes."

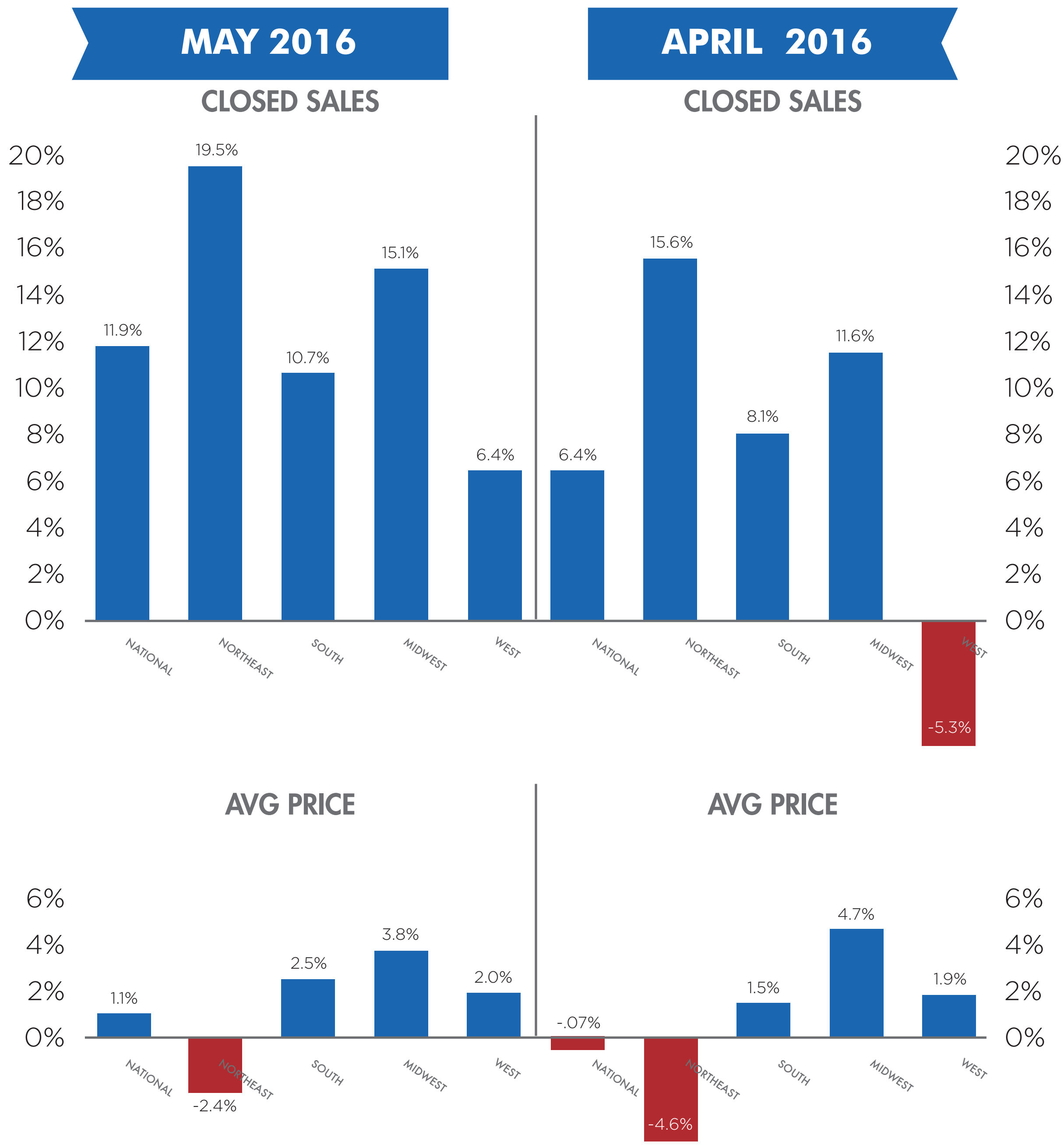
The average price of homes sold in May 2016 in the

Midwest region was up 3.8 percent the best performance in the nation. The South region increased by 2.5 percent; the West saw average prices increase 2 percent, while the Northeast region saw prices decline by 2.4 percent.

“We now expect that housing unit sales increases will continue to be higher in 2016 than thought earlier this past year. Most forecasts say that housing unit sales will increase 3-5 percent for all of 2016 and that average prices will increase 3-4 percent,” said Murray.

REAL TRENDS HOUSING MARKET REPORT

MAY & APRIL 2016 EDITION



SUPREME COURT RULING

CLASS ACTION PLAINTIFFS MUST SUFFER CONCRETE HARM TO PREVAIL

Federal consumer protection statutes have long been attractive targets for plaintiffs' attorneys because of the potentially large statutory damage awards.

By Sue Johnson, strategic alliance consultant

In 2012, many in the real estate industry anxiously awaited a U.S. Supreme Court ruling in the case of *First American Financial Corp. vs. Edwards*. For the first time, the Court was expected to resolve a dispute among federal circuit courts over whether a plaintiff in a Real Estate Settlement Procedures Act (RESPA) lawsuit lacks standing to sue because he or she had not suffered an "injury in fact." But the Supreme Court ultimately decided, without explanation, not to issue a decision.

Four years later, on May 16, 2016, the Court ruled in *Spokeo Inc. vs. Robins* that a plaintiff must suffer "concrete" harm to bring a private action in a federal court under a law that provides for statutory damages.

Spokeo involved a claim under the Fair Credit Reporting Act (FCRA), but it represents a turning point in class action litigation under other federal consumer protection laws such as RESPA, the Truth in Lending Act (TILA), the Telephone Consumer Protection Act (TCPA), and the Fair Debt Collection Practices Act (FDCPA).

THE *SPOKEO* FACTS

Thomas Robins sued Spokeo, a search engine that allows users to conduct a computerized search of an individual's personal information. Robins claimed that Spokeo violated the FCRA by publishing inaccurate information about him on its website. While the search results associated with his name incorrectly indicated that he had more educational and professional experience than he had and that he was better off financially than he was, Robins claimed the inaccurate information harmed his job prospects. He asked for statutory damages under FCRA on behalf of himself and every other individual whose information appeared on Spokeo's website.

The decision in Spokeo eliminates the no-injury class action. Plaintiffs' lawyers will now be required to show that the plaintiff and each class member suffered "real harm" or a "risk of real harm."

The district court dismissed the case because Robins failed to allege that he suffered any "actual or imminent harm." But the Ninth Circuit Court of Appeals reversed on grounds that the violation of a statutory right alone was sufficient to give him the standing needed to pursue the action. Spokeo appealed to the U.S. Supreme Court.

THE SUPREME COURT OPINION

In a 6-to-2 decision, the Supreme Court held that the Constitution requires that a plaintiff suffers an "injury in fact" to prevail in a federal court. The injury need not be tangible, but it must be both concrete (a harm that actually exists and is not abstract) and particularized. The basis for the Ninth Circuit's holding—that the injury alleged was personal to the plaintiff—satisfied the particularity requirement, but it did not address whether the injury was concrete. The Court vacated the decision and remanded it back to the Ninth Circuit to address whether there was a concrete injury.

WHY *SPOKEO* IS IMPORTANT

Federal consumer protection statutes have long been attractive targets for plaintiffs' attorneys because of the potentially large statutory damage awards. They arrange for an individual to file an action on behalf of a large potential class alleging a violation(s) of a federal statute that makes statutory damages available. The individual plaintiff bases his or her standing to sue on the mere fact that the statute was violated and requests class certification on the premise that others in the class were commonly affected.

Until now, the class action bar has benefitted by the failure of Congress to specifically require in these laws that a plaintiff suffers actual economic or emotional harm to recover damages. Proof of the statutory violation by itself is claimed to establish everything the class needs to prevail: standing, liability, and entitlement to statutory damages.

The decision in *Spokeo* eliminates the no-injury class action. Plaintiffs' lawyers will now be required to show that the plaintiff and each class member suffered "real harm" or a "risk of real harm" (not possible real harm). To the extent the alleged harm is intangible, they will need to demonstrate that it "has a close relationship" to a harm that traditionally has been recognized in English or American courts, and/or that Congress made a judgment when passing the law that an intangible harm is sufficient.

The Ninth Circuit's ruling on remand will help further define what it means to sustain a concrete injury for federal courts within its jurisdiction (Alaska, Arizona and California). The Spokeo decision also is limited to standing in federal courts. Many of the federal laws impacted can also be brought in state courts, and it will be up to each state to decide whether plaintiffs in their courts must prove that there was concrete harm.

But the bottom line is that the clarification sought in First American over whether plaintiffs need to suffer actual damages has been realized in Spokeo. Plaintiffs now have to find new arguments to justify standing in federal "no-injury" class actions.

BENCHMARKING

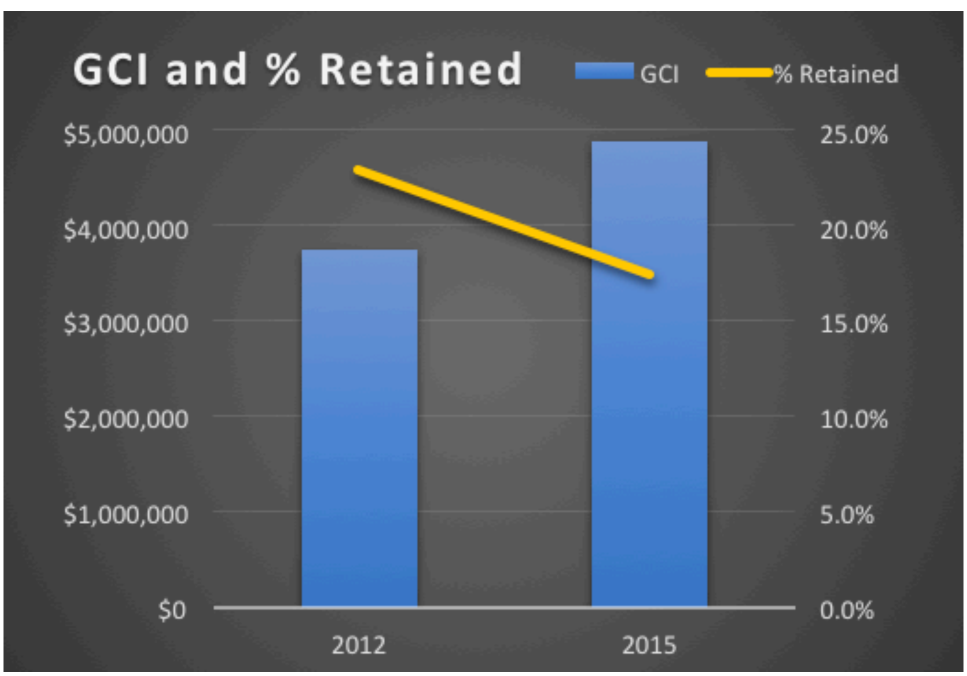
THE DOWNWARD TREND OF GCI RETAINED

Why is there a continued downward trend in the percentage of GCI retained?

By Scott Wright, manager of business analytics

Doing what we do at REAL Trends affords us the opportunity to get an inside look at industry trends. The recent update of our benchmark matrix reveals a fascinating trend that demands attention.

Feeding this benchmark matrix are the financials for hundreds of brokerages of all shapes and sizes, scattered about the country. It's a fair representation of the residential real estate industry. To get a good comparable baseline, we compile the numbers on a per-office basis. Take a look at this four-year chart that shows average Gross Commission Income (GCI) and the average Percentage of Commission retained!



What's not surprising about this picture is the GCI trend downward given 2012s major inflection point. From a high in 2006 to a low in January 2012, home prices dropped a staggering 27 percent (S&P/Case-Shiller U.S. National Home Price Index). Naturally, when demand strengthened and home prices shifted upwards, brokers have been able to book more commissions. The result is total GCI per office rising from $3.76 million in 2012 to $4.89 million in 2015, an impressive 30.2 percent increase.

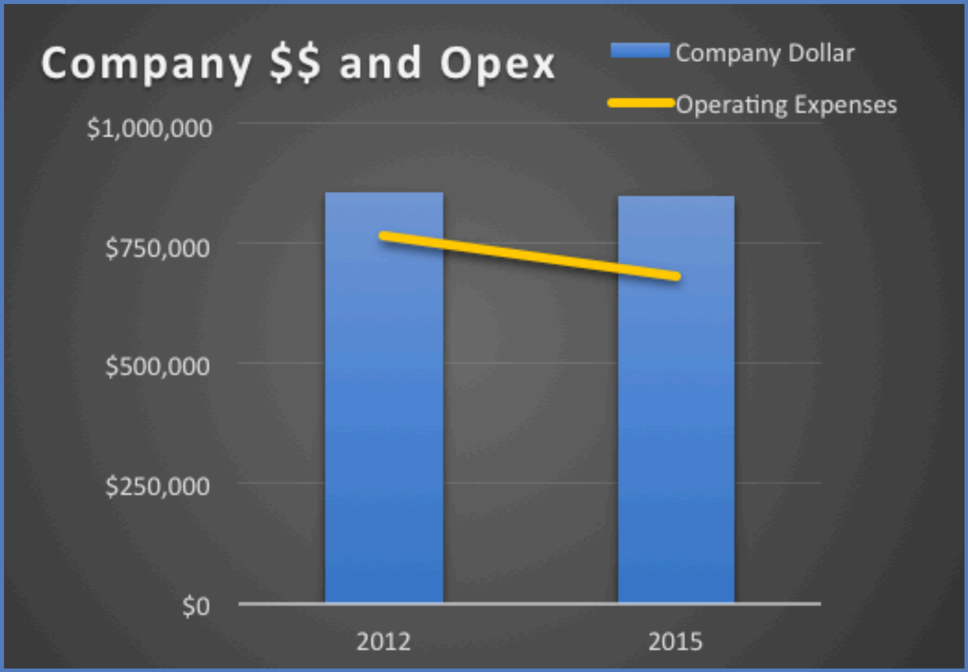
AN INTERESTING TREND

What's more interesting is the continued downtrend in the percentage of GCI retained. As you can see, percentage retained is way down, from 22.9 percent in 2012 to 17.4 percent in 2015. For every dollar of commission income, brokers now only receive an average of 17 cents, a whopping 24 percent less than they were getting just a few short years ago!

Tightening margins is a reality that brokerages had to deal with well before 2012, as it wasn't too long ago that upwards of 30 percent retained was standard. There's a myriad of reasons for this decline, with the fading of the traditional brokerage model a major culprit. Simply put, agents are getting a bigger piece of the pie. Though this is a hard pill to swallow for brokers, it's the wave of the future.

Of course, one of the biggest impacts of this downward trend in the percentage of commissions retained is the pinching of company dollar. Despite that GCI is way up since 2012, per-office company dollar has stayed relatively flat ($859,000 in 2012 and $850,000 in 2015). Brokers have thus been forced to adapt if they have any prayer of improving profits. And, with average net income up 43.2 percent since 2012, adapt they have!

With company dollar being constrained, brokers have been working below the line to improve their bottom line. If agents are going to command higher splits, you can bet brokers will revisit how they are supporting them operationally with desk space, support staff, marketing, training and more.



Brokers' ability to significantly lower expenses has allowed them to combat the continued decrease in what they've been able to retain from commissions earned by their agents.

From 2012 to 2015, we've seen salaries and payroll-related expenses fall by 20.4 percent, advertising and marketing expenses fall by 17.3 percent and occupancy-related expenses fall by 20.7 percent. What we consider "other" operating expenses was up by 22.2 percent, but when you add it all together, total operating expenses were down by 10.8 percent. Brokers' ability to significantly lower expenses has allowed them to combat the continued decrease in what they've been able to retain from commissions earned by their agents. Many are thus still able turn great profits.

The bottom line is that this updated benchmark data confirms the ongoing strategic shift in the way brokers are adapting to the 21st-century marketplace. Real estate remains a great business and the savvy leaders who run these companies will continue to figure out a way to make money.

DEVELOPING A TECHNOLOGY AND MARKETING PLAN FOR YOUR COMPANY

By Travis Saxton, vice president of technology

Did you know that most U.S. brokers don’t have a plan when it comes to their technology and marketing? Sure, they have technology and marketing, but there is no shared vision between the two. Some organizations run flat, with many people meeting and controlling everything, only bringing to the table what they find interesting. This type of brokerage is susceptible to the shiny penny syndrome. Other brokerages run in linear silos with people in charge of respective areas but not coordinating or communicating with each other.

Here is a simple exercise that we recommend each brokerage complete to get a handle on what they are spending, where, what the return on investment is, how you use these efforts for recruiting, what lead sources and rules you have and, ultimately, your plan.

First, organize anything technology and marketing into four areas:

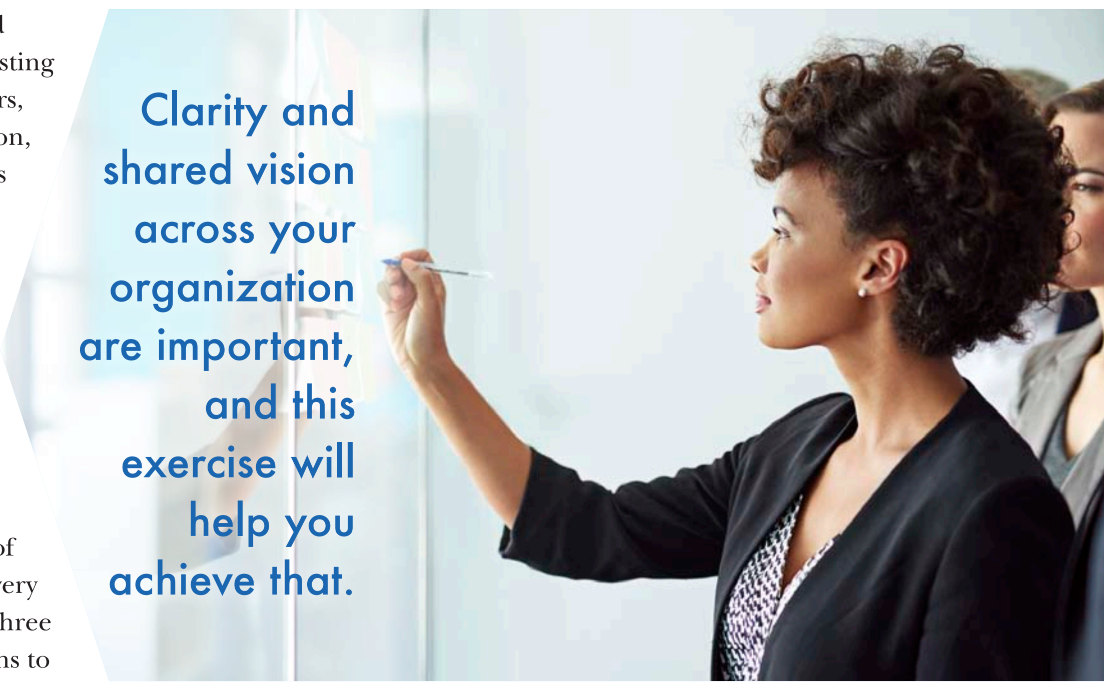
1. **Technology Initiatives**
2. **Marketing Initiatives**
3. **Leads Initiatives**
4. **Recruiting Initiatives**

DID YOU KNOW that most U.S. brokers don’t have a plan when it comes to their technology and marketing?

You may be asking yourself, “Why is recruiting on the list?” Recruiting today is largely a byproduct of the three areas that precede it on my list. Without clarity in the first three areas, your recruiting managers have a hard time telling your story. Without clarity, your efforts in those areas blend with every other firm in your market. This is one reason why E-edge from Keller Williams made such big waves. They were one of the first firms to add clarity and message around what they were doing in the first three areas on the list above. So, yes recruiting belongs here. More specifically, the person in charge of recruiting needs to communicate clearly with the other three areas to develop a concise value proposition and use those other areas to drive home your value proposition to potential recruits. The problem with most organizations is that recruiting is done in a silo, and they don’t get the help from the other areas.

BUILD THE FOUNDATION

Let’s talk about leads. In the next three areas, we have a great exercise every firm should do and repeat every six months. Build yourself a lead matrix. Use a google doc/sheet or an Excel file and make it simple. Track every lead source in your organization. If you get a name, email address or phone number, then it goes in as a lead source. Lead sources include your website, listing portals, MLS, mobile, sign riders, customer service desk, relocation, etc. Any name or opportunity is placed in this spreadsheet. Then, add a field for estimated monthly volume, cost, comments/feedbacks, and what do you currently do with the leads. If you have closing information, place it here as well. This will act as the foundation for your leads strategy. Whoever is in charge of this area will update this doc every six months. They will then set three attainable goals every six months to work towards. For their area. This evolving message is then relayed to Recruiting for use.



MARKETING LEADS

You may think marketing and leads are the same. In some organizations they are, but they should be separated. In the marketing section, repeat the above exercise and build a marketing matrix. This is a spreadsheet where you track marketing sources, number of visits, impressions, clicks, followers and other pertinent information. Start with your website, social media, digital marketing campaigns, listing syndication and more. Anything that has eyeballs on your brand or listing goes into this spreadsheet. The more detailed you are, the better. Think of this as more outbound and leads as inbound. Tackle three goals every six months with clear, measurable success KPIs. This is then relayed to leads and recruiting.

TECHNOLOGY INITIATIVES

Finally, you have the technology initiatives. Create a technology matrix that lists every technology penny you spend. The slight overlap is with marketing where the website and agent websites should be in here. This is small; however, and the goal is to see the landscape of your technology. But, in this matrix, you want fields such as cost or cost per month, agent adoption of tools, training initiatives, last training held, perception and more. Your goal is to see which technology is being used. This offers you coaching and training ammunition and sets the foundation for the brokerage to add or subtract technology.

In the end, you have the four pillars for getting your technology and marketing under control and ultimately the foundation for a great recruiting and retention strategy. Clarity and shared vision across your organization are important, and this exercise will help you achieve that.

TARGET AUDIENCES

MAKE YOUR MARKETING COUNT

By Paul Salley, marketing strategist

Traditionally, marketing a product or service consisted of putting out a message to the masses with the hope that the broadcast message would attract a handful of individuals who would pursue the product or service further. This old school style of marketing is comparable to a sales funnel or marketing pipeline. There would be a large number of people who see the ad and eventually the campaign will sort out those who are not interested.

With today's digital marketing capabilities, traditional marketing has been reversed. This strategic style of marketing is known as reverse marketing. We start at the bottom of the funnel and advertise directly to those who we know have an interest in our message. It's the traditional sales/marketing funnel turned upside down. The technology that makes this marketing dream a reality has to do with sophisticated ad platforms that can tap into a user's browser and online activity history.

Some examples of platforms that have this capability include Facebook, Google AdWords and REAL Trends' predictive marketing solution. All of these platforms have the ability to segment users into different audiences. One example of how to use this technology is to create an audience that is based only on visitors to a specific page of your website and market directly to that audience with an ad message relevant to that webpage.

Another strategy is to market to an audience based on their browsing history. On the REAL Trends predictive marketing platform, there is an audience list known as *real estate intenders*. That list is comprised of those who previously visited a real estate-specific website. This *real estate intenders* filter coupled with location and demographic parameters creates a very hyper-targeted audience that can be shown an ad that is specific and relevant to that audience, thus driving up clicks, conversions and, ultimately, quality leads.

TAKE ADVANTAGE
of the potent digital marketing tools now available to drive quality leads and more business.

When reviewing your company's marketing dollars and strategy, take advantage of the potent digital marketing tools now available to drive quality leads and more business. In addition, achieve results and a return on your investment with sophisticated digital marketing platforms that allow you to gauge exactly what is working and what is not. This takes the guesswork out of how and to whom to market. Most marketing tools that offer segmented audiences can have effective campaigns starting at around $150 per month. However, remember that the higher the budget allocated to these platforms, the greater their performance will be.

"GOOD TO GREAT" AUTHOR JIM COLLINS TO SPEAK AT 2017 GOE

REAL Trends 30th Anniversary Gathering of Eagles
Four Seasons Hotel, Denver, Colorado

We are pleased to announce that we will have Jim Collins, a well-known and respected consultant, author of "Good to Great," and an expert on leadership and organizational effectiveness with us at this exciting time in our company history.

Also, at the 2017 Gathering of Eagles, we will be featuring topics focused on operational effectiveness, business metrics, valuation methodologies and other data-driven strategies for improving a brokerage.

As always, we limit attendance to 300 people. Look for other extraordinary speakers and presenters announced soon!

Realtor.com and REAL Trends Launch New Campaign

Realtor.com, in partnership with REAL Trends, recently launched a new advertising campaign. The "Where You Grow Your Business" video series gives you a peek into different broker's businesses to find out what they love about their communities and how they use technology and Realtor.com to boost their bottom line.

Watch the first, uncut video. CLICK HERE

SAVE THE DATE!

New REAL Trends Reports and Rankings Released

- **The Thousand, as advertised by The Wall Street Journal** is live on the REAL Trends website. CLICK HERE
- Look for **America's Best** rankings live on the site July 7. CLICK HERE
- **The Secret Lives of Real Estate** winner will be announced July 14. CLICK HERE

NEW WHITEPAPER

TODAY'S SUCCESSFUL TEAMS

REAL Trends, in collaboration with our thought leadership partners BoomTown, dotloop, and ERA Real Estate, surveyed or interviewed thousands of real estate professionals to understand the foundation and characteristics of today's most successful teams. Beyond defining what a real estate team is, our findings include best practices for team development from a broker-owner and sales associate perspective.

Teams exemplify just one of the ways that the real estate community continues to shift to remain relevant. They provide a unique opportunity to service client needs around the clock without sacrificing work-life balance. We believe there is a greater opportunity for teams, the firms that partner with them and the industry as whole by having a shared foundation and a common goal.

To read the study, CLICK HERE