



REALTRENDS
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COMPLIMENTS OF



DENVER METRO
ASSOCIATION OF REALTORS®

SEPTEMBER 2018 NEWSLETTER



CONSUMER STUDY

BUYERS AND SELLERS STILL NEED YOU

It's true. More buyers and sellers than ever are using a real estate agent, and they choose one that was referred to them by someone they trust.

*By Steve Murray,
president*

The California Association of Realtors®, The CE Shop and REAL Trends joined forces to produce a 2018 Harris Insights & Analytics study of recent buyers and sellers, and there's good news for the industry.

- 90% of all buyers and sellers used a real estate agent in their transaction. This is up from 85% in a similar REAL Trends study done four years ago.
- When asked what the most important factors were in choosing an agent, 69% said that it was essential to get a "referral from someone I trust." That was followed

While a more detailed report will be released soon, here are some high-level conclusions.



**LAUNCHING
SEPTEMBER
12**

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REAL TRENDS

THE TRUSTED SOURCE

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by “agents who had listings similar to what I am looking for (64%), “looking at websites with ratings of agents (62%) and having a personal relationship with the agent (57%).

- 89% said that having a real estate professional assist in negotiating the best price, whether buying or selling, was extremely or very important. Interestingly, 83% said that “providing a list of homes to look at” was extremely or very important.”
- 82% of these recent buyers and sellers say that they, “prefer to use a real estate agent for my transaction because they are professional.” The same 82% said that “I think of my real estate agent as a trusted advisor.”
- One last important fact from the study regardless of the age cohort, 18-34, 35-54 or older, each age group was at or above 90% usage of a real estate agent.

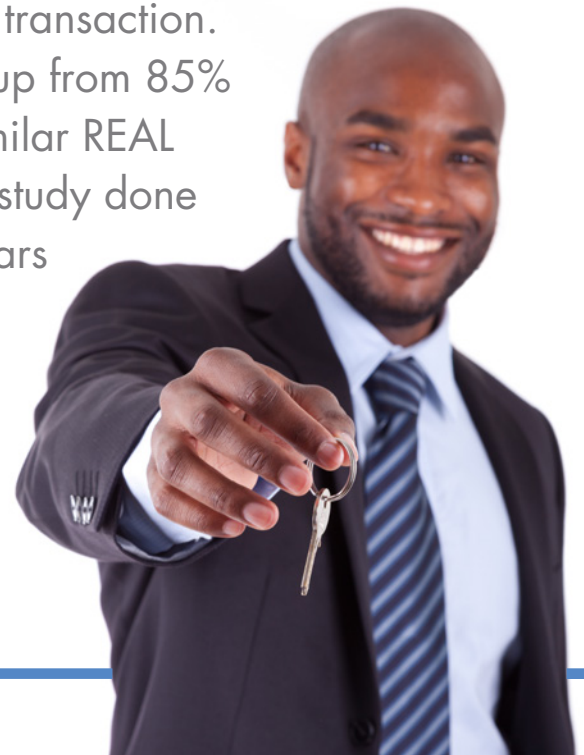
The California Association of Realtors, the CE Shop, and REAL Trends will be releasing more detailed information, shortly.

The study was conducted in June-July 2018 and was composed of approximately 1,000 families who had bought or sold a home in the prior six months. Harris Insights & Analytics is among the most respected research firms in the world. REAL Trends has used them four times since 2001 to do similar studies. ♠

90% OF ALL BUYERS AND SELLERS

used a real estate agent in their transaction.

This is up from 85% in a similar REAL Trends study done four years ago.



WHY CAN'T YOUR BROKERAGE OFFER THIS SAME SERVICE?

Gaining access to credit shouldn't be hard, but developing policies and procedures may prove difficult.

By Steve Murray, president

Opendoor, Knock.com, Offerpad and Zillow are frequently in the news about their direct purchasing of homes. Our first thought is that this is a valuable service and one that will be welcomed by thousands of homeowners as an easy escape from a house they need to sell immediately.

Our second thought is that many brokerage firms—local, regional and national—could offer this same service. Gaining access to the credit lines to provide this is likely not as difficult as it may seem. The more difficult task is to have the policies, systems, and personnel to deliver and manage the process.

For firms like Realogy with its Cartus subsidiary, this is not that difficult. Some 30 to 40 years ago, many brokerage firms offered something similar which called for the brokerage to buy a home if they could not sell it. Even today, Howard Hanna has a program that provides the same thing to its customers if they enter a special program to gain access to this service.

By the Numbers

Even if these four firms had access to, say \$2 billion credit lines to purchase homes, and they could turn those dollars six times a year, all four would be able to buy \$48 billion in homes in a given year. In a housing market where sales will total \$1.7 to \$1.8 trillion this year, this is a small percentage of the overall market.

It may be higher in specific markets where they will focus their efforts. But still, it's a small part of the overall market.

Will it Thrive in a Down Market?

It's important to note that none of these firms or their services have been tested in a down market. Is there one coming? Yes, the market is already showing some signs of a slowdown—existing homes sales have fallen five out of the last six months compared to the prior year. How deep will a downturn go? It's unlikely that it will be anywhere near that of the previous downturn, but still, this model has not been tested in such a market.

Finally, will any of these firms leverage this service to build a new form of brokerage? While we don't know their future intentions fully, they certainly have the capabilities to do so. How that would impact competition, margins, etc. is unknown, but certainly, they would have every incentive to use real estate professionals in parts of their business. They become one of many new entrants into the brokerage business. ▲



COMPETITIVE ADVANTAGE

FIND THE *REAL AND USEFUL* IN A CROWD OF *WOW*

What is WOW often crowds out what is real and useful—even in real estate.

By Steve Murray, president

It seems that sensationalism gets a lot of attention—even in the residential brokerage industry. What is *wow* often crowds out what is real and useful. *Wow* may be neat, but it won't help your business.

Here are some real and useful thoughts.

To be arrogant or dismissive of competitors, whether new or existing, is a deadly disease. This attitude kept traditional incumbent brokerage firms from effectively competing with RE/MAX during their early years, and the same attitude prevented firms from competing effectively with Keller Williams during their surging growth years. It's scary to think that the industry will look at Compass, Redfin, and eXp in the same manner today.

Key Element: Recruiting System

You can't build and grow a successful residential brokerage firm unless you have a system to recruit and develop talented real estate professionals. It means a real system, not just wishful thinking. Far too many brokerage firms who bemoan new forms of competition or pine for the good old days have no system for recruiting and developing agents.

If it was only about the money, that is, if all agents and teams only cared about the cost of joining a brokerage, most leading brokerage firms would already be out of business. Finding out what else agents and teams' value from their brokerage should be a high priority goal for every brokerage, regardless of brand, business model or location.

Don't Get Distracted

Many brokerage leaders get distracted by the noise in the industry. Along with arrogance and dismissiveness, this can have deadly consequences. There are already enough distractions running a brokerage without getting caught up in who said what at which conference. Brokerage is not a

complicated scientific endeavor. It's mostly a relationship business. How much of your time is spent in this area?

Gross margins (what a brokerage has left after the agents have been paid) are shrinking, and they're going to continue to do so for most brokerage firms. There will always be someone in your market that is less expensive than you are. Our benchmark studies show that the average Gross Margin among REAL Trends 500 firms has dropped from around 22 percent to about 14 percent in the last five years. It may be useful to plan on 14 to 16 percent as a target over the next three to five years. How would you, or are you now, managing in this environment?

Core Services

Core services, such as mortgage, title, escrow and property management, are crucial additional income and profit opportunities. Also, many successful firms are supplementing their incomes with fees for risk management, technology, and marketing services. Each will be more important as gross margins continue to be pressured.

This remains a great business. If it weren't, why are so many outside investment firms entering? If the business wasn't viable, why have firms like Redfin and Compass been able to raise so much capital? Why is it that so many private equity firms now have an interest? In our 31 years of merger and acquisition work, we have never had more interest in the brokerage industry than we have today. And while many owners have chosen to exit, there are just as many new entrants. Independents and franchised firms alike are appearing in our top rankings each year, some that didn't exist five or ten years ago.

To the difference between what is sensational and threatening, and what is real and useful, REAL Trends will continue to focus on the latter. We care less about what is fashionable and more about what matters. ♠

THIS REMAINS A GREAT BUSINESS. IF IT WEREN'T,
why are so many outside investment firms entering?

BROKERAGE RETURN ON REVENUE

Brokers have to get creative to stay profitable.

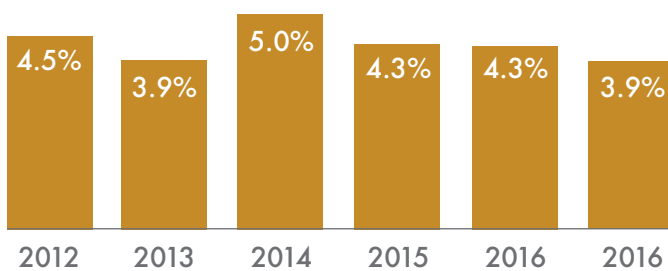
By Scott Wright, director of mergers and acquisitions

Continually declining retained company dollar (CO\$) has been all the talk in the residential real estate industry. The days of 30%+ retained by the brokerage is all but a distant memory, and most firms are faced with trying to figure out how to function in a sub-20 percent environment.

Brokerage firms have been dealing with a steady decline in retained CO\$ for years, and the rate of decline has yet to flatten out. Since 2012, we've seen the national average for all brokerage types fall by a staggering 34 percent!

Given this downward trend, brokerage firms have to be creative to remain profitable. Some have struggled, but most have stayed true to their savvy entrepreneurial spirits to keep their bottom line in the black. At REAL Trends, we track this bottom line performance via our Benchmark Report. As you can see, firms have so far successfully combated the retained CO\$ woes.

Return on Revenue – All Brokerage Types



Specifically, our Benchmark tracks Return on Revenue (ROR), which is calculated by dividing net income (after adjustments) by gross revenue. ROR is a pure measure of profitability, primarily the owners' yield. On average, ROR is not as high in the real estate industry as it is in other industries, but one can still make a good living running a brokerage firm.

Brokerages Are Adapting

Interestingly, ROR has only moderately declined since we've been tracking it, down 12 percent since 2012, which is just a fraction of the rate of descent of retained CO\$ over the same period. Firms are figuring out how to adapt to this environment.

We're able to see how many of these firms are adapting via our consulting work, and there are some common themes. Above the line, they are combating higher splits with various transaction fees. Though these fees tend only to cover a fraction of what they need to, every little bit counts.

Most of the adaptation is happening below the line via managing operating expenses. Brokerage firms have a lot more control over operating expenses and are cutting back where they can to maintain ROR.

Another way some firms are battling retained CO\$ compression is the addition of ancillary services. Not all brokerages are large enough, operate in the right jurisdiction, have the capital or the wherewithal to develop this kind of an income stream, but some are having great success in the mortgage, title, escrow, insurance, and property management arenas.

One more thing to keep in mind on this ROR trend is it's an average for all brokerage types. Not surprisingly, ROR figures do differ between commission plans. Graduated, 100 percent and Capped Commission plans, for example, see their numbers vary widely according to our calculations.

The bottom line is, despite continually slipping retained company dollar, the returns we see in this industry remain relatively steady. Brokerage firms are forced to be creative to survive in this environment, and the good ones are continuing to find a way to thrive. ♣

ROR is not as high in the real estate industry as it is in other industries, but

ONE CAN STILL MAKE A GOOD LIVING RUNNING A BROKERAGE FIRM.

ARE YOU A MASTER AT CREATING VALUE?

Can you recognize value? More importantly, are you creating it?

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

The most successful entrepreneurs I know have one thing in common—they can recognize value when they see it. They're always seeking value, and they are masters at creating it. They have a value mindset.

These entrepreneurs are clear on the differences between the five basic economic terms: cost, price, value, expense, and investment. Unfortunately, many in our industry have not yet mastered this skill. They confuse cost and price with value. Or, they see investment as an expense. Let's define these five economic terms:

- Cost:** The time and money it takes to produce a good or service.
- Price:** The money a seller asks for the good or service.
- Value:** What the good or service will do for a buyer relative to the price being asked.
- Expense:** An outlay of time or money for a good or service that is consumed (used up).
- Investment:** The outlay of time or money in expectation of future benefits or returns.

Here are two examples where these five terms got confused.

1. A Cost-Plus Mindset

The president of a large home building company prices his homes based on their cost. His formula is sometimes called cost-plus. He adds up his costs, then adds a margin for profit and overhead, and that becomes his price. How do buyers buy homes? They look at value, not cost.

The five components of value to a buyer are location, size, condition, amenities, and price. They could care less about the builder's costs. Do they perceive the builder created something of value that they want to live in? Or, has he spent \$500,000 in costs to build a house that is only valued at \$450,000 in the marketplace? This builder has a cost-plus mindset rather than a value mindset.

2. Expenses vs. Investments.

Sales associates are shown a formula and convincing evidence that, if they invest \$24 a year (\$2 a month) staying in touch and building relationships with their customers, this formula will give them a \$1,000 per



OBSERVE THE BEST AND BRIGHTEST IN OUR INDUSTRY, AND YOU WILL SEE THE VALUE MINDSET. Top sales associates are masters of articulating their value to a seller, not just their fee (price).

year return on their investment. In our classes, I ask the question, “If you could earn \$1,000 in gross commission income for every \$24 you invest, how much would you invest?” The correct answer is, “All you got!” It’s incredible to me how many associates have confused looks and find excuses not to make this investment. Why? They either see the \$24 as an expense rather than an investment or they have a fundamental belief in scarcity. In either case, they don’t have a value mindset.

In their remarkable book, “The Go-Giver,” Bob Burg and John David Mann offer The Law of Value: “Your true worth is determined by how much more you give in value than you take in payment.”


Observe the best and brightest in our industry, and you will see the value mindset. Top sales associates are masters of articulating their value to a seller, not just their fee (price). Top companies articulate the value they

are bringing to their associates. They present their office fees not as expenses but rather as the investment they are making in their associates’ businesses.

Managers and staff are viewed as investments, not as expenses, and a return is expected on these investments. The goal of managers and staff is to bring more value to their sales associates than they receive in compensation (The Law of Value). This mindset creates a value-driven organization.

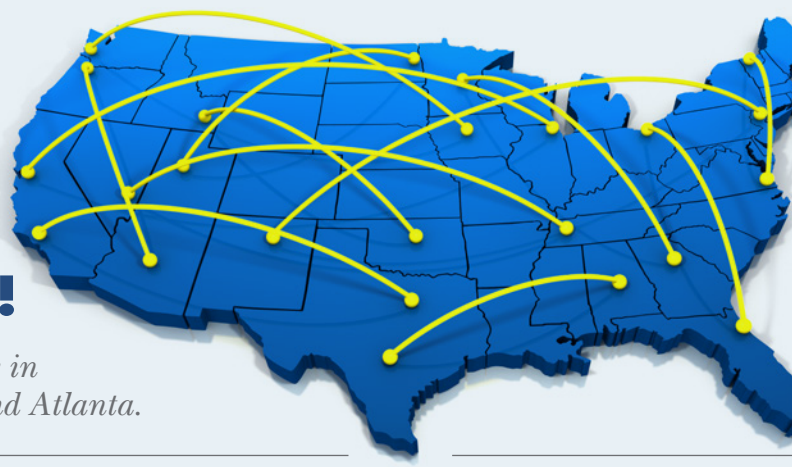
Top companies and top associates have a mindset that “everything I do and every dollar I invest should create value for someone and generate a return on that investment.” If it doesn’t, then it is an expense and should be eliminated if possible.

Become a master at creating and delivering value. Have the value mindset. ♣



Top companies and top associates have a mindset that
**“EVERYTHING I DO AND EVERY DOLLAR
I INVEST SHOULD CREATE VALUE FOR
SOMEONE AND GENERATE A
RETURN ON THAT INVESTMENT.”**

PEOPLE ARE STILL MOVING IN THESE METRO AREAS!



The highest share of homeowners likely to move are in Chicago, Washington, D.C., Orlando, Tampa, and Atlanta.

If you're a broker in Chicago, Washington, D.C., Orlando, Tampa or Atlanta, you're in luck. According to the ATTOM Data Solutions Q2 2018 Pre-Mover Housing Index, those cities posted the highest pre-mover index in the second quarter of 2018—predictive of a high percentage of homeowners moving in the third quarter—among 36 metropolitan statistical areas with at least 500,000 single family homes and condos.

Using data collected from purchase loan applications on residential real estate transactions, the ATTOM Data Solutions Pre-Mover Housing Index is based on the ratio of homes with a pre-mover indicator to total single-family homes and condos in a given geography, indexed off the national average. An index above 100 is above the national average and indicates an above-average ratio of homes that will likely be sold in the next 90 days in a given market.

Among a broader set of 131 metro areas with at least 100,000 single family homes and condos, those posting the highest pre-mover index in Q2 2018 were Wilmington, North Carolina (206); Colorado Springs, Colorado (178); and Manchester-Nashua, New Hampshire (172); followed by Chicago (168) and Washington, D.C. (166).

“A higher pre-mover index bodes well for local real estate agents, home improvement stores, moving companies and others that benefit from the halo effect of a home sale,” said Daren Blomquist, senior vice president at ATTOM Data Solutions. “Meanwhile markets with a low pre-mover index likely have a scarcity of inventory available to buy or relatively weak demand from prospective buyers—or some combination of both—which is not optimal for businesses that rely on the home sale halo effect.”

“A higher pre-mover index bodes well for local real estate agents, home improvement stores, moving companies and others that benefit from the halo effect of a home sale.”

– **Daren Blomquist, senior vice president at ATTOM Data Solutions.**



Cleveland, Boston, Pittsburgh post lowest pre-mover indexes among major metros

Among the 36 metros with at least 500,000 single family homes and condos, those with the lowest pre-mover index in Q2 2018 were Cleveland, Ohio (38); Boston, Massachusetts (39); Pittsburgh, Pennsylvania (48); Detroit, Michigan (48); and San Francisco, California (49).

Among the broader set of 131 metro areas with at least 100,000 single family homes and condos, those with the lowest pre-mover index in Q2 2018 were Providence, Rhode Island (31); Albany, New York (35); San Jose, California (37); Buffalo, New York (38); and Cleveland, Ohio (38).

North Dakota, Illinois, Nevada post highest pre-mover indexes among states

States with the highest pre-mover index in the Q2 2018 — predictive of a high percentage of homeowners moving in the third quarter — were North Dakota (275), Illinois (193), Nevada (164), Virginia (163), and Colorado (147).

Other states with a pre-mover index among the ten highest in Q2 2018 were New Jersey (133), Florida (133), Delaware (130), Maryland (127), and Utah (124).

Chicago and DC counties post highest county pre-mover indexes

Among 394 counties analyzed in the report, those with the highest pre-mover index in Q2 2018 were Kendall County, Illinois, in the Chicago metro area (461); Albemarle County, Virginia, in the Charlottesville metro area (337); followed by three Virginia counties all in the Washington, D.C. metro area: Loudon County (319), Alexandria City (307); and Spotsylvania County (294).

San Francisco and New York City counties post lowest county pre-mover indexes

Among the same 394 counties, those with the lowest pre-mover index in Q2 2018 were San Francisco County, California (31); Queens County, New York (33); Westchester County, New York (36); Westmoreland County, Pennsylvania in the Pittsburgh metro area (39); and Cameron County, Texas in the Brownsville-Harlingen metro area (42).

Highest share of investment property pre-movers in Memphis, Indianapolis, Knoxville

Nationwide 4.6 percent of all single-family homes and condos with a pre-mover indicator in Q2 2018 were being purchased as an investment property.

Among the 131 metropolitan statistical areas analyzed in the report, the highest share of pre-mover investment homes were in Memphis, Tennessee (21.3 percent); Indianapolis, Indiana (10.9 percent); Knoxville, Tennessee (10.1 percent); Dayton, Ohio (9.4 percent); and Fort Collins-Loveland, Colorado (9.3 percent).

Highest share of second home pre-movers in Ocean City, Naples, Myrtle Beach

Nationwide 3.2 percent of all single-family homes and condos with a pre-mover indicator in Q2 2018 were being purchased as a second home.

Among the 131 metropolitan statistical areas analyzed in the report, the highest share of pre-mover second homes were in Ocean City, New Jersey (34.6 percent); Naples-Marco Island, Florida (31.3 percent); Myrtle Beach, South Carolina (25.2 percent); Cape Coral-Fort Myers, Florida (20.9 percent); and Wilmington, North Carolina (15.7 percent). ▲



LOW INVENTORY AND HIGH PRICES CAUSE SHOWING TRAFFIC TO LEVEL OFF IN PARTS OF THE U.S.

Homebuyer showings decline in the West and Northeast, cool in the Midwest; South increases

Key Points:

- West (-6.5 percent) and Northeast (-2.0 percent) regions show multi-month, year-over-year declines in showing activity, as the overall U.S. ShowingTime Showing Index® for July 2018 increases slightly from July 2017
- South Region (+4.6 percent) exhibits year-over-year increase in showing activity for 10th consecutive month, and Midwest Region (+0.6) for the fifth consecutive month
- ShowingTime combines showing data with findings from its MarketStats division to provide a set of benchmarks that track demand for active listings throughout the country

As high home prices and a continued inventory shortage in many markets have contributed to the residential real estate industry forecasting a slowdown, the July 2018 ShowingTime Showing Index® revealed waning showing traffic in some regions of the U.S.

Showing activity throughout the country increased by 0.3 percent year over year in July, the third consecutive month that the U.S. ShowingTime Showing Index recorded buyer interest deceleration compared to the previous year. The June 2018 figures revealed a 0.0 percent change in showing traffic from 2017, while May showed a 1.2 percent year-over-year increase. The 12-month average year-over-year increase was 4.6 percent.

The slowdown has been particularly apparent in western markets where inventory remains tight, ShowingTime Chief Analytics Officer Daniil Cherkasskiy said, as showing activity in the West Region has declined for six consecutive months and was down 6.5 percent compared to last year at this time.

The Northeast Region has also experienced a run of consecutive monthly year-over-year decreases, with showing activity declining by 2.0 percent compared to last year.

“The ShowingTime Showing Index has been forecasting a slowdown for the past few months due to showing activity remaining relatively steady or lower compared to last year, which has been in large part affected by lower inventory in several major markets in the West Region,” Cherkasskiy said. “That trend now appears to be impacting some areas of the Northeast, as well.”

Buyer interest remains high in the South Region, however, which has experienced year-over-year increases for 10 straight months and saw showing traffic increase 4.6 percent compared to last July. The Midwest Region showed a slight 0.6 percent year-over-year increase.

WEST REGION:
- 6.5%

**MIDWEST
REGION:** + 0.6%

SOUTH REGION:
+ 4.6%

**NORTHEAST
REGION:** - 2.0%

“The ShowingTime Showing Index has been forecasting a slowdown for the past few months due to showing activity remaining relatively steady or lower compared to last year, which has been in large part affected by lower inventory in several major markets in the West Region.”

— **Daniil Cherkasskiy, ShowingTime
Chief Analytics Officer**



THE SHOWINGTIME SHOWING INDEX

The ShowingTime Showing Index, the first of its kind in the residential real estate industry, is compiled using data from property showings scheduled across the country on listings using ShowingTime products and services, which facilitate more than 4 million showings each month.

Released on or around the 20th each month, the Showing Index tracks the average number of appointments received on an active listing during the month. Local MLS indices are also available for select markets and are distributed to MLS and association leadership.

To view the full report, visit www.showingtime.com/index.

About ShowingTime

ShowingTime is the leading showing management and market stats technology provider to the residential real estate industry, with more than 1.2 million active listings subscribed to its services. Its MarketStats division provides interactive tools and market reports for MLSs, associations, brokers, agents and other real estate companies, along with recruiting software that enables brokers to identify top agents. Its showing products take the inefficiencies out of the appointment scheduling process for real estate agents, buyers and sellers. ShowingTime products are used in more than 250 MLSs representing over 950,000 real estate professionals across the U.S. and Canada. ▲

ShowingTime Showing Index[®]

July 2018

+0.3%

United States

-2%

Northeast

+4.6%

South

+0.6%

Midwest

-6.5%

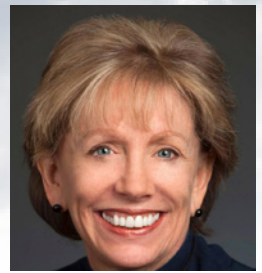
West

The ShowingTime Showing Index[®] tracks the average number of buyer showings on active residential properties on a monthly basis, a highly reliable indicator of current and future demand trends.



[®] Methodology: The ShowingTime Showing Index[®] measures showing traffic per residential property for sale by agents and brokers utilizing ShowingTime solutions for property-access management. A higher number means that an average home receives more buyer visits in a given month. All index values are scaled relative to initial index value set to 100 for January 2014. ShowingTime facilitates more than 4 million showings each month.

CONGRESS PUNTS ON FLOOD INSURANCE REFORM...AGAIN



The Flood Insurance program has been extended, but no long-term solution.

By Sue Johnson, strategic alliance consultant

On July 31, Congress passed a four-month extension of the National Flood Insurance Program (NFIP) just hours before it was set to expire at midnight. The legislation was the seventh short-term extension of the NFIP since September 2017.

The NFIP program had to be extended, of course. Any lapse in NFIP coverage could have created disruptions in home sales and closings in many areas of the country. But the extension also highlighted the need for Congress to reach a long-term solution to flood insurance reform, which it has struggled with for years.

Why Flood Insurance Reform is Needed

Congress created the NFIP in 1968 to assume the growing expense of natural disasters that private companies at the time were reluctant to insure. It's administered by the Federal Emergency Management Agency (FEMA), which falls under the Department of Homeland Security. Flood insurance is mandatory for any property located in a high-risk area with a mortgage from a federally-backed or regulated lender.

In its early years, the NFIP was able to pay for itself through annual premiums, now estimated to be \$3.5 billion. But it was not designed to cover claims for truly extreme events. Instead, the law allowed the program to borrow money from the U.S. Treasury as needed.

In recent years, the NFIP fund was walloped by hurricanes and superstorms like Katrina, Sandy, and Matthew, making it necessary for the program to borrow from the U.S. Treasury to cover the huge payouts. According to a Congressional Budget Office report

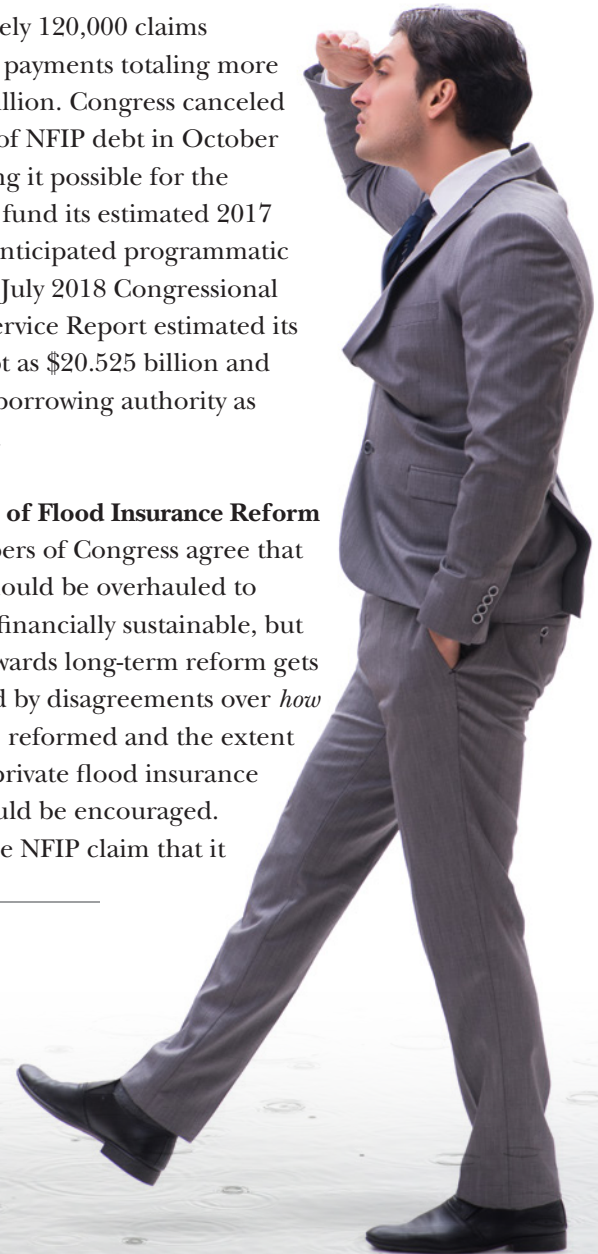
released at the beginning of the 2017 Atlantic hurricane season, the NFIP program had a debt of about \$25 billion and an expected annual shortfall of \$1.4 billion.

The 2017 hurricane season only made matters worse. Four hurricanes, three of which were classified as major, made landfall: Harvey, Irma, Maria, and Nate. Nearly two dozen massive wildfires burned more than 200,000 acres of land in northern California. According to a November 30, 2017 report from FEMA, it had spent more than \$2 billion in disaster assistance and received approximately 120,000 claims resulting in payments totaling more than \$6.3 billion. Congress canceled \$16 billion of NFIP debt in October 2017, making it possible for the program to fund its estimated 2017 losses and anticipated programmatic activities. A July 2018 Congressional Research Service Report estimated its current debt as \$20.525 billion and its existing borrowing authority as \$9.9 billion.

The Politics of Flood Insurance Reform

Most Members of Congress agree that the NFIP should be overhauled to ensure it is financially sustainable, but the path towards long-term reform gets complicated by disagreements over *how* it should be reformed and the extent to which a private flood insurance market should be encouraged. Critics of the NFIP claim that it

In its early years, the NFIP was able to pay for itself through annual premiums, now estimated to be \$3.5 billion. But it was not designed to cover claims for truly extreme events.



encourages people and businesses to build and rebuild in dangerous floodplains. They say that NFIP premiums are not priced to be actuarially sound and that FEMA should be required to set rates that reflect the actual cost of insurance. The Government Accounting Office (GAO) has reported that 85 percent of coastal NFIP properties pay less than the full risk-based rate of coverage.

Congressional representatives in coastal areas have generally opposed legislative changes that could make NFIP policy premiums less affordable. Other topics in flood insurance negotiations have included the updating of federal flood mapping procedures, whether NFIP policy coverage for new construction in high-risk areas should be restricted, funding for flood mitigation, and the scope of the NFIP's mandatory purchase requirements.

The House of Representatives has twice passed bipartisan legislation (the Flood Insurance Market Parity and

Modernization Act) that would encourage the sale of private flood insurance by removing excessive federal restrictions and giving states more flexibility to license and regulate private flood insurance carriers. But the legislation so far has made little headway in the Senate. Many Senate Democrats argue that private insurance carriers could cherry pick low-risk policies, leaving the already-indebted NFIP with the riskier policies. Some Senators also oppose taking up legislation to bolster the private insurance market separately from long-term NFIP reform.

Can Congress Reach an Agreement?

The four-month extension delayed the broader debate until after the 2018 hurricane season and midterm elections. The question now is whether Congress can reach an agreement before November 30 on a long-term solution to flood insurance reform that improves the financial solvency of the NFIP, assures adequate flood insurance coverage, and addresses affordability concerns. ▶

The Government Accounting Office (GAO) has reported that 85 percent of coastal NFIP properties pay less than the full risk-based rate of coverage.



DOES FACEBOOK UNLAWFULLY DISCRIMINATE WITH ITS AD OPTIONS?

The hits keep coming for Facebook, which was recently accused of allowing advertisers to restrict which Facebook users receive housing-related ads.

What seems like a harmless way to target your real estate Facebook ads, such as targeting people interested in Latin America or those interested in parenting, are possibly also discriminatory practices. According to a recent HUD complaint, Facebook unlawfully discriminates by enabling advertisers to restrict which Facebook users receive housing-related ads based on race, color, religion, sex, familial status, national origin, and disability.

Facebook mines extensive user data and classifies its users based on protected characteristics. Facebook's ad targeting tools then invite advertisers to express unlawful preferences by suggesting discriminatory options, and Facebook effectuates the delivery of housing-related ads to specific users and not others based on those users' actual or imputed protected traits.

Facebook recently announced that it will be cutting some 5,000 ad targeting options to avoid claims of discrimination. In a public statement, Facebook said, "While these options have been used in legitimate ways to reach people interested in a certain product or service, we think minimizing the risk of abuse is more important. This includes limiting the ability for advertisers to exclude audiences that relate to attributes such as ethnicity or religion.

Areas of Concern

As of July 24, 2018, Facebook's ad targeting tools enable advertisers of housing and housing-related services to discriminate in the following non-exhaustive list of ways:

- Facebook allows advertisers to discriminate based on sex by showing ads only to men or only to women.
- Facebook enables advertisers to discriminate based on disability by not showing ads to users whom Facebook categorizes as interested in *assistance dog, mobility scooter, accessibility* or *deaf culture*.
- Facebook enables advertisers to discriminate based on familial status by not showing ads to users whom Facebook categorizes as interested in child care or



parenting, or by showing ads only to users with children above a specified age.

- Facebook enables advertisers to discriminate based on religion by showing ads only to users whom Facebook categorizes as interested in the *Christian Church, Jesus, Christ* or the *Bible*.
- Facebook enables advertisers to discriminate based on national origin by not showing ads to users whom Facebook categorizes as interested in Latin America, Southeast Asia, China, Honduras, Somalia, the Hispanic National Bar Association or Mundo.
- Facebook enables advertisers to discriminate based on race and color by drawing a red line around majority-minority zip codes and not showing ads to users who live in those zip

According to HUD, Facebook markets its ad targeting platform as a useful tool for providers of housing-related services.

The alleged policies and practices of Facebook violate the Fair Housing Act based on race, color, religion, sex, familial status, national origin, and disability.

According to Housingwire.com, Facebook responded saying that discrimination is not allowed on its site and that it plans to respond to HUD's allegations in court.

"There is no place for discrimination on Facebook; it's strictly prohibited in our policies," a Facebook spokesperson said in a statement provided to HousingWire. "Over the past year, we've strengthened our systems to further protect against misuse. We're aware of the statement of interest filed and will respond in court, and we'll continue working directly with HUD to address their concerns."

The next step in the process is a formal investigation, after which HUD may decide to file a formal charge of discrimination against the site. ▲

The alleged policies and practices of Facebook violate the Fair Housing Act based on race, color, religion, sex, familial status, national origin, and disability.



SOUTH AFRICA PROPERTY MARKET SLOWS

African National Congress' decision to move forward with Expropriation of land without compensation brings about significant problems.

By Peter Gilmour, chief foreign correspondent

It's been 24 years since the Apartheid government in South Africa fell and was replaced by the African National Congress under the leadership of Nelson Mandela. One of the primary responsibilities of the ANC government was to reduce poverty, create employment and effect far greater economic equality than existed in 1994. Today, 36 percent of the population still live in relative poverty which is morally debilitating and threatens political and economic stability in the constitutional democracy. It was accepted that there would be no immediate solutions, but the ANC is increasingly being held accountable for doing little to alleviate poverty.

Taking Land With No Compensation

The ANC recently held a conference on the future of land in the country, and one of the major decisions was that “the government must immediately use section 25, the so-called ‘property clause’ of the constitution to implement the policy of expropriation of land without compensation.” The two aspects of this are: one is coercion and the second is loss.

In most countries, land may be appropriated from time to time for purposes of common good when it is deemed to be more important than the individual good. The term without compensation, however, suggests vindictiveness that has no place in a constitutional democracy. In many developed countries, there is the concept of willing buyer, willing seller, but this is absent from clause 25 of the constitution. This could result in circumstances in which the court could determine that it is appropriate not to pay compensation for land.

Threat or Harnessing Economic Potential?

President Cyril Ramaphosa recently said that the government's land reform plans should not be regarded as a threat but as a way to harness the country's economic potential and to heal the deep divisions created by the previous administration. He has promised to redistribute land to the black majority to address the racial inequality that persists after two decades since apartheid ended.

Some say that these policies may be electioneering ahead of a crucial election campaign in 2019, but the reality is that, if carried through, it could erode property rights and severely deter foreign and local investment in real estate. The President has also said that he does not want this process to be a threat to South Africa's financial institutions which currently have billions of dollars invested in residential, commercial and agricultural property.

Markets Are Stalled

Lack of clarity on the expropriation policy is causing the economy and real estate market to stall unnecessarily. The FNB property barometer shows a significant reduction in residential real estate sales in all markets. Buyers are not committing to contracts, and serious sellers are being advised to reduce prices to meet reduced demand. This is in addition to a traditionally slower winter market and the severe drought conditions being experienced at present. Real estate markets do not enjoy uncertainty, and the new ANC policies may result in a significantly slower market for the rest of 2018 and beyond. ▲

Cape Town, South Africa

“The government must immediately use section 25, the so-called ‘property clause’ of the constitution to implement the policy of expropriation of land without compensation.” The two aspects of this are: one is coercion and the second is loss.



IT'S TIME TO GET ONBOARD

Is your brokerage ready to join the hyperlocal revolution? Here are some strategies.

Hyperlocal real estate marketing is finally catching on with the big portal websites. Whether or not your brokerage is ready is no longer the question. The question now becomes, what can you do differently to provide a hyperlocal real estate marketing experience that is different from everyone else? Big portals such as Trulia and Zillow are enhancing the home search experience to better inform home shoppers about local information that matters. Trulia recently introduced *Trulia Neighborhoods* to give users a strong sense of what it's like to live in individual communities.

Trulia Neighborhoods is a first-of-its-kind experience that provides content from local sources. Insights and data are sourced directly from locals to ensure accuracy and legitimacy within each neighborhood. Trulia has tapped into their online community to rate neighborhood features by answering specific questions about that

By Brent Driggers, web strategist

neighborhood, which then creates the data that is displayed on the neighborhood pages. Once the data has been collected and compiled by Trulia, they report whether or not that neighborhood has those individual features.

Trulia is taking a strategic approach to hyper-local real estate marketing by providing a resource for consumers that has never been available at this granular level. Consumers are always seeking new and engaging information that will give them laser-targeted insight into specific attributes of a neighborhood. Trulia realizes this.

Hyperlocal Real Estate Marketing – Where Do I Start?
What can you do to differentiate your brokerage from the competition, but also provide hyperlocal real estate marketing? The answer to this is simple and straightforward. You must leverage your expertise and produce



WHAT CAN YOU DO DIFFERENTLY

to provide a hyperlocal real estate marketing experience that is different from everyone else? Big portals such as Trulia and Zillow are enhancing the home search experience to better inform home shoppers about local information that matters.

content/neighborhood pages that are extremely specific to a particular area of a neighborhood. Providing data and content that is invaluable to the user and cannot be found elsewhere.

A great starting point for obtaining hyperlocal data and content is with your real estate professionals. Have them gather specific information about the neighborhoods and communities they are servicing. For example, real estate professionals who are particular to a specific community can review a local restaurant and post that review on the blog or use that content on a neighborhood page.

Another example would be hiring a photographer to take pictures or videos of local hot spots in or around a particular neighborhood. Repurpose those images and videos on your website, blog, and social media. Write content about the different spots featured in the images. This becomes one-of-a-kind content that is unlikely to be found elsewhere and creates long-lasting value for your consumers.

There is also the paid approach of obtaining hyperlocal real estate marketing data in a streamlined manner. A few companies are doing this well. Here they are:

LiveBy

This technology gives brokerage owners the ability to

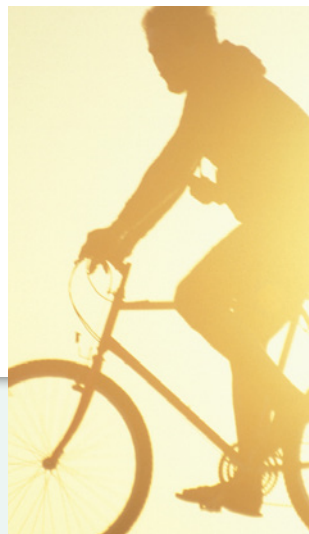
embed code on their existing website and display hyperlocal content in a meaningful manner. LiveBy has unique features that allow potential clients to dive deep into a neighborhood and data behind that particular neighborhood. The platform comes equipped with dynamic data feeds that populate and auto update on your website.

The most exciting part of LiveBy is the type of information that is displayed and how often the system updates. LiveBy integrates and feeds some of the best hyperlocal data from their system that includes interactive maps, market trends, properties, demographics, school data and much more. The platform is customizable based on what data you would like to be displayed, and it is straightforward to add to your website.

zavvie

This is a robust system that gives your business all the hyperlocal tools it needs. zavvie comes fully equipped as a neighborhood website that is updated daily with the market and hyperlocal information. It also comes with a native mobile app which allows you to publish hyperlocal content straight from your mobile device. Lastly, the daily content feed will curate content automatically when it is posted. This will keep your website looking fresh and new on a consistent basis. 🐾

You must **LEVERAGE YOUR EXPERTISE** and produce content and neighborhood pages that are extremely specific to a particular area of a neighborhood. Providing data and content that is invaluable to the user and cannot be found elsewhere.



HOW TO GIVE BUYERS AND SELLERS A COMPETITIVE ADVANTAGE

By Tracey Velt, publisher

Closing Transaction Sides In-house

Some 65 percent of brokers surveyed say closings/GCI is the most important factor when evaluating a product's return on investment (65%). Buyside is able to show client's ROI based on added closings. On average, Buyside clients see a 42 times ROI.

Northwood Realty Services, Pennsylvania

39 offices

Around the country, inventory is tight. "We want to give our sellers and buyers a competitive advantage. Buyside allows us to premarket to buyers that a house that fits their needs is coming on the market," says Tom Hosack, president, and CEO of Northwood Realty Service in Pittsburgh, Pennsylvania.

He says that agents can register what their buyers are looking for, so when the brokerage gets a listing, agents can match buyers with sellers for an in-house transaction.

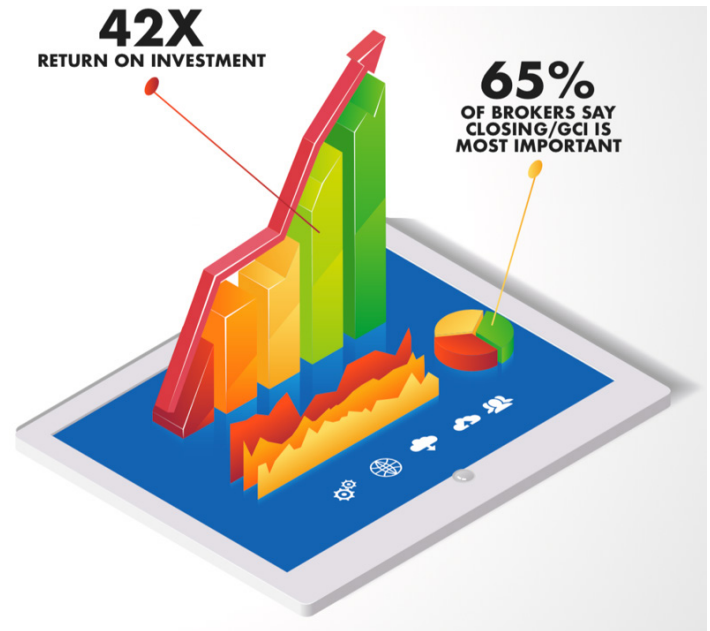
Real-time Buyers

"On a listing presentation, our agents like that they have the ability to tell the seller that they have real buyers who want to buy. They can even show them a graph of what buyers are looking for as it pertains to bedrooms, bathrooms, and price," says Hosack.

This is especially important in this low-inventory market. Gone are the days of weekly sales meetings announcing listings coming to market soon. Instead, with Buyside, agents can see at a glance what matches their buyer's criteria. "It's great for our buyers to know what's coming on the market before it actually hits the market. That way they can stay competitive with the offers," he says. "These tech tools are a modern version of what used to happen at sales meetings."

Building a Buyer Database

Hosack says Buyside imports their buyers' requirements into the system, listing everything from which school districts they may want to price, number of bedrooms and more. So, when agents go to a listing presentation, they can show potential sellers the demand for the product. "Pricing is all about supply and demand. In the past, we didn't know the demand. Now we do," he says.



Getting Both Sides of the Transaction

For Hosack, the buyer matching is important because it allows him to sell more transactions in-house. Since using Buyside, he's listed over 252 properties.

"Even more important than buyer matching is the ability to predict demand. It's a market changer when you can sit with a seller and talk about what the demand looks like," he says. The report is dynamic, so you run the report before the listing presentation and then go live with the seller showing how prices and demand is changing. "It's a powerful tool in the listing process and it's something different to offer. When we work with a seller and can tell them that we have real buyers who want a home similar to their home, it's great. But, we want the home sold no matter what for the highest and best deal. If we can help the buyers find a house early, it's a huge bonus." ▲



A STUDY IN GENERATING NEW LISTINGS

How three brokerage firms are harnessing their data to create and win new listing opportunities.

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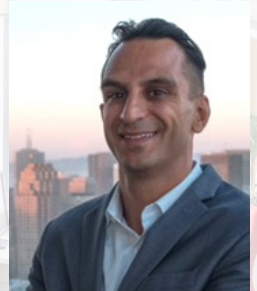
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KEVIN MARKARIAN

EXPANDING WITH THE BORDERLESS OFFICE



There's been a sharp upturn in both teams and offices that are growing by leapfrogging into other counties or states. This isn't about mobile agents who can work from home. Teams and brokerages are now expanding to where the opportunities are—and it may not be the contiguous towns adjacent to the physical office.

Online leads play a part in

this as this new breed of team leader who goes where the convertible leads are. The infrastructure is now built around systems, not conference rooms and coffee stations. Find out how Kevin Markarian with Marker Real Estate in San Francisco is using Realtor.com to expand.

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