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REAL Trends
The Trusted Source

COMMENTARY

The Launch of a New Entrant

While there are many new products and services that are launched every year in the residential brokerage field, new entries at the national network level are fairly rare occurrences. This is especially true of those who are already proven in other areas of our

(Commentary continued on page 2)

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industry, as with the launch of Better Homes and Gardens Real Estate over three years ago.

So, when we learned that United Country Real Estate, actually the nation's oldest national franchise real estate company (1925) was extending its brand into the major metropolitan areas we thought it merited some attention. Throughout its history it had focused solely on rural, non-urban America. Now not only is it launching into the metropolitan areas of America but it is rapidly expanding globally.

Our interview with Dan Duffy, CEO of United Country will be featured in the April 2011 edition of REAL *Trends*.

Younger Sales Professionals Leaving the Industry in Droves

Most of us seem quite aware of the fact that the brokerage industry is aging; we often hear from our clients and contacts the challenges they are having attracting younger professionals and building the proverbial "bench" to replace retiring managers and executives. Although there have been a number of reports and various papers and posts written on the topic, most have been presented with anecdotal stories or with relatively few figures so the real impact has been unclear.

We recently analyzed statistics available from the National Association of REALTORS® ("NAR") to delve into this. We took data from their 1999 through 2010 Member Profiles (the 2011 profile, with 2010 data, will be available in May) and crossed it with their total membership counts, focusing on data from the five-year period from 2004 through 2009. What we found was eye-opening evidence that younger sales professionals, especially those aged 35 to 44, are leaving the industry in droves.

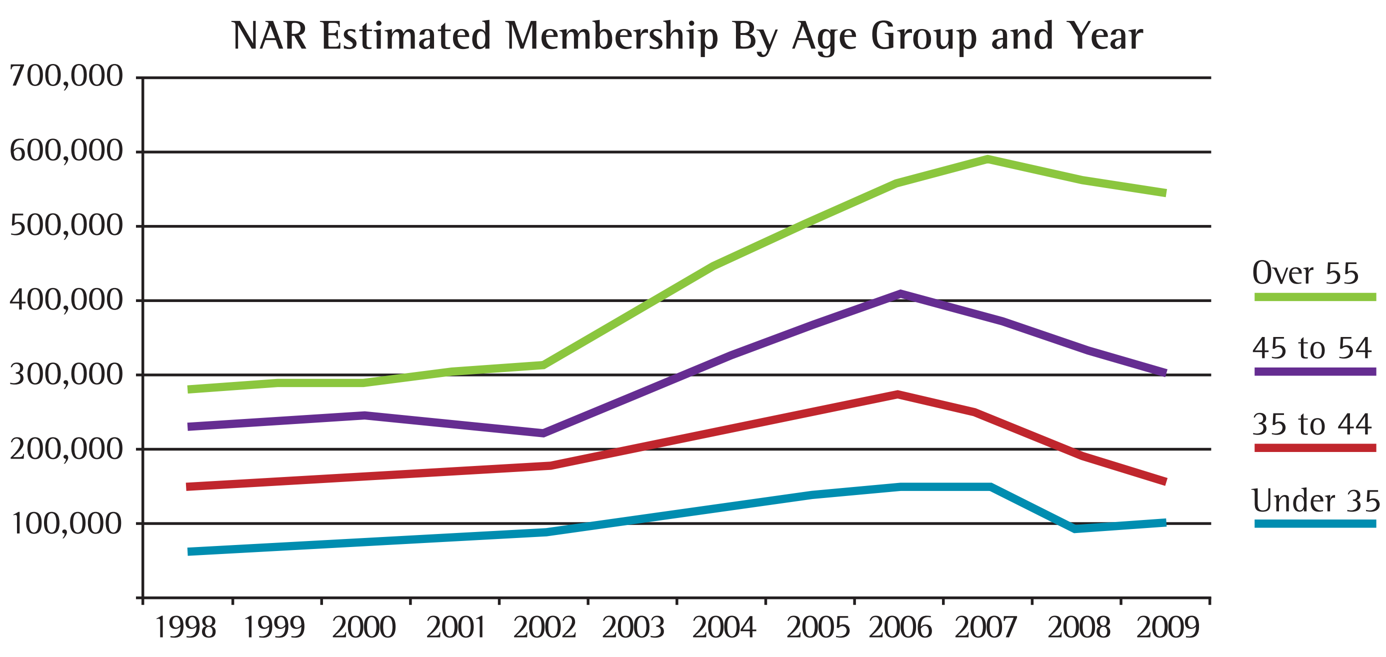
First, our methodology, which can easily be replicated by anyone with access to NAR's reports: NAR lists, as a percentage, how their membership falls into nine age brackets (starting with "under 30", then in 5-year blocks, and ending with "over 65"). Separately, NAR publishes its total membership count on a monthly basis. We simply took a given year's percentages and multiplied them by the year-end membership count for that same period to calculate the actual number of members in each age category for that year. We then repeated that process for each year of data that NAR published a Member Profile.

We chose to focus on the five year block of 2004 to 2009 since the membership count in both years was very similar (about 1.1 million) and to also look at the three-year period from 2006 to 2009 since that started with the peak membership and we could see the impact of the housing bust.

When viewed only by median age, the change has not seemed severe: the median age went from 52 (in 2004) to 51 (in 2006) to 54 (in 2009). This is noticeable but most haven't seemed to react too much over it (though it's hard not to note that in the recent three-year period the median age increased by three years, which essentially says that the whole group just stayed the same and aged together – this alone is revealing).

Although the percentages in each bracket changed, once again the changes over time were gradual enough that it made it hard to appreciate what was going on. Only when some age groups were combined and the actual numbers were extrapolated did the trends leap out.

From 2006 to 2009, total NAR membership dropped 18%. Based on our calculations, over that same period, the number of sales professionals under the age of 35 has dropped from 149,000 to 101,000 (down 32%). Over the same period, the number of sales professionals 35 to 44 has dropped from 272,000 to 156,000 (43% down); those 45 to 54 have dropped from 407,000 to 301,000 (26% down). At the same time, the 55-and-over group has virtually held steady (going from 557,000 to 545,000). In other words, we lost 164,000 Gen X'ers and Millennials in a three-year period (nearly 40% of what they were).



What happened? If we focus on the 35 to 44 group, which represented 20% of the total agent population in both 2004 and 2006 but only 14% today, we know that this generation had never experienced a down market before this one (after all, they were all in their thirties five years ago and aged 25 to 34 a decade ago). It would seem that this group hit the wall and struggled to make ends meet just as they were moving to an age when one normally settles down and focuses on a long-term career. They were brought into the business at a time when the industry was largely focused, from NAR right down through the individual brokerages, on expanding rosters to higher profits by recruiting,

recruiting, and recruiting. With some exceptions, similar energies were generally not put into training during this time. Bad habits were formed, "easy money" was made by many thanks to a booming market, and too little was done to prepare for a shifting weather pattern. When the downturn in the housing market went from bad to historic, it's no wonder that many in this generation were not prepared to handle the jolt.

What this, in combination with the continuing thin ranks of twentysomethings, seems to mean is that the industry is going to age far more rapidly than most would realize. We would suspect that when NAR releases its 2011 Member Profile in May, the median age will creep up another year to 55 and we will see a continuing shrink in total membership that will be hitting the younger groups more harshly. At a time when first-time homebuyers still represent half the transactions and the next boom (or mini-boom) is likely to come only when the Millennials reach their full buying power, it's fair to assume the industry will struggle to stay relevant to this generation when half of its sales professionals are 55 and over (and aging rapidly).

For many brokers, we believe there may be one approach to tackle this challenge in a way that ties to another trend we have written about: the rental business. As many economists predict that the homeownership rate in the United States will drop in a relatively short time frame from its current 69% to 65% (or lower), we believe brokers would be well served building their rental and property management businesses to prepare for the growing proportion of the population that will rent rather than buy. Many of the companies we deal with that have strong rental and brokerage units tell us that the rental division often attracts a younger professional who, in time, moves on to the brokerage side. It would seem that expanding your rental business could potentially address two challenges at once. ■

Game Plan – How Real Estate Professionals Can Thrive in the Future

In a new book, *Game Plan,* to be published and available at the Gathering of Eagles, Ian Morris, CEO of Market Leader and REAL *Trends* Editor Steve Murray researched the market for housing sales and consumers and real estate professionals for the next 3-5 years. The goal of the work is to describe how true professionals and those desiring to be at that level, can truly thrive in the markets just ahead.

Some early conclusions from the real estate professionals interviewed

1. Unlike in years past, there are few grave threats facing real estate professionals other than their inability to focus on fundamentals of assisting customers. Yes, the Gen X and Millenials think act and live differently than their older peers. But they still want a place to live and they still retain the desire to have a place of their own;

2. There are no apparent big bad banks or 'lions' threatening to take the consumer away from us (as much as there are those who would like to). Consumers still seek to use real estate professionals at roughly the same rate, and at the same terms as their parents;

3. What has changed is that younger purchasers are much more ready to deal directly with the listing agent on a purchase which is putting enormous strains on the duties and activities of listing agents – especially since the whole issue of dual agency really never was built for markets where buyer and seller may well be adversarial;

4. What also has changed in ways that are at this time hard to measure are the political, tax, and regulatory changes that may impact the whole view of homeownership. The potential for the dismantling of Federal housing policy which

has been slanted towards homeownership, the reduction in the role of Fannie Mae and Freddie Mac, and the limitations on the tax deductibility of mortgage interest are all in motion at this time;

5. Our investigations have also uncovered that brokerage firms and sales professionals will both have to come to grips with the fact that how we sell homes has and will continue to change in fundamental ways. ■

From the Heart and Mind of Mike Staver: Sale or Customer – What's More Important?

by Michael Staver, The Staver Group

Seems like an obvious enough question, doesn't it? My buddy called a Harley Davidson store to find out if they have a leather jacket exactly like the one he has (his has worn out). The salesperson at the Harley store says, "We don't have it in stock, but I would be happy to call around and see if they still make it, and if they do I will get it for you. I will call you when I find out." So far so good!

A week passes without word from the salesperson at the Harley store which, by the way, is much more expensive than other leather stores carrying the same thing. My buddy calls back, gets the same salesperson and says, "Hey - it's been a week, I haven't heard back from you and I wonder what's up?" She says, "Ohhh yeah. I found out they don't make that jacket anymore and knew I wouldn't get a sale so I just didn't call you back." WOW!!

So you may think the moral of the story is to return calls - you would be oh so wrong! This is a culture story. The question we should be asking is 'I wonder what the culture was in that store such that she believed it is more about the sale than the customer?'

I wonder if you are clear enough about the culture you create around you. I wonder if you are testing the culture regularly. Culture is just another way of saying what an organization, community, family, etc. accepts and rejects as 'normal and acceptable'. It's how it feels to operate inside that environment. So pay attention to what you accept and reject in word and action. The culture you create is more important than the results you achieve. ■

Refocus in 2008 Leads to Historic Year in 2010: The Story of Martha Turner Properties

In the fall of 2008, the housing storm that had engulfed much of the nation made its way to Houston. Since home prices in much of Texas had largely avoided the steep rises of other U.S. markets throughout the decade, the declines when things soured elsewhere were relatively mild in Texas. That changed when the financial markets tumbled in September and October. The Houston real estate market suddenly suffered in a way it hadn't before.

Martha Turner knew that she would have to make some difficult decisions. The brokerage that bore her name had been a well-known and respected brand throughout Houston for nearly three decades. Despite having five offices and over two hundred sales professionals, Martha Turner Properties was generally viewed in the communities it served as a well-grounded, boutique brokerage that specialized in luxury properties. Since the high-end was particularly affected by the shift in the housing market at the end of 2008, Ms. Turner and her business partner, Tom Anderson, made a decision that few firms with their standing would risk: they would reposition the brokerage to more aggressively go after the middle and even low-end markets while aiming to maintain their position in the luxury space.

"Because of what transpired at the end of 2008, we had to retool," explained Ms. Turner.

Added Mr. Anderson, "We took the opportunity with the market being extremely strong in the low and middle markets to expand our brand into those markets. Most people identified our firm with just the top end of the market. We had always done all price ranges. But we had not made a conscious effort to make sure the city of Houston knew that."

So, Ms. Turner took to the airwaves to tell this story, becoming a frequent face in commercials during the morning news hour on Houston's top television network. She and Mr. Anderson were so pleased with the results that they doubled down the next year and added spots to the evening news hour.

In making this strategic shift, the company was careful to do two things: first, treat all customers, whether they were looking to buy or sell a starter home or a mansion, the same. Second, continue to concentrate on developing the skills of their sales professionals, especially now that times were changing.

Just as it had with its luxury portfolio, Martha Turner Properties sought to differentiate all of its listings through its marketing and presentation packages. This included making available sturdy binders emblazoned with the company's logo, filled with detailed market information and custom-written neighborhood stories and maps, for all of their listings. The company produces about forty to fifty of these each week. "We thought that every one of our clients in every price range should receive the same service and high touch that we give to our luxury clients," reasoned Mr. Anderson.

As its customer base was diversifying, so too was its agent base. Yet all measurements would indicate that the brokerage has not been harmed by its decisions. Quite the contrary. In 2010, Martha Turner Properties turned in the best year in its thirty-year history in both total transactions (2,044) and total closed sales volume (over $1.2 billion). At the same time, the brokerage kept its total agent count (202) nearly identical to the prior year. The company had consistently ranked as one of the twenty best in the REAL *Trends* 500 in terms of closed sales volume per agent, with each of their sales professionals averaging between about $5 million and $6 million per year. Now it was proving that expanding its reach beyond the luxury market did not have to damage its productivity or reputation in any way. At a time when most of its competitors experienced declining numbers, Martha Turner's agents averaged $5.99 million in closed sales volume last year; it is possible that the brokerage will move up to be one of the nation's ten best in that category when this year's REAL *Trends* rankings come out in May.

As the company looks to the future, it will continue to try to serve all of Houston's markets while not losing focus on the driving force behind its achievements, regardless of the price points it has served or will serve.

"What we need to do is just fine-tune and just grow," Ms. Turner states succinctly. And she appears very comfortable that the group they have in place now can take them to an even higher level. "We are very particular about the people we add. We want them to fit our culture. We want to help them become better producers." ■

Latter and Blum Affiliates with ERA

It is not often that a major independent firm chooses to affiliate with a nationally branded network. Many of the changes in the last few years have been firms that changed their affiliation from one national brand to another, but there have been few large regional independents that made such a change.

The news that Latter and Blum, one of the nation's largest and oldest independent firms, had affiliated with ERA under the "Powered by ERA" alliance is among the biggest surprises of the new year. Latter and Blum, headed by owner Bob Merrick and CEO Rick Haas, said that the decision was not that difficult given the resources that ERA brings to the table and the ability to customize the brand in such a way as to leave the essence of the Latter and Blum name and logo intact.

"We announced recently to all of our management team and sales professionals." said Merrick. "Thus far of the dozens of emails and phone calls we have received the response is overwhelmingly positive. The sales professionals get that this new relationship brings in excess of a hundred million in new sales to our firm alone. They get that value easily. Also, with our name and logo intact, and a clear identifier that we are "powered" by ERA, we have a new connection to a national firm. It is really the best of both worlds as far as we are concerned."

Haas said "we have already identified numerous ways we can leverage this relationship with ERA in marketing, technology and education in ways that increase our services and lower our costs. And under the agreement we have ERA and Realogy's full support for expansion throughout the region and their assistance in finding growth opportunities for Latter and Blum to expand our regional footprint."

Charlie Young, CEO of ERA said "this is obviously an exciting relationship for us under our new "Powered by ERA" strategy which offers leading firms the opportunity to be associated with ERA and Realogy while also maintaining their local identity in ways that have not been done before. We expect that as brokerage firms look more carefully at this new way of doing business together with us we will have additional opportunities."

Latter and Blum was ranked in the REAL *Trends* 500 #79 in the nation in closed transaction sides in 2009 and #83 in sales volume with over 650 sales professionals. ■

Building a Strong Social Network

Ginny Lee, CRS

Council of Residential Specialists
The Proven Path To Success

All it took was one CRS class on Internet Marketing to convince Ginny Lee, CRS, that she needed to pump up her online presence. "I immediately secured http://americasbestagents.com and learned how to keep my website in front of search engines," says Lee, a sales associate with Premiere Plus Realty Co. in Naples, Fla. She also hired a social marketer to set up her Facebook and Twitter accounts. Now, she spends up to two hours a day updating her fan pages and marketing her listings online.

"It's worth the time because 90 percent of my business comes from my social networking. I get more attention for my listings and sellers love that I use social networking so extensively," she says. Here's how she does it:

Hire help. It's time consuming to set up all of your social networking so Lee suggests hiring someone to help. "My social marketer set up my Facebook fan pages, my Twitter account, my Active Rain account and my blog. She has it now so that anything I post to Active Rain gets pushed out to all of my social media." Lee said it cost her about $1,000 to set everything up, but, she says, consider virtual assistants who can do bits and pieces of it for $7 to $9 an hour.

Make it personal. Lee says she's successful with her social networking because she focuses on past clients and people she knows. "Some of my best friends have been clients. My business is repeat and referral, which is why social networking works so well." She suggests you truly build in-person relationships first and then move to social networking to keep in touch.

Go multiple. Lee currently has one Facebook page, five fan pages and one group page. She started her fan pages because Facebook only allows you to have a maximum of 5,000 friends on a personal page. Her fan pages each meet the needs of a different niche: Naples real estate, a site for those who own in a community she farms, a page for other sales associates to refer business, a city guide and a fan page for international real estate. She then has a personal group page because she says, "I'm still not sure which is better– fan pages or group pages." Each page is connected with Twitter and Active Rain.

Follow up. A common mistake says Lee, is not following up with people who post on your Facebook walls or when they email you about a listing. "Call back immediately or your lead will call another agent."

Update frequently and respond. "I regularly check my friends' statuses and post comments and respond," she says. "I also update my sites daily. Its fun and you can build lasting relationships by doing so. Who knows when you might find that common bond?" Lee tries to blog twice a week as well.

All of her social networking is working. She can rattle off a dozen recent sales or referrals that came directly from her Facebook pages, including her granddaughter's ice hockey coach from up north who's looking for a rental in Naples. "I got on Facebook to keep up with my grandchildren," laughs Lee. "It's turned into a wonderful way to promote myself and my business." ■

Where Angels (+Wise REALTORS®) Fear to Tread

By Andrew Waite, editor, Personal Real Estate Investor Magazine

In the late 1980s, I was involved in professional motor racing as a member of an Indy 500 winning race team. I was publishing telecommunications magazines in New York City. I discovered a family friend and fellow New Zealander was running a race team for a well-known American hospitality family. They needed sponsorship. One of our national advertisers agreed to sponsor the team. As a result I was asked to help on a permanent basis as their commercial director/sponsorship getter. As the factory Indy Car team they delivered the first 500 mile super-speedway wins for Honda. A crazy lifestyle but a real hoot!

High Risk or Risk Averse

I was immediately struck by how few Americans were represented in this top open wheel motor racing series. High speed oval racing was born in the United States and refined in America's heartland; Speedway, Indiana. Chassis, motors, gear boxes, suspensions, brake, fuel and telemetry systems were all made in United Kingdom, Europe or Japan. American industry had gotten out of most racing, even NASCAR except for major brand representation.

Why? Lawyers and risk adverse company managers.

It just gets worse when you realize that much of the metallurgy and material sciences and telemetry technologies used in racing are the road going developments from the American aerospace industry and U.S. Defense Department applied research.

Why this was the case was for a perfectly legitimate and forgotten reason. In the 1970s and early 1980s American companies found they were faced with litigation and potential damages from unwanted legal attention when their name or products were associated with activities involving any risk. At best the costs to defend their interests, even if they won in court, or worse, negative media attention, were prohibitively expensive. The solution; take a pass.

Any risk is still a huge objection for most companies and their boards of directors. If in doubt, punt, because no matter how much special insurance is in place, as any litigation, damage awards and the public relations impact is not worth it.

Investors as "Honey Pot"

What does this have to do with real estate investing?

Real estate investors are the latest target for Realtors®. Investors are being promoted as the new "hot ticket" for sales success. The received wisdom is to become a real estate investor agent expert and learn how to sell to real estate investors. Take the class, earn the credential and collect the certificate, wear the badge and post the credential on your business card. "Now I are one!"

Personal Real Estate Investor magazine strenuously encourages agents to learn how to work with investors but only after checking with the broker and working out whether this activity is something they encourage. It's about selling more homes, right? Yes, but not so fast.

We were recently invited to present the reasons that real estate companies should consider investors as a source of sales and commission revenues to one of the nation's largest real estate sales companies. They were reluctant to look at investment sales as a business for the simple reason; this is contrary to their traditional owner occupied sales culture. They explained the relationship between a professional agent and a homebuyer as a limited and closed-end transaction. This mostly ends with the sale. Not so with a real estate investor. The relationship is dramatically different as it is advisory and open ended. This relationship introduces new levels of professional responsibility, especially when you include all of the third parties necessary for a successful relationship. Their point was that their liability for an undesirable outcome changes dramatically with an investor versus a homeowner.

Broker Errors & Omissions Advice

We checked with an expert in real estate agent training, management and E&O. He put us in touch with an E&O insurance agency located in New York that specializes in realty practice risk. In the opinion of this professional risk manager, any real estate agent investor sales activity is probably excluded in most real estate broker E&O schedules based on one or all of these four points.

1. Generally E&O insurance policies specifically exclude any discussion of future value of the property as a covered risk.

2. Exclusion schedules state that any suggestion of future value or use of language with a client that implies investment, this becomes a product subject to regulation by state securities regulators or the SEC so is specifically excluded as realtors are not licensed or qualified to discuss investment or future property values.

3. Any transaction that touches on investment or retirement legislation such as the 1974 ERISA legislation is specifically excluded from coverage.

4. And the most dangerous; any certification, badge or credential in a specialty automatically implies a higher degree of professional standard above that of the selling homes to owners and is subject to exclusion, particularly if there is any likelihood of future customer dissatisfaction.

"Ducks in a Barrel"

Pursuing a claim in the exclusionary zone against an investor certified agent in the broker E&O exclusionary zone is a plaintiff lawyer's dream. Just as short sales and foreclosures could become the "next asbestos," it appears ill-advised well-intentioned real estate investment advice, makes realtors, brokers and their brands easy targets. Add consumer activist lawyers and supposed deep pockets. Knowing this is precisely why insurance companies write these investment exclusions.

Any client investment demand against a broker would most likely begin settlement discussions immediately. An adverse judgment and precedent created by a jury decision could damage an industry.

A draconian but impractical solution to this liability is to prohibit agents from investment sales but this effectively eliminates some 20 percent or more of prospective business.

"Knowing your client" is the mantra of the securities investment business. By definition this would most likely be extended to apply to Realtor business that moves from transactional home sales to relational real estate investment advice. You are on notice.

Expert Advice Angst

There are a number of ways to mitigate this otherwise dark scenario. First; avoid any investor training that confers any sort of expert certification as this unduly raises individual confidence and reinforces liability. If you are a real estate agent there is no harm in learning what real estate investors do, join an investor association and take classes but understand where the lines are drawn. Second; understand where homes sales begin and end and where investment advice begins. Third; guard against well-intended real estate education promoters, no matter how much content, charisma or credentialing they offer, as your liability is exponentially increased. Fourth; beware of building any formal investment client referral team, no matter how qualified they may be as you have automatically become liable if they drop the ball. Your broker's E&O certainly does not cover a failure to live up to a client's expectations.

Brokers who insist on earning revenue from investment property sales should check with the E&O insurance carrier to ensure coverage. Consider adding an investment advice rider to the office coverage. A possible interim strategy is to have realtors have their investor clients sign releases and hold harmless agreements to protect the realtor and brokerage against any future negligence claim.

In the meantime, brokers should discourage agents from adding any sort of credential that claims certification or investment advice specialty or expertise as this is an obvious red flag to any legal bull seeking redress for a supposedly wronged investor client.

Also remember that the traded asset industry is becoming increasingly unhappy that clients are considering real estate as investments instead of stocks. Wall Street understands this and is expected to mount aggressive lobbying efforts in state departments of real estate to pay attention to this currently unregulated investment advice.

A Silver (Gold & Platinum) Lining?

Rather than walking away from this twenty percent of the house sale business, we believe there are alternatives that begin with good legal advice and repositioning the brokerage and agents to avoid any E&O issues.

The first step to stop offering unlicensed investment advice is to become licensed by building and staffing a real estate investment advice desk within the brokerage. Ensure this staff is trained and qualified to give pure investment advice with the Financial Industry Regulatory Authority Series 65 and applicable licenses and E&O coverage. The broker's investment team leader is now a registered investment advisor and can earn revenues for the brokerage and agents providing real estate investment advice as well as transactions commissions. This industry precedent already exists with the Tenant in Common sale experience. The brokerage will now likely meet the requirements of special investment E&O coverage.

From Legal Chum to Covered Professionals

To remain within the rules and E&O coverage, the realtors within this brokerage should not offer advice but find and refer their clients or prospects interested in investment to the licensed investment advisor so the broker and realtors are assured they are operating within their skills, licenses and E&O. Their careers and commissions are now most likely covered and protected. These realty investment advisors can now direct clients to the most suitable and appropriate investments for that client within a broad selection of titled real estate investment.

When I began reviewing real estate investment education I had no idea this is where we would end up. Education trends are fleeting, while brands, business reputations and careers are not. For investors, understand personal responsibility but also understand the depth of knowledge in any well-intentioned real estate agent investment advisor you encounter.

The attribution link is
www.PersonalRealEstateInvestorMag.com

God bless and great investing. ■

REAL Trends Interview: Tim Fagan President and CEO, HomeFinder.com

by Travis Saxton, Marketing and Technology Manager

Tim's Bio: As president and chief executive officer, Tim Fagan has been instrumental in the continued growth and evolution of HomeFinder.com. Prior to the current post he has maintained since March 2009 (following the creation of HomeFinder.com, LLC), Tim served as president of Classified Ventures Real Estate.

Beginning in 2006, Tim was responsible for the strategic oversight of two leading real estate websites: HomeGain and HomeFinder.com. Under his leadership, both businesses thrived and evolved despite a challenging real estate market. Most notably, HomeGain met or exceeded its profitability targets each year, while HomeFinder.com experienced dramatic change during its drive to engage the marketplace, marked by the launch of a national website in 2007, the rebranding of the business from Homescape in early 2009, and the announcement of a $40 million print promotion campaign with over 130 newspaper partners.

REAL *Trends:* Tell us about your services offered to the Real Estate Industry.

Fagan: HomeFinder is a consumer facing website with a value proposition of helping consumers find homes. We are a major listing aggregator with direct relationships with 80 MLS's and large real estate networks such as Keller Williams, Realogy and Long and Foster. We accumulate 400 unique data feeds per day to give the consumer the most accurate and complete data we can provide.

Our company network extends to our investors within Classified Ventures Real Estate a conglomerate of several large newspaper companies. We bolster the local, motivated and qualified traffic that comes through these community "front doors" and are interested in real estate. This is what truly positions HomeFinder as a big player in local markets.

REAL *Trends:* Define the scope of your customer base.

Fagan: Since we are a consumer facing site we definitely have their best interest in mind as they provide the traffic to our site, but we do have strong local relationships with agents and brokers across the U.S. since we provide the real estate vertical for over 120 local newspapers varying in size. We offer three marketing solutions to REALTORS® in the form of enhanced listings, Geo Targeted Ads, and our single property websites for agents.

The latter is a unique product that gives an agent the ability to market a home as a standalone website with high level SEO built into the system. It is an excellent opportunity to show a seller that you are dedicated to moving the house and gives you the flexibility to customize the page to their liking. They also have built in social networking tools to increase and leverage the SEO even further. Click here for more information on advertising with HomeFinder.com.

REAL *Trends:* How do you see technology affecting or transforming the real estate industry?

Fagan: To preface, technology has already had a great impact on our industry; it has streamlined the listing and buying process, has made buyers more informed during this process, and has exposed homes to a greater extent than under the older listing models. Technologies such as ours in listing aggregation, online valuation tools and the larger proliferation of data has consumers more knowledgeable than ever.

REAL *Trends:* Five to ten years from now, what one technological advancement do you foresee shaping our industry?

Fagan: Well I see the biggest area for improvement is in the closing process. With electronic signatures taking shape on the REALTOR end, even though the closing process is under higher regulations it is only a matter of time before new tech systems make that process much more efficient and quicker for the consumer. Secondly, the location based services will play a large role in our future.

We launched an iPhone app at the beginning of last year with our data model but with a twist of having a heavy emphasis on open houses. We found consumers still use those greatly on weekends and they move houses for REALTORS, but the process most consumers take is inefficient with driving around a neighborhood they liked until they found an open home. Our iPhone app delivers a consumer within a specified radius the open homes based on their location making the open house process much more efficient for the consumer.

REAL *Trends:* With Mobile browsing usage increasing greatly how does HomeFinder appeal to this audience?

Fagan: In addition to our iPhone app, which is cutting edge technology, we offer a mobile browsing experience on all of our listings. We also offer the ability to reach out to the REALTOR from whichever method they prefer providing real time leads for them.

REAL *Trends:* Why is lead generation and proper handling so important to a realtor's business?

Fagan: In the technology age there is nothing more important than a timely response to an incoming lead. We have worked with several realtors on their single property websites through us on streamlining that response time. The good companies get it and as a result they are efficient with strategic systems in place to offer the consumer a swift response. It is a problem in our industry that has been around for sometime and appears to be a growing issue. It is often times magnified when you get a new inexperienced REALTOR. We preach to many of our customers the importance of understanding their system and to follow up in a timely manner. We track all of the leads we send our clients whether it be mobile, email, or via unique phone numbers we can help the brokers identify these problems. ■

Your Social Media Emergency Response Kit

by Jeremy Conaway, Contributing Editor

The good news is that following three years of massive expense and effort, real estate professionals across North America are now making effective use of various social media tools. The bad news is that, as is always the case, ten percent of agents will go too far. And at least three percent of them will commit errors that will get their brokers in trouble.

This problem is certainly not limited to the real estate industry, quite the opposite, a number of high profile social media gaffs have occurred over the past several months in several industries. Shoe mogul Kenneth Cole sent out a tweet to thousands that suggested that the mobs in Egypt were responding to an announcement that his shoes were now available on the Internet. Last summer's famous Tweet regarding the Gulf oil spill set off an avalanche of protest. Last week's posting of the GroupOn's super bowl commercial involving Tibet on YouTube.com was just the latest social media disaster.

A number of seminars, webinars and other industry knowledge and learning offerings have done an excellent job of advising real estate brokerage firms relative to their legal liability for their agents' social media blunders. The bottom line is that brokerage liability for the social media mistakes of their agents is extensive. This is a prime area for strengthening the brokerage risk management program.

As a starting point for this discussion it is critical that brokers appreciate the dynamic and nature of the risk. It isn't so much a legal risk, although that possibility exists. The real threat from an agent's social media mistake is the potential of a firestorm of online criticism that can spread across a wide audience and become a public relations nightmare.

In considering this eventuality, brokers might take a page from Charlene Li's book *Groundswell* where she teaches us that at any given time 25 percent of those involved in social media are in a "critic" mode versus 18 percent who are in a positive or contributory frame of mind. In other words criticism is celebrated on the Internet and there are thousands of people just waiting to play.

There are actually three levels of risk management required to protect firms from agent originated social media problems and liability.

Raising the issue, incorporating a social media policy and monitor the traffic.

The basic best practice is to openly discuss the problem. Inform your agents that the abuse of social medias has become a critical problem, explain you are concerned enough to enact a policy and heretofore you will be monitoring all agent initiated social media based communications. Prepare for a torrent of complaints regard the monitoring problem. In the confused world of independent contracting, agents are easily confused about those matters that jump the liability fence. It is your business and it is your liability.

The next level of protection is for every brokerage to have a social media policy. The policy can be as simple or as detailed as the broker wants. NAR's Risk Management Committee recently drafted a model policy for brokers to use as an example in their own offices. Most social media policies are general, reminding agents not to discriminate, not to make disparaging remarks, not to reveal clients' personal information and what the consequences are in the event you don't abide by the policy.

Unfortunately some agents will not take the time to read the company social media policy nor will they recognize the other dangers of misusing social media. It is this group that will, one way or another, ultimately get their broker in trouble.

Activating the common sense approach to risk management.

The next step is to resort to a common sense approach to your firm's overall social media presence. Many if not most social media mistakes arise from using social medias for purposes that were unintended and unproductive. Accepting the risk of doing something wrong is never acceptable.

With due credit to Mr. Jay Baer, consider the following common sense approaches:

- Twitter is a tool not a marketing script
- It is called social media but it should be called business communications media. Get the top social media practitioners in your firm to create a set of social media best practices and use them as a monitoring guide. Social media and free speech belong in different columns
- Carefully monitor the Internet to discover what is being said about you and take it seriously
- Create content that delivers impact without liability
- Get on board "location based" social media; it is the up and coming thing.
- Facebook should be part of your business social media arsenal
- Email is a social media not an easy letter.

What to do when the firm discovers that a social media mistake has occurred?

It is really not a matter of if but rather when one of your agents will cross the line and incur the wrath. When it happens recognize the following seven steps. Keep in mind that when the mistake happens things will move quickly (measured in minutes!) and the brokerage team must be on its toes 24/7.

1. The mistake occurs. Hopefully the firm's monitoring system will pick it up. Immediately activate the social media team. Speed is everything here. In the Internet culture failure to respond is a declaration of war.

2. While it may seem impossible that hundreds of persons were just waiting out on the Internet to jump on your back the fact is that this is exactly what will happen. Internet criticism doesn't develop it explodes.

3. Prepare and issue an apology or sincere response. Beware of trying to explain yourself. Mobs are not given to logic and rational thinking (that's no fun) but neither is it fun to attack someone whose knee is on the ground. This is after all "social" media.

4. The parody phase. If you aren't going to play then someone will create (within minutes) a parody to continue the fun at your expense. There is no need to respond to this tactic. Internet insiders will immediately understand it for what it is.

5. You will see the Internet traffic began to turn to humor. Humor is the 18th hole of an Internet mistake. These are, after all, fairly bright people regardless of what you may be thinking. Keep in mind that there will be another social media screw up coming along in a little while.

6. Suddenly even the humor will go away and quickly it will be, as it never happened. The only thing that holds an attention span in social media is someone who wants to defend their mistake or make a point. Everything else is just a lark.

7. Tighten your monitoring. You are now on the list of possible contributors to the growing sport of social media punking. Hundreds of people will be monitoring your online activities.

One last point. If you are over 55 years of age, reading this and thinking to yourself that this is just a bunch of children wasting your time keep in mind that this game is not for you. When you decide to go after the riches of the Internet marketplace you also decide to take the risk of being social media cannon fodder. Think fast, move quickly and get back to the battle. We can do this. ■

Guide to Social Media Policies

by Travis Saxton, Marketing and Technology Manager

Social networking through the use of internet-based and other electronic social media tools is integrated into everyday life. Use of Facebook, LinkedIn, Twitter, blogging, wikis and other online social media vehicles are commonplace. This article is intended to provide REALTORS® and brokers with guidelines to eliminate any confusion concerning the use of social media.

Why a Policy: The lines between work and personal life can become blurred. In general, what you do on your own time is a personal decision. However, activities in or outside of work that affect your job performance, the performance of others, or the real estate community are a proper focus for a social media policy.

Contributing to the online conversations about the real estate industry and realtors/brokers means being present where and when they are taking place. As technology tools enable an easy exchange with other professionals, governmental representatives, clients, and the public, you are encouraged to share the insights and expertise gained through your work as a REALTOR®. You should be able do so without first asking permission provided you have a properly administered and executed social media policy

Matter of Trust: Being able to share your information and activities without prior management approval means the company trusts you to understand that by doing so you are accepting a higher level of risk for greater rewards. Each staff member is personally responsible for the content he or she publishes on any form of social media. Be thoughtful about how you present yourself in online social networks.

The Essentials: According to Jim Crawford, from Realty Times, a proper social media policy should include consideration in each of the following areas:

- Social Media Marketing – Web, blogs, Twitter and networking, etc. do's & don'ts!
- Advertising properties – Disclosure of licensure and affiliation.
- Whose Property can you advertise?
- Compliance to state real estate license law for advertising
- Fair Housing laws, and correct verbiage.
- Copyright laws – plagiarism
- Defamation of character
- Fiduciary to clients
- Identification of licensure and license affiliation
- Liable
- Making false or unsubstantiated claims
- Personal opinion
- RESPA
- Slander

The number one issue to illustrate to your agents is that they understand they represent your company in all interactions whether in the concrete business environment or the virtual environment; they are a representative of your company. As a representative of the company, your agent's positions must be in-line with policies and positions.

Secondly, if your agent is not completely confident with the nature or message they intend to post on their social media channels it is imperative that they seek council from within and are comfortable in that process of whom to contact. A social media policy is not intended to intimidate or discourage what could be beneficial marketing and branding experiences, yet to foster and grow in a meaningful and productive way.

If you would like to take a look at REAL *Trends'* internal social media policy please feel free to contact the author at tsaxton@realtrends.com and we would be happy to share and also give you the ability to adapt it to fit your business needs. ■

REAL Trends Housing Market Report – January 2011

The combination of new and existing home sales in January 2011 decreased from December 2010 with the annualized rate of sales declining to 5.165 million from December's annualized rate of 5.48 million. Unit sales in January 2011 increased 4.3 percent over January 2010 the first increase in several months over the year ago results.

The average price of new and existing home sales in January 2011 decreased 6.2 percent from January 2010 reversing the last six months of increases in the prices of homes sold.

February 14, 2011 – The REAL *Trends* Housing Market Report for January 2011 showed that the annualized rate of the combination of new and existing housing sales decreased from 5.48 million in December 2010 to 5.165 million in January 2011.

January 2011 unit sales increased 4.3 percent from January 2010 while the average price of homes sold decreased 6.2 percent.

Housing unit sales for January 2011 increased in three of the four regions with only the Northeast region showing a year over year decline. The decline in the Northeast was 2.0 percent; the South had the largest increase with unit sales up 8.8; Midwest unit sales were up 5.9 percent while the West saw unit sales increase 1.7 percent.

Average prices of homes sold in January 2011 decreased 6.2 percent reversing the trend of the last six months when prices had been on the upswing. Every region showed decreases in the average prices of homes sold with the West showing the largest decline of 8.2 percent. The South had the lowest decrease at 0.4 percent. The Midwest saw prices decline 3.0 percent while prices in the Northeast declined 6.0 percent.

"The January news was mixed with unit sales up from last January but down on an annualized basis from December 2010," said Steve Murray, editor of REAL *Trends*. "The increase in unit sales in January 2011 over January 2010 should be viewed against the stimulus provided by the second installment of the Federal first time homebuyers tax credit a year ago. The fact that sales for January 2011 were up from January 2010 is very encouraging for housing."

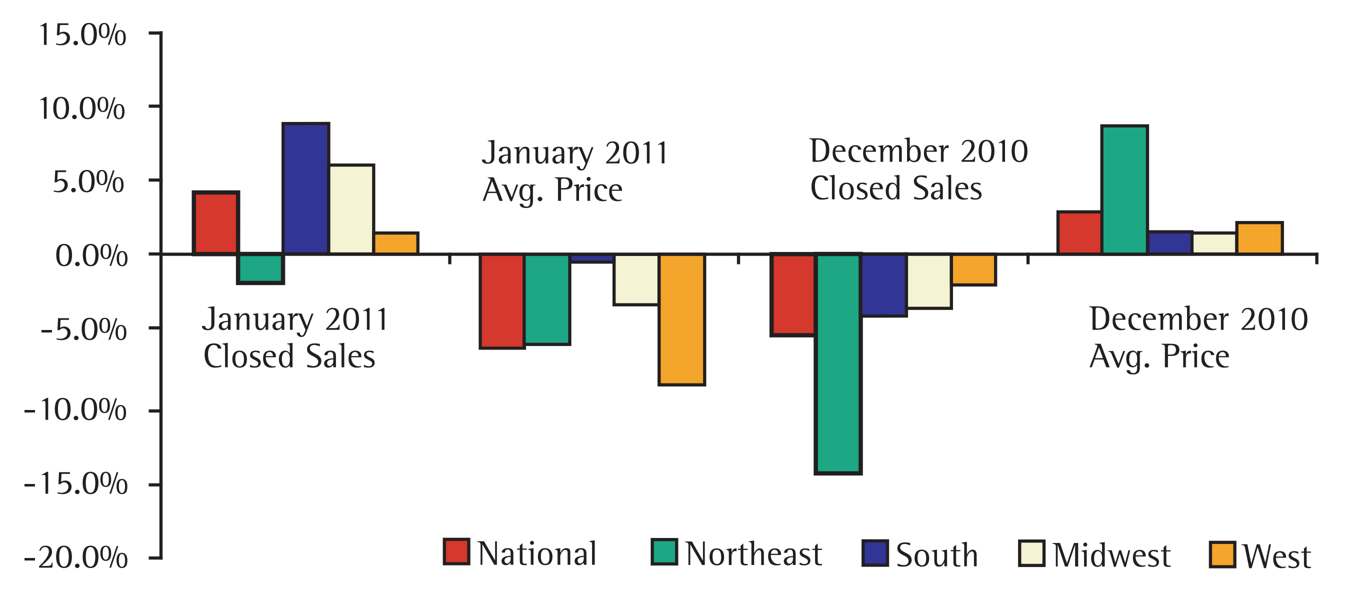
"The downside is that the annualized rate fell showing that while housing is starting to show significant signs of life, full recovery is a ways off. Also the declines in the average prices across all regions, reversing many months of increases show that the oversupply of housing and new supplies of distressed properties are continuing to keep a tight lid on any possible price increases. Forecasts that call for increases in distressed inventories through 2011 will likely continue the downward pressure on prices." ■

See the REAL Trends January/December Housing Market Report Chart on the Following Page

REAL Trends January/December Housing Market Report

(Versus same month a year ago)

	January 2011 Closed Sales	January 2011 Avg. Price	December 2010 Closed Sales	December 2010 Avg. Price
National	+4.3%	-6.2%	-5.5%	+2.8%
Regional Report				
Northeast	-2.0%	-6.0%	-14.1%	+8.6%
South	+8.8%	-0.4%	-4.3%	+1.5%
Midwest	+5.9%	-3.0%	-3.9%	+1.4%
West	+1.7%	-8.2%	-2.1%	+2.2%



Update on Housing Facts from the U.S. Census Bureau

Total Housing Units in the United States:
130.85 million vs.
130.19 million in Q4 2009

How Many Are Occupied:
112.45 million (85.9% of total) vs.
111.37 million in Q4 2009

How Many Are Owner-Occupied:
74.78 million (57.2% of total) vs.
74.81 million in Q4 2009

How Many Are Occupied By Renters:
37.67 million (28.8% of total) vs.
36.56 million in Q4 2009

How Many Homes Are Vacant:
18.39 million (14.1% of total) vs.
18.82 million in Q4 2009

How Many Homes Are Being Held off the Market:
7.23 million (5.5%) vs.
6.77 million in Q4 2009

Excerpts from the Release…

The homeownership rate of 66.5 percent was 0.7 percentage points (+/-0.4%) lower than the fourth quarter 2009 rate (67.2 percent) and 0.4 percentage points (+/-0.4%) lower than the rate last quarter (66.9 percent). ■

Editor's Note

One outcome of the two REAL *Trends* Leadership Institutes that we have held in the last six months was that "data driven" decision-making will be far more important in the years to come than in years past. Whether it is in terms of recruiting and retention, measuring the effectiveness of online marketing or the profit and loss statement, brokerage firms and sales professionals will have to have ways to measure the effectiveness of their spending and their practice.

To address these issues REAL *Trends* will adjust its next installment of the REAL *Trends* Leadership Institute to focus on the methods and means of developing and understanding how to better use data in the residential brokerage business. The program is being planned for mid to late September in Chicago. More details will be available shortly.

The Wall Street Journal/REAL *Trends* Top 400 to become The Thousand in 2011

The Wall Street Journal/REAL *Trends* Top Sales Professionals Survey and ranking is being expanded in 2011 to encompass the thousand top producing sales professionals. Due to the increasing interest by top sales professionals and teams from across the U.S. and Canada we have chosen to expand the ranking and the benefits that will be available to those who qualify. We will also be expanding the rankings to Canada this year as well.

Look for the application to come out online at www.realtrends.com on April 1, 2011. ■