

REAL *Trends*
The Trust

Office:

6898 S. University Blvd., Suite 200
Littleton, CO 80122
Phone: 303-741-1000
FAX: 303-741-1070
E-mail: realtrends@realtrends.com
Web site: www.realtrends.com

Editor:

Steve Murray – smurray@realtrends.com

REALTrendsStaff:

Amy Broset –
abroset@realtrends.com
Karen Lawrence –
klawrence@realtrends.com
Daniele Stuftt –
dstuftt@realtrends.com
Doniece Welch –
dwelch@realtrends.com

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systems and that NAR would put in place certain personnel and procedures to insure that none of the agreed upon rules and policies reached in the settlement would be violated. The DOJ also believes that these measures are both pro-competitive and are pro-consumer.

NAR and its member boards, MLS and membership received clarity in its rules and policies as they relate to both Virtual Office Websites (VOW) as well as acceptance of its IDX rules as they pertain to “opt-out” provisions and many other important areas. Also the definition of “MLS Participant” was accepted by both parties—a key achievement for all professionals regardless of the type of real estate services or fees charged.

On “opt-out” we’ll have a “blanket and reciprocal” policy wherein when a brokerage firm “opts out” of an IDX website of a competitor for any reason, they’re excluded from all other participants’ IDX sites in that market. Thus, reciprocal and blanket. The draconian result from opting out thus makes this an almost impractical step for any broker or participant in the market today.

On the definition of “participant” it means that only firms that are actually “in the business on a regular basis” may operate their own IDX site. Thus outside firms, regardless of whether they’re information based, media firms, financial institutions or others, may operate an IDX but only if they’re also properly licensed in the jurisdiction and that they offer cooperation and compensation as part of their services on a regular and routine basis.

On VOW’s, they may be operated by any participant. They have clear sets of rules about what they can do and can’t but these restrictions are not onerous. Importantly, they allow for sellers to “opt-out” if they choose, and to control certain other messages that may appear next to their listing.

We think this is satisfactory for both parties— real estate professionals of all types and sizes and for housing consumers. While we had been critical of both parties in the past about their approach to these issues we think that they’ve done a good thing here for all participants in the housing market. We also think that all Realtors® should be pleased and proud of the work done by Laurie Janik, Ralph Holmen, NAR’s legal counsel as well as Jack Bierig and Scott Stein and all those at NAR and in the business who worked diligently to achieve this result.

May data shows housing sales not yet firming

Based on the April 2008 REALTrends Housing Market Report we had been cautiously optimistic about the housing market reaching a sustainable level of sales this spring and summer. The results had shown that closings in April 2008 compared to April 2007 were at better levels than we had seen in any month since we started tracking closed home sales data from nearly 40 percent of the U.S. brokerage community.

However, the May results showed that while there are some markets where sales are firming, for the country as a whole and in each region housing sales appear stuck at a reduced level with no firmness in sight.

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ANALYSIS

Holding Sales Associates Accountable

Fewer transactions don't mean less risk. When it comes to real estate, the slower the market, the better chance you have that a buyer or seller will hold your feet to the fire if the transaction doesn't close smoothly.

REALTrends spoke with several brokers to find out what risk management practices they're putting in place to ensure everyone stays on the right side of the law.

John Adams, General Manager
Adams, Cameron & Co.
Daytona Beach

REALTrends: What systems do you have in place to ensure all transactions close smoothly?

Adams: Everyone goes through training. New (new to the company, not necessarily the business) agents go through a month of morning-only classes. They typically run from 8:45 a.m. to noon. They go through about 15 days of training. Some of that is sales training, but there are two classes that talk about a sales contract and listing contract.

In addition, a manager reviews each contract and listing agreement. We also conduct experienced agent training at least once a month. We go over any changes in the law at sales meetings and more in depth in training classes.

REALTrends: How do you handle teams?

Adams: We have a team-based solution in place where we have contracts for each team member. The contracts go over how earnings are divided up by team and lays out requirements. We don't allow sales associates to hire from within our organization. Honestly, we don't see many teams anymore. And, if we do have a team, it's just an experienced agent with an assistant.

Kim Alexander, Regional Director
Keller Williams
Ohio Valley

REALTrends: What systems do you have in place to ensure all transactions close smoothly?

Alexander: We have several checks and balances for newly licensed sales associates. Everything—the purchase agreement, counter offer, inspections, addendums—all have to be viewed by the broker. It's a great learning experience for them.

We do an awful lot of training. We offer training and education

as a value proposition to our sales associates. We have more than six training sessions each week. One training segment is called "lessons learned" where agents share what's happening in transactions, stumbling blocks and more. It's very popular.

We also have a strong team. Our offices are staffed with a broker, team leader, operating principal and mentoring teams headed by top experienced agents. The mentor gives sales associates a go-to person in addition to the broker and operating principal.

We have a new agent orientation (new to us). It covers the forms and technical aspects of what systems we have in place. The broker reviews all of the listing contracts twice—once at listing and once at pending. They're passed through one more time by an administrative team headed by the market center administrator at closing. If we're missing something, like an addendum, the property is not allowed to be pending. Paperwork must be complete.

REALTrends: How do you handle teams?

Alexander: We have training courses in our offices for team members. We offer assistant training classes, job shadowing and more. Assistants are treated like everyone else and they have training classes as well. Nothing gets filtered through the lead agent. We bypass that and provide training. It's a great system of support for the lead agent.

Roger R. Campbell, President
The Kentwood Companies
Denver

REALTrends: What systems do you have in place to ensure all transactions close smoothly?

Campbell: In 1981, I took a look at the real estate industry and didn't like what I saw. There were a lot of people treating it as a part-time career. It was the 20/80 rule—20 percent of the people were closing 80 percent of the sales. So, I thought, "Why can't we build a real estate company with just that 20 percent?"

We now have 55 agents in our main office and 155 in the entire company. The average level of experience is 22 years. We don't hire rookies. Each person comes to us with at least seven years of experience and a book of business. Our motto is "This will be the place to finish your career."

Our agents consistently sell over \$14 million each a year. So risk management is not a huge issue for us. However, I review

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TRENDS

Here Comes Everybody

Are you ready for the next generation of digital or Internet? “The world on the media side is radically changing,” says Channing Dawson, founding executive of Scripps Network, HGTV and DIY Network. “But, it’s happening while we’re doing business. It’s a virtual world out there.

There’s a cross between the real world and the virtual world,” says Dawson. “All you have to do is check out sites like Second Life where they run virtual banks where real and fake currency merge. Another example is the Webkins product where one million kids have real dolls that they raise on-line. It’s a substantial business.”

A market so substantial that the current value of the top four virtual worlds (Facebook, Wikipedia, Craigslist and Betfair) is \$4.8 billion. According to Dawson, there are four movements that every real estate brokerage needs to follow.

1. Digitization. “Everything is going to 1s and 0s,” says Dawson. And, he doesn’t mean just video or incredible Web sites, brokerages need to leverage technology of sites such as Google and Google Maps. “Google Maps are getting richer and richer. Soon every street in the world will be videoed and digitized. Your real estate department is networked now.”

2. Fragmentation. “We used to have three networks, now we have hundreds of cable networks,” says Dawson. “The kids out of college thought of YouTube.com and now it’s a huge hit. This is where your next audience is coming from. The power of YouTube beats all combined traffic to all TV network Web sites.”

3. Socialization. Sites such as Facebook appeal to about 60 million users a month. Each person has his or her own profile.

“It’s a network of profiles, it’s a different system for your referral networks,” says Dawson. “Social networks aren’t going away and sites like LinkedIn allow you to send an e-mail to friends in an instant. One click and I can reach 40,000 people if I wanted,” says Dawson. “You develop your network and by doing so, these are the people most interested in your stuff.”

Networked markets are organizing faster than the companies that serve them, says Dawson. In addition, social networking sites offer two-way communication. “There are no secrets. The networked markets know more than companies do about their own products. And whether news is good or bad, they tell everyone,” says Dawson. “Add blogs to this and you hear the chatter about every subject.”

Dawson notes that consumers are networked into the real estate market. “They search, screen, evaluate, rate and keep abreast of neighborhood news. They get alerts, rate restaurants, rate the energy efficiency of homes and compare locations by level of toxic waste. You must join these discussions.”

4. Video games. “Coldwell Banker is active in Second Life selling virtual real estate,” says Dawson. Alternate reality games are becoming even more popular. “Think of what it could do to improve the world,” says Dawson. For example, there is an alternate reality game that has 1700 players from 12 countries and their goal is to manage a simulated oil shortage. They’re now making policy suggestions to the oil companies and to the government.

“As managers, we have to change and organize our businesses to adapt to a younger generation,” says Dawson. “In that process we must stay open to the fact that our answers might not be the right ones.”

Are you a Volvo or a Ferrari?

You’ve heard the old saying, “If you can’t be No. 1 in the category, then invent a new category?” That’s a belief Jack Trout, president of marketing firm Trout & Partners and a recent speaker at REALTrendsGathering of Eagles.

“Business has two basic functions: marketing and innovation,” says Trout. “They produce results. The rest are costs.” That’s why Trout finds it vital for real estate brokers to focus on a differentiation strategy. “Marketing is about finding your point of differentiation,” he says.

Here are some suggestions for doing just that.

Differentiation via attribute. Volvo is known for safety. Crest is known for cavity prevention. “Once you know what attribute makes you different, build your programs to drive that,” says Trout.

It’s all in the process. “Is there magic in the way you provide a service?,” he says. If you manage a listing differently than your competition, build your marketing around that difference.

Being First. “People tend to stick with what they know, so if you’re first, then they’ll stay with you,” says Trout. “But, if you say you’re first, you truly better be first.”

Next Generation. While people tend to stick with what they know, they’re always looking for the newest and latest generation of that product or service, says Trout. Are you using the next generation of technology to market listings?

Leadership. "Many people equate bigness and social status with success," says Trout. He says that you must position yourself as a leader, build your brand around that and then find something in your marketing that brands you as such.

Specialization. This is a popular one for real estate professionals. "People are impressed with those who concentrate on one activity or one product," says Trout. Customers then think they are receiving the expertise they deserve. "You can't become an expert in one category," he says.

Heritage. "A line from the past can be a line of the future," he says. Trout notes that once you decide how to differentiate yourself, there are four steps to take. First, explore the competition and make sense of your branding in context with them. "Get a sense of the marketplace," he says. Next, find that different idea and use it to set up a benefit for the customer. "Your third step is to make sure you have the credentials to support your claim," says Trout. Finally, communicate your difference. The world won't automatically build a path to your door, but every aspect of communication should reflect your differences," he says.

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contracts and John Fitzpatrick, our sales manager reviews them as well. Of course, we have continuing education. Our contracts seem to change every January 1, so we have contract classes and go over the changes. But, when I review contracts, I know that I'm reviewing a contract from a person who's been in the business a long time and knows what they're doing. We have the checks and balances, and we do review as laws change.

We also offer a weekly sales meeting that is more of a roundtable discussion.

REALTrends: How do you handle teams?

Campbell: Having teams has diluted our business model. But, one of the interesting things happening is that many of our agents are getting older and they're bringing their kids into the business. I have that in four cases right now, father-daughter or father-son. I didn't have a lot of say in hiring, but it's working out well.

We made it clear in our policy manual that they may build a team. And, thankfully, with our agents, their hires have been selective so we haven't had an issue with that.

Jack Kreider, Executive Vice President, Regional Services RE/MAX International, Inc.

REALTrends: What systems do you have in place to ensure all transactions close smoothly?

Kreider: Obviously, the broker of record at each brokerage is ultimately liable for the transaction so those brokers handle a large part of the training. As a national franchisor, it's tough for us, with one paintbrush, to cover all of the bases on that because of state and local laws.

That being said, we offer great training through RE/MAX University, our satellite network (RSN) and our online agent

training on demand (AOD). The meat and potatoes is the peer mentoring they get from other RE/MAX agents in our system.

REALTrends: How do you handle teams?

Kreider: The attitude toward teams has changed dramatically. Brokers used to view them as a threat or a risk but now everyone is onboard and recognizes how important teams are. We sponsored the first team summit recently. It offers training for each team member and the team leader. We had around 1,000 people show up to the first one.

The best ideas in this industry come from those who live and breathe it every day and that's sharing ideas with each other which we promote. Some organizations really put up barriers for agents to share ideas and we're dramatically different from that. We do everything in our power to offer a free-flowing exchange of ideas.

Gary Scott, Senior Vice President
Allen Tate Co.
Charlotte, NC

REALTrends: What systems do you have in place to ensure all transactions close smoothly?

Scott: From a new agent perspective, we have a very-comprehensive three-week program that educates agents about dotting I's and crossing T's on all their paperwork. We're also fortunate in that we offer 1,200 hours of education throughout the year. The company pays for that and the training covers a broad range of topics including vital information about

We also put a pretty significant level of accountability on our office administrators. They comb through every new listing, sale and closing. They meet monthly to go over things and share common hiccups. Anything that passes through the company goes through an elaborate check and balance.

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Our continuing education is mandatory in North Carolina and goes over any changes in law, so because of that requirement everyone understands changes in existing forms. But, we also have a faculty member of a local real estate school—George Bell—who is tuned in to the North Carolina Association of Realtors and the National Association of Realtors. He travels our entire region when changes occur so there's another opportunity to learn about the new laws.

And, if there is a change that we think it important for our agents to get extra education about, we deploy George to meet with area managers and sales managers.

We also have our company attorney review case studies and offer information about red flags and what's new. We do that twice a year for our leadership team. We're lucky. In many of our markets, we sell about 46 percent of our own listings, that ensures a smooth transaction.

Not all will close smoothly but we have a lot of systems in

REALTrends: How do you handle teams?

Scott: Obviously teams are a part of our business, and we're excited about it. We made a conscious decision to build a team-friendly environment. The people hired have to go through all of the training any new agent has to go through. They also take advantage of education and they know that they report to the manager.

We offer specific enrichments for teams throughout the course of the year where we talk about systems, processes and more. We have about 120 teams and 1,900 agents. That number will grow and I think what's enabled that success is that we built the systems for it.

Real Estate Magazines of Today and Tomorrow

As the real estate industry examines best practices, marketing and advertising campaigns also require proper due diligence to achieve maximum return on invested dollars.

REALTrendsspoke with Ernie Blood, executive vice president of Dominion Homes Media for a snapshot of what lies ahead in real estate magazines.

What trends are you seeing?

We see the consumer as a segmented consumer, which means they are a varied and diverse consumer. They do not use strictly the Internet or strictly real estate magazines but a combination of mediums. Media needs to adapt and reach out to consumers in a variety of channels. We see this shift quickly approaching.

For example, the word "search" has dramatically changed how we do business. "Search" has simply changed how buyers hunt for homes. Suddenly words, have great value, by how they are positioned on the Internet searches. The Internet is the sizzle, and it will continue to grow, but the print media has the punch to reach the consumer.

Why does print media work?

Real estate magazines are affordable to all sales professionals and Brokers/Owners. Once picked up by the buyer, surveys show 2.4 readers per publication read them. Real estate

magazines promote the sales professional and Broker/Owner's business, plus they are very important in branding to hyper-local markets (or community level market).

Our data indicates circulation of real estate magazines has grown. Agents and Brokers spend more than a \$1 million a year on these real estate magazines, down in advertising in some markets from 2007 by 12 percent, but up in other markets by 15 percent depending on that part of the country that was hit the hardest by the subprime mortgage and the nationwide slow-down.

This is not nearly off as much in advertising revenue as many of the newspapers.

We're in the process of reinventing our publications to meet today's segmented consumers. It's really exciting for us. Google recently talked about the power of print and how you do not want to not participate within the market you serve.

But what about the Internet?

In the past three years, the great media value of print media has been over shadowed by Internet publicity. But agents and Broker/Owner's continue to use the magazine for many different reasons. The biggest reason is that real estate magazines are super hyper-local magazines that promote internet direct navigation results and lead generation. The research of our readers shows that:

- 87% plan to buy a home
- 50% plan to sell their home
- 92% will take action on an advertisement in our magazine
- 79% will contact an advertiser

to provide buyers with the detail they want, more information with more house facts and more photos.

What is Harmon Media doing differently?

Understand that the real estate portals, such as Yahoo!, are global; while magazines and the agent and Broker/Owner Web sites are hyper-local. Both are needed for agents and Broker/Owner's to get their name and listings exposure.

Again, the browser is global, and the Web site is hyper-local, or at the community level. The real estate professional needs to position him or herself on these various layers using all mediums.

We help them brand themselves when they use print media. The power of print is in branding the agent and Broker/Owner hyper-locally to further promote Internet direct navigation. It can become cheaper than buying ad words. The major browsers such as Google or Yahoo! promote direct navigation but remember their revenue stream is in the selling of the words.

Harmon Media is currently reinventing ourselves to meet the needs of this segmented consumer. We no longer sell print, but an entire media package. Not only do we embrace the Internet, we embrace the "printer-net."

The new blended media that we are creating is the cutting edge in the publishing and the real estate industry. It is reinventing the old in a new way. It will promote Homes.com as a media in which everything that is online is off line in print. We are adding to all Homes.com real estate magazines a listing search section similar to what the old MLS used to be where all sales professionals and Broker/Owners can put all their listings into print in the same order, by price area and zip code the way it is in on the Internet.

They do not make money when an agent's brand is so strong hyper-locally that a local buyer just types in a name in the search box. This "value of words" supports the search and sort initiatives and has changed how buyers hunt for homes. We believe in a blend of print and Internet.

Now Buyers can shop for a home in print the same as they do on the Internet. We call this a Homes.com new concept. Homes.com Webazine™. The Webazine™ concept takes the power of the global Internet on the Web to the hyper-local real estate magazine. It is a real win-win for everyone.

One thing we have learned is that Internet listings that don't show the property address are not pursued. The agent may be thinking, "But this will encourage them to call me." But our research indicates buyers look first at address and area, then price, number of bedrooms, square footage and number of garages. Only six percent look for number of bathrooms.

Also, it's just as important to advertise a sold home as it is to advertise a listed home. Listing presentations require more consistency in the area of content.

Are there limitations with print media?

The longevity of print is actually a bonus. But what print needs to do is sort out the chaos of the Internet. With all of the various browsers and Web sites, 18 houses for sale are listed on 18 different Web sites. Print can bring the listing down to a manageable, user-friendly size for the consumer. Think in terms of the listing brochures in a box on a yard sign and just how valuable the information it contains can be.

We have learned the catalog, or real estate magazine supports the Internet. We just want to be part of that shift. We want to be part of online, in print and in sync. We want

What do you foresee?

I suspect some sales professionals are thinking that when the economy comes back they will come back to using print media. We think a balanced approach is most effective and we want to be an option as part of the media mix. We believe at Harmon Media a balanced approach and blended media is so important.

We also need to meet the needs of the traditional buyers as well as the Generation X and Y buyers. The traditional buyer is typically not as Internet savvy, and may not be reached strictly through the Internet.

However, the 60-year-old buyer has three times the buying power of a 30-year-old, and deserves proper due diligence. This is why a blended media approach is so important, in order to reach all corners of the buyer market.

I live and work near the largest Amish community in the world and am reminded of the wide range of lifestyles in which we all co-exist. Every day I am reminded how although some things do not change, progress moves on.

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Increased Showings Mean Positive Activity

In the midst of increased foreclosures and high inventory, one measure of the health of the real estate market is viewing the number of showings. ShowingTime is a software service provider offering Web-based real estate lead capture, calendaring, and notification to real estate professionals.

REALTrend spoke with Executive Vice President of Sales and Marketing, Michael Lane, to learn what their showing management tools reveal.

What do you see happening in the market?

Our data shows an increase in showings, which to us translates into positive activity from the buyer community. We are associated with 79 associations, which represent about 220,000 sales professionals, and our data shows there are just fewer than one million showing appointments per month.

The longer the property is on the market, the more showings hosted. We are tracking the change of month-to-month showings peaks at about 17 showings per month.

In certain markets that were unusually inflated, we can now see the overcorrection in the inventory numbers. The average number of showings in Florida went from seven to fourteen. The showing numbers also doubled in Ohio and the Chicago markets, whereas in Colorado it was static.

Why does this matter?

We can see how many appointments are being made by potential buyers, which is an early indicator of an actual transaction. The earliest indicator in the buyer's market starts with online interest, i.e. global searches. An actual showing represents a more serious buyer.

This is a difficult prediction, based on showings, but interesting

nonetheless. Overall trends are hard to capture. But when looking at month-to-month trends, buyers participating in purchasing activities, such as visiting listed properties, this is a good sign.

We try to track number of showings prior to an actual offer. The sample set included eight large clients of 8,000 listings with an average listing price of \$300,000, from Q1 2007 to Q2 2008. The average number of showings in 2007 was ten, whereas the average number of showings in 2008 was 16. This is an increase of 60 percent.

Therefore, this is a 90-day advance snapshot offering a unique visibility in the future market status.

What is ShowingTime doing differently?

Real estate is in more need than ever for efficiency management tools. For example, they must save valuable time through automated appointment making tools. ShowingTime had a 40 percent growth in sales last year. Our goal is ultimately to provide standardization across the industry, in a simple way.

What do you wish you could change?

I would truly like to provide our listing activity reporting (from our suite of products) to clients and show the damage that is created when a property is overpriced. This way a client can see and understand statistically what happens in these cases. This would allow the client to fully grasp the importance of proper pricing, which is the first step to selling their home.

Our goal is to provide sellers more opportunities to show their property to serious buyers. As we enter into the new market, I am confident that with proper tools professionals can better manage their business.

Stock Market Snapshot

The following is simple but informative update on the current exchange rate on a few of the top within the industry; mortgage lenders, title companies, homebuilders and online MLS companies.

	March	April	May		March	April	May
Bank of America	37.91	37.51	34.01	KB Home	24.73	22.48	20.51
Centex Corp.	24.21	20.68	18.83	Lennar Corp.	18.81	18.51	16.88
DR Horton	15.75	15.53	12.71	Pulte Homes	14.55	13.04	12.23
Fidelity Nat Financial	18.33	16.02	17.1	Wells Fargo	29.1	29.73	27.61
First American	33.94	32.88	33.57	Ziprealty	5.24	5.01	4.95
Housevalues	2.36	2.44	2.73				

*Quotes taken as of close on 3.31.08, 4.30.08 and 5.30.08 from the NYSE.

REAL Trends Home Price Index Report

Publisher/Company	As of	Year over Year Change	Average or Median	Comments
Cyberhomes	Q1 2008	-6.70%	Median	For twelve months ending March 31, 2008
NAHB	Q1 2008	-7.90%	Average	For twelve months ending March 31, 2008
NAR	Apr-08	-8.00%	Median	For twelve months ending April 30, 2008
OFHEO	Q1 2008	-3.40%	Median	For twelve months ending March 31, 2008
REAL Trends	May-08	-7.70%	Mean	For twelve months ending May 30, 2008
S&P Case-Shiller	Q1 2008	-14.10%	Median	For twelve months ending March 31, 2008
Zillow	Q1 2008	-7.70%	Median	For twelve months ending March 31, 2008
IAS360	Apr-08	-9.72%	Median	For twelve months ending April 30, 2008

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Below are the results for the past two months.

Housing Market Report – May 2008 versus May 2007

Closed Sales	Average Price
National - 20.9%	- 7.7%

Region

Northeast - 28.2%	- 6.8%
South - 32.1%	- 4.6%
Midwest - 23.3%	- 6.8%
West - 20.1%	- 13.3%

Housing Market Report – April 2008 versus April 2007

Closed Sales	Average Price
National - 16.3%	- 4.5%

Region

Northeast - 14.8%	+ 1.0%
South - 15.3%	- 3.2%
Midwest - 14.8%	- 3.8%
West - 14.7%	- 7.8%

What does this mean?

Brokerage operators and sales professionals alike should not plan on any significant recovery this year and likely into next.

The overhang of inventory, disagreements over the pricing of homes between buyers and sellers and the general economic mood do not bode well for any substantial rise in housing sales at this time.

Plan your business based on the level of sales that are present in your market at this time. Get costs down and focus your

efforts where they'll produce result. Abandon those areas that won't produce results. As Mike Staver said at our recent REALTrendsGathering of Eagles, "don't panic – just do the work." What he also said was that a leader's "mind set" was now more important than the leader's "skill set". In this environment a leader's willingness to identify the challenges and define a path to a successful future was critical to all organizations.

We continue to stand by our belief that there is a great future ahead. As has happened in every downturn of the last 30 years, the survivors are stronger, smarter and better equipped. The outcome of this downturn will be no different. To get there involves examining your business as to how it can best be organized for the future where consumers are better informed, but so are sales professionals and realtors. A future where there are fewer professionals and realtors but where the survivors are smarter and more focused.

Change is Inevitable. Growth is Optional.

Real estate is an ever-changing industry. "Not only do we have a change in the market, but we've witnessed huge changes in technology, consumer behavior and expectations, and in the mortgage industry," says Bruce Zipf, president and CEO of NRT LLC. "We've had more sweeping change than we've ever imagined possible."

That's why it's key to a successful brokerage to have strong leadership. "It's a wake up call in our industry to step back and look at the way we operate our companies," says Zipf. "Are we managing the basics as well as we could?"

According to Zipf, "We have a commodity that everyone needs." Because of that "there aren't too many people who

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want the real estate industry to fail. They'll do what they can to make real estate a vibrant part of the economy."

But, he says, "Our value proposition is being challenged by buyers and sellers." Zipf quotes former New York City Mayor Rudy Giuliani and says that company principals do the following:

- Surround themselves with great people.
- Prepare relentlessly. "You must have the right dialogue, scripts and skill sets to meet challenges," says Zipf.
- Hold yourself accountable.
- Develop strong beliefs. "Be direct and unflinching but stick to your word," says Zipf.
- Be your own person. Never sacrifice principles.

So, where do we go from here? The good news is that the real estate profession and full-service business model has stood the test of time. "We were more under siege when times were good, but in a challenging market we're more valuable," he says.

Here are five key areas that Zipf suggests you focus on to grow your business through challenging times:

Recruiting. You must have a focused approach on recruiting productive sales professionals rather than just filling desks. You have four quartiles of agents. The first and second are productive, the third and fourth can barely make ends meet. The first two quartiles represent 90 percent of your profits.

The 20/80 rule is alive and well, but our buyers and sellers are walking into sales offices and they could get the lower quartiles that aren't delivering on your service promises. You must have consistency. You don't want someone walking in an office and having a one in four chance of getting a valuable, skillful person.

Retaining. There's a new focus on retaining and developing our sales professionals' and managers' skill sets. Have we done the best job to provide our managers and sales associates with the best development programs? Don't just throw a Band-Aid at them. That's a Band-Aid at best.

Use your retention to help them be more productive. Hold senior leadership accountable. They must believe they'll be

more productive and earn more money and then, the split won't matter. People don't leave because of their commission split; they leave because they don't see value in their managers.

What should our sales offices of the future look like? We're missing the boat in the way we run our sales offices. They're too big (space wise), and they're inefficient. Many of the sales offices were built and designed in the 70s and 80s when behavior patterns were different.

We don't need these elaborate sales offices, and it's usually a No. 2 or No. 3 expense line item. When margins are critical, this is a huge opportunity for us. It used to be when you consolidated sales offices; it was a sign of weakness. Now it's a sign of strength.

Technology. There's a new focus on the better use of technology to maximize operational efficiencies. Although we're gaining on it, our industry is still woefully behind. It's within our grasp. We are a paper-intensive industry. But, what is the most efficient use of the process? The future is that we must embrace transaction management systems to streamline the business. It's putting that whole process online. We're relying on our administrator to input and integrate all current systems.

It also has another benefit. Now that all this information is online, we can cross-market. We can break down who bought with us, in what price range, and we can download the old marketing materials. It gives you a competitive edge.

In addition, why do we spend so much money on advertising in newspapers? Because that's the way we've always done it. Your key Internet/technology focus should be on driving leads to your company's Web site and to your agents.

Ask these questions: Are you focused on developing distribution lists that will strategically get leads to your office? Do you have a focused approach on search engine optimization (SEO) where your Web site has the most likely possibility to be picked up? Do you have a focused approach to taking consumers in to evaluate the Web site? You don't always know what consumers want, so you should conduct focus groups. Are you educating sales associates about your technology initiatives?

Integrate services. We must be better at integrating our primary services with other services such as mortgage, title and insurance. The day and age of being a residential brokerage company is no longer. We must integrate other services to round out our total value proposition.

Is Leadership On Your Crabbing Crew?

By Jeremy Conaway, Contributing Editor

The show is called *The World's Deadliest Catch*. It chronicles the lives of a community of crab fishermen who live in a place called Dutch Harbor, Alaska and ply their profession in the unpredictable and generally hostile waters of the Bering Sea. Their captains have names like Big, Phil, Jonathan, Keith, Sten and Rick. They ply their trade on 100 foot steel trawlers with names like Wizard, Time Bandit, North American, Early Dawn and Northwestern.

Deadliest Catch is one of the highest rated programs on the Discovery Channel. But beyond its big numbers lies another interesting fact. *Deadliest Catch* has one of the broadest dynamics in television today. More to the point it has an impressive following within the real estate industry. Why is this and how could this seemingly unrelated television show to that isn't even on the Home and Garden Network be relevant to today's real estate industry?

To start, the circumstances of the two activities (crabbing and real estate) have some remarkable similarities.

- Each of the gentlemen mentioned above is the CEO of their trawlers. Many have made significant investments in their boats.
- These folks work together in a common market, are fierce competitors, yet come together in times of danger and threat.
- Both industries work under the harsh realities of government regulation and interference.
- Both are subject to the ups and downs of market vagaries.
- Both are attempting to harvest a product that while physically consistent is constantly changing and migrating across a wide range of spaces and depths.
- Both are industries in which getting paid means performing tasks that are both routine and unique at the same time.
- Both have "greenhorns" who often think they know the industry better after 30 days than their captains.
- Crabbing crews and Realtors make an excellent living if they're skillful in an often rough and sometimes tumultuous environment.
- The value of a crabbing boat and a brokerage can be directly tied to how skillful and successful its captain is in guiding the operation to a victorious and profitable fishing season.

- While the real estate industry may not be as effected by the weather as crabbing neither does crabbing have to deal with the stormy operating environments created by relentless and cruel media attacks. The effect of both is very much the same.

But in another way crabbing and real estate are wildly different. The captains very carefully pick their crews based on a combination of mental, spiritual, physical and social skills knowing that the wrong choice could spell failure and even disaster. The captains have crews that don't get paid until both the boat and the captain get paid.

Teamwork in crabbing is the essence of success, productivity and profitability. The failure of anyone on the crabbing team to do their job correctly is the failure of the entire team to get paid and perhaps to get home. Everyone knows that it's the wisdom, skill and experience of the captains that will make the difference between success and failure.

This comparison reaches its intellectual and operational focus when the discussion reaches the subject of leadership. In crabbing there's little doubt that it's the captain who will get the boat and the crew home safe, sound and paid. The capital rule of crabbing is that one never questions the captain's decisions at sea.

In real estate sticking with the boat or its captain when hit by the slightest ripple is often seen by agents as ludicrous and against self interests. In real estate, brokers are often treated with disdain, disrespect and ridicule even if they have great fishing records going back decades. Few agents when affected by one too many beers will stand in a tavern and brag about their broker.

Many agents consider second guessing their broker to be an industry board game and many score higher at this skill set than in selling real estate. Many, if not the majority, of brokers in the industry today have spent more time recruiting and retaining agents than building powerful markets and successful businesses.

Is this tradition really relevant or appropriate to the real estate market of 2010?

Today, the real estate industry is in the midst of its worst storm in recent history. While there are those salty veterans who would like to offer up war stories that suggest worse, the fact remains that taken together the challenges facing the industry today amount to the "perfect storm."

There is a very positive side to the current situation. We're

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Editor's Note

Tribute to Paul Knapp

We were saddened to hear that Paul Knapp, formerly the CEO of Iowa Realty in Des Moines, Iowa, passed away on May 14th.

While many of today's leaders in the residential brokerage field may not have known Paul, he built one of the most impressive realty organizations the country has ever seen.



Starting from scratch in the 1950's, Paul and his brother, Bill Knapp, built a firm with the highest professional standards, among the highest per associate productivity levels and the

strongest market share over the course of his career that have ever been achieved.

Here's what Johnny Isakson, formerly president of Northside Realty and now a U.S. Senator from Georgia had to say about Paul, who was a close personal friend of over 30 years. Isakson's comments were given at the services for Paul.

"I rise today not just for myself but for Bob Walters and Bob Phillips (both retired real estate executives) who, including Paul, made up a foursome that played golf together for 31 years. You come to know a lot about a man on the golf course, and I came to know Paul Knapp very well. He was committed to his family and he loved them greatly. I knew Paul as a friend. Paul was fiercely loyal to his friends and would do anything for them. He was unselfish with his time and his resources, and always there when you needed him.

"As a business man Paul was very accomplished. The agents and managers at Iowa loved him. Paul was an innovator committed to professionalism, high standards, quality services, training, new ideas and agent retention. No company in America set a higher bar than Iowa Realty under Paul's leadership.

"We will all miss Paul very much."

(Commentary continued from page 11)

in the process of effecting the most far-reaching industry renovation since the dirt peddlers returned from World War II to become brokers. Virtually every large and small firm in the industry is making the significant changes necessary to survive the perfect storm.

The fact that these changes are being made in a time of crisis and threat does not mean that the old model will be brought back when the seas are calm and the fishing is good. In fact, the opposite appears to be the case. There is every reason to believe that when New Year's Day 2010 appears on the calendar we'll be dealing with a different real estate brokerage business model configuration.

As we prepare for that not-so-far-off moment it's past time to begin the discussion of industry leadership at all levels. Right now we're focused on the increasingly powerful role of the consumer. But while the consumer may inspire us to better performance and will undoubtedly judge our leadership through their selection of real estate service vendors,

they will not be our leaders. That task rests squarely on the shoulders of the leadership within in the industry.

Perhaps the men and women of the crabbing world have some wisdom we could share. Perhaps the time to second-guess leadership is in the sheds, of ces and social gatherings of the pre- and post-fishing season. Perhaps it's time to recognize that when the boat is at sea and the gear needs to be run, that in real estate, as in crabbing, there can be only one captain, one standard of performance and one overall objective.

We're in the process of creating a wonderful new brokerage business model that will serve the needs of consumers, investors, communities, families, executives and, yes, sales professionals. Hopefully we'll take as much time defining and identifying our leadership resource and needs as we are in figuring out where to be on the Internet—not as exciting but a lot more satisfying.