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USING BIG DATA

BEYOND THE PROFIT & LOSS

Using broad, deep data to improve your business. | By Steve Murray, President

Big data has become a big topic. Businesses of all kinds are using more and more data to assist in making decisions and using AI (Artificial Intelligence) tools to help make sense of the piles of information that accumulate in front of every business executive. Realty execs are faced with the challenge of both determining what data matters to them and how they can get their hands on it. The last question, of course, is how to use it to implement smarter decision-making.

It's not as if realty leaders haven't been using data to run their businesses. Sources such as Profit and Loss Statements and Balance Sheets are, of course, important. But they've also increased their use of tools like Broker Metrics, to measure market share and

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changes in competition. Most also measure agent productivity, core service capture rates and online lead conversion. Each plays a significant role in helping brokerage leaders make better-informed decisions.

The data is there. In fact, it's everywhere. The challenge is to assemble it in such a way as to answer big questions. Here are a few that most executives in our industry would like to know:

- Who are the best future agents? Is it possible to build a tool that increases my success rate?
- At what point in an agent's career is he or she most likely to consider moving to another realty firm? Is there a way to pinpoint this?
- Is there a way to identify the best future management talent?
- How can I build a commission and fee program that will yield the best results both short term and long term for the brokerage?

And there are likely many more questions that leaders would like answered. For real estate sales associates, there are other questions:

- Is there a system of predictive analytics for sellers and buyers of homes? Who is buying and selling in the near term and how do I reach them?
- Where is the most efficient place to spend my marketing dollars? Is it with the portals, social media sites, direct mail, or any of the other dozens of channels I could use to reach consumers?
- What are the most effective ways to invest in building a team?

The good news is that there are data scientists appearing in our industry who are already building such tools. We previewed one recently that would enable agents to far more accurately pinpoint sellers. There are existing firms offering much the same in the way of agent tools. We also know that brokerage-oriented software firms are coming out with their own new tools to help brokerage leaders answer some of those questions we posed above.

What's the Biggest Challenge?

That is not the biggest challenge, however. Much like in the real-world story of Moneyball, the data was always there. It was all around baseball executives. It took real imagination for Billy Beane and Paul DePodesta to take the data and convert it into a way to run a baseball organization. The same is true for realty leaders.

The data is all there. It will take some imagination to organize it in ways that it can be used. More than that, it will take the courage of these leaders to take this new knowledge and use it to reorganize their businesses based on what that data tells them. This will take incredible fortitude. That is the biggest challenge of them all.

I recall having Paul DePodesta, the data guy who started the transformation of major league baseball, at our Gathering of Eagles some years ago. Among the most interesting things he shared was that when he and Billy Beane started working together, they came up with something called *The Naïve Principal*. He said that it was simply asking the question, "if we weren't doing things the way we are doing them, how would we be doing them?" Profound, right?

I foresee that both existing brokerage firms and new start-ups will be asking that question and using data to drive their decisions rather than do it the way it's always been done. While there are dozens of start-ups with lower costs for agents, those who are partnering with teams in new kinds of relationships and those offering to buy homes directly from homeowners, I believe that agents will remain an integral part of the fabric of helping consumers buy and sell their homes. I do believe that brokerage firms, both existing and new, will need to take advantage of the information around them and organize it to make great decisions for their businesses should they want to prosper in the future.

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MILLENNIALS SPEAK OUT!

HOUSING EXPERIENCES

Three of REAL Trends' Millennials employees talk about how they went about buying a home.

According to Zillow Group's Consumer Housing Trends Report, some 42 percent of those looking to buy a home are first-time homebuyers. Some 42 percent of those buyers are Millennials. With the Millennial generation being a dominant piece of the housing market puzzle, what makes them different from their older generation counterparts? Three of REAL Trends' Millennial team members talk about their home-buying experiences.

Paul Salley, 32, director of business acquisition
Married to Rachel and dad to Kaden, Gavin and Rigby
A few years ago, I started the overwhelming task of finding my young family's first home. I was as green as they came when I started the home-buying process. However, I did know who to turn to for advice and help to navigate these uncharted waters—a real estate agent.

My wife and I had our first child (one of three boys) and wanted to establish roots and live the American Dream. I researched various terms I had only heard about in passing conversations, such as mortgage, interest rate and mortgage insurance. Feeling overwhelmed, frustrated and confused about the entire process, I knew it was time to turn to an expert. This expert was someone I went to church with who was a real estate agent. He had assisted my sister-in-law's family in buying and selling a home.

Our agent, Dan Park with Madison & Company Properties, explained the process from start to finish. He then helped us look for a home within our budget that offered the amenities we wanted. The way he approached finding our home was very thoughtful and methodical.

In the end, my wife and I settled on a new construction home. The appeal of being the first to live in a brand-new home, along with the corresponding warranties, provided us with peace of mind. Dan was instrumental in aggressively negotiating with our homebuilder to a price point that was within our budget.

When the day came to meet with our homebuilder to sign paperwork, we were told (as an unexpected surprise) that the price we agreed upon was contingent on putting more money down. Being first-time homebuyers and recent college grads with an infant, we didn't have anything else to put down. Dan once again came to our rescue, and, in the end, the homebuilder waived their desired addition to our modest down payment.

"I can say with confidence that without our Realtor®, we would still be in our cramped apartment." – **Paul Salley**

It's almost been five years since we built our home. I can say with confidence that without our Realtor®, we would still be in our cramped apartment. I am grateful for the advice, experience, expertise and friendship that our real estate agent brought to the process of buying a home. What seemed like a potentially horrible experience turned out to be one of the best experiences of our lives.

Our family has now almost doubled, and we're starting the process of finding our next dream home. We will once again work with our Realtor®, Dan Park to help us find a new home and help us sell our current home.

Nikki Lindholm, 28, digital marketing strategist & social media manager
Married to Spencer
After what seemed like a lifetime of renting cramped, poorly lit, 700 to 900 square foot apartments, my husband and I began searching for our first home. To be honest, we weren't sure if we were ready for a home. All we were sure about is that we needed more space. Prior to getting pre-approved, we talked about strategy. If we couldn't find a home that met all of our needs, we would continue to rent.

I think that is the same for a lot of Millennial home buyers. Many of us aren't overly attached to the idea of owning a home for the sake of homeownership. We want a home that caters to our wants and needs. After all, renting can make life easier. You don't need to worry about the costly issues that can come with owning a house.

When we began comparing what our mortgage would be against the cost of renting a larger townhome with a yard and garage, there wasn't much of a difference. The one major gripe we had about renting was how much money we were spending on a property we didn't own. Not wanting to 'throw our money down the drain' (as my parents have said over the years) started to make more sense.

Luckily, before I began working for REAL Trends, I worked for a large, independently owned brokerage in Iowa/Illinois called Ruhl & Ruhl Realtors. Although I was too young and broke from college debt to buy a home then, I learned how important it was to contact a real estate professional. Having worked with sales associates and managing brokers for just over three years, I would hear many horror stories of buyers who tried a 'for sale by owner' home or sellers who were trying to sell their home because paying an agent was "way too much money."

I like to think that, if I didn't come from a real estate background, I would still use a Realtor® during the home buying or selling process, but I'm not too sure. I believe that the Millennial generation has a higher mistrust against anyone trying to sell them on services. We are told and taught from an early age that you can learn anything you want on the internet. "Just watch it on YouTube," is a popular slogan. And, we tend to be overly concerned with online reviews. The real estate industry has more recently come around to increasing their online presence but not at the pace that younger buyers are accustomed to, allowing national portals like Zillow to swoop in and fill that immediate void. To this day, brokers everywhere are trying to compete and make up for this advancement delay.

Before we decided on our real estate professional—the amazing Christine Gulley of Colorado Home Realty—we were exclusively searching for homes on Redfin.com and Realtor.com. The reason we used a portal over a local agency's website is that we had just moved to the Denver metro area and had no idea what brokerages were around. Also, we liked searching on an interactive map. It helped us learn which neighborhoods were close to the areas we were looking in and helped us learn the area more easily. We continued to use these websites even after working with Christine because of the extra photo features they had. Our agent took care of everything and registered us to use a local portal that allowed us to approve or decline houses and write our comments to her about each house, which was great.

"We didn't want to live downtown, we wanted more space, and we didn't need all the amenities an urban area provided. We needed a grocery store, a Target, and to be within 15 miles for our employers." – Nikki Lindholm

My husband and I joke that we are probably a bad representation of our generation. We didn't want to live downtown, we wanted more space, and we didn't need all the amenities an urban area provided. We needed a grocery store, a Target, and to be within 15 miles for our employers. I also think our generation is misunderstood when it comes to our wants and needs. Not all of us require beautiful industrial lofts that overlook downtown or heated floors throughout the home.

The biggest obstacle that brokerages have today is reaching and educating their younger audiences. The majority of future buyers are younger than 40. This shouldn't be a demographic you ignore or mock for eating avocado toast (which is delicious FYI!) Millennials are getting things done. They are the generation to find and buy their home the fastest, and the generation that gets pre-approved the most frequently. I know I may seem biased considering I am a Millennial, but all we expect is the same knowledgeable information you would provide to our parents or grandparents. We just prefer electronic paperwork and virtual tours. And, we do enjoy getting information via phone calls and face-to-face meetings rather than texts.

My advice for brokers and agents is to be present on the sites and devices that this demographic is on and provide a mix of marketing approaches. If you think Millennials were needy with their instant expectations, you better sit down and prepare yourself for Generation Z, who are just starting to hit the market!

Brittany Shur, 27, director of digital marketing
Married to Ben and mom to Logan

Riding the real estate wave—that's how I explain our moving behavior over the past four years. My husband and I, Millennial home buyers in the Denver market, have experienced the process of buying and selling a home from a unique vantage point.

We bought our first home in 2013, just as real estate in Denver began its quick ascent to its peak in 2015. We checked the boxes of a typical new home buyer—early 20s and ready to turn our escalating rent payments into a sound investment in homeownership. We bought a small, but well-kept 1,000-square-foot townhome just south of Denver near the foothills. We had plans to live there for five or six years before upgrading. However, two years later, we found ourselves sitting on over $50,000 in equity without putting in any effort. Knowing we wanted to start a family soon, we decided to see if selling our home and buying something bigger made financial sense. Candy Self of Coldwell Banker Residential Real Estate helped us buy our first home had stayed in contact with us, sending Christmas cards and monthly e-newsletters and stopping by a year after we purchased to see how we had decorated and made the home our own. Her efforts paid off,

"Any first-time home buyer knows that buying a home is daunting. Our agent walked us through the process as if we were her own children and took our needs and desires to heart."
– **Brittany Shur**

because we chose to contact her immediately when we were selling. We were part of the 73 percent of people who say they would use the same agent again.

It wasn't just her communications that kept her top of mind. It was also the attention and care she gave us. Any first-time home buyer knows that buying a home is daunting. Our agent walked us through the process as if we were her own children and took our needs and desires to heart. We used her again to sell our townhome and purchase a small, single-family home minutes away.

The process of buying our second home was somewhat more cumbersome. We lost 13 homes in the bidding process and became accustomed to offering anywhere from $15,000 to $25,000 over list price. The 2015 Denver real estate market was a jungle! Finally, in 2015, we purchased our second home.

Two years later, just as we had settled into our new place, we found ourselves new parents of a bouncing baby boy and overcome by baby gadgets in every room. Desperately wanting more space and sitting this time on over $100,000 in equity, we decided to make our third and final move (at least for the foreseeable future!). Two months ago, we sold our home and upgraded to a larger home, complete with plenty of space for our little guy to grow.

With all that said, here are the three things that stayed consistent from each of our buying experiences. First, our agent proved herself by walking us through the process the first time, helping us to navigate an infuriating and ruthless market in 2015 and, most recently, getting us to the closing table when our stubborn buyer threw many obstacles in our way.

Second, each time we purchased a home, I found the home first on a portal and immediately contacted my agent. Working in real estate, I know many of you may find your ears bleeding after reading that, but we can't deny the important role real estate portals play in the home-buying experience—not only for Millennials, but for all consumers. When I asked my agent about her thoughts on my portal usage, I was surprised by her answer. According to her, it didn't make a bit of difference how I found the home (a portal, a sign in a front yard or her personal website), as long as I contacted her to see the home, make an offer and eventually close.

Finally, each time we bought a home I did my research. Whether that meant researching the neighborhood, crime rate, school ratings or even the projected home values over the next few years, I wanted to know in what I was investing. My husband and I have always viewed our home as our biggest asset and financial responsibility and that meant fully understanding the commitment to homeownership, the neighborhood and the home we had chosen.

I can say without a doubt that our Realtor® truly provided us with honest feedback, knowledge and experience that helped us progress quickly to the home of our dreams. I cannot fathom maneuvering through this experience without her guidance. The commission we paid was more than worth the ease that she provided throughout all five transactions.

"Our Realtor® truly provided us with honest feedback, knowledge and experience that helped us progress quickly to the home of our dreams. I cannot fathom maneuvering through this experience without her guidance."
– Brittany Shur

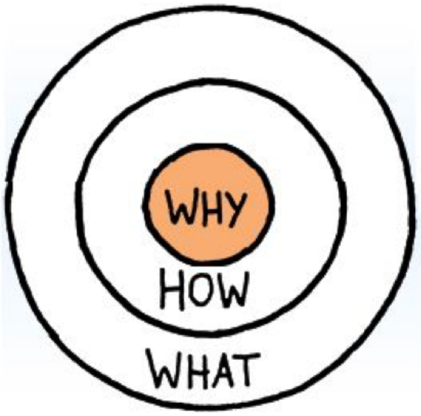
WHY DOES YOUR COMPANY EXIST?

When you know your people's passion, their purpose, or their why, and link that up with selling real estate, you have the rocket fuel that drives motivation.

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

At our Ninja Leadership Institute, we ask company owners and managers this question: *"Why does your company exist other than for making money?"*

After some brainstorming, many of them come up with this answer: "Our company exists to help our people and our clients go from the life they have to the life they dream about." In other words, we help people achieve their purpose or passion in life. This is often called their why.



When you know your people's passion, their purpose, or their *why,* and, then you link that up with selling real estate, you have the rocket fuel that drives motivation. Simon Sinek, in his book, *Start with Why,* says a person or company's *why* is at the core of what motivates them.

Why does your company exist other than for making money?

What we do is sell real estate. **How** we do it is the (name your company) Way. **Why** do we do it? What motivates your sales associates and managers? The *why* is their rocket fuel and usually falls into one of life's four core values: Family, Occupation, Recreation, Dreams. Here's an example from each.

Family: Mary has three daughters in college at the same time—all at expensive private schools. The tuition is $50,000 per daughter ($150,000 total per year). Her why for selling real estate is to educate her daughters. She tells me her goal is to make $150,000 a year. I remind her that she needs to make $200,000 before taxes to have $150,000 after tax for her daughters' colleges. Mary, who previously was an average producer, makes over $200,000 every year after that. Even after her daughters graduated, she has become accustomed to a new normal for income and continued to earn over $200,000 annually.

Occupation: Tami's *why* was to become Rookie of the Year in our Realtor® Association. She was on fire to do it with everything from daily affirmations, to learning the systems, to her amazing work ethic. She did it! And the work ethic and systems she developed carried her to a very successful long-term career. Along the way, she set other career milestones – earn her CRS designation, have 100 transactions a year, be one of REAL Trends America's Best Real Estate Agents and more. Being the best in her career is her *why*.

Recreation: Aaron is a talented singer and performer. He realizes that if he learns the real estate systems, he can have enough time and make enough money to buy the equipment and hire the musicians to launch his rock band—which is his true passion. Later, he told me a key piece of advice I gave him was "Your passion has to be funded. And a real estate sales career is a great way to fund it."

Dreams: Jason, a 25-year old, only had $100 in his pocket and borrowed money from his parents to get started in real estate. His dream was to make it in real estate and be financially secure. He was motivated by his dream and within three years, he built a successful career, married the love of his life, bought a home, and has over $100,000 cash in the bank. He's now living his dream and has a new dream for "wake-up money" (annual income from investment property).

Learn your peoples' passions. Sales associates come in all ages, shapes, sizes, and motivations. One size does not fit all. You must identify their specific passions (whys) and then show them how selling real estate can fund their passion. Connecting their passion with funding their passion via selling real estate is a much more powerful motivator than cajoling them at a sales meeting with "C'mon team we need more listings!"

As Friedrich Nietzsche says: "He who has a *why* to live can bear almost any how."

One of our great Ninja clients (and a great friend) is Bob Parks, owner of Parks Realty in Middle Tennessee. Bob and his team have a mission to "inspire our associates and our staff to build a magnificent life." This is so much more than just listing and selling. It includes family, health, and wealth management goals as well. To see a short interview with Bob — **CLICK HERE**

Discover your peoples' passions and then show them how to fund their passions. Build your organization around the philosophy of helping your people "Build a Magnificent Life," and you will build a magnificent company.

MORTGAGE BROKERING VS. MORTGAGE BANKING

WHAT'S THE DIFFERENCE?

Understanding what it means to be a mortgage broker and a mortgage banker

By Jaime Borashko

Have you ever considered opening a mortgage company of your own? There are two routes you can take: mortgage broker (wholesale) or mortgage banker (retail). Considering the misconceptions that surround the two, it should be understood the two are extremely different.

What are the big differences?

Mortgage brokers are independently owned mortgage companies that are approved amongst the top wholesale lenders and banks nationwide. They can shop on behalf of borrowers across multiple products lines. This is a huge advantage for consumers who, according to the CFPB Office of Research Working Paper Series; "No Shopping in the U.S. Mortgage Market: Direct and Strategic Effects of Providing Information 2017-01," left $13 billion on the table in 2016 by not shopping around for the best mortgage option.

Mortgage brokers are independently owned mortgage companies that are approved amongst the top wholesale lenders and banks nationwide. They can shop on behalf of borrowers across multiple products lines.

Mortgage bankers are originators that close loans in their own name using funds borrowed from a warehouse lender, and then sell the loans to a takeout investor, bank or lender. The additional costs are involved with operating a warehouse line, compliance costs of being a lender, and having to sell loans on the secondary market typically leads to higher operating costs, particularly for smaller startup companies. Their lending platform is structured with products, programs and rates that are based on the investors to whom they sell the loans. They are only able to offer and use the products, pricing and guidelines of their specific bank.

How do pricing and rates compare?

Mortgage brokers are mortgage *shoppers* that can offer great wholesale rates because they can choose the lender through which to send the consumer's loan. These lenders compete each day for a mortgage broker's business. If their rates are not competitive, the mortgage brokers may send their consumer to another lender. This allows the mortgage broker to be more competitive than banks and retail lenders and not at a cost to the consumer.

Mortgage retail bankers are direct lenders with steep operating costs and often have substantial marketing budgets, a corporate hierarchy of management and staffing. Because of this, the profit margins need to cover these costs and are typically included in the higher rates. Consumers are captive to what they offer or can shop on their own for more options.

Well, it comes down to wholesale vs. retail from a consumer's perspective, think about how you obtain wholesale discounts by going through a contractor on a home renovation. Because the contractor buys more from their resources, they receive a discounted cost on materials. The same applies to wholesale mortgage brokers—resulting in lower rates for the consumer.

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In addition to licensing requirements, what financial investments and responsibilities must be considered for each one?

Mortgage brokers are independently owned and operated small businesses in the community that have larger wholesale lenders operating as their back office. They can scale as large or small as they want; the majority average is three to five employees. The loan processing may be outsourced to third-party licensed processors, which eliminates immediate salary expenses. Brokers must adhere to their respective state and licensing requirements, and must meet annual renewals to maintain their relationships with wholesale lenders. The wholesale lender will also table fund the transaction for them. Many wholesale lenders don't require authorization to disburse funds, so borrowers and loan officers are never waiting at the table or going back to the lender for approval to fund.

Mortgage banking carries the responsibility of underwriting and internal staffing, in addition to adhering to more stringent insurance requirements. There is also a need for increased liquidity in their company business model. They also fund loans in their own name, so approval of a bank line of credit or warehouse line is required so they have enough capacity to close the expected number of transactions and have the funds to lend. A Banker must also qualify for a lender license within his or her respective state if the broker is looking to be independently owned. Or, the Broker can give a portion of the operating revenue to go underneath an already-established licensed entity.

What is the easiest barrier to entry in mortgage lending?
A **mortgage broker** business can be started for approximately $25,000, depending on the state and licensing requirements, as well as the requirements of the wholesale lenders.

In addition to that cost, a **mortgage banker** requires at least one warehouse line of credit, which will require a more substantial net worth, personal guarantees of the owner and likely audited financial statements at an annual cost.

After evaluating all of the requirements and steps involved for both, **mortgage brokering** is the simplest and least costly way to enter into mortgage lending platform.

Jaime Borashko, UWM's director of wholesale development, actively implements programs and strategies to help accelerate independent mortgage brokers to join the wholesale market. Nationally, she promotes the advantages within the wholesale mortgage category to consumers, real estate professionals, loan processors and all financial institutions to educate them on the benefits of the industry and strategically grow their business.

ADDRESSING REAL ESTATE AS AN INVESTMENT

by Paul Salley, director of business acquisition

Real estate professionals have long been touting residential real estate as a safe and effective long-term investment. This principle was taught at the Ninja Leadership Installation I attended last summer. In that installation, Larry Kendall challenged us to have an investment property per child if possible. The thought is that each rental will pay for the child's college expenses.

I sought out the expertise from Nielson Wealth Management, based in Denver, to discuss how brokerages and real estate professionals can educate both themselves and their potential buyers on how real estate can be a great investment.

Mike Nielson, a certified financial planner at Nielson Wealth Management, discussed the pros and cons of residential real estate as an investment. "I think the real question is: Is it right for you? I always like to [have investors] create a pros and cons list."

Here are some of the pros of real estate as an investment:

- **Rental income.** Whether you're planning for retirement or in retirement, having that extra steady income can be useful.
- **Income is flexible.** Rental income increases over time; it's not a fixed amount. Your rental income is going to be more 10 years from now than it is today, which is particularly helpful for retirees.
- **Keeps pace with inflation.** Sometimes, it exceeds it.
- **Real estate appreciates with time.** Not only do you get rental income, but the property is going to appreciate over time.
- **Tax benefits.** The special tax-free write offs and benefits are useful. But, note, when selling the property, the profit gets treated as capital gains.
- **Leveraging the bank's money.** With a small down payment and a mortgage, you can buy a property. There are only a few investments that allow you to take out a loan to buy the investment.

The cons of owning real estate:

- **Owning a home is not liquid.** Normally it takes some time to sell a home, so you can't decide to sell it and get your money in a week.
- **You must have liquid money.** Make sure that you have ample money outside of the real estate investment, as you'll have to spend money to maintain the home.
- **Being a landlord is hard.** You have to deal with renters, collect rent checks, perform inspections and more. It can be a lot of work.
- **Real estate is expensive.** Even using the bank's money, you still have a lot of your money tied up in a single asset. Consider investing in smaller homes or condos. One of the keys of real estate is to make sure you have a balanced investment approach.

When discussing residential real estate as a long-term investment, Mike was sure to highlight the importance of not having all of your eggs in one basket.

THE MAGIC OF REALTOR-INSURANCE REFERRALS

Real estate is a relationship-based business. Because of this, says Kristy Moffat, owner of Brightway Insurance The Moffat Agency in Gainesville, Fla., "Realtors understand that they want their clients to have a similar relationship with their insurance person."

For Moffat and other top insurance agents, creating a partnership with real estate professionals is critical to building successful transactions and lifelong business partnerships. "The best partnerships are when the insurance agent truly understands what a Realtor® needs and understands the insurance conversation that is going to happen with the client," said Moffat.

"We're lucky to have many of the top real estate professionals use us, and it's because we've built trust through successful outcomes for their clients," says Billy Wagner, who owns two Brightway Insurance franchises in Ponte Vedra Beach and Deland, Fla.

Brightway Insurance provides the widest variety of business and personal insurance products through locally owned and operated agencies that feature local expertise combined with industry-leading customer service.

For both Moffat and Wagner, taking care of clients and partners is paramount. "Our job goes beyond helping the real estate professional with their clients' needs. Our job is to make the real estate professional the hero in the story—always. We make the experience memorable, and that's when the magic happens," says Wagner. And, creating winning scenarios for the client is what makes Brightway an excellent choice for real estate professionals who want their clients to have a positive transaction from start to finish. "At Brightway, we take out the usual pain points and replace them with delight for the consumer. It makes the entire process easier and better," says Wagner.

Relationship 101: Being There

The process of getting homeowner's insurance isn't always easy. That's why, says Moffat, it's important to have an insurance agent who offers options to help homebuyers in all types of transactions. Moffat says that the prospective homebuyers that Realtors® and mortgage

"Our job goes beyond helping the real estate professional with their clients' needs. Our job is to make the real estate professional the hero in the story—always. We make the experience memorable, and that's when the magic happens." **– Billy Wagner** brokers send her way are her highest priority. "If someone says he or she was referred by a real estate professional or mortgage broker partner, I want that case handled immediately," she says. "I want to invest in those partnerships. I work nights, weekends; I have my phone with me at all times so that I can respond to clients anytime," she says.

Being a Problem Solver

Wagner fashions himself a problem solver and loves finding solutions to insurance issues that are preventing a transaction from getting closed. "A very common scenario for us is that we get a call from a homebuyer who was referred by his or her real estate agent. The homebuyer is having trouble closing and can't get insurance because of this or that," he says. "Because Brightway has access to more insurance brands than any other insurance agency, we can write just about any policy and get deals closed. So many times, we've stepped in where other insurance agents couldn't and solved the problem," says Wagner.

Education is Key

Just as important as being a problem solver is being an educator, says Moffat. "[Real estate professionals] don't have to become experts, but I want them to know what hurdles we face if they send someone to us with a lot of issues because a house is older or has an odd kind of plumbing, or whatever the situation might be." She does that by sponsoring and attending Realtor® Association events and providing training opportunities for new real estate professionals. "I sit down with real estate professionals and go through things like what they should know about homeowner's insurance and answer basic insurance questions. I have a sheet that I go through that is very specific to real estate professionals and helps them maintain their hero image with their clients," she says.

Wagner also invests heavily in education. "We put on a free event every year called Elevate the Elite, and we invite 400 of the top real estate professionals in our area," he says. "We teach them how they can be successful in their market. It sends a direct message to that audience that we're invested in their success," he says. Wagner also goes to real estate offices and puts on Lunch and Learn events. "We want to teach real estate professionals how to sound like an expert when representing the client. I like to work with new real estate agents and help them better understand insurance," he says.

> "Because Brightway has access to more insurance brands than any other insurance agency, we can write just about any policy and get deals closed. So many times, we've stepped in where other insurance agents couldn't and solved the problem." **– Billy Wagner**

In the end, both Wagner and Moffat find that providing value and options to the clients of real estate professionals creates an amazing experience for everyone. "The experience is everything," says Wagner, who, once he has a relationship with a Realtor®, passes out a *Shock and Awe* goodie box that includes a signed copy of his book, "Insuring Your Piece of Mind," a tee shirt, shot glasses that say, 'Give us a shot' and more. "It's something different to get the conversation started and get them to understand who we are. It's also a way to thank them."

Says Moffat, "In our marketplace, there's no one else like Brightway as far as the choices we offer to clients. By building relationships with Realtor® partners, we can create a positive experience for all parties—the client, the Realtor and the insurance agent."

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HOUSING MARKET

2017 ENDING WITH A WHIMPER

Housing sales are slowing.

By Steve Murray, president

It had to happen—with median home prices outpacing median household incomes for nearly five years in a row, near record low inventories of single-family homes and vacancy rates near or below their all-time records, housing sales are beginning to slow measurably. NAR just reported that existing home sales have now fallen several months in a row, and while these declines are not huge, they are indicative of a new market—one we have not seen in my 40 years in the business.

Slowdown in Sales Due to Lack of Inventory

Economists will tell us that when prices of goods rise above consumers ability to afford them, there will be a pull back until the inventory of those goods are priced better, or there is more available. That sounds nice, except that builders seem stuck in a rut, unable to build more than about 1.1 to 1.2 million new single and multi-family housing units. They point to scarce affordable land, shortages of labor to build and government red tape that takes significant amounts of developable land out of the hands of builders.

The Growing Problem

The growing problem with this scenario is that, while we have record-low vacancy rates and low levels of new inventory, we also have 1.4 million or so new households being created each year. Simple math says that with that many new households, the demand for housing is not going down. It is going to continue to ratchet up. One would rightly ask that where demand continues to rise for a scarce good; prices will continue to go up as well. And, even though the Federal Reserve has raised interest rates, the cost and availability of mortgages (the fuel of the housing market) will continue to be attractive.

What compounds the problem is that policymakers are either oblivious to the crunch or are focused on housing affordability and their answer is to tax developers and builders—raising the cost of housing further—instead of finding ways to reduce the cost of building new housing. As has recently happened here in Colorado, citizens of a large Denver-area county are putting a ballot initiative before their voters to limit the increase in housing units to 1 percent a year. That will do wonders for the affordability for their teachers, fire and police workers and others. Let's drive down supply while more people want to live and work here.

Where are the nation's housing policymakers now? Are they paying any attention to the trends that point to America running out of housing for an increasing population?

While we have record-low vacancy rates and low levels of new inventory, we also have 1.4 million or so new households being created each year. Simple math says that with that many new households, the demand for housing is not going down.

SEPTEMBER NATIONAL SHOWING INDEX SHOWS 7.3% YEAR-OVER-YEAR INCREASE

Hurricane Irma impacts South Region; Northeast leads U.S. in activity.

Key Points:

- South Region increases 0.5 percent overall, but some coastal regions saw a decrease of up to 30 percent in showing activity due to the effects of Hurricane Irma.
- Other regions – Northeast (11.5 percent), Midwest (8.3 percent) and West (7 percent) – recorded year-over-year gains, indicating low interest rates, strong consumer confidence and relatively low unemployment rates are fueling demand for residential housing.
- ShowingTime combines showing data with findings from its MarketStats division to provide a new set of benchmarks that track demand for active listings throughout the country, unlike any other market index.

Home showings on the national level posted a 7.3 percent year-over-year increase in September, according to the September 2017 ShowingTime Showing Index™.

ShowingTime Chief Analytics Officer Daniil Cherkasskiy said strong showing activity is a proxy for buyer demand as interested buyers shift from viewing properties online to engaging a real estate professional to schedule an in-person showing.

The Northeast Region had the highest year-over-year increase in showings at 11.5 percent, while the Midwest Region posted an 8.3 percent increase. The West Region saw a 7 percent increase. The South Region saw a modest 0.5 percent increase in showings compared to September 2016, which was largely due to Hurricane Irma's impact in Florida and South Carolina.

"Hurricane Irma had a significant impact on showing activity in coastal areas from Florida to South Carolina, with some markets seeing a 10- to 30-percent decrease compared to last September," Cherkasskiy said. "Other areas in the South not affected by Irma actually saw a substantial year-over-year increase, which explains why the region as a whole experienced only a slight increase. It will be interesting to monitor the South's showing activity in the coming months to see if demand quickly bounces back, or remains somewhat subdued until the first quarter of 2018."

Cherkasskiy said that based on the overall strength shown by the Index, it appears that continued attractive mortgage loan rates, strong consumer confidence and relatively low unemployment rates will fuel demand for residential housing.

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 facilitates more than 4 million showings each month. It tracks the average number of appointments received on an active listing during the month. The Showing Index, released the third week of each month, will eventually be released on a weekly basis. Local MLS indices are also now available for select markets, and are distributed to MLS and association leadership to provide them with another resource to share with members and to communicate to local media. To view the full report, visit **www.showingtime.com/index.**

About ShowingTime
ShowingTime is the leading market stats and showing management technology provider to the residential real estate industry. Its MarketStats division provides interactive tools and easy-to-read market reports for MLSs, associations, brokers, agents and other real estate companies. Its showing products and services take the inefficiencies out of the appointment scheduling process for real estate professionals, buyers and sellers, resulting in more showings, more feedback and quicker sales. ShowingTime products are used by 180-plus MLSs and associations representing more than 900,000 real estate professionals across the U.S. and Canada. Visit www.showingtime.com.

DON'T BE THE TURKEY AT THE M&A TABLE

Dos and Don'ts before, during and after the sale.

By Scott Wright, director of mergers and acquisitions

Mergers and Acquisitions (M&A) are daunting notions for many business owners. Whether you're a buyer or a seller, M&A can be a complex arena not for the faint of heart. However, it's a normal part of our business, even in the real estate industry where people are the primary assets.

At REAL Trends, we've provided advisory services to thousands of realty firms over the last 30 years, including 700+ closed transactions on the M&A front. We know a thing or two about M&A in the real estate industry and have practically seen it all—the good, the bad and the ugly.

We often get asked what advice we can give buyers and sellers of brokerage firms. Here's a handful of simple, yet important, things to consider before, during and after the transaction process.

Before

- If you're a buyer, make sure the culture of the firm you wish to acquire closely aligns with your own. The last thing you want to do is radically change what's been working at the firm in which you are interested.
- If you're a buyer, make sure you're dealing with apples to apples on commission plans. As a general rule of thumb, if there's more than a 4 to 5 percent difference in retained company dollar, you're likely barking up the wrong tree.
- If you're a seller, be mindful of the above points. In all likelihood, part of the purchase price is an earn-out tied to the future production of your agents. Don't make them mad by selling to a company that will force too much change culturally, leadership-wise and with commission plans.
- If you're a seller, keep good records! Make sure your financials are clean, you accurately track agent productivity, and that documentation is available pertaining to your leases and other liabilities. Dirty data and poor recordkeeping can end up thwarting your deal.

During

- Buyers, once you've made contact and initiated due diligence, do your homework. Understand concentration of sales and what owners' contributions may be.
- Even if an M&A broker or advisor is involved, it's important for the buyer and the seller to meet face to face to discuss roles, responsibilities and to understand processes.
- Sellers, be transparent! Buyers are smart and will eventually figure everything out, make it easy on them. Fully cooperate during the due diligence period.
- MAINTAIN CONFIDENTIALITY! There's no better way to screw up a deal than to leak it before it closes. The fewer people who know; the better.
- Buyers and sellers, don't attempt to change the terms of a deal after a Letter of Intent has been signed. This is a serious breach of faith that can often kill a deal.
- Get good corporate counsel. Make sure your attorney has experience with real estate transactions. An inexperienced attorney can get lost in the weeds during back-and-forth with the purchase agreement.
- Meticulously plan the closing, announcement and roll out.

After

- As referenced above, both the buyer and the seller must skillfully announce and roll out a merger or acquisition, especially if there is a brand conversion that will result in new signage, systems, marketing materials, business cards, etc. Since most real estate brokerage acquisitions are asset purchases, the agents must sign their licenses over to the acquiring company. Since agents are independent contractors, they're under no obligation to do so, so you want to make sure they are informed and happy with the support they'll be getting under new ownership.

CFPB CONSUMER FINANCIAL WELL-BEING SURVEY

HARDSHIP, SAVINGS AND HOUSING SATISFACTION

New survey offers a new interactive tool to allow consumers to measure their financial well-being.

By Sue Johnson, strategic alliance consultant

On October 1, the Consumer Financial Protection Bureau (CFPB) released a first-of-its-kind national survey on the financial well-being of U.S. consumers, along with a new online interactive tool that allows consumers to measure their financial well-being.

The CFPB defines it as "a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and can make choices that allow enjoyment of life." The CFPB claims that testing a consumer's financial well-being can provide useful information beyond traditional financial measures because it can reflect a diversity of circumstances, conditions or perceptions.

Key Survey Findings

The new CFPB survey, "Financial Well-Being in America," announces the results of a 2016 national internet survey of over 55,000 consumers designed to be representative of U.S. households. Respondents also answered questions about individual, household, and family characteristics; income and employment; savings and safety nets; financial experiences; and money behaviors, skills and attitudes.

Here are some of the survey findings:

- **The average score is 54:** On a 0 to 100 scale, the average financial well-being score for U.S. adults is 54.
- **34 percent of consumers have experienced recent hardship:** 34 percent of all consumers surveyed reported experiencing material hardships in the past year. Examples of material hardships include running out of food, not being able to afford a place to live, or lacking the money to seek medical treatment.
- **Savings are the most significant factor:** Savings and financial cushions provide the greatest differentiation between people with different levels of

What is financial well-being? The CFPB defines it as "a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and can make choices that allow enjoyment of life."

The CFPB also released an interactive online tool that can be used by consumers to self-evaluate their own financial well-being and find ways to enhance control of their finances.

financial well-being.

- **Older adults fare better:** Financial well-being is higher for older adults, especially those aged 65 and older, whose average score was 61. Younger adults, those 34 and younger, tend to have the lowest financial well-being score with an average of 51.
- **Men vs. women:** There are no differences in average financial well-being scores between men and women.
- **Racial and ethnic groups:** Differences among racial and ethnic groups are relatively small compared to the differences between subgroups based on financial experiences, attitudes, behaviors and skills.
- **Satisfaction with current housing situation matters:** Adults with high levels of satisfaction with their current housing situation tend to have higher financial well-being than those with lower levels of housing satisfaction.
- **Homeowners rank higher:** Homeowners have higher financial well-being scores (average of 58) than renters (average of 49).
- **Married adults fare better:** On average, adults who are married or living with a partner have a higher financial well-being score (average of 56) than those who have never been married or who are separated or divorced (average of 51).
- **Financial support of a child affects score:** The average financial well-being among adults who financially support at least one child is slightly lower than those for adults who do not support any children financially.

Interactive Online Financial Evaluation Tool

The CFPB also released an interactive online tool that can be used by consumers to self-evaluate their own financial well-being and find ways to enhance control of their finances.

The new tool is comprised of the same 10 questions that the CFPB used in its 2016 survey, which are built around four elements:

- Control of one's day-to-day and month-to-month finances.
- The capacity to absorb financial shock.
- The ability to keep on track in meeting financial goals.
- The financial freedom to make choices that allow one to enjoy life.

The CFPB believes that financial well-being evaluations can be used by financial educators and practitioners to measure their clients' financial security and overall sense of financial well-being. At the very least, its 2016 Survey is an interesting snapshot of the financial well-being of consumers in today's economic environment.

SYDNEY, AUSTRALIA

HOME PRICES SURGE

By Peter Gilmour, chief foreign correspondent

Sydney and Melbourne in Australia were two of the world's leading prime residential property markets by price growth in 2015, according to the Wealth Report 2016 issued by Knight Frank. Sydney is not only one of the world's most picturesque cities—spread around the Sydney Harbour and the eastern seaboard—but has become a key global financial, commercial and tourism hub which had the distinction of holding one of the best-organized summer Olympics in 2000.

Booming Epicenter

Sydney is the epicenter of the booming real estate market in Australia, and a shortage of inventory is pushing up prices even after major banks tightened their lending criteria. A three-year surge in Australian home prices slowed at the beginning of this year after banks raised mortgage rates to offset the costs of holding more capital. A growing population is expected to be a major influence in price growth in the next few years.

CoreLogic, Australia's largest provider of property information, reports that Sydney saw some of the strongest price growth with an annual change Q4 2014 to Q4 2015 of 14.8 percent compared to an average of 9 percent across the other major Australian cities. According to the Global Real Estate Outlook issued by IP Global, the median dwelling price in Sydney is $600,000, which is significantly higher than Melbourne at $450,000.

Fewer Listings

CoreLogic's figures show that fewer than 20 000 homes are on sale in Sydney today—less than half the number listed five years ago. The costs of selling a property and buying another, such as agent's commission, government taxes and the like, that climb with the value of the home, as well as a shortage of inventory are the main reasons for homeowners delaying moving.

Sydney's population is estimated to grow by 50 percent to nearly 6.5 million people in the next 20 years, according to the New South Wales government and that will require more than 500,000 new homes to be built. According to Australia's Urban Development Institute, the major problem in the future will be the supply of affordable land, and the institute is concerned that there is little prospect of being able to meet future demand.

The supply crisis may be eased in the next few years by a surge of new apartment developments, but there is competition at every price point, and this is likely to continue. A record of nearly 70,000 homes, the majority of which are apartments, will be under construction this year in New South Wales, according to the Australian Housing Industry Association, which is double the amount of building recorded in 2012. Ray White, one of Australia's leading real estate groups, reports that currently, banks are cautious when financing some developments making it more challenging for developers in certain price brackets.

While some Australian developers are seen as self-interested people, they are a vital part of the market and need to be encouraged to add to the housing supply and reduce the over-inflated increase in prices.

DIGITAL MARKETING: HOW TO BUDGET AND GAUGE

By Paul Salley, director of business acquisition

Budgeting your marketing spend is a critical part of building a successful business plan. With so many platforms and vendors competing for your money, it's important to be diligent and disciplined with your marketing spend. Finding what works best for your business with your target markets requires A/B testing of different marketing tools and messages to different target audiences.

Here are some important considerations to help maximize the ROI of your marketing expenditures:

1. **Don't spread yourself too thin.** Select a few platforms in which you have confidence.
2. **Compare and contrast.** Commit to using a few platforms for a set period of time, then use the same marketing dollars in another two platforms. This will allow you to compare the performance of each and help guide you to what is working best.
3. **Keep it relevant.** Make sure that you select a specific target audience and then produce an ad specific to that audience. Connecting and engaging with one specific audience is better than trying to appease multiple audiences at once.
4. **Research pays off.** Take time to research which platforms are working the best for the target audience that you would like to reach. In some instances, social media advertising might work better than Search Engine Marketing.

Finally, remember to track quality leads generated by each marketing medium. The ultimate litmus test is the number of quality leads. Should you have any questions about which digital marketing platforms are worthy of your pursuit, contact a member of the REAL Trends Technology Team at tech@realtrends.com.

With so many platforms and vendors competing for your money, it's important to be diligent and disciplined with your marketing spend.

GATHERING OF EAGLES

EARLY BIRD PRICING ENDS DECEMBER 31

REAL Trends hosts the industry's most informative events for real estate leaders. Gathering of Eagles is a by invitation-only conference for CEOs, presidents, COOs and senior management of the nation's top residential real estate firms, as well as, Realtor® association executives, and senior management from national franchises, relocation firms and referral networks. Join us in Denver, Colo., at the Grand Hyatt Denver.

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HOW YOU GROW YOUR BUSINESS | EPISODE 4

In REAL Trends' latest episode of How You Grow Your Business, we explore how a real estate brokerage that started in 2011 went from an unknown to being recognized by Inc. Magazine as one of the fastest growing companies in America three years in a row. Watch Peter Giese and other members of United Real Estate share how they are growing their brand through meaningful partnerships inside and outside of the real estate industry.

WATCH NOW

CONGRATULATIONS TO OUR
SECRET LIVES WINNER PAUL MAY

Paul May, a real estate broker with Keller Williams Southwest in Las Vegas, won this year's Secret Lives of Real Estate Sweepstakes with a story of how, while working as an REO (bank-owned) listing agent, a man he thought was a tenant at his listing tried to scam the system. May alerted the police and helped them set up a sting to catch the fraudster. "I emailed the tenant that I had a family emergency but my assistant would meet him, give him the check and collect the key and a signed form. Of course, my assistant was an undercover police officer. The tenant showed up and was promptly put under arrest for fraud," said May.

TO READ MORE **CLICK HERE**

SECRET LIVES OF REAL ESTATE

COMING SOON...
2017 ASSOCIATION BENCHMARK REPORT

This 2017 Association Benchmark Report is the compilation of financial, operational and personnel data organized to compare basic data common to most REALTOR® Associations. It allows organizations to compare themselves against their peer group. This service is similar to the benchmark report that REAL Trends has conducted for more than 20 years for leading residential brokerage firms throughout the United States and Canada. Get your copy after November 15th.

Find it at **REALTRENDS.COM/RESEARCH**