

# REAL *Trends*

The Trusted Source

CELEBRATING OUR 25TH YEAR

## COMMENTARY

### Leadership Will Matter Most

Recently there have been many rumors with respect to the future ownership of residential brokerage enterprises both national and local. And while it is of extreme importance to those directly involved, other than the “discussion” value of these kinds of potential changes,

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it should be far down the list of priorities for realty leaders. All of our collective years of consulting and reporting on the residential brokerage industry tell us that changing the name on the sign is far less important than the changes in the leadership of a realty firm.

What we find most interesting is that “leadership” in our business is so little discussed while in other industries it so widely talked about. We recall an early lesson from Peter Lynch, a legendary investor for Fidelity in the 70’s and 80’s, who said that he invested in “idiot proof companies because sooner or later an idiot would be running the place.” Perhaps it wasn’t his original quote but he said it when referring to one of his most important criteria for investing in companies and businesses. We recall having seen the effects of leadership on several companies such as the miraculous turnaround of Proctor and Gamble engineered by A.G. Lafley; the impact of Andrew Grove at Intel; the steady guidance of Richard Kovacevich at Wells Fargo and, over the past ten years, the inspirational creative genius of Steve Jobs at Apple.

The impact of effective leadership can never be underrated.

In our book, *Game Plan*, we looked at research going back 20 years to determine what made for successful realty firms. Some of this has been previously published in REAL Trends. The performance of realty firms in terms of important metrics such as growth in numbers of sales professionals, transactions per sales professional, growth in core services, and the profitability of realty firms all demonstrate beyond any reasonable doubt that it is not region, or size, or brand name or business model that determines the success of a brokerage firm. In each of these performance metrics we found that firms in many different categories of each of these attributes were successful. What differentiated those who achieved outstanding long term success was the caliber of the leadership team and the ability of the organization to adapt to change.

It is not that realty leaders don’t talk about the need of strong leadership. It is that so little time and resource is put into it. Yet the ability of any realty firm to achieve long lasting success is based on the ability to develop, retain, and deploy strong leaders at all levels of the organization. This process is not easy, it is painful in many cases (investing in mistakes is always painful), there is no guarantee of success, and for most entrepreneurs, dealing with future leaders who don’t do things exactly like they would have done it is stressful. When does one let go after all?

In *Game Plan* we express this as one of the absolute key factors in who will win and who will be left behind, whether as the

leader of a brokerage firm or of a sales team. It is fundamental to everyone's "Game Plan." The good news is that the business world is full of books and guides that detail the how's and what's of good leadership. It can be learned. It is not just instinctive as so many seem to believe.

Even more so the great leaders who exist can instruct others through practical experience and day-to-day learning how to be an effective leader. And it is important to know that great leaders in our industry are very different from each other in their outward conduct and appearance. But they do have a few things in common:

- They can explain a vision of what they want their company to do, how it will behave, what they believe in;
- They are generally disciplined about the processes that make the company run;

- They hold people accountable;
- Communication, both horizontal and vertical, is practiced religiously;
- People are developed through the combination of empowerment and accountability.

Above all they engender a high degree of trust in those around them. No one will follow a leader in pursuit of the objective unless and until they believe that the leader can be trusted.

Along with a theory we subscribe to that says "hope is not a plan," we believe that a firm either develops future leaders or they are ultimately a seller.

Regardless of whether one is a local brokerage or a national franchisor, the search for and development of talent will continue to be the most important factor in the future of any realty organization. ■

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### *News to Bring a Smile*

**Forget Case Schiller/CoreLogic and NAR – Here is the headline that says legions**

Real Estate One, the largest privately-owned brokerage in Michigan, reported that the firm set a new record for the month of June with nearly 2,100 transactions written during the month. It was also the best sales month since June 2006 – period. With Michigan sales heading up to new levels can

the rest of the country be far behind? Forgetting the speculative boom that drove Arizona, Nevada, and California off the cliff, Michigan's housing market fell due to the economy. When autos fell, housing in Michigan fell. Now that sales are up and autos are recovering, one can only believe that it is an indicator that the market has hit bottom and is headed back, slowly but surely. ■

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### *Preparing for the Investor's Call*

*By Jeremy Conaway, contributing editor*

Even while its day-to-day practitioners continue to fight the ill effects of an inconsistent and transitioning marketplace the so-called industry "experts" and analysts are suggesting that the light at the end of the tunnel is in sight for those with imagination and foresight. While the exact date for this sacred event has yet to be set, the financial and investor communities are beginning their investigative process into how best to exploit the opportunities

created by this moment of the vulnerabilities of those who have shepherded the industry through the traumas of the past several years.

What this means for today's real estate broker is that we are coming up to a key T intersection. The decision to turn left or right will be made with an eye to what role brokers will be selecting for their firms moving forward into the new real estate industry, marketplace and transaction.

For many, if not most brokers, these future roles will involve accessing new capital for acquisitions, mergers or retrofit activities. A useful preliminary step that should be undertaken as soon as possible will be to acquaint themselves with the probable expectations or demands of investors.

A good starting point for this exercise will be to recognize that at the beginning most investors, including virtually all financial institutions, will start this next phase with a bit of negativity in their minds. Five years of constant news about the struggling industry will have left a mindset that will not go away quickly. However, accurate, honest and dependable market performance statistics

*“...most investors will start this next phase with a bit of negativity in their minds.”*

produced by such organizations as 10K (out of the Minneapolis Association of REALTORS®) will go a long way to build the confidence necessary to pave the way towards financing availability.

Obviously before proceeding too far into the process investors will expect to see the details of the brokerage, such as the type of business model, management structure, financial picture and markets addressed. While the particulars may differ depending on the type of investor, the amount of the funding required, and the nature of the business objectives reflected in the applicant's business plan, there are several main things investors will be looking for.

1. Investors will want to learn about your vision for the future of your company and its operations in

light of the new market factors. What impact do you believe the last several years have had on the business? How will your new business model address these differences and how will you differentiate your firm with respect to others that will be competing for the same financial resources?

2. Investors will want to learn about your background in the industry and business experience as well as that of your management team. Many small businesses fail because of weaknesses in the management team, but even more because they fail to recognize and appropriately compensate for changing market characteristics. Does your team include both traditional experience and the new skills and competencies that will be required? What has your team learned over the past few years and how will that knowledge be applied?
3. Investors will have studied the characteristics of the traditional real estate brokerages and will want to know how brokerages will be meeting the challenges of productivity, profitability and agent control. It is not clear that investors will be interested in investing in brokerages that propose to maintain financial models in which parties other than the principals and the management team are in control of profitability. That lesson has been learned.
4. Not only do you need to show how your services are unique enough for differentiation in the new marketplace, you will need to prove that there is a demonstrated need for your approach to the real estate marketplace and a large enough market potential to make the investment worthwhile. Investors don't want to invest in "yesterday's" ideas - you have to show them the potential to be a big success in the new real estate marketplace.
5. No matter how unique your product or service may be, you must show that you know your market demographics from a contemporary scale and will reach your target market in an ongoing

market demographics from a contemporary scale and will reach your target market in an ongoing manner. Your pricing and sales strategy must be clearly defined and in line, not with industry, but rather with estimates of market performance that can be proven to the investor's satisfaction.

6. Investors want to know that you have acknowledged and researched your competition thoroughly. Competitive analysis was not an area of priority during past history of the industry. After all everyone was doing the same thing so the concepts of competitiveness became illusive and overly personal. In addition, investors will want to see how you plan to contend with your competitors and distinguish yourself. What will give you the competitive edge? Study the concept of "extreme competition" and understand how it will impact your firm moving forward.
7. Investors will want to see an accounting for "innovation" and "creativity." What role and with what result has innovation and creativity played in your firm over the past three years. How are you doing things differently? Some investors having done their homework believe that in the final analysis the traditional real estate brokerage business model will not work going forward. They will demand a demonstration of how new models are more sustainable and how they will generate consistent profitability.

Investors will expect to see an "adult" return on their investment. Therefore, they want to see

realistic financial projections that show how long it will take for the business to show a profit and for them to recoup their initial investment. Firms that can demonstrate that they have already begun the

*"..investors want to see realistic financial projections..."*

journey of transition and transformation will be at a clear advantage, especially in those areas that required choice versus capital. They will also want to see a clear exit strategy: a way to make a profit and move on to the next deal.

In the final analysis investors who are interested in investing in the new American real estate industry are going to be applying the same tests that they are using to judge the appropriateness of every other business they invest in. Potential borrowers from the real estate sectors will want to avoid claims that somehow their business is unique and that the "regular" tests don't apply here.

Now is the time for brokers to prepare their companies to engage in this process. We know what went wrong, we know what is going right and we know what this new market is going to look like. Add equal amounts of experience, differentiation, creativity, and innovation and you are on your way. ■

# MARKET NEWS

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## *REAL Trends Housing Market Report – June 2011*

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### *June housing sales show modest but continued strengthening*

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*Annualized rate of home sales increases from 4.860 million in May 2011 to 5.369 million in June 2011. Average prices of homes sold in June 2011 decreased 1.0 percent from June of 2010.*

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*July 18, 2011 – The REAL Trends Housing Market Report showed that the combination of new and existing home sales in June 2011 on an annualized basis increased from 4.860 million in May 2011 to 5.369 million in June. However the June 2011 rate declined 9.1 percent from the year ago rate of 5.906 million due to the unfavorable comparison with the ending of the tax credit fueled rate of a year ago.*

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*The average price of homes sold declined for the first time in several months with June 2011 average prices declining 1.0 percent from the year ago rate. This decrease follows on increases in each of the last four months.*

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Housing unit sales for June 2011 were down 26.3 percent in the Northeast followed by a decrease of 9.3 percent in the Midwest when compared to the year ago sales rate. The West had the best performance where housing unit sales were down only 2.7 percent from June 2010.

Average prices of homes sold in June 2011 decreased 1.0 percent across the country. The Northeast had the largest increase with the average price up 4.3 percent followed by a 3.6 percent increase in the South. The largest decrease in average prices of homes sold occurred in the Midwest where prices were off 3.1 percent from a year ago. The West was down 3.0 percent.

“The June 2011 REAL Trends Housing Report shows that housing sales show surprising strength

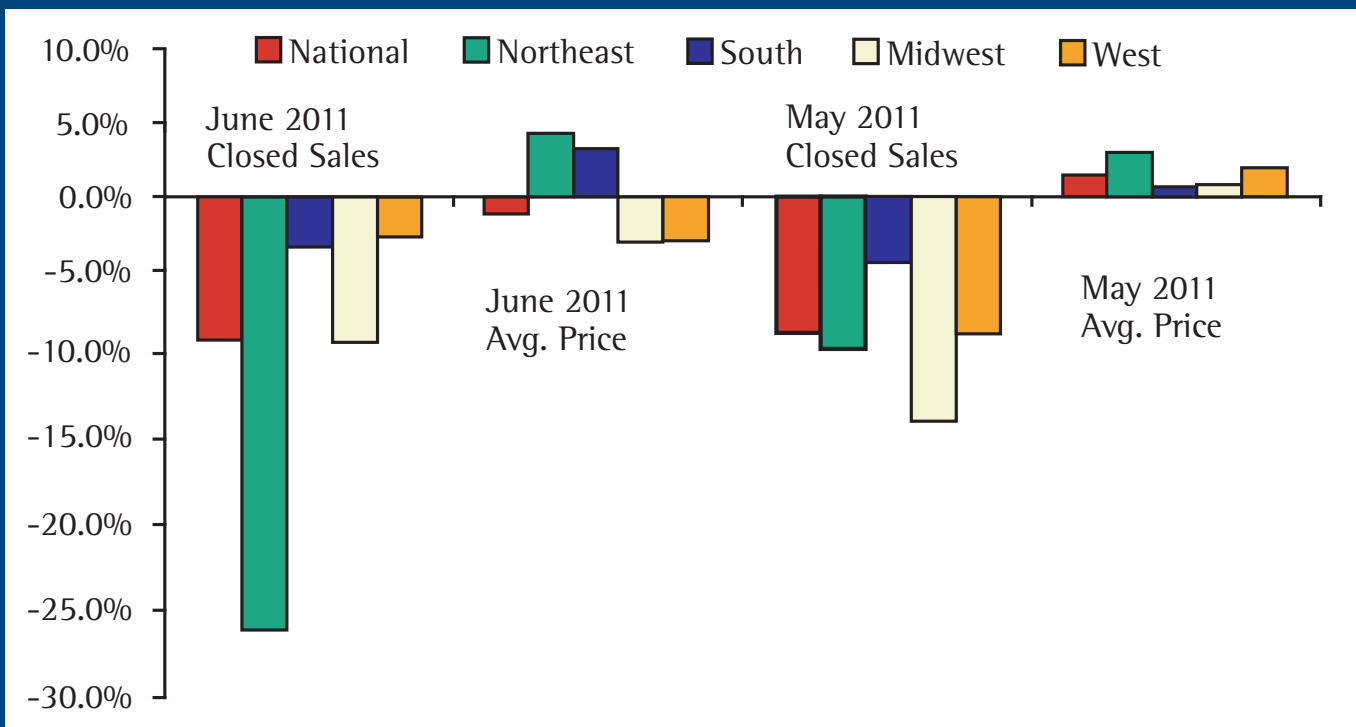
considering the tough economic climate and comparisons to year ago sales that were significantly boosted by the 2010 tax credit program. A significant part of the decline as measured on a year over year basis is due to the Federal tax credit which significantly raised housing sales in the March through June period of 2010,” said Steve Murray, editor of the REAL Trends Housing Market Report. “The fact that the actual average price of home sales has decreased only slightly in June seems to indicate that the market is absorbing the negative news of increased unemployment and continued increases in distressed properties fairly well.” ■

*See the REAL Trends  
June/May Housing Market  
Report Chart on the Following Page*

## REAL Trends June/May Housing Market Report

(Versus same month a year ago)

	June 2011 Closed Sales	June 2011 Avg. Price	May 2011 Closed Sales	May 2011 Avg. Price
National	-9.1%	-1.0%	-8.6%	+1.5%
<b>Regional Report</b>				
Northeast	-26.3%	+4.3%	-9.7%	+3.1%
South	-3.4%	+3.6%	-4.6%	+0.6%
Midwest	-9.3%	-3.1%	-14.0%	+0.7%
West	-2.7%	-3.0%	-8.6%	+2.0%



### REAL Trends Website Consulting

Our website consulting is a service dedicated to the real estate industry. REAL Trends will take an unbiased look into the functioning, marketing, SEO, and other essential metrics of your websites. Whether you're in the decision process to get a new website, make changes to your current website, or hire SEO experts, the team

at REAL Trends can give you some very valuable direction and information at an affordable price. We will highlight strengths and weaknesses, make recommendations, and deliver a professional report for your ongoing web efforts. If you are interested in discussing your site and how we can help you, please email [realtrends@realtrends.com](mailto:realtrends@realtrends.com) or call 303-741-1000. ■

## CoreLogic: Shadow Inventory Down 10.5%

The nation's shadow inventory dropped to 1.7 million residential units in April, down 10.5% from a year earlier and representing a five-month supply, CoreLogic (CLGX: 16.815 -0.27%) said on June 22, 2011. The decline from a year ago is due to fewer new delinquencies and the high level of distressed sales, which helped reduce the number of outstanding distressed loans, the Santa Ana, California-based data company said.

"The shadow inventory has declined by nearly one-fifth since it peaked in early 2010, in large part due to a reduced flow of newly delinquent loans in recent months," according to said Mark Fleming, chief economist for CoreLogic. "However, it will probably take several years for the shadow inventory to be absorbed given the long timelines in processing and completing foreclosures."

CoreLogic estimates current shadow inventory, also known as pending supply, by calculating the number of distressed properties not listed on multiple listing services that are at least 90-days delinquent, in foreclosure or in real estate-owned status.

Transition rates of delinquency to foreclosure and foreclosure to REO are used to identify the

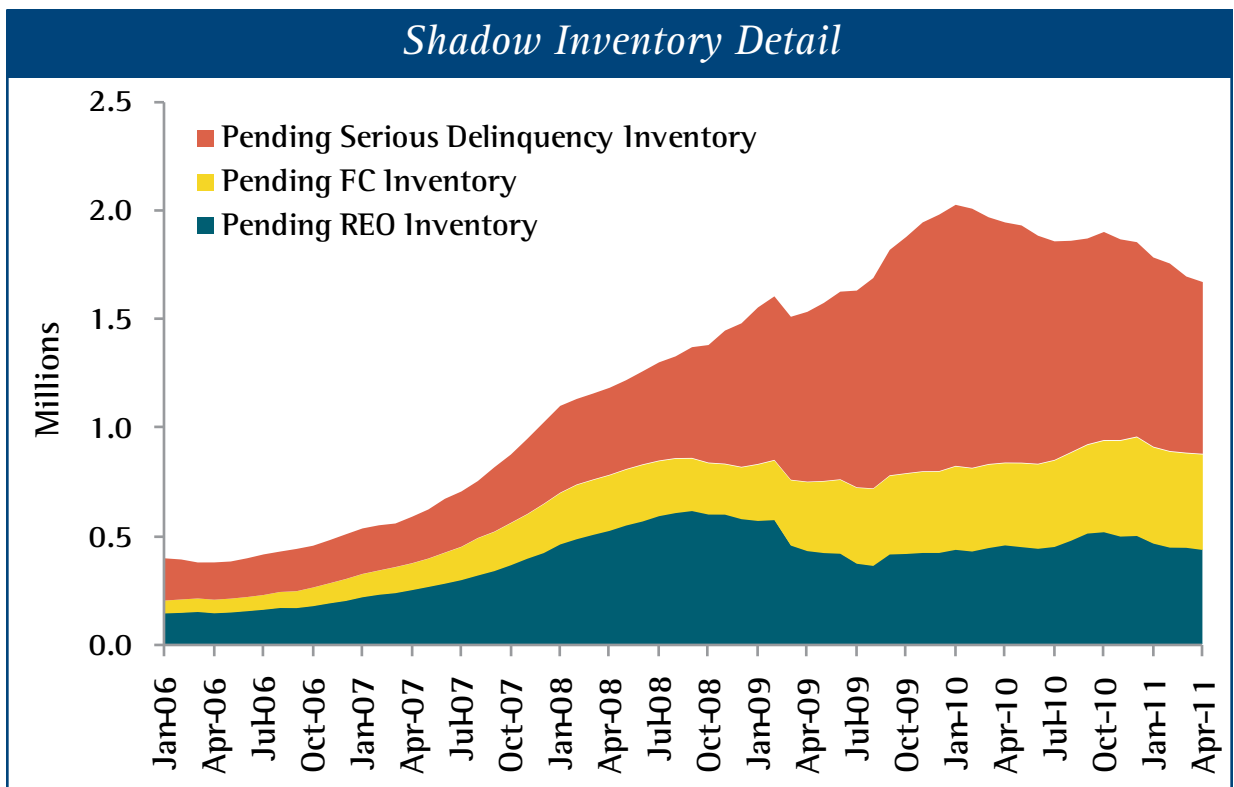
distressed nonlisted properties most likely to become REO properties. Properties not yet delinquent but may become delinquent aren't included in CoreLogic's estimate.

Of the 1.7 million residential units that make up the shadow inventory, 790,000 units are seriously delinquent – a 2.6-month supply, and another 440,000 are in some stage of foreclosure – a 1.4-month supply. Another 440,000 are already in REO, CoreLogic said.

The nation's shadow inventory peaked in January 2010 at 2 million units, representing 8.5-month supply.

The total shadow and visible inventory was 5.7 million units in April, down from 6.2 million units a year ago. The shadow inventory accounts for 29% of available properties. In addition to the current shadow inventory, there are 2 million home loans with negative equity of more than 50% or \$150,000. "These current but underwater loans have increased risk of entering the shadow inventory if the owners' ability to pay is impaired while significantly underwater," CoreLogic said. ■

### Shadow Inventory Detail



Source:  
CoreLogic

## *Some More Seasonal Improvement in Home Prices According to the S&P/Case-Shiller Home Price Indices*

*Source: S&P/Case-Shiller*

Data through May 2011, released July 26th by S&P Indices for its S&P/Case Shiller Home Price Indices, showed a second consecutive month of increase in prices for the 10- and 20-City Composites. The 10- and 20-City Composites were up 1.1% and 1.0%, respectively, in May over April. Sixteen of the 20 MSAs and both Composites posted positive monthly increases; Detroit, Las Vegas and Tampa were down over the month and Phoenix was unchanged. On an annual basis, Washington DC was the only MSA with a positive rate of change, up 1.3%. The remaining 19 MSAs and the 10- and 20- City Composites were down in May 2011 versus the same month last year. Minneapolis fared the worst posting a double-digit decline of 11.7%.

“We see some seasonal improvements with May’s data,” says David M. Blitzer, Chairman of the Index Committee at S&P Indices. “This is a seasonal period of stronger demand for houses, so monthly price increases are to be expected and were seen in 16 of the 20 cities. The exceptions where prices fell were Detroit, Las Vegas and Tampa. However, 19 of 20 cities saw prices drop over the last 12 months. The concern is that much of the monthly gains are only seasonal.

“May’s report showed unusually large revisions across some of the MSAs. In particular, Detroit, New York, Tampa and Washington DC all saw above normal revisions. Our sales pairs data indicate that these markets reported a lot more sales from prior months, which caused the revisions. The lag in reporting home sales in these markets has increased over the past few months. Also, when sales volumes are relatively low, as is the case right now, revisions are more noticeable.

“Other recent housing statistics show that single-family housing starts were up moderately in June, and are at about the same pace as a year ago.

Existing-home sales were flat in June, reportedly because of contract cancellations and tight credit. The S&P/Experian Consumer Credit Default indices showed a continuing decline in mortgage default rates since last winter. Other reports confirm that banks have tightened lending standards in the past year, making it harder to qualify for a mortgage despite very low interest rates. Combined, these data all support a continuation of the ‘bounce-along-the-bottom’ scenario we have witnessed in the housing market over the past two years.

“While the monthly data were encouraging, most MSAs and both Composites fared poorly in annual terms. Nineteen of the 20 MSAs and the two Composites posted negative annual growth rates in May 2011. The 10-City Composite was down 3.6% and the 20-City Composite was down 4.5% in May 2011 versus May 2010. Minneapolis posted a double-digit decline in annual rate of 11.7%. The only beacon of hope was Washington D.C. with a +1.3% annual growth rate and a +2.4% monthly increase. We have now seen two consecutive months of generally improving prices; however, we might have a long way to go before we see a real recovery. Sustained increases in home prices over several months and better annual results need to be seen before we can confirm real estate market recovery.”

As of May 2011, 16 of the 20 MSAs and both Composites posted positive monthly changes. Phoenix was flat. Detroit, Las Vegas and Tampa were the markets where levels fell in May versus April, with Detroit down by 2.8% and Las Vegas posting its eighth consecutive monthly decline. These three cities also posted new index level lows in May 2011. They are now 51.2%, 59.3% and 47.5% below their 2005-6 peak levels, respectively. ■

# NETWORKS

## *Budge Huskey Aims to Keep Coldwell Banker in Balance*

by Nicolai Kolding, associate editor

Any franchise that has been around for over a century and has 90,000 sales professionals in fifty countries is bound to have a wide variety of interests. So it is with Coldwell Banker Real Estate LLC. Trying to maintain the organization's balance without allowing it to go staid is the job of Budge Huskey, the brand's President and COO.

"It's a balance of trust and innovation," says Huskey of the desire to maintain a long-held identity with the need to constantly move forward.



Huskey began his real estate career in 1984 as a sales agent, and later a branch manager, in his father's brokerage in Florida. As he wanted to carve out his own path, he left the company to join an NRT-owned Coldwell Banker office as a branch manager in 1998. His leadership skills were quickly recognized and he advanced from branch manager to regional manager to President of NRT's Florida operations and finally to Executive Vice President of their 120-office Southeastern region in 2007. Like the brand he manages (along with CEO Jim Gillespie), Huskey's background is deeply-rooted in direct operational experience.

He therefore fully appreciates both the benefits and the challenges that come with being part of a brand that has a separately-run, company-owned unit the size of NRT operating parallel to it – a scenario that is truly unique in the industry to Coldwell Banker. On the one hand, there is certainly collaboration both in the corporate offices and in the field. NRT is often the "test kitchen" for new technologies and concepts that are then rolled

out to the network. This, as Huskey points out, is "an incredible benefit" to the brand as its affiliates get programs that have gone through the early hiccups on someone else's time and have been improved upon. On the other hand, there will inherently be areas of conflict when company-owned and franchised territories overlap (even when – one could argue especially when – lines are not explicitly drawn); although Huskey has worked to bring the two units closer, it's nearly impossible for interests to be fully aligned at all times.

In addition, Coldwell Banker must balance the needs of its residential and its commercial operations. Although there is a sizeable gap between it and the top industry companies like CB Richard Ellis and Cushman & Wakefield, Coldwell Banker Commercial is the 7th largest player nationally and the largest of any primarily-residential network. Here again the brand will continue to try to balance the needs of these very different players while carving out its own identity.

Huskey, in fact, views the diversification of revenues (which includes expanding its commercial reach along with growing income opportunities in mortgage, title, property management, REOs, and a host of other areas) as one of four key strategies for growth for Coldwell Banker. He identified the other three as (i) mergers & acquisitions (both through NRT and by helping its affiliates acquire other local brokerages, an area where Realogy has always tried to be aggressive through its funding programs), (ii) international growth, where, despite being in most major countries already and, in many cases, locked under long-term master franchise agreements, Huskey says, "We believe we are just beginning to scratch the surface in what we feel can be accomplished on an international basis going forward." The final growth initiative the brand is focused on is recruiting. Here Huskey believes Coldwell Banker needs to take a more activist role in helping its affiliates grow

organically. As he explained, “The brand is taking a philosophical position that we have a greater responsibility in that area than perhaps we ever had and that we need to get involved and truly be partners with our broker network in terms of helping them in identifying talent.”

*“The branch manager has the hardest job in real estate ... it all boils down to that local branch leadership.”*

Huskey, drawing from his own experience, understands the critical role branch managers in particular will play in determining both the brand’s and its affiliates’ growth success. “The branch manager has the hardest job in real estate and it’s really the heart of any real estate company. It makes or breaks an organization which is why I feel, as an industry, what most companies are unwilling to do – and it’s very financially shortsighted – is make the investments in the identification and development of branch managers. If you look at their financial impact over years it can be literally hundreds of thousands of dollars. We’ve seen it far too often; companies in the same market environment with the same tools and systems but yet why does one office have enormous success and profitability while others

don’t? It all boils down to that local branch leadership.”

The challenge for Coldwell Banker, as it is with most every real estate company, is finding and developing the right people from what seems a limited pool of prospects. It is perhaps one of the reasons that several of the brand’s recent marketing initiatives seem to be aimed at attracting tech-savvy professionals and customers. From its YouTube library to its collaboration with Apple on iPad applications, Coldwell Banker is again trying to strike that balance between its more formal image and a need to bring new energy in.

In helping to explain the role the brand sees for itself, Huskey in many ways helped to explain the philosophy that helps him maintain balance to this day. He recalled the company’s beginnings under Colbert Coldwell (who later partnered with one Arthur Banker). “The creation of our company [in the wake of the San Francisco earthquake of 1906] was by an individual who was looking at what was essentially real estate chaos and trying to bring a sense of order and ethics to a market in which neither existed. That particular story resonates in the type of environment that we are in today; you could argue there are certainly some similarities in that regard.”

Chaotic is certainly not the right word to describe what’s going on within the brand, however, bringing a sense of order and balance is something Huskey seems to be working on every day. ■

# TECHNOLOGY

## *Is Your Website Working for You?*

by Travis Saxton, marketing & technology manager, REAL Trends

REAL Trends has just launched the *2011 Broker Performance Survey* in which we are collecting P&L information to evaluate performance across financial, technological, and marketing areas within a residential real estate brokerage. As a precursor to this large study we analyzed numerous real estate brokerages' website analytics that we have access to as a result of our technology and marketing consulting. We wanted to give you a look into the data to provide you with a preliminary benchmark to evaluate your website. In the Broker Performance Report to be published in September we will take some of these same metrics and incorporate financial performance to narrow down your most efficient traffic sources.

In this article you will find some key web metrics to share with your IT directors, marketing directors, or whoever oversees your website. Please keep in mind that this data is, to date, still incomplete so some of these numbers will be relative to the overall traffic of the brokerages we have evaluated and others may be percentage based in which you could deduce or compare straight from.

**Size of the website in the study:** The average website in this study had 58,161 monthly visitors with a median of 30,160 visits. Unique visits saw averages of 36,115 monthly and a median of 14,362. Total page views were 574,993 on average with a median of 328,750.

Diving into these initial numbers you can see that, on average, for every visit you get over to your website 1 out of every 2 in a real estate setting will be a unique visitor. This would make sense based on the infrequency of individuals buying homes and thus the nature of return visits to a real estate website.

### **Number of Pages/Visit and Average Time on Site:**

The average Pages/Visit was 9.6 and the median came in at 9.1. The average time on site saw just over 7 minutes for both the mean and median. These stats are very important and allow you to see several things; they are like a thermometer to consumer usefulness and content worthiness. Evaluate these numbers against your own to see if the visitor on your website is finding the information they want, navigating your site easily, and getting the content they were seeking efficiently. Typically in a register only site (one in which you need to register to get content, none in this study were of such type) you will see the average pages/visit number more towards 5-6 as many users will decline to register and leave the site but the few who do are a more captive user and will view in the 10-15 pages per visit range on average and of course spend several extra minutes on your site.

**Bounce Rate:** Bounce rate is defined as the percentage of visitors that enter your site that leave without visiting another page on your site. The mean and median averages both lined up here at 32% with a low of 16% and a high of 50%. Thus indicating that on average 1 out of every 3 visits to a real estate brokerage website will leave that site without viewing another page. Monitor this closely as your referring sites or lead source could be to blame. For example a brokerage may have a marketing agreement or link sharing campaign with a listing aggregator (we'll call it 'company A' for example purposes). Company A may be sending you a lot of traffic but the bounce rate is extremely high - up near 90%. This would indicate that the audience company A is reaching may not be the ideal audience for you especially if this is a paid relationship. This is one of the methods you can use to evaluate the effectiveness of an online campaign.

**Traffic Sources:** Have you ever wondered if your site is optimized correctly, or if your branding of your company website and name is being positioned properly? Well, evaluating your percentage of traffic sources can help you out here. Below are the averages for the main three types of traffic:

1. **Search Traffic** accounted for 45.6% of the overall traffic on average. Google was obviously a main source of this portion accounting for 78% of this real estate search traffic. Keep in mind when it comes to Search Engine Optimization that still leaves 22% from sources such as Bing, Yahoo!, and AOL and you obviously do not want to disregard these. This 46% serves as a good benchmark of your SEO effectiveness.
2. **Direct Traffic** accounted for 37% of the real estate brokerages' web traffic. This number certainly indicates how well known your brand is, how easy your URL is to remember, and any marketing campaigns you have done driving traffic to your site.
3. **Referring Sites** accounted for 17.4% of our real estate brokerages' website traffic. This is a very important category in any SEO campaign as Google rates inbound links to your site pretty highly. Facebook, REALTOR.com, Zillow.com, and Trulia are examples here. In the next area we will dive into each traffic source to find which were effective tools for our sample companies.

**Specific Traffic Sources:** Here you can see what our sample brokers are doing as for promotion and its effectiveness:

SOURCE	Average Monthly Visits	% of Referring Traffic	% of Overall Traffic
REALTOR.com	46	1.22%	.17%
Facebook	530	5.56%	.88%
Trulia	129	1.76%	.34%
Zillow	20	1.49%	.17%
LinkedIn	39	.76%	.09%
Twitter	2	.01%	.00%
Yellowpages/yellowbook	10	.18%	.03%
Craigslist	45	.71%	.09%

You can see as a result of this that an effective Facebook campaign can be a great source of traffic and potentially leads to your website. Cumulatively Facebook accounted for more traffic to our sample brokers than REALTOR.com, Trulia.com, and Zillow.com combined. This was a bit eye-opening to me and we'll see how this plays out when we get more data. Other surprising results were LinkedIn and Craigslist's abilities to drive traffic to these brokerages' websites. These are two areas I see few brokers really focusing on and could be a great source of traffic – this is something we will dive deeper into with our Broker Performance Report. The verdict is still out on Twitter, yet I do feel an

effective yet simple strategy can turn this into a great source of traffic. Many of these firms in the study and across the U.S. have yet to adopt any strategy at all to drive traffic to their site using Twitter.

As mentioned in the intro, the 2011 Broker Performance Report (which is currently collecting data) will dive into much more detail and find more accountability in marketing and technology spends in relationship to these website analytics and others. REAL *Trends* appreciates all companies that participate and as a result a complimentary report will be offered to those that submit. ■

# TRENDS

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## *Six Things That Affect the Housing Market*

Source: Danielle Kurtzleben – U.S. News and World Report

Not even the blistering summer heat has thawed the housing market, which has been kept frozen for two years by underwater homeowners and tight credit. Every month brings new numbers and guesses about when the thaw will come, and Thursday's data on new residential construction will shed some light on the health of the U.S. housing market.

The annual rate of new housing starts has been bouncing around between 500,000 and 700,000 for the last two years. In April, that rate was at 523,000, and May's figure is not expected to change drastically. That range is alarmingly low compared to the high of nearly 2.3 million new starts in January 2006 as well as the rates of the late 1990s and early 2000s, before the peak of the housing boom, when starts averaged around 1.6 million per month.

Other recent housing statistics are discouraging as well. The March Case-Shiller composite housing price index for 20 major U.S. cities showed that housing prices have dropped by 32 percent from their 2006 peak. And home prices may have yet to hit bottom. Speaking at a conference in New York last week, Yale economist Robert Shiller, co-creator of the Case-Shiller Index, told an audience that home prices may still drop by another 10 to 25 percent.

According to experts, a variety of factors could be key to dragging the housing market out of the doldrums: improved economic fortunes, greater assistance to indebted homeowners, and simple patience may be necessary to remove this heavy weight on the economic recovery. Here are six ways to help speed the recovery of the U.S. housing market.

### **It's the Economy, Stupid**

Fixing the rest of the economy first is admittedly more easily said than done. But the key point is that housing will most likely follow, not lead, the rest of the economy out of a slump. "Housing prices are going to be driven by the health of the economy," says . "It's become a following indicator. ... In the past, housing was a major part of the economic expansion."

Jobs are perhaps the area of the economy most inextricably linked to the housing sector. Mark Zandi, chief economist at Moody's Analytics, says that jobs are the most significant weight on housing right now. "People can't buy a home unless they have a job or are confident that they will hold onto a job," says Zandi. And people with homes that cannot sell are limited in their mobility and cannot cast wide nets in their job searches. Additionally, the housing market's poor health, and particularly the lack of new housing starts, is making the construction industry one of the toughest in which to find a job.

### **Trim the Fat**

Earlier this month, Federal Reserve Vice Chairman Janet Yellen told an audience at the Cleveland Federal Reserve Bank that housing recovery would take time. She elaborated, "Even once it begins to take hold, recovery in the housing market likely will be a long, drawn-out process." Even with fixes to the rest of the economy, some economists estimate that full recovery will take as long as five years.

One reason behind that long recovery period is the excess of vacant homes on the market. Even once credit is freed up enough for would-be buyers to begin house-hunting in earnest, the market will have to be cleared of those empty properties before home-building can pick up again. Shrinking the oversized supply of housing will also better allow

housing prices to increase, so current owners will be more able and willing to sell their homes.

### Depend on Uncle Sam

Zandi says that governmental intervention options are limited given the current political and budgetary constraints. But one low-cost option would be to maintain the current limits on conforming loans, which are mortgages that are equal to or less than the conforming loan limit set by the government. Starting in 2008, the government temporarily increased the limits on these loans. But on October 1, the loan limit will drop again to the permanent limit. The increased loan limits were generally established on a county-by-county basis, and in some places, the decrease that will happen on October 1 will be substantial. For example, in some places designated as “high-cost” areas, the maximum loan will drop from \$729,750 to \$625,500. Zandi estimates that the new loan caps will affect 5 to 10 percent of the housing market nationwide, particularly high-priced markets like the Northeast and the West.

*Zandi believes...less government involvement in mortgages could be a good thing, but the...housing market is not ready for the government to substantially reduce its influence*

Zandi believes that in the long run, less government involvement in mortgages could be a good thing, but that the already-fragile housing market is not

ready for the government to substantially reduce its influence. “I don’t think that [decreased loan limits are] a bad idea, longer-run. In fact, it’s a good way to try to get the government out of mortgage market, at least to start extricating itself from the mortgage market,” says Zandi. “But it’s probably premature to do that on October 1.”

### Don’t HAMP-er the Recovery

The Home Affordable Modification Program, better known as HAMP, was established a part of the larger Troubled Asset Relief Program, or TARP. It was designed to help struggling homeowners modify their loans to be affordable. “HAMP has been a badly designed program, badly executed,” says Stephen Malpezzi, professor of real estate at the University of Wisconsin. That sentiment was reflected in a report that the special inspector general for TARP presented to Congress in April. The report characterized HAMP as “beset by problems from the outset,” many caused by mortgage servicers with “extraordinarily poor” performances in areas like evaluating which homeowners meet income requirements.

Last week, the Treasury found Bank of America, J. P. Morgan Chase, and Wells Fargo to be in need of “substantial improvement” in their handling of HAMP modifications. As a result, the Treasury announced that it would withhold incentive payments to those banks until their performances improved. Meanwhile, homeowners seeking loan modifications must wait.

HAMP has long been criticized by economists and politicians alike. In March, the Republican-led House voted 252-170 on a bill to eliminate it. Malpezzi is one proponent of ending HAMP. In its place, he advocates a program combining unemployment insurance and a temporary housing voucher program. He believes that such an initiative would cover those who HAMP has failed to help: unemployed people with mortgage problems. “For much of the last two years, the majority of foreclosures have been due to people who have reasonable mortgages but are

unemployed,” says Malpezzi. “HAMP simply doesn’t work for the unemployed.” He argues that unemployment insurance checks are rarely large enough to allow homeowners to both pay their mortgages and purchase basic necessities like food and transportation. Vouchers, then, would help homeowners to remain afloat financially while maintaining their mortgage payments.

### Keep Bailing

Since the government gave billions of dollars to troubled financial institutions in 2008, “bailout” has become a dirty word in American politics. This fix involves bailouts not to large financial institutions, however, but rather to troubled homeowners. As early as 2008, Shiller advocated bailing out low-income victims of subprime lenders. Shiller admits that bailouts are not a palatable option: “Bailouts are not an ideal solution. They seem unfair. They are, in some sense, unfair. You are rewarding the people who took reckless risks in the housing market.” However, he also believes that the continued housing crisis is deep enough to warrant such action.

*“Bailouts are not an ideal solution. They are, in some sense, unfair”*

Zandi specifically proposes expanding home-loan modification efforts to modify the principal amounts that some homeowners owe. He explains that reducing principal amounts for homeowners who are underwater could “give them a stake in their home again so they don’t default.” However, he recognizes that identifying homeowners who would be good candidates for such modifications would be difficult.

### Look to the Future

Creating a lasting recovery means learning from the mistakes of the housing collapse so that the country can avoid future crises. “The mentality of most people in confronting a crisis is to view it as just ‘this crisis,’” says Shiller. “So we’re in a ship that’s damaged and may be sinking, so we’re just thinking of anything to do to stop from sinking. But we should also be thinking about building better ships.”

In Shiller’s opinion, avoiding similar crises in the future means ensuring that neither individuals nor banks are so exposed to real estate risk as they were during the housing boom. One measure he advocates is to have “preplanned workouts” built into mortgages, providing homeowners with an agreed-upon way to modify their terms. This is one lesson that the United States can learn from HAMP, he says: “[HAMP was] trying to encourage workouts, and banks thought, ‘If we do some of these, then everyone’s going to want a workout.’” The solution, says Shiller, is to allow banks to make these modifications a part of their business models. “Let’s get the banks to plan the workouts and price them out and make a business of a mortgage that has a preplanned workout,” he says. ■

# EDITOR'S NOTE

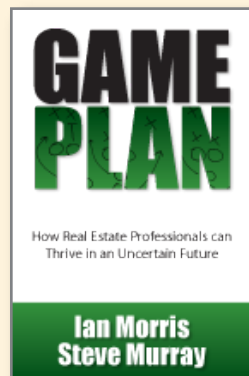
Mark your calendars for the following dates:

- September 28-30, 2011 the REAL Trends Leadership Institute (Denver) with special programs on family and succession planning
- May 2-4, 2012 the Gathering of Eagles (Dallas) with special keynote speaker Roger Staubach addressing the issue of leadership in turbulent times

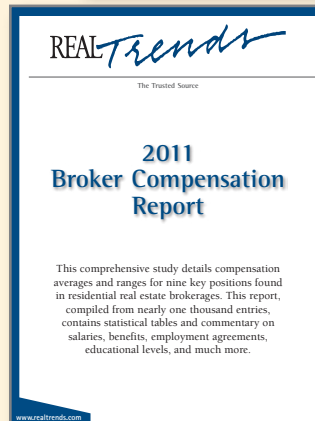


## SPECIAL PUBLICATIONS

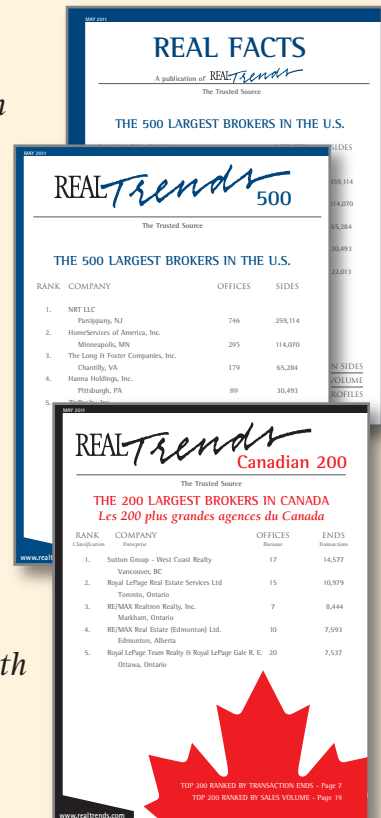
REAL Trends has already published the new book *Game Plan – How real estate professionals can thrive in an uncertain future* by Ian Morris and Steve Murray. Read about how the past can help us understand the future;



The REAL Trends Compensation Study covering nine different positions prevalent within leading residential brokerage firms, a comprehensive benchmarking study from across the country from 2010;



*Real Facts*, the REAL Trends 500 and the REAL Trends Canadian Top 200 – the industry's most comprehensive data base of the largest residential brokerage firms from 2010 along with prior year's results from both the United States and Canada;



*Successful Teams – A guide to the best practices of successful sales teams across North America*

## COMING SOON

The REAL Trends Brokerage Performance Report, a comprehensive report about the business metrics of brokerage, from financials and operations to Web results, the industry's most complete guide on how realty services firms operate;

The Wall Street Journal/REAL Trends *The Thousand*, a ranking of the nation's finest and most productive sales professionals from 2010 will be released in late August or early September. ■