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REAL Trends
The Trusted Source

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Charlotte Regional Realtor® Association

Commentary

The Challenge of Succession Planning

Inaction by owners can leave a business with no options.

Written by Steve Murray, publisher

It is no secret that the leadership of the residential brokerage business is aging. The alternative is not a good thing either. The real challenge is that the inaction by owners of any business, brokerage or otherwise, leaves the business with no options but a sale or closing of the enterprise. I recall several years ago, when addressing a group of the owners of large brokerage firms, I stated this very premise. It did not go over well.

In brokerage, the challenge is that it is often the skills, personality, collective intelligence and, most importantly, the relationships with people that the leader has built that matter the most. How does one replace that? And, even where some candidates exist within the company, how does a leader know when someone is ready, and when the incumbent leader can let go?

Commentary cont. on p2

Thoughts on Leadership

Why Have Realty Organizations Diminished?

In recent work for a client, the question was asked, "What has caused realty organizations, whether national, regional or local, to diminish over time?"

Written by Steve Murray, publisher

Looking at all of the available data, trends, markets, new forms of competition and other factors, it became clear that it was the ability of the leadership of any organization to spot new forms of disrupting competition, develop plans of action to counter these new influences, maintain strong financial controls along with access to reserves when they are needed and strengthen the inner culture of the organization.

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INSIDE:

REAL Trends
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Here are some observations:

- First, iconic leaders cannot be replaced in their entirety. They simply cannot be duplicated. Many leading firms have such iconic leaders. Their personas just cannot be replaced by identical twins. Many succession plans fail due to the incumbent leader's inability to grasp this reality.

- Many leaders think that leadership development and the process of developing future leaders is best done by osmosis. While this can happen, where a future leader just appears like the cavalry riding to the rescue, it doesn't work very well or very often. In fact it rarely happens.

- Great sales managers may not be able to transition to becoming great leaders of today's brokerage firms. They may be fantastic sales managers, recruiters, and mentors, but that doesn't necessarily qualify them to be leaders of a realty firm. However, some managers grow to become superb leaders of brokerage firms.

There are myriad of other challenges in developing succession planning. We could write a book about the challenges of family succession, when there are active and qualified family, active and unqualified, inactive and qualified—you get the point. Family dynamics typically make for a far more complicated succession process.

> **"We could write a book about the challenges of family succession, when there are active and qualified family, active and unqualified, inactive and qualified—you get the point."**
> **— Steve Murray**

However, owners don't have any good options. Either they are investing their time and efforts in developing successors or they are in the process of an orderly liquidation of their firm. Even the most deliberate, well-considered succession plan in our industry can take years to set up candidates, give them time to develop experience and leadership skills and determine whether the candidates have what it takes.

One last point, in our 28 years of advising realty firms on the sale of their firms, we have found an interesting outcome. While the non-stop pressure of leading a realty firm causes men and women to sell their firms, once a sale is completed and time has passed, many find that they miss being a part of it all. As Bill Moore, who sold his eminent brokerage in 1997, told us when he and his son in law bought another eminent firm, The Kentwood Company, a few years ago, "I flunked retirement and missed the relationships with people in the real estate business." Peter Niederman, Bill's son in law, has not only done a superb job leading Kentwood to new successes, but he has allowed Bill to focus on what he loves the most—the relationships with real estate people. That is a great example of succession planning with a great outcome. ■

Comments

Zillow Trulia Combination

How the FTC decided to allow the Zillow/Trulia Merger

The following are the comments of the Federal Trade Commission in setting out their view of the Zillow/Trulia combination. This is interesting reading for all industry participants. We note that REAL Trends (along with many others) filed an expert report on this matter, which laid out industry fundamentals as to how brokers and agents advertise and promote their businesses. ■

Statement of Commissioner Ohlhausen, Commissioner Wright, and Commissioner McSweeny Concerning Zillow Inc./Trulia Inc.

February 19, 2015

The Commission considered whether the particular sets of products and features offered by Zillow, Trulia, and other real estate portals constitute a relevant product market first to all real estate agents and second to certain "high performing" agents that achieve the highest return on investment (ROI) from advertising on real estate portals. The Commission uncovered some qualitative evidence consistent with such market definitions, including the fact that the documentary evidence demonstrated that the parties closely tracked one another in terms of consumer traffic, site features, and pricing. However, the balance of evidence reviewed does not suggest that a hypothetical monopolist of real estate portals could profitably impose a price increase on agent advertising.

Staff also attempted to assess whether the merger would lead to anticompetitive effects. Specifically, staff investigated whether it would be profitable for the combined firm to impose a price increase either on real estate agents generally or on higher performing agents. The evidence was inconclusive. First, there is evidence that a high volume of agents leave Zillow and Trulia on a regular basis, suggesting that alternative advertising sources may constrain their pricing. Second, there is no reliable evidence as to the magnitude and proportion of high performing agents that exist in any particular zip code. Third, there is no evidence that the parties have the ability to price discriminate and thereby target the high performing agents with a post-transaction price increase.

Staff rigorously examined whether quantitative analysis supported the conclusion that a merged Zillow-Trulia would be able profitably to raise the price. First, staff found that real estate portals represent only a small portion of agents' overall spend on advertising and that there was no evidence that real estate portals offered a higher ROI compared to other forms of advertising to a sufficiently high percentage of agents. If agents spent a high percentage of advertising dollars on real estate portals or if real estate portals offered a higher ROI than other forms of advertising, then the merged firm could conceivably raise the price post-merger. Second, despite significant effort, staff was unable to develop quantitative evidence showing that a significant portion of Zillow's customers would turn to Trulia in the face of a price increase or vice versa. Finally, data analysis did not show a robust relationship between Zillow's pricing to advertisers and Trulia's presence in a particular geographic market.

Staff also investigated whether the merger would reduce competition on the consumer-facing side of the platforms, i.e., whether the merger would substantially lessen competition for consumers interested in researching home buying or selling online. Staff's investigation concluded that the combined entity will continue to have strong incentives to develop new features in order to grow its consumer audience and thereby increase its advertising revenue. Moreover, we note that the combined firm will still face significant competition for consumer traffic from the remaining portals like Realtor.com, online brokerage services such as Redfin, and other consumer-facing online real estate products.

Conclusion

Based upon the weight of the evidence reviewed over the course of staff's thorough investigation, the Commission has decided to close the investigation. We emphasize that this decision is the result of a comprehensive examination of all the qualitative, and quantitative evidence staff was able to develop during its investigation.

Realty Organizations cont. from p1

When we consider what happened to firms inside the realty industry that were once recognized as giants but are no longer, it appears that each failed in one or more of these areas. Think back to the first franchise, the Gallery of Homes. Consider the marketing system of Homes for Living, which once had a veritable who's who of leading realty firms in their networks. Today, neither is around, or has significantly diminished. On the other hand, independent brokerage referral networks, such as RELO, Translo, AllPoints, and ICR, which merged, consolidated and today are Leading Real Estate Companies of the World®.

We Will Survive

Five of the 20 largest residential brokerage firms in the country did not survive the housing and economic downturn of the 1988-1991 period. Some 26 percent of the REAL Trends 500 did not survive the 2006-2010 housing and economic downturn. However, as we pointed out in our book, "Against all Odds," 15 firms had more agents, more transactions and higher per-person productivity in 2013 than they did in 2004. Three financial giants, Merrill Lynch, Sears, and Prudential each, at one time, had a huge presence in our industry and are no longer are in business.

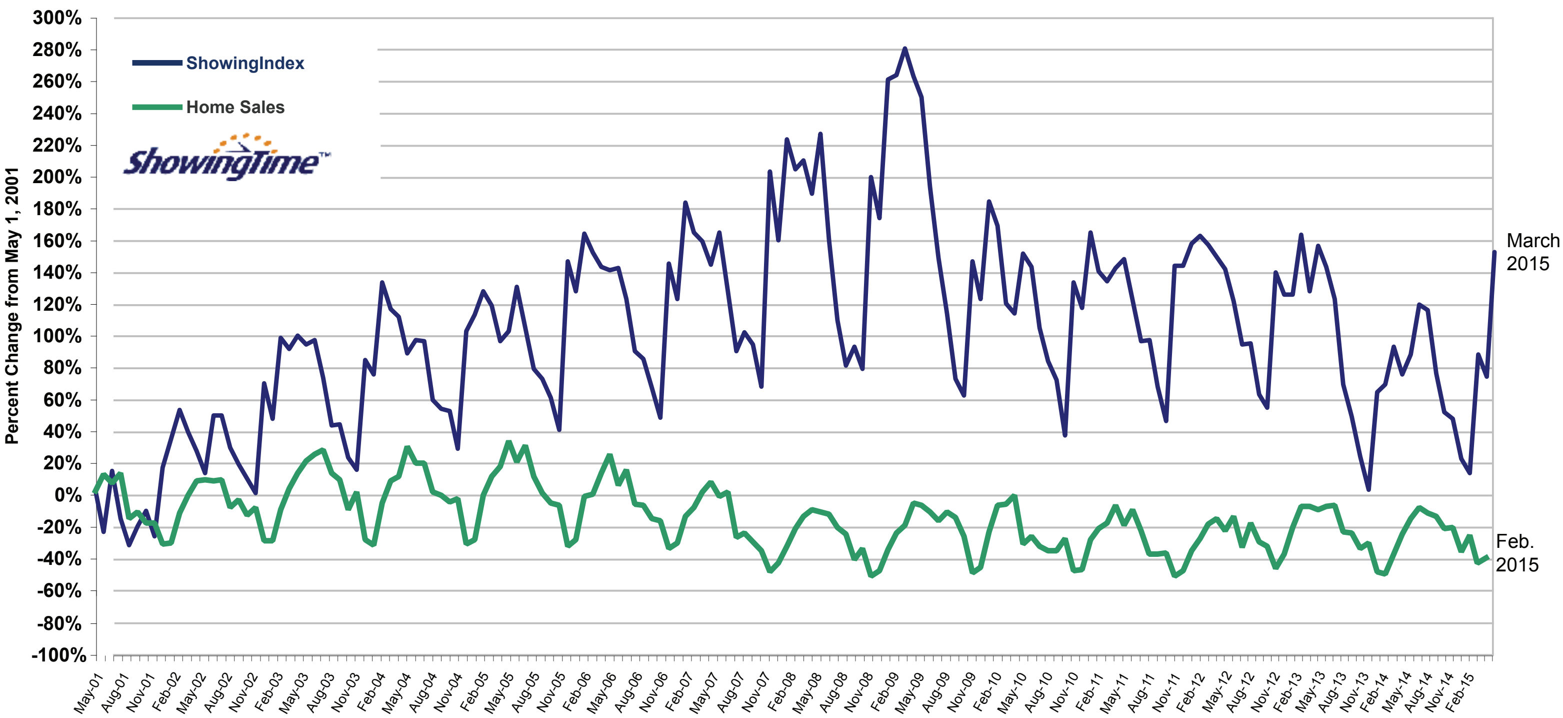
Leadership Counts

Leadership counts more than anything. Today, there are significant numbers of real (and not so real) threats to the prosperity of the realty industry. In our 2014 book, "Game Changers," we took a look at eight of what we considered the most important threats to the industry. While these are at the root of most industry conversations these days, none is life threatening. However, they do make for good conversations.

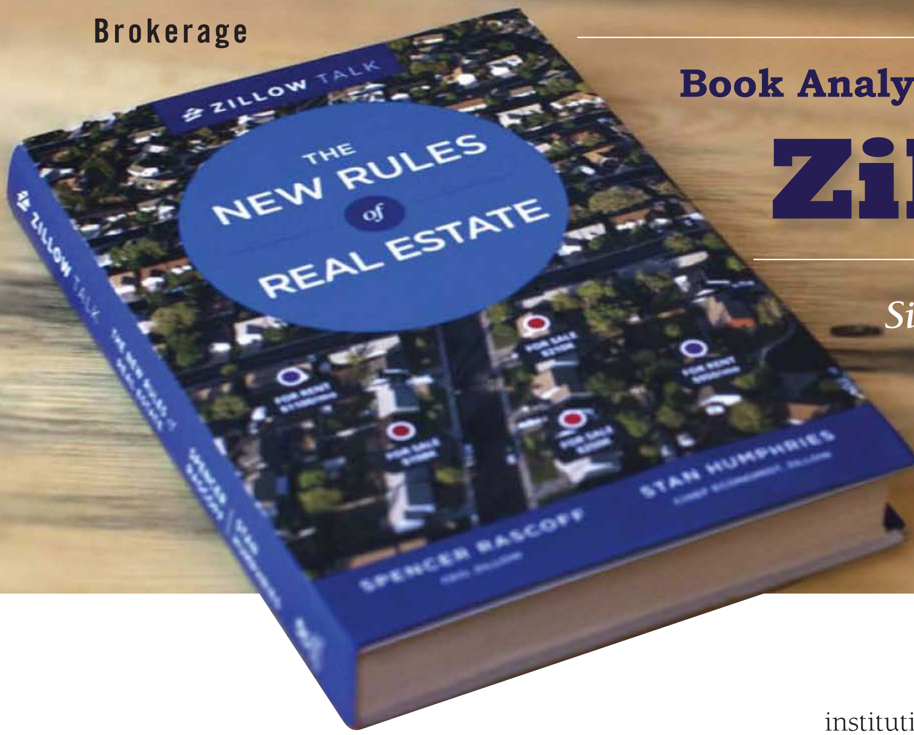
As we commented above on succession planning, the real threat to our industry is going to be the lack of well prepared, next generation leadership. For those of us who were once young, and who had little in the way of formal leadership training, the thought is, "Well, we learned it as we went along," and so too will this next generation. However, these same leaders also readily admit that the myriad of challenges today dwarf those of the last 40 years. For now, it is not just market cycles; it is the whole realm of downward pressure on commission rates and gross margins, the demands for technology systems, the complexity of core service offerings and the ever-increasing regulatory environment.

The realty firms that do a good job and develop their next generation leadership are going to win big. Those who don't won't. ■

ShowingIndex - Leading Indication of Home Sales



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



Book Analysis

Zillow Talk

Significant changes in the industry impact our businesses. Find out how this book can change how the industry thinks about the new realities of its various markets.

Written by Jeremy J. Conaway, contributing editor

It has been 90 days or so since Spencer Rascoff and Stan Humphries of the Zillow Group released their book, “Zillow Talk.” Published by Grand Central Publishing, the volume carries the subtitle “The New Rules of Real Estate.” There appears to be a lack of buzz and discussion across the industry regarding the book’s unique and highly relevant content. This compelling collection of knowledge, discovery and insight should have the potential to change how the industry thinks about the new realities of its various markets and how it judges properties as being appropriate for consideration for purchases or rental. Moreover, it might also drive industry reconsideration relative to the role of respect in its interactions with the consumer.

View From the Top

As a starting point, the book offers the 100,000-foot view of the changed (and changing) role of research, statistics and information across the entirety of our culture, including the real estate sector. The authors talk in reasonably humble terms about having created a collection of technologies that use a million valuation models to process 3.2 terabytes of data each day. They don’t suggest that it is the ultimate technology. For “Zillow Talk,” technology is a mere supporting actor. This is not a book about technology. This is a book about what anyone can do with the crown jewels of an expanded, innovative and creative real estate–related information system. That’s all.

While it is difficult to nail down which of the book’s many salient points are the most compelling, a particularly strong argument can be made for the concept of replacing myths with facts. The authors note that, for much of the past 50 years, real estate–related decisions by consumers, and even institutions and investors, have been made on the basis of cultural myths, many of which were created and propagated by real estate service providers.

Here again, avoiding a more conflictive and combative approach, the authors don’t suggest that these myths never had a basis in fact. Rather, they choose to suggest that if the myths were true 50 years ago, there is data available today that proves they are no longer true. The only question is whether real estate service providers have enough respect for their clients to make this information the basis of their value proposition.

If you don’t believe that virtually every aspect of your life, profession and business have, over the past nine years changed in some significant manner, then by all means don’t read this book.

If You Don’t Believe

A bit of advice for would-be readers, if you don’t believe that virtually every aspect of your life, profession and business have, over the past nine years changed in some significant manner, then by all means don’t read this book, it will just confuse you.

If you don’t believe that, over the past nine years, virtually every aspect of the real estate industry and marketplace has changed then don’t read “Zillow Talk.” Instead, continue to confuse your clients and customers with myths and misconceptions.

Finally, if you don't believe that the significance, ramifications and evidentiary value of information, data and documented experience is the single most important determinant of your value and survival as an agent, a broker, and even a consumer, then don't read this book. Better you spend your time considering another industry or occupation because it is increasingly apparent that the world has discovered your intransigence and is in the process of acting on it to your detriment.

The Ultimate Truth?

This is not to suggest that "Zillow Talk" represents the ultimate truth, because it clearly doesn't. It represents a change of direction relative to how we, as a culture, think about real estate. It is the beginning of a new road that will offer many new directions over the next several years.

"Zillow Talk" is an excellent read. My sense is that the subtitle and title won't do the book any favors, especially given Zillow's still controversial role in the current real estate industry. Interestingly enough, the book has little to do with Zillow other than providing an opportunity for the authors to share their story and highlight the intellectual and statistical import and relevance of research and the consumer real estate experience. Had Harvard University published the same book it might have been entitled "The History of the Future of the Real Estate Marketplace" or "The Story of Real Estate Moving Forward." Declaring one's work as being the "new rules of real estate" isn't exactly the path to popularity but then again power is as power does.

A New Rule

Speaking of rules, it does seem that the book might establish one new rule. For the past decade, the decision leaders of the industry have waged a historic battle over the ownership and control of data—lots of activity but no end-user functionality. "Zillow Talk" takes a giant step forward by talking about information as the key commodity of the transaction and by driving the discussion of what one can do with it in the context of a real estate experience.

"Zillow Talk" is a must-read book for anyone who considers him or herself a true student of the industry. There is little doubt that it will become mandatory reading for any individual who aspires to be a serious participant in the real estate industry. The authors have been kind in their treatment and lack of judgment regarding the traditional real estate service provider. There were many points along the way that criticism regarding traditional practices could have been extended.

"Zillow Talk" is a must-read book for anyone who considers him or herself a true student of the industry.

"Zillow Talk" will likely also serve to define the difference between the two agent groups in today's marketplace. The traditional real estate service provider's efforts are all too often focused on controlling and processing the consumer or client. The more contemporary service provider supports a value proposition focused on the facts and circumstances of the inventory and marketplace. This second provider will emphasize that market behavior and statistics have a lot to say about determining what manner of experience and outcome the consumer will garner out of their real estate experience.

The rules of discourse have also changed. Through "Zillow Talk," Rascoff and Humphries have laid down a serious piece of research. Any critical response with less intellectual authority will simply make the respondent a fool by comparison.

Ownership and control of data are no longer the essence of greatness. That distinction will belong to those who understand how to use data to make excellent real estate–related decisions and drive profitability. ■

7 Strategies

Short on Inventory? Try This.

Check out these strategies for building more listing inventory.

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

Are you experiencing a listing inventory shortage? Most markets around the country are out of balance, with more buyers than sellers. In some markets, the shortage has led to multiple offers and near panic by both buyers and real estate professionals. As a leader, what are your strategies to help your people?

Here are seven strategies that have helped us find and create inventory in this market.

1. **Look under the bridge.** With today's computer searches, most real estate professionals (and buyers) search in $25,000 to $100,000 increments. For example, they look for a house priced between $250,000 and $300,000 or from $300,000 to $350,000. In this case, the pricing bridge is $300,000. A house priced at $300,000 will catch both searches and receives 28 percent more showings than a house priced just under the bridge at $299,000. Many real estate professionals still price with a retail mindset at $299,000 or $299,500 rather than a computer search mindset. A study in our market showed that 12 to 24 percent of all homes were priced right under the bridge. Want to find more inventory? Look under the bridge.

2. **Drive until you qualify or until you find it.** Inventory tends to be the shortest in the core areas. Buyers (and real estate professionals) who are willing to drive to the outlying areas may find more inventory at lower prices.

3. **Hold a modern open house.** What do we mean by a modern open house? This is the new, Internet-prompted open house. Here's the buying pattern: approximately 90 percent of buyers search online. If they see something they like, about 74 percent will drive by it. If they like the neighborhood and the outside, then 63 percent will find a way to go inside. Their preferred method? An open house. These open house visitors are self-pre-qualified via the Internet and a drive by. Sixty-five percent of them have a house to sell. Hold open houses to find sellers as well as buyers.

4. **Contact out-of-town owners.** During the great recession, many sellers couldn't sell but had to move on with their lives, thus leaving their houses behind. They rented their houses and moved to a new area. Target a neighborhood and work with a title company to help identify the out-of-town owners. There is often a difference in the property address and where the tax notice is mailed. Develop a postcard-mailing program to these owners.

5. **Focus on new construction.** During the great recession, there was virtually no new construction, so we got out of the habit of selling it. Refocus on this area as the builders start a comeback.

6. **Build hot and warm Lists.** Help your people develop hot and warm lists. Hot lists are people who want to buy or sell within the next 90 days. Warm lists are people who want to buy or sell within the next year, but may not know they want to buy or sell. (You know they want to buy/sell because you're observing the changes in their lives, such as divorce, empty nest, etc.) Encourage your people to share their lists. These hot/warm lists become an alternative MLS and a great source of listings.

7. **Bump up your real estate reviews.** Help your team develop an annual real estate review or check-up program for all your clients. Just as clients meet with their accountants or doctors once a year, offer them the opportunity to sit down and evaluate their real estate holdings. This is not a disguised listing appointment. It is a service that you provide. An evaluation of real estate review conducted by those real estate professionals in the Ninja Selling coaching program in 2014 showed that a listing, sale, or referral resulted 43 percent of the time when they had a face-to-face review with clients.

Help your team follow these seven strategies, and you will find and create more inventory. The result for our firm has been to outperform the market on listings each of the past three years. With the listings dropping by double-digit percentages each year in our market, we've been able to increase or maintain our listing inventory each year using these strategies. As we say in Ninja Selling, T.S.W.—This Stuff Works! ■

Generational Selling

Strategies for Understanding Millennial Clients

Build clients for life by catering to the generational needs of younger buyers.

Written by Maggie Hall, lead and client development manager, Lone Wolf Real Estate Technologies

As more Millennial homebuyers enter the real estate market, it's important to understand their buying behavior. Millennials think differently than previous generations of homebuyers. They expect more based on the unparalleled amount of resources within reach, and they often don't understand the full process of a real estate transaction, especially first-time homebuyers.

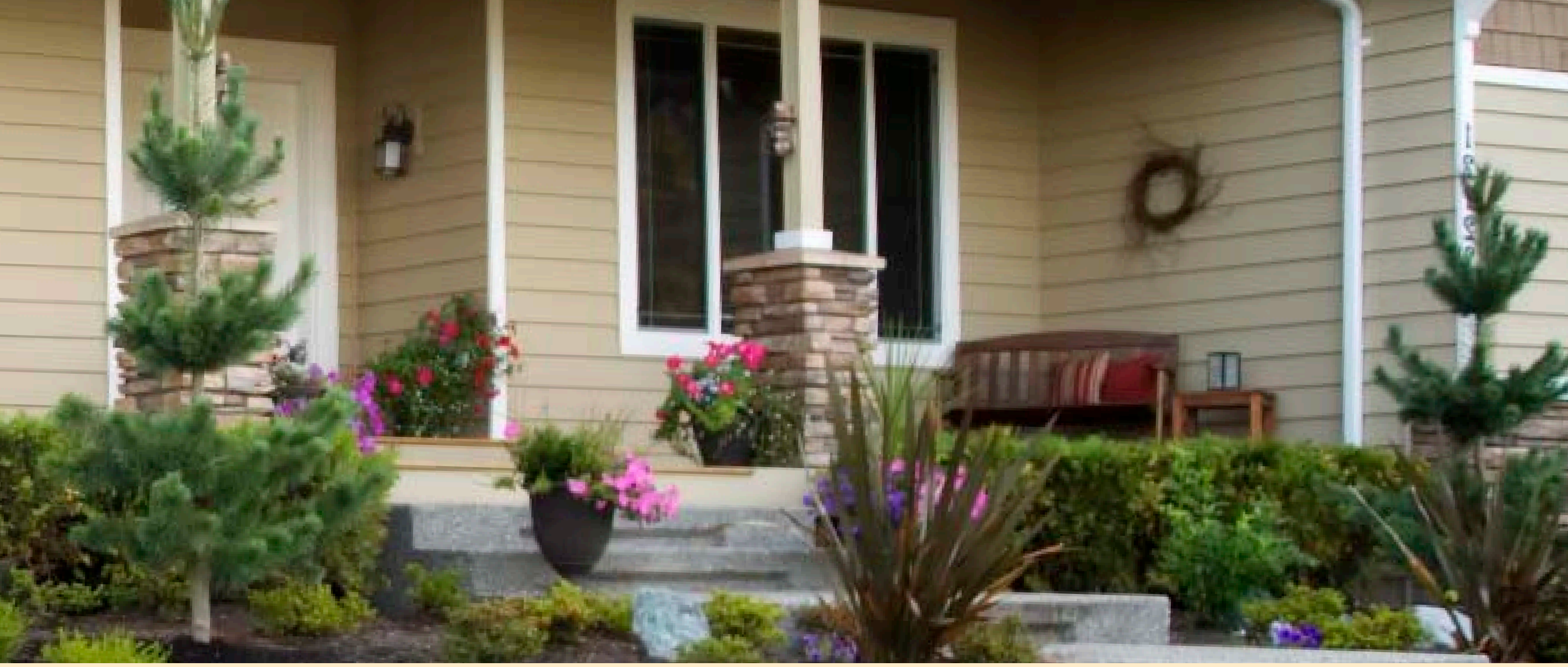
Here are a few things you'll want to understand and consider when it comes to managing the home-buying process for millennial clients.

3 Key Challenges

1. **It takes longer to close the deal.** Indecision is common for Millennial homebuyers. With the technology and abundance of information available, your Millennial clients will want to do their research, consider what else is out there, get a second opinion (often from their parents,) and weigh the pros and cons before signing on the dotted line.
2. **They desire more than they can afford.** Millennials are often looking for more than their bank account affords them. Their wish list may be more along the lines of someone looking for a dream home rather than a traditional first home, which means their expectations can often outweigh their reality.
3. **They are unable to see past cosmetic updates.** With their already-high expectations, some Millennials also want a move-in-ready home. First-time homebuyers must understand that they can still get what they want, however, sometimes, that comes with a little elbow grease.

Not all younger buyers will bring with them the same set of challenges. Keep in mind that they were raised in an era where everything they wanted was at their fingertips. The feeling of entitlement is often a battle faced by these young buyers that your experience as a seasoned real estate professional can resolve.

> **"Keep in mind that Millennials were raised in an era where everything they wanted was at their fingertips."**



Here are four tips to help you better serve Millennial clients:

1. **Put yourself in their shoes.** The key to working with these buyers is acknowledging the full range of information they will access. Dedicate some time to begin a hypothetical house hunt as a Millennial client. Speak through the information found, rather than around it. Doing this will show respect for your clients, who, in turn will show respect for you. Plus, it will reinforce your value as an integral part of their home buying process.

2. **Provide ample time to help your clients find their new home.** Don't rush the process. As a homeowner, it took more than two years to find my first home. Millennials will often be moving out of their parents' house and won't have a timeline like clients who are selling a previous home. Be patient.

3. **Encourage them to ask questions.** Then, give them lots of information. You know they'll want to find out more information anyway, why not provide thorough property reports and neighborhood information, so your clients feel informed before they do their own research? Provide them access to information they can't get elsewhere.

4. **Remind your clients that you'll be with them the whole way.** The home buying process is stressful for first-time homebuyers. There are many things to consider, paperwork to fill out, and information to absorb. By being a resource and encouraging them to look to you for information, your relationship will grow strong. This often results in second-time clients and referrals down the road.

There are a variety of tools and resources you can use to engage younger clients. From interactive websites, video resources, social media engagement, listing presentations and reports, you can capture more business from them by tailoring your business to suit their needs.

Lone Wolf Real Estate Technologies contributed this article. The Agent Marketing Platform (AMP) is available through Lone Wolf Real Estate Technologies. AMP offers tools and resources to help you build your book of business and your offerings to clients. Visit www.agentwolf.com to learn more. ■

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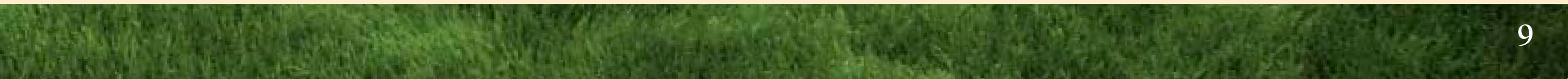


Real Estate Physics 101

THE MARKET'S FREEZING POINT

Find out more about how pricing is impacting your sales.

Written by Denny Grimes, CRS, ABR, CDPE, MBA, president, Denny Grimes and Company

What is the single most important thing an agent should know if they want to thrive in real estate? That was the question that I was recently asked by a well-known real estate authority. I looked at the questioner, hoping the question was rhetorical. It wasn't.

My mind raced through my 30-plus years of real estate experience, the thousands of hours of seminars, and the hundreds of success books I read. I felt like a newly chosen participant for the TV show "Survivor" because the show will allow each person to bring one item to the island. Choosing matches or a Swiss Army knife seemed a lot easier than this challenge.

The Law of Pricing Efficiency

Then it came to me—real estate physics. Interesting enough, I had never seen or heard the word physics associated with real estate, but I believe there are laws in real estate that are as consistent and predictable as the laws of physics. There's more than one law, but the one I want to talk about now is the Law of Pricing Efficiency.

Do you agree with the following? Selling a listing isn't a product of the agent's marketing prowess. Conversely, carrying listings that don't sell is not a sign that the agent is a marketing nincompoop. In other words, marketing does not cause a home to sell, and the lack of marketing does not prevent it from selling.

Let me walk you through my thought process:

What happens when you place water in the freezer? If you say, it freezes, you may be correct, but that would assume that the freezer was plugged in, and it was cooling at or below 32 degrees. The freezer doesn't make water freeze it only provides the environment needed, and then physics takes over. How often will water freeze at 32 degrees? It works 100 percent of the time.

Likewise, the Law of Pricing Efficiency works the same way. When a listing is priced in the correct range, real estate physics takes over, and the listing sells. How often? It works 100 percent of the time.

However, in practice, this is what happens: An agent lists a home, holds one open house, and it sells. The agent (and the seller) believes the open house sold the home.

The open house wasn't the cause of the sale any more than the freezer was the cause of water freezing. This home sold because it was priced at or below the freezing point. The Law of Pricing Efficiency states that the home would have sold anyway. Besides, if open houses caused homes to sell, then agents would hold every home open. Yet, we know only a small percentage of homes sell during the open house.

How about the listing agent who lists a home, but instead of putting it in the MLS, he has a "sneak peak" pre-launch event so that he can round up multiple buyers and create a bidding environment. The home sells, so he concludes that his marketing scheme sold the home. Again, that would be incorrect for the same reason as I mentioned above.

I could list 100 different marketing plans and scenarios where agents

Freezing cont. on p11

The open house wasn't the cause of the sale any more than the freezer was the cause of water freezing. This home sold because it was priced at or below the freezing point.

Focus On: Andy Camp

General Manager, Cutler Real Estate, Canton Ohio

As general manager of Cutler Real Estate, Andy Camp is committed to the success of the company's real estate professionals. Camp is the son of Jim Camp, a partner, along with Jay Cutler and Jim Bray, with Cutler Real Estate.

REAL Trends spoke to Camp. Here's what he had to say:

REAL Trends*:* Tell us about your path into real estate.

Camp: I'm the third generation to go into a family real estate company. My father is one of the partners of Cutler Real Estate. I was the first family member to come into the company since Jay. But, I grew up around the business. I graduated from Ohio University in 1996 and worked with a few companies.

In 2001, Cutler Real Estate wanted to grow, and they were going to bring on a full-time recruiter. It was a perfect opportunity for me to make a career change. I also worked as a branch manager for three years, before taking on the role of general manager.

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

Camp: The biggest challenge has been leading the company through a number of changes and the transition from local, family-owned company to a regional real estate brand. When I came on, we were very traditional and had a lot of long-time staff and management in place. Many were a little confused about the changes taking place. For a long time, they didn't understand why these changes were happening since the business seemed to be running just fine. We had to help them understand that status quo wouldn't allow us to grow and be profitable in the future. Communicating those changes was important.

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

Camp: While I wouldn't change the way I've done things while building my brokerage, I did learn a valuable lesson. That is to fail quickly. If you immediately admit something isn't working and take action, you move forward much more quickly than you do if you hang on, trying to fix the problem.

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?

Camp: In 2006, we decided to revamp our cost and compensation structure. At the same time, we decided to follow lean business practices, so we eliminated a tremendous amount of waste and conditioned management to offer our sales force a wide range of services and lucrative compensation. It allowed us to weather the economic storm through the downturn.

Those two decisions put us in the position to grow more in one year than we had in 60 years. ■

Freezing cont. from p10

believe the fact that they put their listing "in the freezer" is what caused it to sell. If marketing sells houses, then how would you explain all of the homes that are being sold before they go into the MLS and before the marketing is launched?

Understand the Concept

Understanding the efficiency of pricing will add money to your bottom line and years to your life. You will never have to sit at a sympathy open house for the stubborn, overpriced seller who thinks you're not doing enough marketing. Fully grasping this concept, you will be able to stare into the seller's eyes and say, "There is nothing more I can do to sell your home." The seller will most likely blink, and you will walk away with a price reduction.

Agents who fail, or stubbornly resist, these laws may find themselves looking for creative ways to feed themselves as they continually feed seller's never-ending appetite for more marketing.

Men have been to the moon and back because of the power and consistency of physics. Your career can head in that same direction if you embrace the laws of real estate physics. ■

Market News

REAL Trends

HOUSING MARKET REPORT

VIEW the VIDEO

February Housing Sales Surprise With Upswing

The REAL Trends Housing Market Report for February 2015 shows that housing sales increased 6.6 percent from the same month a year ago. All four regions reported unit sales had increased from a year ago, a drastic change from the previous month's decline in housing sales in three out of four regions.

The annual rate of new and existing home sales for February 2015 was 5.495 million units up from a rate of 5.156 million in February 2014.

Housing prices rose an average of 2.9 percent from February 2014, a slight decrease from the average price change in January 2015. Price increases have settled to a mid-single–digit growth rate for the past seven months.

"February housing sales were surprisingly higher than expected after the sluggish January report," said Steve Murray, editor of the REAL Trends Housing Market Report. "Units sales were up five points higher than the January results. While the average price of homes sold was only up slightly over the prior year, this is good news as slower price increases will raise affordability. Should these trends continue it could mean far stronger sales in the months ahead."

Housing unit sales for February 2015 increased 12.9 percent in the Northeast, the best performance in all regions. Midwest sales were up 7.3 percent, the South saw unit sales increase by 6.7 percent, and the Western region saw unit sales increase by 2.3 percent.

The average price of homes sold in February 2015 in the Midwestern region increased by 7.9 percent, the best result in the nation. The West saw average prices rise 4.9 percent, average prices in the South were up 4.4 percent, and the Northeast was the only region that experienced a decrease in average price of homes sold with -4.8 percent.

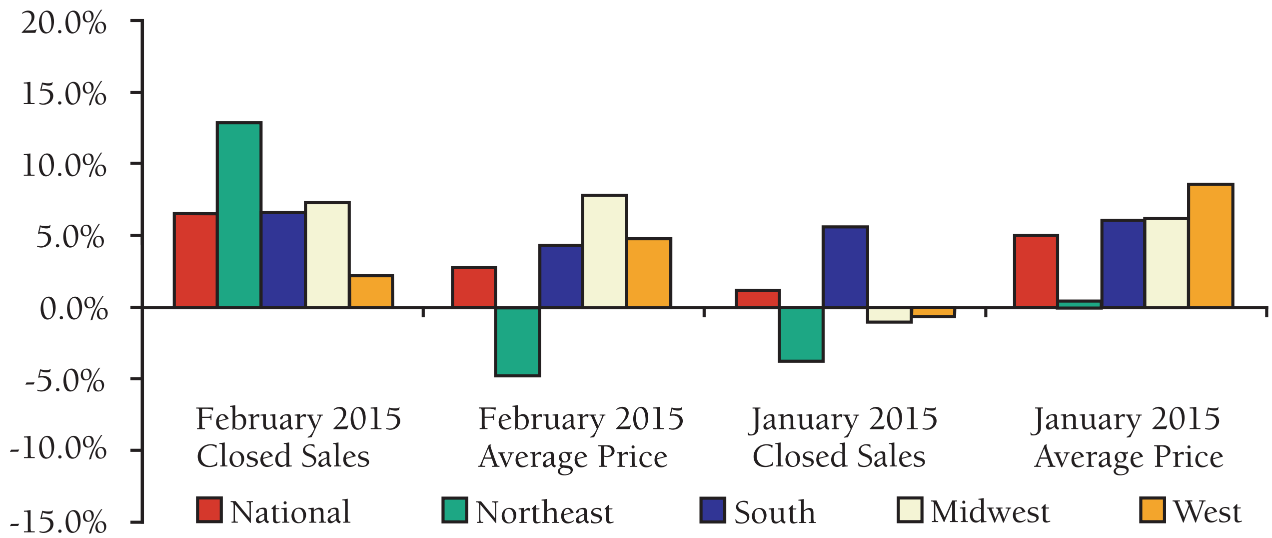
"The private market for mortgages is less stringent than it was in the past. However, many of the major lenders remain wary of adopting looser under-writing standards." – Steve Murray

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

REAL Trends February/January Housing Market Report

(Versus same month a year ago)

	February 2015 Closed Sales	February 2015 Average Price	January 2015 Closed Sales	January 2015 Average Price
National	+6.6%	+2.9%	+1.3%	+5.1%
Regional Report				
Northeast	+12.9%	-4.8%	-3.8%	+0.5%
South	+6.7%	+4.4%	+5.8%	+6.1%
Midwest	+7.3%	+7.9%	-1.0%	+6.3%
West	+2.3%	+4.9%	-0.7%	+8.7%



The Future of Social Media

Evolution of Social Predictive Analytics

It's hard to track social media leads. So, is it worth it as an advertising medium? Yes, and it's worth so much more.

Written by Travis Saxton, vice president of technology

No offense to those who may make a living off of social media, but for those in the real estate space, this advertising medium is an unknown commodity. Whether you are a broker or an agent, social media is just another advertising medium, comparable to a billboard or radio ad. Very few brokers or agents can attribute any form of return on investment (ROI) from the countless hours they spend growing their social influence and audience. Unless you are diligently tracking conversions and content types, you are left to wonder whether it is even worth it, right? Well, social media is here to stay.

In 2013, we published the REAL Trends Online Performance Study and focused on the top eight social media categories for real estate. These were statistically relevant as we looked at 8 million social media posts and gave examples of the top posts as well.

Notice that seven of the eight categories that are effective for real estate professionals have nothing to do with real estate. In fact, they are fun, inspirational, tip-oriented and, most importantly, do not highlight new real estate listings. This brings up a dilemma. How can you effectively use social media to produce any return if the content that works isn't real estate related? However, remember, nothing reduces the number of Facebook followers you have than when you start blasting listings. As commonly preached by industry leaders, the practice of sharing listings is not advised unless done in a unique social nature.

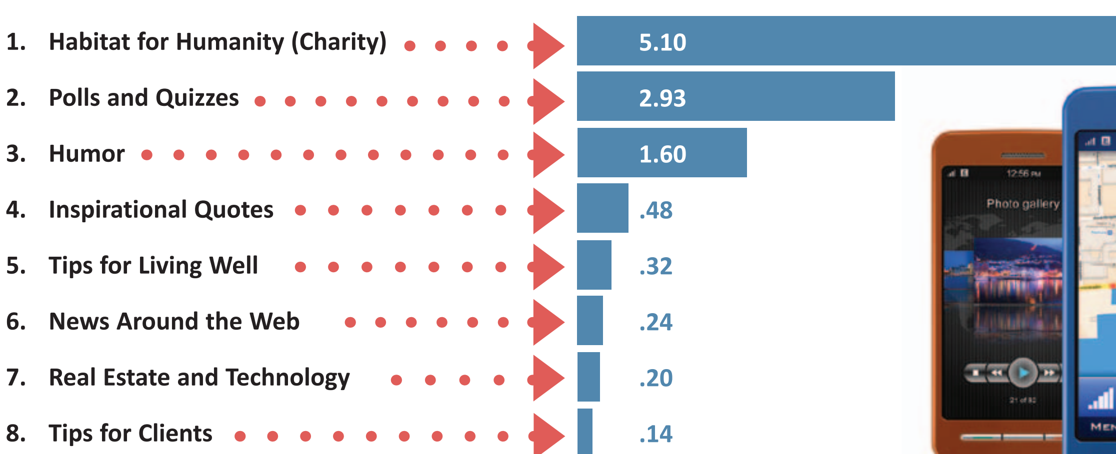
Let's take a look at a few of the future practices for social media.

Present Features and Applications

REAL Trends recently launched its first foray into social media monitoring and predictive analytics. In partnership with Better Homes and Gardens Real Estate, we launched the #realestatepulse.

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.

“We can monitor up to 1,000 Tweets or Facebook posts from people on these social networks, whether we are friends with them or not.”

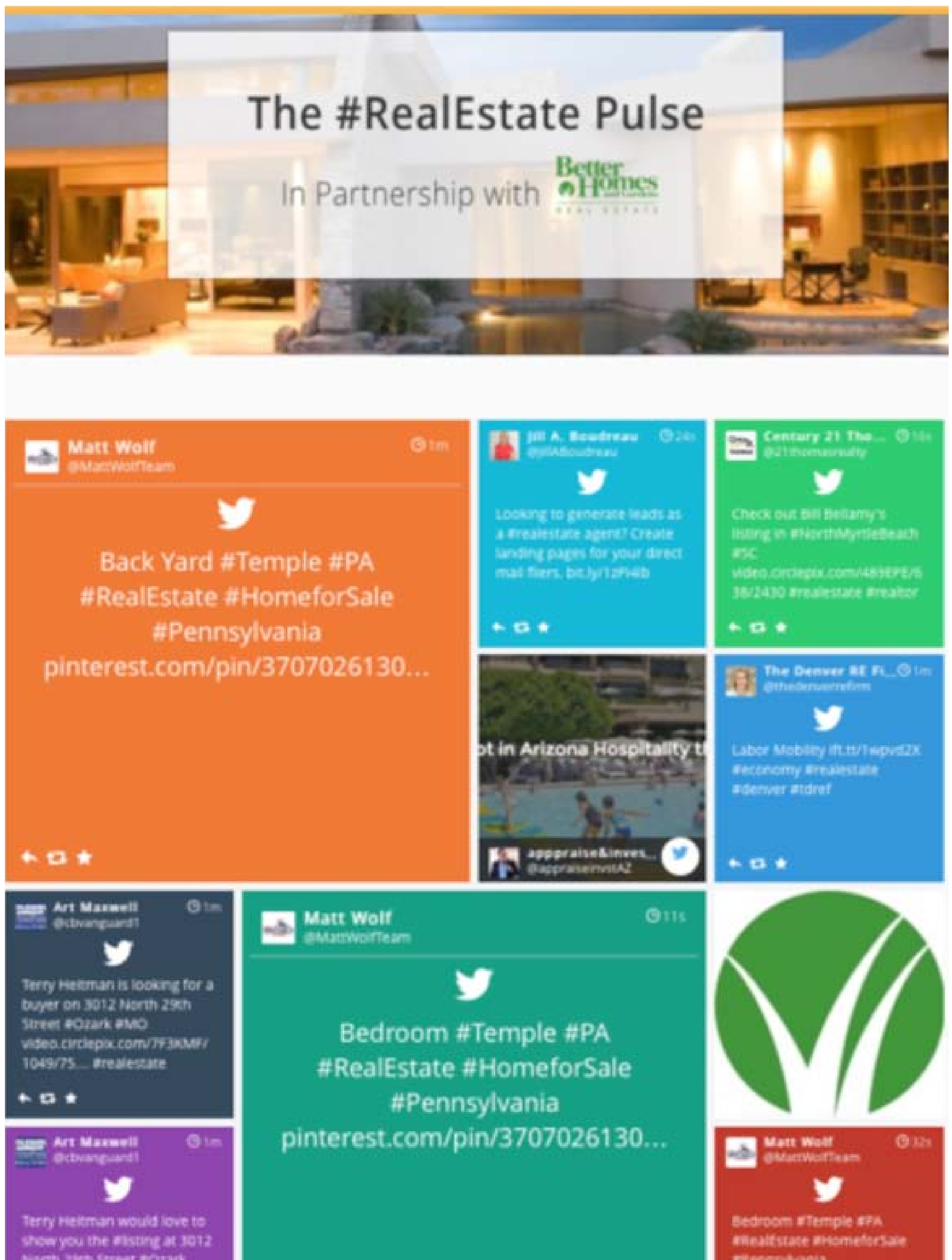
The #realestatepulse uses a new technology that allows us to monitor social conversations on Facebook, Twitter, Instagram and a few social media outlets to display social conversations in a more visual fashion. In this particular example, we will pull in and display information from anyone who uses the hashtag #realestate. You can check it out on our website at http://www.realtrends.com/technology/real-estate-pulse.

We can monitor up to 1,000 Tweets or Facebook posts from people on these social networks, whether we are friends with them or not. The #realestatepulse allows us to visualize data from social media in numerous fashions. Here are a few applications:

1. **Compare top brands by social media presence and interaction with their consumers.** In this example, we will stack up all major real estate franchises and analyze social media activity historically, currently and peaks. This will allow us to see who is talking about which franchise and when. A graph overlapping all franchises can be found on www.realtrends.com

2. **Top listing portals and activity.** In this example, we will stack up the listing portals against one another to monitor social conversations and activity around their brands. A similar visual representation can also be used to compare listing portals.

3. **Live heat maps for social activity.** In this example, we can visually display on a map where individual social conversations are taking place. In our first iteration, we will publish social media conversations for those talking about real estate. The map will light up and allow you to focus in on your state or area.



4. **Top trending stories in real estate.** In this example, we will visually represent the top stories being shared across social networks. It's similar to a Yahoo! trending story section. Visit frequently to stay up to date with the hottest stories in real estate.

What's Next

Does this sound like a lot of fun and games? Sure, it's useful to monitor activity but what's the payoff? Let's look at the big picture. REAL Trends can now monitor social media activity from anywhere about any topic. What if we applied this tool to the real estate space on the consumer level? If we can leverage this tool to capture and monitor conversations that might be focused on people buying or selling homes, then that would be a huge step in the right direction. Someone who mentions the term "thinking about buying a home" or "going to look for a new home" would be a step in the right direction. Of course, it might be too late to capture this potential consumer as he or she is too far in the buying process; however there are other phrases you can search.

Enter Social Predictive Analytics

We are currently developing an algorithm based on the top 15 reasons people buy, sell, upgrade and move. For example, someone who mentions the phrase, "moving to Denver" would be a good prospect to reach if you're a Denver-based real estate broker or agent. However, think of all the variations of this phrase. For example, "moving to Colorado," "excited to move to Denver," "Denver bound," "Denver here we come." The list goes on and on. We could also monitor when people get new jobs in Denver. So, we at REAL Trends are modeling these now for a near future launch.

While this may continue to evolve, it's a step in the right direction for real estate professionals to truly leverage social media. We are rolling this out with select REAL Trends Technology Consulting clients over the next six months. Here's how it works:

We monitor social media activity over a period and pull in social media handles and usernames of those indicating they are likely to move. We then download this activity into a format usable for marketing to these folks. We then set up conversion tactics and drive the leads to a page on an agent or broker's site.

If you are interested in learning more about social predictive analytics, contact us at tech@realtrends.com or call our team at 720-545-0919. ■

Publisher's Note

There is nothing more important than leadership in the residential brokerage industry. We have said this many times. Not only do we know this from an instinctive point of view, but also all of the operational, market share, financial data and other research we have done strongly supports this contention.

In this issue, we cover one area of leadership, and that is the challenge of succession. Nothing is more important to an owner than understanding the concept that, without a succession plan, one is either in self-liquidation or is ultimately a seller.

In this issue, we cover both succession and how to value a residential real estate brokerage firm and its related businesses like title, mortgage and/or escrow. Both issues pertain to how one manages their firm looking forward.

Coming This Summer: New Brokerages Reports

This summer we will release a new Brokerage Compensation Study, Brokerage Performance Report and further studies on core services and the performance of the leading listing portals. Stay tuned for more information about how you can participate and receive these valuable reports.