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FIRST PERSON

The CFPB

HOUSING BOOM AND BUST

How is the Dodd-Frank Act impacting local housing markets?

by Steve Murray, publisher

In a book written by Hoover Institute Economist Thomas Sowell some years ago, he traced most of the differentials in housing prices between markets to actions taken by local and state governments. Whether it is through affordable housing actions, impact fees, the setting aside of huge swaths of otherwise developable land, Sowell shows that actions taken by state and local governments profoundly affect the local supply of housing and drive up prices. It's a good read for those interested.

FANNIE AND FREDDIE

Thinking about this brought up some interesting current issues. Take the Dodd-Frank Act of 2010, built to reign in the large banks and prevent them from taking consumers for a ride like they did (supposedly) in the 2000-2007 period. Any serious student of what really happened knows that it was a corrupted Fannie and Freddie that poured the kerosene on the fire of shoddy lending. That is what caused the greatest part of the problem. There are several good books on

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REALTRENDS
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7501 Village Square Drive, Ste. 200
Castle Rock, CO 80108
Phone: 303-741-1000
FAX: 303-741-1070
E-Mail: realtrends@realtrends.com
Web: realtrends.com

Publisher:
Steve Murray - smurray@realtrends.com

Editor:
Tracey Velt - tvelt@realtrends.com

REAL Trends Team:
Alec Gress - agress@realtrends.com
Bryan Warrick - bwarrick@realtrends.com
Daniele Stufft - dstufft@realtrends.com
Deirdre LePera - dlepera@realtrends.com
Doniece Welch - dwelch@realtrends.com
Jaime O'Connell - joconnell@realtrends.com
Paul Salley - psalley@realtrends.com
Rebecca Chapla - rchapla@realtrends.com
Scott Wright - swright@realtrends.com
Terry Penza - tpenza@realtrends.com
Travis Saxton - tsaxton@realtrends.com

this topic as well. Why? Fannie and Freddie were losing market share to Wall Street in underwriting and securitizing mortgages, and Congress (not the President or Executive Branch) sought to help their patrons over at the GSEs get it back. So, in 2006 and 2007 they loosened their standards so they could buy more low and minority family loans (you remember Alt-A and other gimmick loans) and what would have been a disaster for a few Wall Street firms became a disaster for everyone.

SMALL BANKS RETREAT

One result of Dodd-Frank (which could have also been called the bank consolidation act of 2010) has been the retreat of small banks and mortgage lending institutions, fewer loans available for building, the wipe out of small- and medium-sized builders and other associated side effects. Now, we have the Consumer Financial Protection Bureau (CFPB) grinding down small mortgage banks with enormous compliance costs, irregular regulation of Marketing Service Agreements (MSAs) and the smothering of joint venture operations. Their most recent publication on MSAs is typical. They don't say that MSAs are illegal, just that most of them probably are. They don't say you can't have them; they say that should you do so, you are probably breaking their rules. Wait, they don't say what is legal or not, just that, basically, they don't like them. In no way do they spell out what is OK and what is not. Yes, you can likely have them, and if someone doesn't like yours, he or she can turn you in. You can then face a regulatory body with no oversight committees to which to complain. It will be you and your attorneys against a Federal agency that has a bottomless checking account. Beautiful.

LARGE BROKERAGE FIRMS

For large brokerage firms that have the capitalization and compliance requirements of a full mortgage banking facility, a formal joint venture or mini-correspondent mortgage entity, these are great days. They can generate significant earnings from such activities while medium and small realty firms are shut out of any arrangements to do likewise. So, now the CFPB (you know the ones defending consumers against unfair lending) are creating a more unfair playing field than existed before. Imagine that.

We might say, "write your Congressman or Senator," but know that there is little they can do. They have no formal oversight over the CFPB and no way to reign them in. Anything a Republican Congress might do would be immediately vetoed or blocked in the Senate. Just as local and state governments create housing shortages, and then tax developers create affordable housing, now we have a Federal agency loading the decks in favor of the larger realty firms.

CULTURE

THE KEY TO BROKERAGE SUCCESS

You need more than successful recruiting and good budgeting to make a brokerage great.

by Steve Murray, publisher

Recently, a broker, in an audience of more than 100 of her peers, asked for the key to having a successful realty firm. My answer, somewhat tongue in cheek, was that there are only three things a brokerage has to do to create a successful realty firm. First, recruit people to their firm. Second, develop those agents and support them to the best of one's ability. Third, spend less money than you bring in through front door. In reality, everything a great realty firm does is directed at one of these areas. To the extent that you can do at least two of the three, you will likely be successful.

CORE AREAS

In retrospect, I left off the most important item, which is building a sense of shared values. You must build a culture that attracts people and opens the door to their sense of belonging to something unique and worthwhile. In tours of three outstanding realty firms in the United States and Canada, I (and a group of other leading realty firms) recently discovered that great realty firms have powerful leaders and powerful cultures, even if they differ in size, operation, and location. Some were full service; some less so. One had no sales managers yet over 600 agents who said they had unfettered access to the company leaders and felt a strong personal and professional bond with them. Another brokerage is setting higher standards than ever before and practicing what they preach. They are seeing stronger relationships and a sense of shared goals with their people as a result.

BUILDING CULTURE

It is interesting that we find strong, successful realty firms that do fine when they do well on two of the three basic core areas listed above. However, what sets them apart is the culture they have established, especially as it relates to communicating their passionate support of their agents. So, while my tongue-in-cheek response was mostly true, it seems that whether or not a firm is great or average at the three basics, one can have great success when it builds something to which people want to belong.

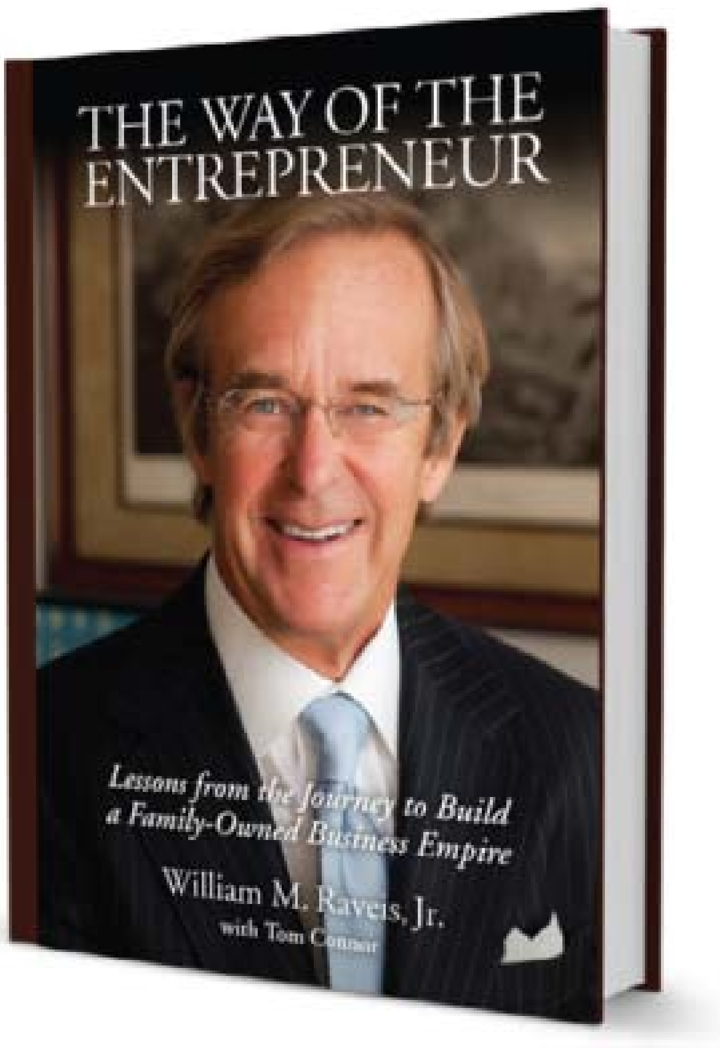
BOOK REVIEW

"THE WAY OF THE ENTREPRENEUR" BY BILL RAVEIS

Read the story of one successful entrepreneur.

By Steve Murray, publisher

The story of Bill's life and the building of his company is worth the read. Few have been at the forefront of the changes in the industry as Raveis has, few have pushed the boundaries of the practice of brokerage and, along the way, attracted both those who resented his success and those who think he was the ultimate aggressive, hard-charging real estate guy.

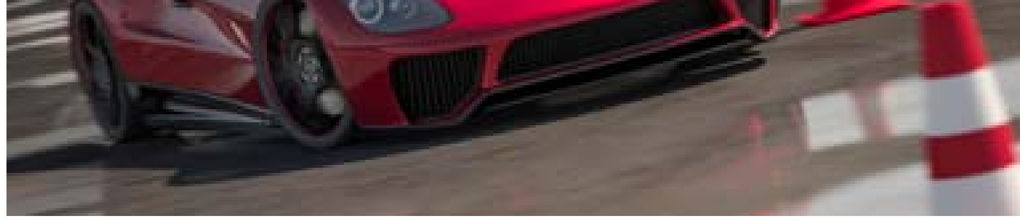


We learn much about how to be successful in brokerage and business. Raveis mixes his story with pointers for those attempting to start and build a business.

In addition to Bill's story, we learn much about how to be successful in brokerage and business. Raveis mixes his story with pointers for those attempting to start and build a business. He does so in an entertaining, fast-paced manner. Raveis discusses the roles of family, health and business and how they all must be cared for and watched over. He also talks openly about failures and what to do when the grim reaper (in his book both commercial and investment bankers) appears on your doorstep.

"The Way of the Entrepreneur" is worth reading for the lessons that can be learned and the amazing story of a man who built an incredible business.

Find it **here**.



RETURN ON APPRECIATION

DO THIS FOR HIGH-PERFORMANCE TEAMS

People want to feel understood and appreciated. Do that and you're golden.

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

How do you recruit, motivate, and retain a high-performance team? In his excellent book, "The Heart of Coaching," Thomas Crane cites a research study by Glenn Tobe & Associates. In this survey, managers and their team members were each asked to rank a list of performance motivators. What managers thought team members wanted most from their jobs and what team members wanted most bore little resemblance to each other. There was a significant gap!

Managers ranked money as the top motivator—wages, income, and commission split. However, money only ranked No. 5 to team members, important but not as important as their top three:

1. **Appreciation**
2. **Feeling "in" on things**
3. **Understanding attitude**

Where did these top three motivators for the team rank with the managers? Dead last! Managers were out of touch with what motivated their people. What would it cost to do these three activities? A little investment of your time. Your ROA (Return on Appreciation) will be huge! Improve your recruiting, performance, and retention by putting your focus on these three areas. Here's a system to do it:

- **Make the rounds.** Face time is a key. We encourage our managers to walk through their offices and see their people at least twice a day.
- **Send notes, emails, and phone calls.** As chairman of our company, I have a goal to acknowledge at least five of our people a day personally. That's 25 a week. Given the size of our organization (250 people), I'm having personal interaction (and showing appreciation) to everyone at least once a quarter. Our managers should have far more interaction with their people, preferably weekly.
- **Load into your calendar all your team members birthdays** and anniversary dates of joining your company. When those dates pop up on your calendar, make sure you let team members know they are appreciated.
- **Share what is happening** and what is about to happen in your company or office, so they feel in on it. Let them know first so they are not learning about it on the street. Communicate your message more than once (some research says seven times) so everyone gets it.
- **Get to know your team members personally**—their families, their goals, their whys. You will have a better connection with them and understand what he or she is going through.
- **Read the book**, "The Five Languages of Appreciation in the Workplace," by Gary Chapman and Paul White. Everyone likes to be appreciated in one of five ways.

Have you ever heard of the *Hawthorne Effect?* It's a term in psychology that developed out of a study in Hawthorne, California decades ago. Industrial psychologists were trying to figure out how to motivate workers in a manufacturing plant to higher levels of productivity. One theory they tested was the lighting in the plant. Their theory was that if the workers could see better (more light); they would be more productive. As the light level was increased, sure enough production went up. However, surprisingly, as the light level was reduced, production went up again! They kept lower-ing the level of light and production was soaring in a plant that was almost dark. How could this be? The psychologists discovered that humans performed better when they know someone is watching them—that someone cares about what they are doing. This is now called the Hawthorne Effect. Put the Hawthorne Effect to work in your organization. It starts with communication and appreciation.

Whether it is the Hawthorne study, the Glen Tobe & Associates study or just my personal experience motivating salespeople for over 40 years, appreciation, connection, communication, and understanding are the keys to recruiting, performance, and retention. It's simple, and what does it cost? Your ROA (Return on Appreciation) will be huge!

PAT'S POV

THE DANGEROUS FEAR OF ATTRITION

An obsession with retention isn't always a good thing.

By Patrick Lencioni, The Table Group

Many leaders have something of an obsession with retention and a corresponding fear of attrition. Whether we're talking about employees, customers or even members of a church congregation, we seem to have an almost unconscious desire to do whatever we can to keep anyone from leaving. So we compromise our strategies or water down our policies to appeal to the largest number of people possible. Ironically, this actually creates the very problem we fear most as we end up discouraging—and often losing—our core constituents, the people who are our best recruiters, marketers and evangelists. In the end, we are left with an organization of which fewer and fewer people want to be a part.

Perhaps the most obvious example has to do with the misguided fear of employee attrition. An executive recently told me about an important cultural change he had made in his organization to address the apathy and entitlement that had permeated the attitude of his three hundred employees. Essentially, he changed the compensation system to better reward performance, which created a significant amount of anxiety within the company. The executive then proudly announced that the initiative had brought about some improvement in productivity and that none of his employees had left. My first reaction and my question to him was this: "Did the culture really change? If no one opted out of the organization, then maybe the program wasn't bold or dramatic enough. Do you think that everyone belongs in the company?"

Now, I'm not a supporter of weeding out a certain percent of employees per year just as a rule. That seems arbitrary and cruel to me. But when an organization is trying to bring about an important cultural change, people opting out, as a result, is generally a good sign that the program is effective and real. When corporate leaders spend time and energy to retain employees who aren't ideal fits for the organization, they only dilute the attention they give to their best people. Eventually, those "best" people look elsewhere when they realize that their commitment to the direction of the company is less important than they thought it was. Of course, when that happens, leaders start to panic, and rightly so.

The same principle often applies to customers. Trying too hard to keep every customer, or win new ones, can lead companies to dilute the purity of the product or service they offer, which can risk disappointing the most loyal customers. These are the people who understand and appreciate the company the most, and who usually attract new customers through word-of-mouth, something that is more important than ever in this viral world. In-N-Out Burger, the legendary fast food company, based in Southern California, refuses to add turkey sandwiches to its menu to attract new customers because they know that they would only diminish their appeal to people who love burgers. Chick-fil-A won't add a burger to their menu because it would dilute the clarity of what they do. People admire an organization that sticks to its core.

Church leaders might succumb to the fear of attrition on the grounds of wanting to reach out to everyone and exclude no one. That is truly a noble and worthy goal. However, when the desire to reach out to all people leads to the dilution of the very "thing" they want those people to understand and embrace, the result is almost always disappointing. Usually, it leads to the loss of the core constituency, and—get this—a reduction in interest from those people who aren't sure they're interested in the first place! What attracts new people to an organization or movement is the same thing that keeps the best people in them—a sincere, unapologetic and joyful commitment to what matters most. I'm absolutely convinced of this.

And for those who find this acceptance of attrition a difficult pill to swallow, keep this in mind. Retaining a misaligned employee, customer or member of the congregation is not actually good for that person, who is often just plain unhappy. Compassionately freeing them to leave, without animosity or bitterness, will actually increase the likelihood that they may eventually opt in for the right reasons. That seems a lot wiser than retaining them for the wrong ones.

When an organization is trying to bring about an important cultural change, people opting out, as a result, is generally a good sign that the program is effective and real.

EARLY FALL HOME SALES SOFTEN

September 2015 sales move up 8.9 percent over September 2014.

The REAL Trends Housing Market Report for September 2015 shows that housing sales increased 8.9 percent from the same month a year ago. While down from year-over-year increases of the prior four months, indications are that housing continues to lead the economy. All four regions reported unit sales had increased from a year ago with the Northeast leading the way with an increase of 12.5 percent over a year ago.

"September housing sales slowed when looked at on a year-over-year basis. As predicted in earlier months, the lack of inventory in many markets, the strong appreciation in home prices and the strong U.S. dollar are causing the year-over-year slowdown in housing unit sales," said Steve Murray, editor of the REAL Trends Housing Market Report.

The annual rate of new and existing home sales for September 2015 was 6.674 million units up from a rate of 6.126 million in September 2014.

Housing prices rose an average of 2.4 percent from September 2014 showing continued moderation in home price increases and among the lowest year over year increase in prices since 2014.

"The average price of homes sold remains very moderate, showing almost only a slight increase," Murray added. "It is important to note, however, that month-over- month changes in unit sales and average prices have both backed off their previous highs."

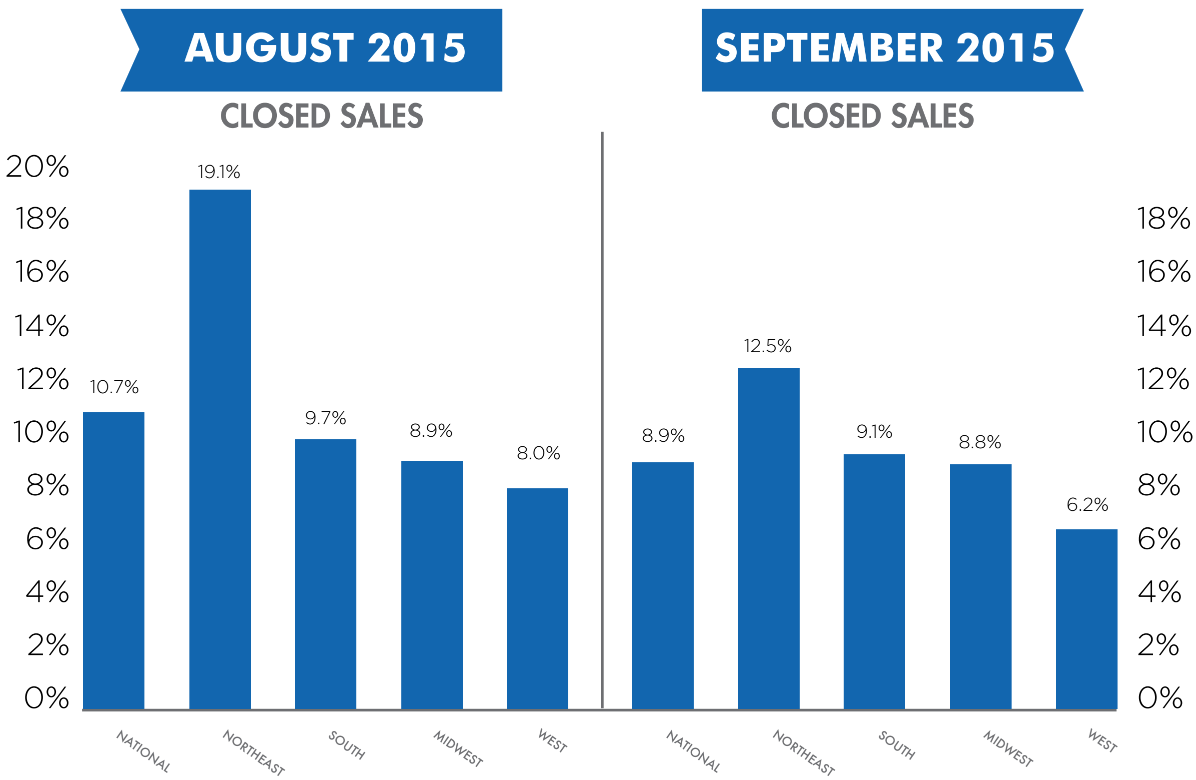
Housing unit sales for September 2015 increased 12.5 percent in the Northeast, the best performance in all regions. Sales in the South region were up 9.1 percent, the Midwest saw an increase of 8.8 percent, and the West had an increase of 6.2 percent.

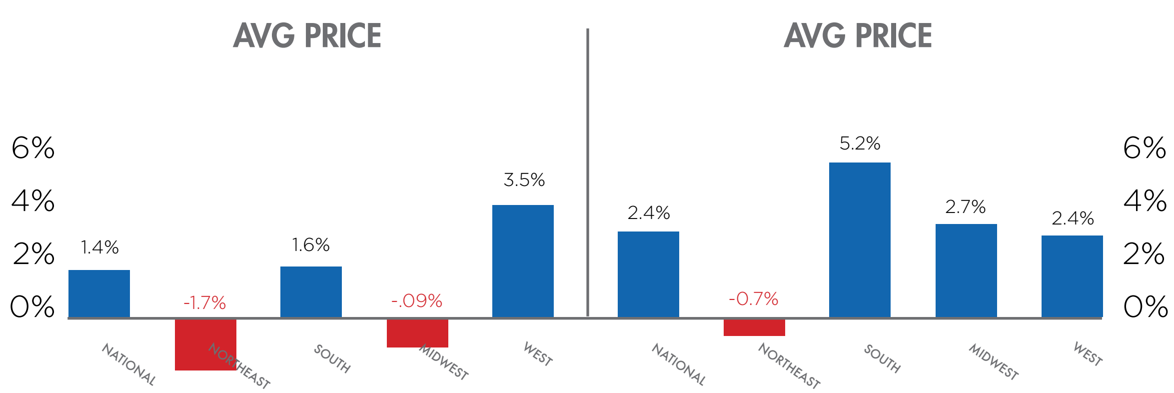
The average price of homes sold in September 2015 in the South region increased by 5.2 percent, the best result in the nation. Midwest saw average prices increase just 2.7 percent, average prices in the West were up 2.4 percent while the Northeast experienced a decline in the average price of homes sold with prices dropping 0.7 percent.

"We expect that housing unit sales increases will continue to slide on a year-over-year basis and that prices will continue their recent trend of moderate increases," said Murray.

REAL TRENDS HOUSING MARKET REPORT

AUGUST & SEPTEMBER 2015 EDITION





EXISTING-HOME SALES CAPACITY MODEL DECREASES 0.1 PERCENT IN SEPTEMBER

Price appreciation fueled by low interest rates is driving market capacity for existing-home sales above actual existing-home sales.

By Mark Fleming, chief economist, First American Financial Corp.

First American Financial Corporation recently released First American's Existing-Home Sales Capacity (EHS-C) model for the month of September 2015, which provides a gauge on whether existing-home sales are under capacity or over capacity based on current market fundamentals. The EHS-C rate decreased by 0.1 percent compared to August and decreased by 3.6 percent compared to a year ago. The seasonally adjusted, annualized rate (SAAR) of existing-home sales capacity is up 77.1 percent from the low point of sales reached in February 2009*. The EHS-C increased by a modest 3,800 sales (SAAR) in September.

"Continued modest income gains and moderation in house price appreciation were factors that drove the market capacity for existing-home sales slightly lower, when compared to August. The user cost for housing, which is a measure of the cost of ownership that includes the interest cost of a mortgage, home maintenance, taxes, tax benefits, and appreciation, remains negative, meaning that owning a home 'pays' the homeowner," said Mark Fleming, chief economist, First American. "This negative user cost, combined with slowly growing incomes, should counter the expected eventual rise in interest rates and deceleration in house prices. Our expectation is that the market capacity for existing-home sales will rise slowly in 2016."

Actual existing-home sales spiked in July, but in August dropped back to a pace below 5.4 million (SAAR) and rebounded in September to a rate of 5.55 million (SAAR). The current underperformance gap is an estimated 215,000 (SAAR), which is significantly less than the sales

A recent survey of prospective homebuyers conducted on behalf of Trulia indicated that rates would have to rise

ABOVE 6 PERCENT

before significantly discouraging homebuyers from buying a home.

capacity gap of 1.7 million existing-home sales in February 2014. EHS-C is down 640,000 sales (SAAR) from the most recent peak in February 2014.

Forecasts for September actual existing-home sales predict an increase to 5.56 million (SAAR), remarkably close to actual existing-home sales for September. This would be an increase of 4.7 percent over August's disappointing preliminary estimate for actual existing-home sales.

"Recent volatility in the actual level of existing-home sales is being attributed to a breakdown in the adjustments made to account for seasonality in home sales data, said Fleming. "Considering the likely recent outlier on the high side in July and the potential outlier on the low side in August, actual existing-home sales should reasonably be in the 5.4 to 5.5 million (SAAR) range."

HELOCS POISED TO SURGE

A recent survey of prospective homebuyers conducted on behalf of Trulia indicated that mortgage rates would have to rise above 6 percent before significantly discouraging homebuyers from buying a home. Last month, First American's Chief Economist published an analysis of the impact of a possible rate increase on existing-home sales and house prices entitled "Does a Fed Rate Increase Doom Housing?

"Our research corroborates the Trulia survey findings that housing demand in a low-rate environment is relatively insensitive to mortgage rates but, as rates rise further, the impact will be stronger, said Fleming. "In fact, there is reason to believe that as rates increase, home equity loans are 'Poised to Surge.'"

LEVERAGE-ASSISTED HOUSING ASSET INFLATION

Last month, the Federal Reserve decided not to raise the benchmark federal funds rate and recent economic data has decreased the likelihood that a rate increase will happen this year.

"Continued low mortgage rates, which remain below 4 percent, are certainly a contributing factor to the pace of price appreciation that we see in the housing market, which is significantly exceeding inflation and income growth, said Fleming. "Leverage-assisted housing asset inflation, or home-price appreciation fueled by low mortgage rates, is a significant contributing factor to the reason the market capacity for existing-home sales is exceeding actual existing-home sales."

Fleming added, "The housing market's capacity for existing-home sales is moderating as home-price appreciation slows, but remains in excess of actual sales due to leverage-assisted housing asset inflation. Looking forward, we expect greater equity reinvestment demand caused by rising rates. Yet, the financial benefits of owning a home and favorable demographic trends bode well for trends in market capacity for existing-home sales in the long run, and point to modest capacity growth expectations for the coming year."

*Previous EHS-C releases referred to November 2011 as the low point of sales. The model used to generate existing-home sales capacity has been enhanced to more accurately reflect the dynamic relationships between sales, prices, interest rates and the user cost of housing, resulting in a model that more accurately reflects past conditions.

NEXT EHS-C RELEASE

The next EHS-C model will be released on November 19, 2015, with October EHS-C data.

REAL TRENDS COMMENT

"As we've said in our REAL Trends Housing Market Report for several months, the sluggishness in household income growth will put a damper on housing unit sales. Also, the current level of home sales as a percent of all households is now right at the historic norm, so future growth in unit sales is limited," says Steve Murray. "We may use different approaches than Fleming does, but we arrive at the same point. Short-term growth in housing unit sales will be muted unless (and until) household incomes begin to grow faster than the sub-2 percent growth rate of the past 6 years."

CEO Corner

RICHARD A. SMITH

CHAIRMAN, CEO AND PRESIDENT, REALOGY HOLDINGS CORP.

Learn from leaders where tomorrow's opportunities and threats lie.

By Steve Murray, publisher

For the next year, we will be gathering input from industry CEOs from all corners of the business. What do they think is most important? Where are they investing their time and resources? What keeps them up at night?

REAL Trends Publisher Steve Murray had the chance to talk with Realogy Chairman, CEO and President Richard A. Smith and get his take on the future of the industry and where he is placing his bets. Smith is coming up on his 20th year in the residential brokerage industry, most of it being the leader of what is today Realogy Holdings (NYSE: RLGY). During that time, the company has bought five real estate franchise brands, hundreds of residential brokerage offices, numerous relocation management and settlement services companies, and has been through several transitions of the ownership of Realogy, not to mention two economic recessions.

REAL Trends: It seems like regulators are wrapping their hands around our industry more today than ever before. The Consumer Financial Protection Bureau (CFPB), Dodd-Frank, and the recent National Labor Relations Board (NLRB) actions are each in their way seen to be an impediment to a healthy housing market.

Smith: It appears to me that we have never seen a more hostile environment toward business in general at the Federal level. It is not just the real estate industry that is being impacted, but we are feeling our share of it. Here we sit in an expanding economy, although only modestly growing, with more households than ever before and yet we are 20 or more percent below where the industry could be in existing homes sales and more than 20 percent below in new home starts and sales.

As an example, the CFPB lacks congressional oversight, and there are fundamental problems with Dodd-Frank. Banks are not going to ramp up lending and builders are going to be cautious in an environment where such regulatory uncertainty exists. I think that we have to focus on what lies ahead and trust that whoever leads the next Federal administration is more focused on private sector job growth and initiatives to get the economy growing at a faster, more expansive pace. I am optimistic.

I think that when you eliminate risk-taking you eliminate the upside of investment and growth.

REAL Trends: What do you see ahead in 2016 in the housing market?

Smith: I don't want to speculate on where housing sales will be specifically, but I do think that in any election year, ordinarily not much changes. We generally believe that the political leadership will be almost totally focused on the 2016 elections.

So, generally we expect few if any meaningful policy changes next year and in that kind of environment our company will do fine. Some economists are discussing the odds of a recession over the next few years, but frankly we do not see that as a factor in our current planning.

REAL Trends: What do you think your affiliates ought to be focused on for the future?

Smith: There are several things we are telling our franchisees and some are not all that new. First, they should take their focus off of market share and focus on profitability. As the old saying goes, you can't spend market share. We recommend a focus on profitability, building strong capital reserves and reducing their long-term debt. When and if a downturn comes, it positions them to compete more favorably.

Our franchisees – and frankly, the industry – are older now and need to seriously consider the next generation of leadership. Solid succession planning is in order and through a number of initiatives we have developed, our franchisees are preparing for the future, which we strongly encourage.

And brokers today have a great opportunity to re-energize their business by using technology to drive down costs, become more efficient and generate higher margin business through online marketing.

We are working with our affiliates to invest in this area so that both our franchisees and our company are well positioned to take advantage of the future in this regard.

REAL Trends: So where is Realogy investing for the future?

Smith: We are focused on the use of technology and growth. These are inseparable. We are investing significantly in several areas to better use technology to both enable our affiliates to operate more efficiently and to capture more business from online consumers.

Our purchase of ZipRealty is a good example of an investment in a platform that provides both opportunities. Zip has an excellent platform that enables us to efficiently attract and serve online consumers and provides our franchisees with tools that automate their consumer-facing processes. There were those who thought Zip was not a system that could make a profit, but that clearly is not the case. We currently operate six standalone Zip brokerage offices and have more than 20 Powered by Zip (PbZ) markets generating very attractive economics for our company. It is outperforming our expectations.

Ultimately, our whole goal is to enable our franchisees with a fully integrated technology platform, the benefits of which will be increased productivity. We are investing heavily in marketing online and finding ways to capture more and higher-margin business for our franchisees.

So Realogy will continue to invest in technology and growth. In that regard, there are enormous opportunities on the horizon.

REAL Trends: What are your thoughts on Upstream and the online real estate world?

Smith: It has potential. I do wonder where it will go under essentially a committee management structure, but the concept offers very interesting opportunities for the brokerage industry. If it stays true to its mission of putting a brokerage in control of its work product – its data – then it makes sense.

The current online marketing companies provide an excellent suite of products and services to the industry and have proven their ability to generate a lot of lead volume. Their primary value proposition is that they can do that more efficiently than other forms of advertising. Now they must prove their value proposition through the quality of those leads. Do they close at a higher rate and is there an acceptable return on the associated costs? In that regard I think the jury is still out. That said, this is evolving and at the minimum, they offer an advantage over the traditional, old-school forms of marketing and lead generation. That challenge is theirs and has little to do with Upstream.

"Realogy will continue to invest in technology and growth. In that regard, there are enormous opportunities on the horizon."

As I understand it, Upstream is not designed to be an online advertising vehicle. It has great potential as a library of housing data, under the control of the broker members, that can be used to make all of our businesses more efficient and brokerage leaders more intelligent about their businesses. For those reasons we are supportive of Upstream, knowing full well that there is a great deal of work yet to be done.

PATTY SCARAFILE

CEO AND PRESIDENT
CAROLINA ONE REAL ESTATE
CHARLESTON, SOUTH CAROLINA

Carolina One has 11 offices in the Charleston region that are staffed by more than 750 sales associates. Patty works alongside her son, Michael Scarafile, who is president. REAL Trends spoke with Patty about business. Here's what she said.

REAL Trends: How did you get your start?

Scarafile: I became licensed in 1977, and I got started by accident. I have often said that I probably wouldn't hire me! I had three young children and wanted to sell real estate part time. Of course, after only two weeks, I went full time. Mine was the typical story of that era when being a sales associate was a good part-time job for a working mom. That has changed.

I've worked for the same company my whole career but in many different positions, from sales to management. In 1989, I became vice president, and by the mid-90s, I had an ownership position. In 2006, I purchased the company from my partner who had the majority ownership.

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

Scarafile: There's no question that the economic downturn of 2007-2009 was a challenge. We didn't have any idea how long and deep the economic downturn would be. We had to cut operating expenses by 45 percent. Also, in 1989, we were hit with a hurricane and didn't have a closing for 30 days during that time. The greatest economic influence on the greater Charleston community was the naval base. When that closed in 1996, business suffered for everyone. We've had some huge challenges.

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

HAVE A WRITTEN VISION that clearly outlines, both factually and emotionally, who you are as a company and where you are going. As the market and the economy change, your written vision gives you a guidepost to know where you are heading and helps you adjust your course.

Scarafile: Have a written vision that clearly outlines, both factually and emotionally, who you are as a company and where you are going. As the market and the economy change, your written vision gives you a guidepost to know where you are heading and helps you adjust your course.

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?

Scarafile: I can't take credit for this since I didn't own the company at this point. In 1992, the company decided to expand through acquisitions and mergers. We acquired a company-owned Coldwell Banker operation. At the time, we were in a three-way lead for the leading position in our market. This acquisition doubled our size.

CHARITABLE ACTS

THE LONG TERM IMPACT OF GIVING BACK

While the philosophical and gratitude should be the main reason you give back, there are many benefits of charity work. We explore them.

by Travis Saxton, vice president of technology

Let's take a look at the social implications of charitable giving, according to a 2014 Study Conducted by REAL Trends and CityBlast. We analyzed eight million real estate–related social media posts. Charity-related items were the No. 1 most shared, liked and followed posts. One example of an impactful charity is the Windermere Foundation, that recently raised $30 million for low-income and homeless families. The Seattle-based, independently-owned real estate company is getting major press coverage from this significant event.

The Windermere Foundation not only is making a significant impact for the low-income/homeless population, but they recently put together a wildfire fund to support the families affected by wildfires.

While there are numerous stand-up firms in our industry, it's easy for us to highlight the philanthropy of Windermere in other areas as well.

One organization REAL Trends has learned about recently is Giveback Homes. They are doing amazing things for our industry and the greater good. Coined the "socially good movement in real estate," Giveback Homes is a trusted network of real estate professionals dedicated to creating social change through the act of buying or selling a home. By simply choosing to work with a Giveback Homes real estate agent, mortgage broker, home builder or interior designer, you will help build a home for a family in need. People want to work with people who are doing good, and we are making it easy to find them.

"Everyone deserves a safe place to call home. Giveback Homes has been so touched by how the real estate industry has embraced this concept of giving. Their partnership with The Agency has inspired brokerages to reach out and has given us the opportunity to expand the work we do," said Blake Andrews, Founder, Giveback Homes, "The more brokerages that join, the more we can all accomplish together."

As with the existing Giveback Homes membership model, 100 percent of all donations in the new broker-level package will go directly to a Giveback Homes Build

Project of the donor's choice. Currently, there are 15 build projects in the United States and Nicaragua, with several more planned for 2016. In a recent partnership with Habitat for Humanity, they have 11 building projects throughout the world.

"The Agency is honored to be a part of the Giveback Homes family and the incredible work the organization is doing in our community," said Mauricio Umansky, Co-founder and CEO of The Agency. "On a recent build day, our agents had the pleasure of working with a family whose life was being forever changed by Giveback Homes. The experience was humbling and inspiring, and we look forward to many more just like it."

In addition to being the first Giveback Homes Broker Partner, Umansky is also working closely with the Giveback Homes team and will be a member of their advisory board, to be announced in 2016.

"My vision is that all brokerages across the country will join Giveback Homes and be part of this social good movement directly related to the industry that is our passion as realtors. I believe this is the next step in giving responsibly and turning our clients into humanitarians," Umansky added.

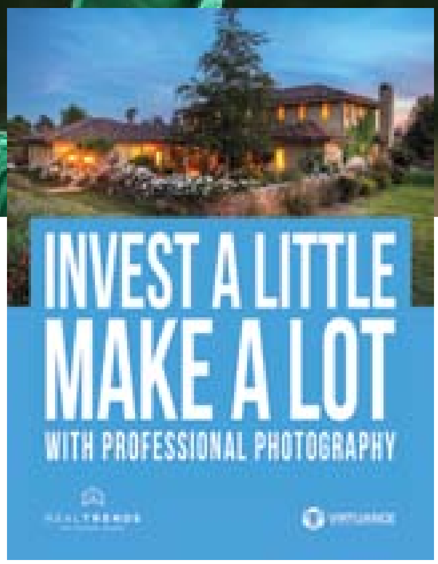
Fueled by the passion of real estate professionals, Giveback Homes is in its second year of applying the 'doing well by doing good' business model to the real estate industry. To date, Giveback Homes Members have raised over $200,000, built 40 homes for families in Nicaragua, and helped build nine homes in the United States.

Don't wait to get started in your local community with one of the many local or national firms and be sure to have a promotional strategy in place because you deserve the rewards after the hard work and philanthropy you have created. If you're interested in starting a building project near you, please contact them at info@givebackhomes.com to get started.

Impactful Social Media Categories for Real Estate Professionals

CityBlast offers 15 different types of content. Here are the categories which performed the best in general, and their interaction score (proprietary figure that normalizes for number of posts).

These top 8 categories can aid you in determining the exact mix of social media content for your network. Surprisingly, charity related items were the most read and interacted with followed by polls and quizzes on both fun topics and business related topics. Nowhere in this list again is any type of sales data or listing information. Examples of the types of posts in each category can be found at **https://www.cityblast.com/member/index** by clicking on the magnifying glasses.



NEW STUDY HIGHLIGHTS IMPORTANCE OF

PHOTOGRAPHY IN REAL ESTATE LISTINGS

By Deirdre LePera, REAL Trends research strategist

REAL Trends, in partnership with Virtuance, surveyed hundreds of top-producing real estate professionals across the country to find out how real estate brokerages and agents use professional photography in their businesses.

We found that there were five clear and compelling reasons why real estate sales associates and/or brokerages choose to invest in professional photography.

1. You Have a Duty to Your Seller

Of those surveyed, 94 percent of the agents and 73 percent of brokers felt passionate about the importance of using professional photography. Several agents and brokers cited that the importance of using professional photography stemmed from their obligation to their seller. One independent broker in Arizona went so far as to say, "You have to [use professional photography]. You are doing a disservice to your clients otherwise. People are visual, and you have to grab them."

2. Drives Your Online Traffic

According to the National Association of Realtors® 2014 Profile of Home Buyers and Sellers, 83 percent of homebuyers rated photos of properties for sale as the most useful website feature. In the same report, 43 percent of buyers looked at homes online as their first step in the home-buying process. This was up from 35 percent in 2011. This trend will continue to increase incrementally over time, and it makes sense to give your buyers the quality content they are seeking on your own website.

3. Wins You More Listings

This may be the most obvious reason to use a professional photographer for your business. One of the primary responsibilities of a listing agent is to successfully market a property to get a seller the best sales price possible. The majority of that task relies on a strong visual representation of the home, especially as homebuyers increase their online home shopping activities.

4. Solidifies Your Brand Image

We know that photos often serve as the first impression of the home and must capture the attention of the buyer. The truth is that they also serve as the first impression of your brokerage or your personal brand as an agent. If you aren't producing the same quality of photos for each of your listings, you have to ask yourself, "What message are you sending to your potential clients?"

We asked what one feature agents felt to be the most important. Some 75 percent of agents and 73 percent of brokers ranked "quality of property photographs" as the most important feature. The second highest ranked feature was "consistency in the look and feel of property photographs." These two features together are the basis for creating a reliable and trustworthy brand.

5. Best Bet for Your Time and Money

The cost of professional photography has dramatically shifted in the last 10 years. A service that could cost around $1,000 is available now at about one-tenth of that cost. Agents and brokerages combined reported paying on average $160 for property photos. When asked whether or not the agents and brokers felt they received a good return on their investment, the answer was a resounding 'Yes'! Even agents who were paying closer to $300 or more for their property photos still felt that it was worth the investment.

Professional photography for your listings is one of the simplest ways you can

SHAPE YOUR BRAND AND BUSINESS.

Hands down, professional photography for your listings is one of the simplest ways you can shape your brand and business. What's even better about it is that you don't need to do the heavy lifting. Using a professional photographer allows you to focus on the activities that only you can do to build your business. If you are a broker/owner or manager, consider finding a way to bring professional photography into your company on a consistent basis. The incentive of having a photography solution in place for your agents is something that benefits you both.

For a complete copy of the report, view it here or download at **http://realtrends.virtuanceinfo.com**

Methodology

In April 2015, REAL Trends emailed a 38-question survey to the nation's top-producing real estate brokerages and agents as identified by the REAL Trends 500 and America's Best Real Estate Agents by REAL Trends in partnership with the Zillow-Trulia Group. The email survey remained open for 45 days and had 437 respondents.

In addition, REAL Trends interviewed 10 real estate professionals between May and June 2014. These professionals ranged from broker/owners, managers, agents, and coaches. Some were a part of major national brands, and others were a part of independent brokerages. These professionals had all been involved in the real estate industry for a period of 12 years or more. All of those interviewed had used or were familiar with the company Virtuance.

REAL Trends requested all parties to provide complete data from their 2014 calendar year. The average is the primary statistical measure used throughout this study. Due to rounding and omissions for space, percentage distributions may not add to 100 percent.

About Virtuance

Based in Denver, Virtuance was founded in 2010 and is one of the fastest-growing real estate photography companies in the world. Virtuance is the creator of HDReal®, an award- winning, proprietary imaging system designed specifically to market real estate. Using artificially intelligent automated algorithms and highly trained HDReal®-certified photographers, Virtuance produces real estate marketing images that are proven to drive online traffic and result in conversions through more inquiries and property showings. Virtuance supports the HDReal® system with a comprehensive array of marketing tools and platforms, including interactive floorplans, listing videos, and social media marketing.

EMPLOYEE STOCK OPTION PLANS (ESOP)

SUCCESSION PLANNING THROUGH AN ESOP

In October 2015, Atlanta-based Rhonda Duffy, founder of Duffy Realty, transferred her company to 29 employees in an Employee Stock Option Plan. Find out how she did it.

When the time came to start her succession planning, Rhonda Duffy, founder of Duffy Realty in Atlanta took a look at all her options. "I invested a lot of time in the people who work at Duffy Realty. If I sold to a third-party, the new ownership might not see the growth potential or positive qualities of the employees we have today. So, when I thought of an exit plan for myself, I definitely wanted to maintain the culture that I built. We wanted to maximize tax strategies and give people who deserve to have ownership in the company a way to make a real impact," says Duffy.

Duffy turned to an Employee Stock Option Plan (ESOP), an employee-owner program that provides a company's workforce with an ownership interest in the company. In an ESOP, companies provide their employees with stock ownership, often at no up-front cost to the employees. As a follower of Tony Robbins, she learned about the idea through one of his seminars.

Although Duffy owned her own brokerage, they run off a team structure that Duffy invented. "An ESOP isn't for everyone, but our team is very process driven and rigid. You have to have a company status, so if you work for a national franchise as a team, it won't work. You want to get a valuation that is worthy. We were valued at $12 million, because we have great processes and systems. You have to get a high multiple and a leveraged price based on everyone doing the same thing, not on your personality," she says.

Duffy sold 100 percent of the company to the employees. "My husband, Frank, and I no longer own it, but we still run it," she says. Duffy was hired as the CEO, and Frank is the Chief Marketing Officer. "It's still my vision, but it's taking it to another level. It's more serious," she says.

Duffy says what has also changed is the energy. "Becoming an owner doesn't automatically make you super smart, but it does give you a vested interest in making things work. Leadership is still needed, and I have to guide them. But, it's a different feeling because even though they were great at their jobs before this, now they are also responsible for the company. She said that 100 percent of the employees opted into the ESOP. "It is a gift with strings," she says. "It's like having your in-laws give you a set of dishes, and now you're obligated to drag them out every time the in-laws come for dinner." Those strings are that the beneficial employee must continue to "have a large impact on the revenue of Duffy Realty, and they have to participate in future growth from a team mentality," says Duffy.

Overall, says Duffy, the change has been good. "Before I was owner/broker/CEO, so my role hasn't changed. There are more managers in place, and it evened the playing field for everyone, breathing new life and new ideas into the company."

If you're interested in getting details about an ESOP, Duffy says she will be happy to talk to anyone who wants to get more information. "You have to be careful when doing this, so you don't go about it the wrong way and run into thousands of dollars in fees. You can learn from our mistakes, which thankfully weren't expensive. We learned a lot along the way." You can reach Duffy at 678-318-1700 or therealestatepowerhouse@gmail.com.

"When you sell to a third-party buyer, often it's a competitor and you don't get the value. That's why we decided on an employee stock ownership model. As an owner, I can stay in the business and participate while getting new energy from the beneficial owners," says Duffy.

CHANGES AT REAL TRENDS

We are pleased to welcome two new members of the REAL Trends family. Scott Wright joined REAL Trends as Manager of Business Analytics and will be working on valuations, mergers, and acquisitions and handling the REAL Trends 500. Scott comes to us with an impressive background with First Data Corp, Merrill Lynch and his own investment management firm. Rebecca Chapla will serve as the Manager of Operations for REAL Trends and will be managing all operational activities of our company. Rebecca comes to REAL Trends after managing customer service and sales for one of the larger and more successful restaurants in Denver. Both Scott and Rebecca will assist in delivering the highest level of service to our clients and readers.

Of course, we are saddened that Amy Broset, who was a hugely important member of our family for almost ten years, moved to Fort Collins, Colorado and is getting married in the near future. We will miss her enthusiasm, her love of life and her great work. She was simply terrific. Brittany Shur, who was with REAL Trends for only six months, left to return to her first passion, working in elementary schools with young children. Even though she was with us only a short time, she made a huge contribution to our lives and our family. We will miss her greatly.

Scott Wright

Rebecca Chapla

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Don't miss the great speakers we have at this year's Gathering. The keynote speakers for the 2016 Gathering of Eagles are David Ridley, a 28-year veteran of Southwest Airlines, who will be addressing us on how even a large corporation can have heart and soul and how strong culture is created and nurtured. Geoff Colvin is the senior managing editor of Fortune Magazine and author of several books on the importance of talent in an organization. Both will bring real world, non-real estate perspectives to assist realty leaders in understanding how people are indeed your most important resource.

Registrations are open now. As is our rule, no more than 325 registrants are permitted. Go to Realtrends.com/conferences to register, or call us at 303-741-1000.

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