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MICRO-LEVEL TRENDS

WE ALL LIVE IN A DATA-DRIVEN WORLD

Brokerage firms now have the means to look at tons of data and use it to guide their investment decisions in ways about which firms in the past could only dream.

by Steve Murray, publisher

There is more data and more availability to data than ever before in the residential real estate brokerage business. Think about it. For consumers, access to listing, sales and price information is more available than at any time in the history of our business.

There are more firms tracking the housing business than at any time before. Firms that track existing home sales, foreclosure and delinquencies, new home permits/starts/sales along with investor-owned homes have grown significantly. *Continued on pg2*

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Everyone Publishes Housing Data
There are more than a dozen TV or internet shows about housing—fixing, flipping, investing, managing and selling. Wall Street organizations that research and publish findings about trends in housing and housing finance have proliferated. The number of reports on web usage and visitation has multiplied.

For brokerage firms, there are more market analysis tools than ever before and more firms offering them. A broker or agent can track micro-level market trends among competing agents and brokerage firms. REAL Trends provides operational benchmarking which allows brokerage firms to compare their profit and loss statements to peer companies. Other data that we have access to and publish compares year-over-year performance differences between national, regional and local brokerage firms as well as similar data for individual sales associates and teams.

What Does all This Data Mean?
Brokerage firms now have the means to look at this data and use it to guide their investment decisions in ways in which firms in the past could only dream. Some are taking advantage of these new capabilities by using tools such as Broker Metrics to zero in on which companies make the best merger and acquisition targets. They can also track and identify the elite potential agent recruits. Others use web tools to drive their spending decisions for online digital marketing.

Smarter Decisions
Brokers and sales associates have amazing tools to use data to make smarter decisions based on real activities and results, rather than anecdotal stories. Here's the rub—brokers who use this new-found access and analytic tools are increasingly going to outperform those who don't.

Why? Because as the gross margin for brokerage firms continues to shrink, there is less money for investment in growing the business. A shotgun approach will not work. A firm growing 5 percent a year may be doing fine but not if the market or key competitors are growing at 10 percent. Having a 6 percent net margin may be fine, but not if competitors and peers have margins of 15 percent.

Brokers, agents and teams should all be seeking the best sources of data and analytic tools that can deliver answers to the questions, "How well are we doing against our peers?" "What areas of our business are we underperforming or outperforming our peers?" and "What investments are likely to provide the best growth opportunities?" The time spent understanding how to use data to guide your investment decisions is likely among the most important use of a leader's time.

ARE REAL ESTATE OFFICES A THING OF THE PAST?

"Having an office just isn't that important anymore."
– Russ Cafano, EXP Realty

What does the future hold for office square footage?

by Steve Murray, publisher

Traditional real estate brokerage offices have undergone changes over the past 20 years. For one thing, the average number of agents per office has increased by 35.6 percent since 1997 and 6.4 percent since 2011. There are more offices with more than 100 agents and several that have more than 200—a development not envisioned 20 years ago.

Some Things Haven't Changed

Most real estate offices remain in high-traffic retail-like locations. Most still average more than 100 square feet of space per agent. Even though most brokerage firms admit that agents spend little time in the traditional office; fewer use them at all. With mobile technology, it would not appear that this trend will change. One other thing that hasn't changed much is that occupancy costs still average about 20 percent of all brokerage expenses exceeded only by employment cost as a major cost area.

EXP Realty

A newer entry into brokerage, EXP Realty, has taken this to what they consider the logical conclusion—no formal company offices at all. Calling themselves the "agent- owner cloud brokerage," EXP offers no office space whatsoever, leaving it up to the agent or team to decide whether it wants office space outside of a home office. The firm is now in 41 states and Canada, has about 2,400 agents and teams signed up and reports strong growth across the country.

According to the firm's CEO and General Counsel Russ Cafano, the firm offers traditional brokerage services such as sales meetings, brainstorming sessions, transactional assistance and other services through a centralized, cloud-based system.

"Based on our growth, there are many agents and teams who don't see the need to underwrite the cost of office space anymore," says Cafano. "Agents and teams may desire to have offices to work out of, but only when they make their choice about space, locations and amenities. They can access anything they need through our cloud or

UPDATE ON EXP REALTY

Growing business in non-traditional ways.

by Steve Murray, publisher

EXP Realty is not just about having no formal corporate office space. They are growing their business in several non-traditional ways.

All agents and teams operate on the same commission split with a cap on contributions to the company. There are no franchise agreements, but rather each state where they operate has a principal broker supervising the agents in that state. There are no exclusive territories for those who join. They have traded stock (OTC), which agents and brokerages can earn through their own listing and selling activities and as awards for helping the company grow. Essentially, agents and teams who join own a part of the company. One other interesting part of their offer is that those who recruit others to EXP may receive revenue sharing from the commission production of agents or teams that they recruit.

mobile access to property data, transaction management, CRM and other resources. Having an office just isn't that important anymore."

There are a growing number of firms that are de-emphasizing the use of office space without eliminating it. Among leaders in this area are firms such as Realty One Group, HomeSmart, and even some large, traditional firms where private or semi-private offices are now seen as an a la carte option for agents, when, in the past, these were automatically provided as part of the package a brokerage would offer its agents.

Brokerage Models

As the market continues to produce a wider variety of brokerage models, we think that Cafano is likely right. There will be a growing number of teams and agents who don't see paying for office space a given when they have mobile access to virtually everything (except direct personal human contact). Experience shows that this is not for everyone and likely most agents will continue to want an office to call home. A culture of contact in a brokerage office will continue to appeal to a segment of the agent community.

TRENDS

RESIDENTIAL PROPERTY MANAGEMENT ATTRACTING CAPITAL

by Steve Murray, publisher

There are an estimated 22 to 24 million, one- to four-family units in the United States that are owned by investors who are renting to families. This represents a huge housing segment that remains served mainly by small- to medium-sized locally owned and operated property management firms. While there are a few national franchise organizations that have built large national scale, there are now few national firms that seek to own and operate a nationally scaled residential property management business.

Property Management Trends

Renters Warehouse, a relatively new company based in Minneapolis, has set its sights on building a national residential property management business where the company will own and operate the business. Originally started as a franchise business, the firm switched its sights on owning and operating its businesses going forward. Some strong franchises in its systems remain, but the company is focused on buying and growing its presence.

According to Anthony Cazazian, the firm's chief investment officer, "Our goal is to be in 60 markets managing 200,000 properties within the next five years." Cazazian said that the firm is also pursuing growth through a related unit called Residential Portfolio Services that will focus on larger, more institutional owners of residential property managers and owners of large portfolios of residential for rent properties.

Centralized Services

"This is a large, fragmented market where we think the investment of capital and centralized services can create economies of scale for a company like ours. While there are thousands of residential property management firms, there are only a few that have achieved a size commensurate with the market size," says Cazazian.

"We think this is a great opportunity to apply capital and centralized service techniques. Such services as rent collections and accounting, repair and maintenance and vendor management can be done more effectively and efficiently for the benefit of both the owners of these properties and the tenants as well."

While it is likely that most single-family rentals are owned by individuals who own a couple of properties and manage them directly, there has been strong growth in those who own five or more units and are turning to professional property management firms who require professional management services. A growing number of brokerage firms have either entered the business recently or are seriously considering an entry. Those who have such businesses report to REAL Trends that once a certain level of properties under management has been achieved, the business is both a profitable one and provides additional brokerage opportunities for cross-selling services.

LONE WOLF SPONSORED POST

PRODUCTIVITY:

THE SECRET TO BEING MORE PROFITABLE

by Warren Dow, director of channel marketing at Lone Wolf Real Estate Technologies

How often do we hear how busy peoples' lives are? Whether it's a question about how someone's weekend was or how their work day is going, we hear busy and are supposed to assume it's a good thing. Maybe I missed the memo, but I am not sure when we started to value how little time we have.

I look around our industry and I see a lot of hard working, talented professionals. The ones that are leading this industry are those who aren't keeping busy but are staying ***productive***. Our clients, our colleagues and our brokers don't care how busy we are – it's all about the bottom line. How many contracts did you get signed? How many closed deals? Did you get the top dollar for your client? How much money did you make?

We don't get perfect attendance awards anymore. We don't get a pat on the back for working 16 hour days. We get rewarded for results. Our goal should be to get the same job done in a more efficient way whenever possible. No client wants to hear how busy you've been. They want to know whether you're doing your job.

Productivity requires systems. It requires prioritization. Technology has brought about a wave of services, software and applications that can automate the tasks that used to keep us busy. Whether that's prospecting through SEO and lead generation tools, marketing tools for emails and lead follow-up, document management and electronic signature for contracts, or accounting software to automatically cut checks and track the business of your business, all of these tools can save us time. Maybe it's only 10 minutes per deal, or maybe it's five hours that you would have spent manually following up or processing information at the close of a deal. It all adds up. Each tool you use can save you, your team and your staff time. After implementing, these systems will add hours of time back into your day. What would you do with an extra two hours a day?

Our goal should be to get the same job done in a more efficient way whenever possible. No client wants to hear how busy you've been. They want to know whether you're doing your job.

We live in a world of analytics and data. We should use these numbers to measure ourselves, measure our agents or employees and as a value proposition when speaking to prospective clients. Numbers don't lie.

We need to re-train ourselves. It's not about how we got the job done; it's about getting it done. We live in a world of technology. This means we live in a world of analytics and data. We should use these numbers to measure *ourselves*, measure our *agents* or *employees* and as a *value proposition* when speaking to prospective clients. Numbers don't lie.

Find the software that will give you the reporting you need. The numbers and metrics to see how your business is doing. Once you see the numbers, you'll be able to start seeing where you stand out. It may not be the highest volume or most transactions, but once you see the data, you'll be able to see where you stand out from everyone else. Technology will not replace a REALTOR® but a REALTOR® with technology will replace one without. It's just a matter of how much more time will be available on a given day.

Finding the right software can be challenging. Maybe it's a question of cost or functionality, of implementing the change with your team or staff. My suggestion – find someone you trust and ask what they're using. Ask for advice. Join a product demo for software that was of interest to you. The more receptive you are to adopting tools to save you time, the more time you'll have to focus on your real business: relationships. This means more time to focus on networking, lead generation, sales, and even community engagement or volunteer work. Or, dare I say, your life!

The next time someone asks how your day was, make sure to think twice before saying "busy." We need to value the time we have, the time we spend and the time we save. Having more time in your day doesn't mean you don't work hard. It shows that you can get the job done in less time and gives you the freedom to invest that time into strategies that can make you even more profitable!

About the Author: Warren Dow is the Director of Channel Marketing at Lone Wolf Real Estate Technologies and a principle contributor to the Real Estate Technology Institute. With a degree in behavioral neuroscience and a background in technology, consumer engagement, and marketing strategy, Warren offers a unique perspective which has placed him on the national stage for NAR, WCR, NAHREP, NAREB, as well as with many other regional, state and local associations and conferences throughout North America.

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SUCCESS SECRETS

CREATING A HIGH-FIVE CULTURE

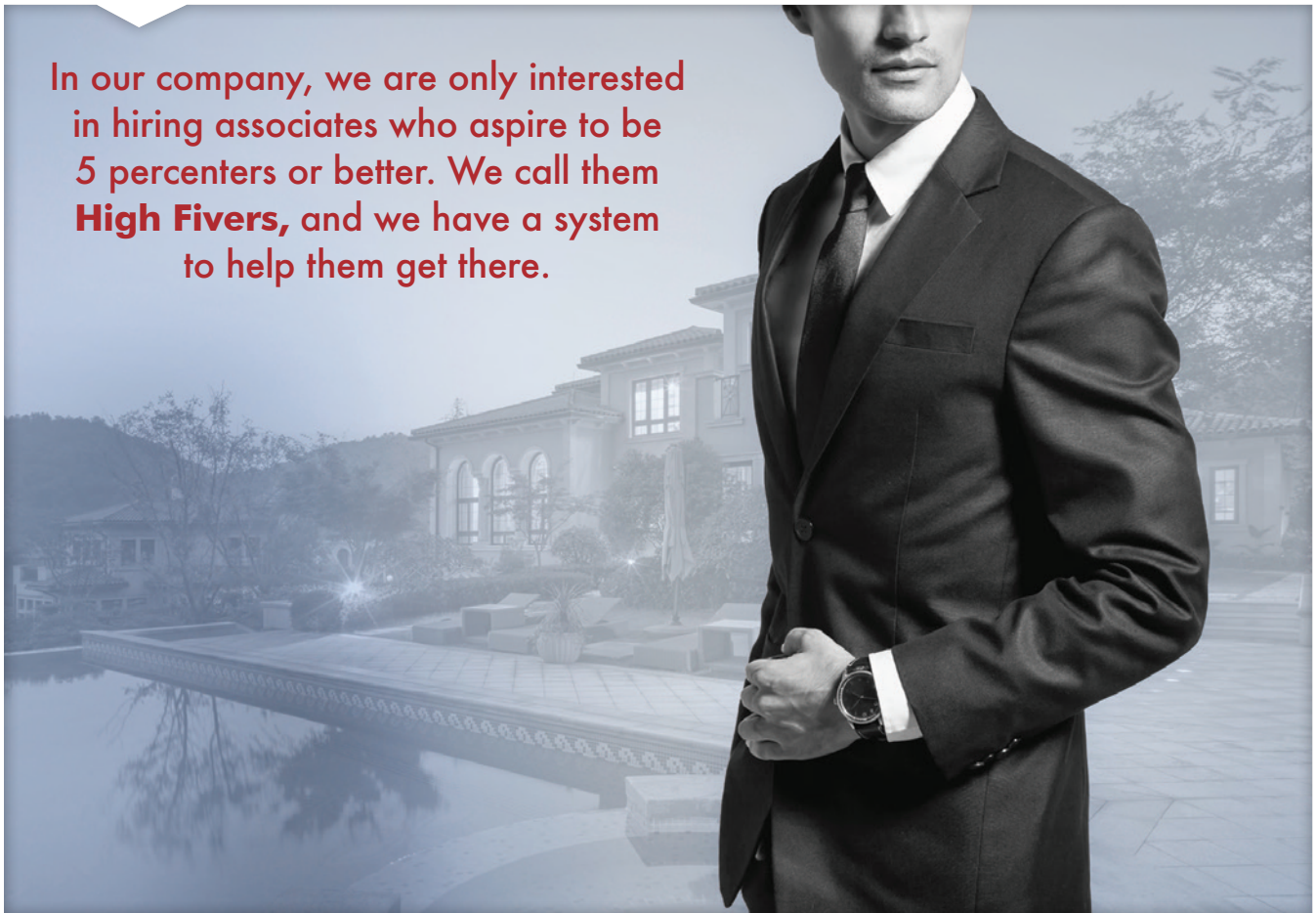
Here's why you should consider hiring those who aspire to be the best.

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

The average annual household income in the United States is $56,516. For the top 5 percent of households, it's $159,619 and for the 1 percenters, it's $380,354. In our company, we are only interested in hiring associates who aspire to be 5 percenters or better. We call them *High Fivers,* and we have a system to help them get there. Our associates averaged $221,485 in Gross Commission Income (GCI) in 2016.

How do you build a High-Five Culture? Simple. Hire sales associates who aspire to be 5 percenters and coach them to success. Here are our observations of the Top 10 attributes and activities of these top agents:

1. **Mindset.** *Players versus Victims*. Look for associates with a growth mindset who believe they can figure this business out and be successful if they work hard enough. See Dr. Carol Dweck's book: *Mindset: The New Psychology of Success*.
2. **Hungry.** Success takes effort. Hire associates who hunger to succeed and the work ethic to get there. What is their motivation? What is there why?
3. **Character.** Hire likable people who tell the truth and do what they say. These character attributes are the keys for them to be a trusted advisor rather than just a salesperson.
4. **Empathy.** Having the social skills to pick up on the subtle nuances and the feelings of another was the key attribute of the top 10 percent of sales associates, according to a study by Franklin-Covey.
5. **Flow.** Flow fixes everything. We are in a contact sport. High Fivers are in flow (face-to-face or voice-to-voice) with at least 50 people a week. For some of them, it's 50 a day! They use technology but tend NOT to spend a lot of time looking at screens.
6. **Database.** What holds an associate back from flow? Fear of making calls? It could be, but we've found



another common factor. They don't have a good database. They can't make the calls or send the mailings because they don't have phone numbers, home and email addresses. Help them put together a database or hire a student to help them. A survey of 20,000 Realtors® showed that less than 40 percent had a database (even scraps of paper and business cards in a shoebox counted). Those with even a semblance of a database earned 251 percent more than those without one.

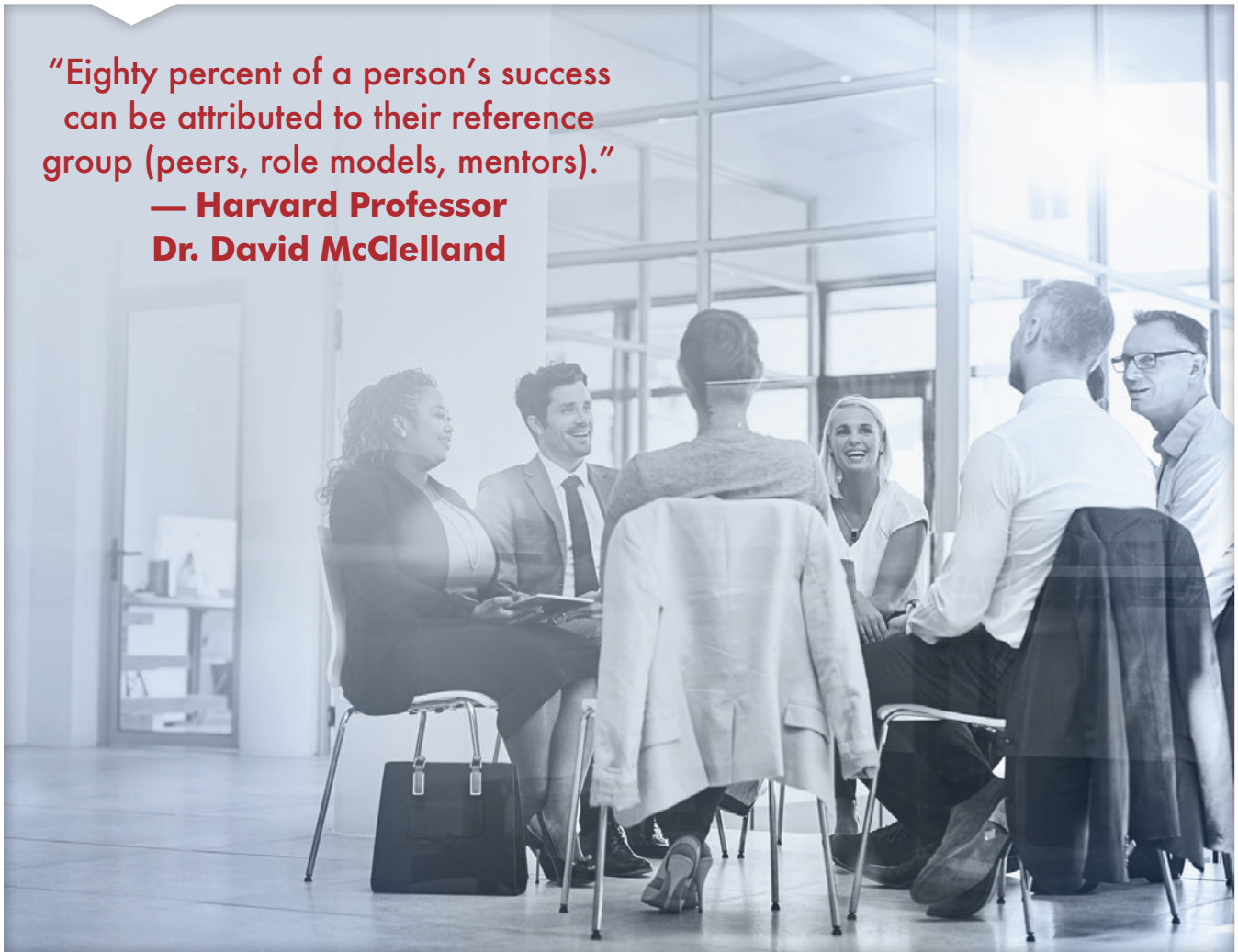
7. **Value Proposition.** High Fivers know how to create value by solving problems and making their clients feel good. They are constantly solving and serving versus selling. They bring real value to their clients and know how to articulate their value proposition.

8. **Negotiation.** A survey by the National Association of Realtors® of home buyers and sellers, rated *Negotiation Skills* as a key attribute in selecting a real estate professional. Are you practicing negotiation skills in your meetings? Share best practices on the five negotiation points of a real estate contract: Price, Terms, Dates, Inclusions/Exclusions and Contingencies.

9. **Focus.** Dr. Stephen Covey, in his book *7 Habits of Highly Effective People,* talks about living in our three circles. Circle One is our circle of concern—everything from politics to celebrities to football scores. Circle Two is our circle of influence—clients, friends, kids, business. Circle Three is our circle of control—our mindset, behavior and daily activities. High Fivers focus on their circles of control and influence. The 95 percenters tend to focus on their Circle of Concern and live their lives worrying about everything over which they have no control. This is also the focus of the victim. Players focus on their circles of control and influence.

10. **Reference Group.** Harvard Professor Dr. David McClelland found that "Eighty percent of a person's success can be attributed to their reference group (peers, role models, mentors)." His research supports the adage "Birds of a feather flock together." What kind of a flock are you creating at your company? Are you focusing on High Fivers?

Focus on these 10 attributes and activities of High Fivers, and you will build a High Five Company. Just as importantly, you'll build a High-Five Culture. Remember what management scientist Peter Drucker once said, "Culture eats strategy for lunch."



MATT WIDDOWS, CEO AND FOUNDER, HOMESMART INTERNATIONAL

STRONG TECH, HIGH SERVICE

Lessons remembered—learn from leaders where tomorrow's opportunities and threats lie.

by Steve Murray, publisher

"To compete today, you must have a commitment to a high level of service to your staff and your agents. Further, having a strong technology platform is a must," says Matt Widdows, CEO and founder of HomeSmart. Based in Phoenix, Ariz., with franchises in 19 states and around 11,000 agents, HomeSmart has grown steadily since its founding nearly 16 years ago.

After many years in a successful software sales career in other industries, Widdows saw an opportunity to focus on building a business that brought both a lower-cost alternative for real estate sales associates, yet aimed for high quality in the office environment and a state-of-the-art technology platform where agents and staff could transact their business. "At the heart of what we built is a cloud-based technology system that can do it all. Also, we provide centralized reception, transaction management, compliance systems and support, all at a low cost."

Low Cost and High Service

Widdows says that just being low cost is not enough. "To grow consistently, you must have an agent services mentality that focuses on a high-quality service deliver. From my view, it doesn't matter what your cost structure looks like, but it does matter that you can take care of your agents. And, if the service platform provides a superior experience, their customers will notice and become comfortable with that platform as well," he says.

> "There is no stopping place for investing in your platform. It's a never-ending process of continual refinement and improvement especially when you're designing all of it yourself." — **Matt Widdows**

According to Widdows, "We think that our platform will become a reason consumers want to do business with our agents." He added that, of course, having great agents is the first step in this process but when you can also back them with an easier way to do business then everyone benefits.

Challenges

One of the largest challenges Widdow's business faces is the non-stop investment in his firm's tech platform. "There is no stopping place for investing in your platform," he says. "It's a never-ending process of continual refinement and improvement especially when you're designing all of it yourself."

In the end, this constant improvement and investment is well worth it when profits and efficiencies increase.

CAN TRUMP REDUCE HOUSING REGULATORY COSTS?

More than that, can he reduce them from 25 percent to 2 percent? Here are some regulations Trump has the power to change.

by Sue Johnson, strategic alliance consultant

In an August 11, 2016, speech before the National Association of Homebuilders' (NAHB) Board of Directors, Presidential candidate Donald Trump made one of his few public campaign statements about housing costs.

"No one other than the energy industry is regulated more than the home building industry," he said. "Twenty-five percent of the cost of a home is due to regulation. I think we should get that down to about 2 percent."

The statistic Trump cited was from a 2016 NAHB study claiming that regulations imposed by the government at all levels account for 24.3 percent of the final price of a new single-family home built for sale.

As a developer, Trump had first-hand experience with the costs of over-regulation. His transition website vows to "identify and eliminate unnecessary regulations that kill jobs and bloat government."

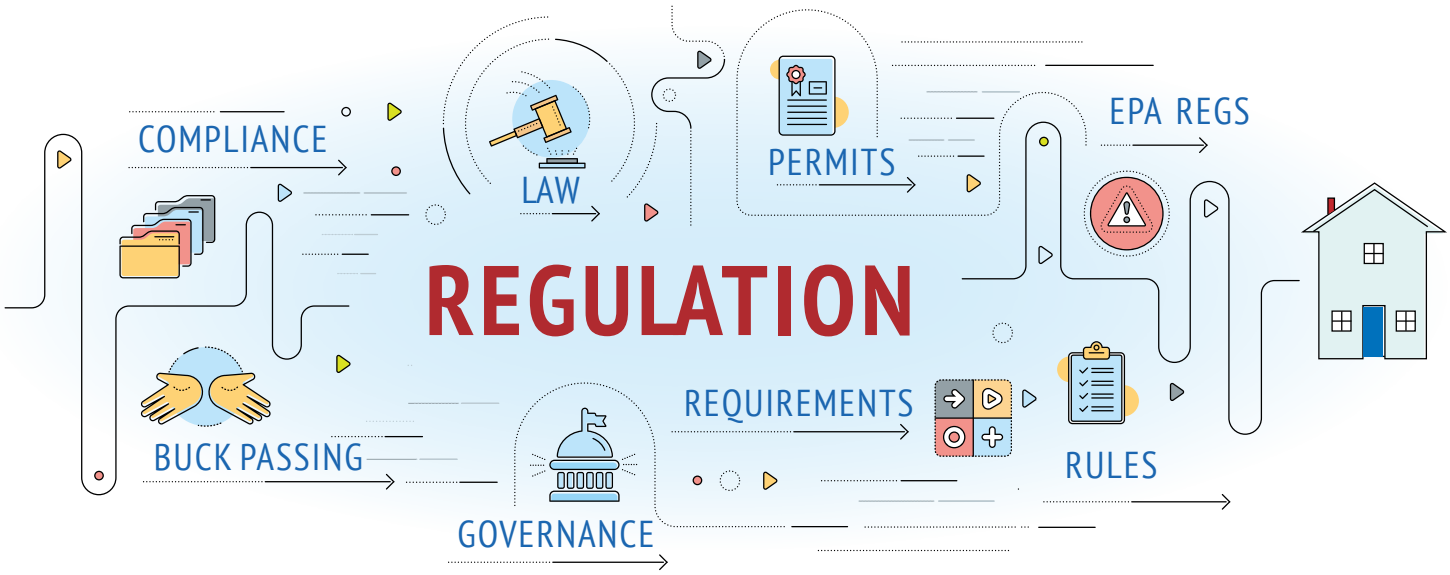
But can he reduce housing regulatory costs by 90 percent? Here are a just a few federal requirements that a Trump Administration has the power to change.

Clean Water Rule

In 2015, the Environmental Protection Agency (EPA) and Army Corps of Engineers (Corps) published a "Waters of the U.S." final rule, which clarified which streams, marshes, lakes and rivers are regulated under the Clean Water Act. Home builders consider it to be a vastly overly-expansive rule that would significantly reduce the volume of land they can construct on by requiring expensive federal permits to develop private property near most water bodies. According to one study, it takes an average of 788 days and $271,596 to obtain an individual permit and 313 days and $28,915 for a nationwide permit.

The Trump Administration's transition website says it "will eliminate the highly invasive Waters of the U.S. rule, and EPA Administrator nominee Scott Pruitt led the fight among Republican attorneys general against it.

The Sixth Circuit Court of Appeals halted the rule's implementation during pending litigation. A Trump Administration could ask the court to hold the case and send the rule back to the EPA and Corps for reconsideration. To prevent legal challenges, it would need to publish



a notice for comment announcing its plans to withdraw the rule and then begin a new rulemaking policy process.

Overtime Rule

The Department of Labor's (DOL) final Overtime Rule nearly doubled the current overtime salary cap from $23,660 to $47,476. According to its own estimates, compliance costs will be $677.9 million in first year and $241.5 million every subsequent year.

Trump did not say much about the Overtime Rule during his campaign. But it has faced strong opposition from home builders and many other industries, and from Labor Secretary nominee Andrew Puzder.

The rule's December 1, 2016 effective date was stayed on November 22 by a U.S. District Court after 23 states challenged the rule. The Department of Justice, on behalf of the DOL, appealed the stay to the Firth Circuit Court of Appeals.

A Trump Administration could direct DOL to withdraw the rule, which would require notice-and-comment rulemaking. Or, Congress could attempt to overturn the rule under the Congressional Review Act, which provides Congress a period of 60 days in which it is in session to pass a resolution of disapproval without triggering a Senate filibuster.

Joint Employer Liability

The Democrat-controlled National Labor Relations Board (NLRB) ruled in 2015 that companies can be held responsible for labor violations committed by unaffiliated contractors and subcontractors, overturning a longstanding test requiring a company to have direct and immediate control over employees before it is considered to have "joint employer" status. The ruling was based on a case in another industry, but home builders protested it on the grounds that it could cripple small businesses. The NLRB decision was followed by a 2016 Administrator's Interpretation published by the Department of Labor's Wage & Hour Division, which set expansive new standards for determining joint employer status under the Fair Labor Standards Act.

Trump has not spoken about the joint employer liability issue, and the NLRB is an independent agency that is not subject to Presidential authority. But Trump will have the opportunity to appoint Republican members to the NLRB who could reconsider the ruling, and DOL Secretary nominee Puzder has a say in future DOL enforcement standards and priorities.

What is Attainable

Most observers agree that a 90 percent cut is unattainable. Many regulations affecting housing costs are imposed by state and local governments, over which the President has minimum control. Moreover, even the NAHB explained that its 24.3 percent estimate is limited to costs and does not account for benefits resulting from housing regulations.

Nevertheless, there is hope today within the home building industry that the Trump Administration will significantly cut back on regulations that increase the cost of housing.

Most observers agree that a 90 percent cut is unattainable. Many regulations affecting housing costs are imposed by state and local governments, over which the President has minimum control.

MARKET TRENDS

MOVERS NOT MOVING QUICKLY

The percentage of Americans moving over a one-year period down.

The percentage of Americans moving over a one-year period fell to an all-time low in the United States to 11.2 percent in 2016, according to **tables** recently released by the U.S. Census Bureau.

"People in the United States are still moving, just not to the same extent as they did in the past," said David Ihrke, a survey statistician in the Journey-to-Work and Migration Statistics Branch. "The decision to move can be personal and contextual. What causes one person to move might not be enough to convince another."

Why People Move

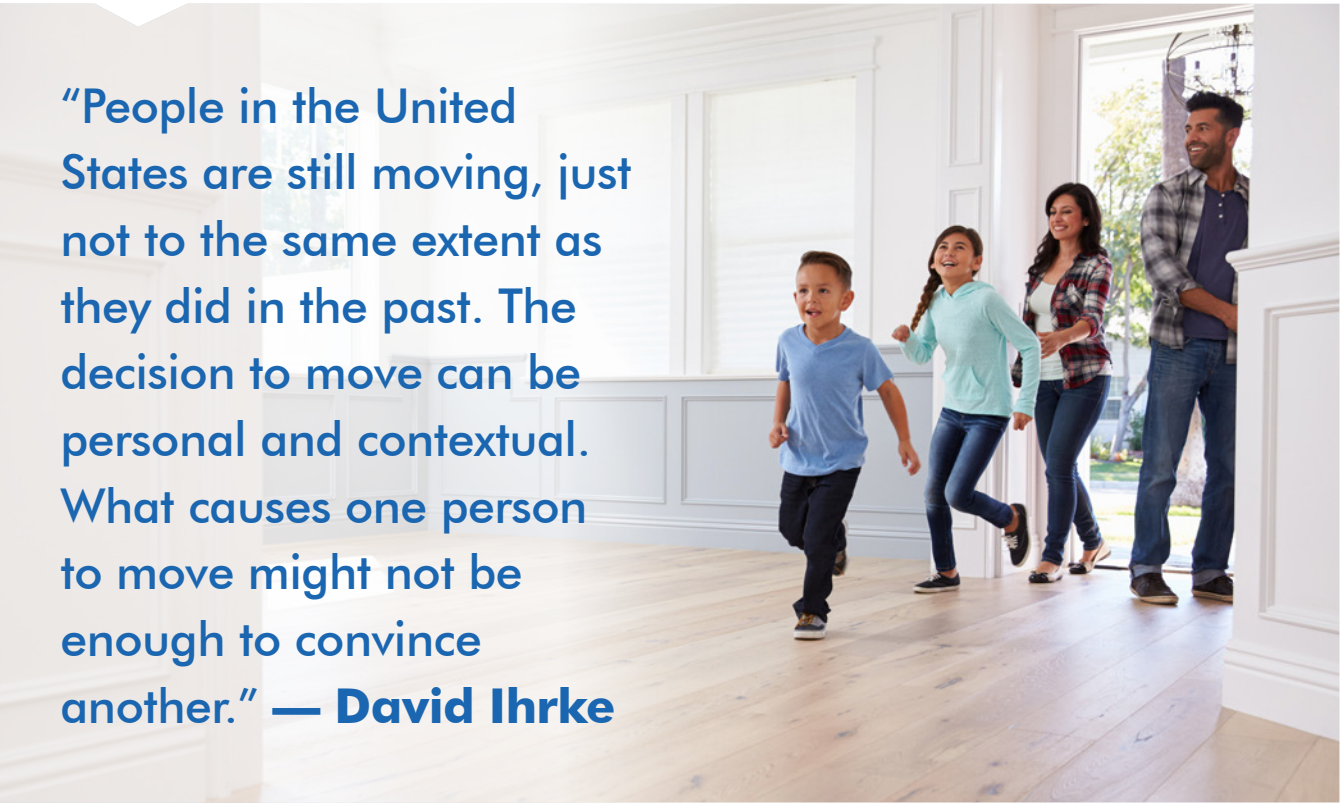
Among those who moved, 42.2 percent said they moved for a housing-related reason, such as wanting a new or better home or apartment. In comparison, 27.4 percent said they moved for a family-related reason, 20.2 percent said they moved for an employment-related reason, and 10.2 percent said they moved for **some other reason**.

Among regions, the South saw the greatest number of people moving out (901,000), but also saw the largest inflow of people moving into the region (940,000). The inflows and outflows of the region are not statistically different from each other.

The highest mover rates by race were for the black or African-American alone population (13.8 percent) and the Asian alone population (13.4 percent). These two mover rates were not statistically different. The white alone population moved at a rate of 10.3 percent. The Hispanic or Latino population (12.6 percent) were more mobile than the non-Hispanic white population (9.8 percent).

Population Studies Treasure Trove

The statistics released come from **Geographical Mobility: 2015 to 2016**, a collection of national- and regional-level tables from the Current Population Survey Annual Social and Economic Supplement. The tables describe the movement of people in the United States, including the type of move, reason for moving and characteristics of those who moved during the past year. Distance moved is also available for people who moved to a different county or state. Also released today were updated historical tables and graphs on



"People in the United States are still moving, just not to the same extent as they did in the past. The decision to move can be personal and contextual. What causes one person to move might not be enough to convince another." **— David Ihrke**

migration with some statistics extending as far back as 1948. Also available are 2015 American Community Survey **state-to-state** and **place of birth** flow and 2010-2014 American Community Survey **county-to-county** and **metro-to-metro** flow statistics. The county-to-county and metro-to-metro migration flow tables, which use data collected between 2010 and 2014, show how many residents move (or flow) from one county or metro area to another over a one-year period.

Among the 2015 American Community Survey state-to-state and place of birth flows:

- New York had 69,289 migrants to Florida, and California had 65,546 migrants to Texas. The state flows are not statistically different from each other.
- Over 1.5 million people living in Florida were born in New York. This was the largest flow between the state of birth and state of current residence followed by over 0.9 million people who were born in New York living in New Jersey.

Highlights from the migration flows from the 2010-2014 American Community Survey:

- Approximately 16.9 million people moved annually to a different county, and nearly another 1.9 million people moved to the United States from abroad.
- The two largest county migration flows were Los Angeles County to Orange County in California with 41,558 movers and Los Angeles County to San Bernardino County in California with 39,865 movers. The two largest county-to-county flows do not differ statistically from each other.
- Among metro areas, in California, the Los Angeles-Long Beach-Anaheim metro area had 87,565 movers go to the Riverside-San Bernardino-Ontario metro area.

In addition to new data tables, the **Census Flows Mapper** tool now includes statistics from the 2010-2014 American Community Survey to show demographic statistics on the mover's relationship to the householder, household type and housing tenure. Also, the 2010-2014 migration flow statistics are available through the **Census Application Program Interface.**

The highest mover rates by race were for the black or African-American alone population (13.8 percent) and the Asian alone population (13.4 percent).

WHAT CAN $1 MILLION BUY YOU IN PRIME REAL ESTATE?

How far will your money go when investing in properties on a global scale?

by Peter Gilmour, REAL Trends chief foreign correspondent

In the last 15 years, the world has seen an acceleration in the globalization of demand for property for both residential and investment purposes. Many high-net-worth individuals are looking at new global locations in which to diversify their portfolios and their lifestyles.

The release of the 10th edition of the Wealth Report by Knight Frank provides authoritative commentary on the latest global property trends.

London Tops for High-Net-Worth Individuals

The report has rated the top 10 most important cities that matter most to high-net-worth individuals, based on where they live, spend their leisure time and grow their businesses. This year London has proved to be the No. 1 city followed by New York. No other city challenges these two when it comes to overall appeal. London's geographical position means that within a two-hour flight, the city is accessible to twice as many high-net-worth individuals than New York, which explains its importance. Singapore has made significant strides to move into third place, with Dubai and Hong Kong rounding off the top five places. Shanghai and Paris have both been in the top 10 cities on a regular basis, but this year Sydney, Beijing and Geneva have risen to top out the 10 most important cities.

Adding to Wealth Portfolios

In recent times, the world has experienced a low-interest rate environment which has encouraged individuals to add residential property to their wealth portfolios. Regarding the price performance of the world's luxury residential markets, the report's Prime International Residential Index tracks the price changes across a hundred locations. Prime residential markets rose 1.8 percent in 2015 globally, just down from the 2 percent recorded in 2014.

Given these changes, how much will the dollar buy in these markets? For the ninth year, Monaco is the world's most expensive city to buy residential property with $1 million buying just 185 square feet of accommodation. Monaco is closely followed by Hong Kong and London, which occupy the next two places offering 215 square feet and 239 square feet respectively. New York occupies the fourth position and is the highest-ranked U.S. city where $1 million will buy 293 square feet of accommodation. Los Angeles and Miami are in eleventh and thirteenth places. The only Southern Hemisphere cities in the top 20 are Sydney in the sixth position, São Paulo in the nineteenth position and Cape Town in twentieth position, where $1 million will buy 2745 square feet of accommodation. The trends of globalization and urbanization are likely to continue throughout the world, and price rises are slowing, which will lead to increased cautiousness by investors in the year ahead.

Monte Carlo, Monaco

BROKERAGE VALUE

BENCHMARKING YOUR PERFORMANCE

How are you doing relative to your peers? | *By Scott Wright, director of mergers and acquisitions*

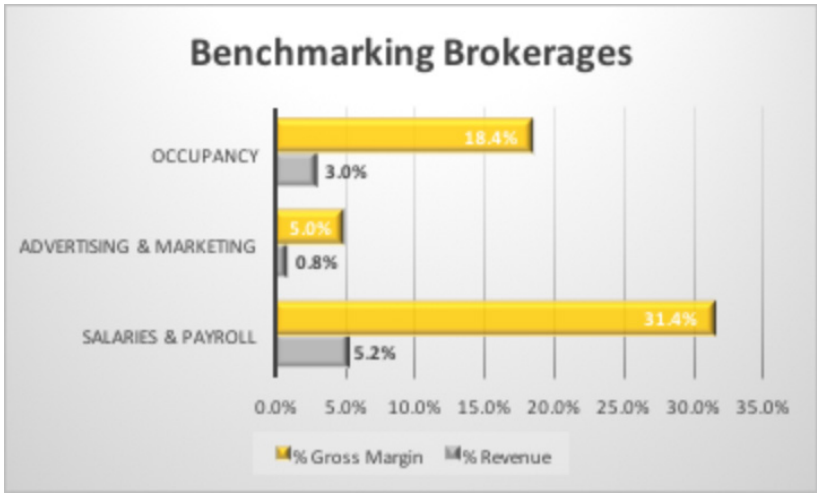
Business owners strive to get a leg up on competition while improving their bottom line. This concept holds true in all industries, but boy does it drive us in real estate. At REAL Trends, we've worked with thousands of brokerage firms over the years, and a critical question that nearly always comes to the surface from the savvy owners of these companies is "How are we doing relative to our peers?"

This recurring question motivated us to develop a tool, called REAL Trends Benchmark Report, to provide answers. The Benchmark Report is sourced from the financial data we get from our legions of valuation, mergers and acquisitions as well as business-planning clients.

What is a Benchmark?
By definition benchmark, as a noun means "a standard or point of reference against which things may be compared or assessed." As a verb, benchmark means "evaluate or check by comparison with a standard." We've found that real estate companies love benchmarking their performance against their peers, and our report has developed into a standard that provides them with an excellent point of reference.

BENCHMARKING CAN BE INCREDIBLY USEFUL in not only finding areas where you can trim expenses but where you can enhance spending that would ideally improve profitability.

Challenges
One of the biggest challenges of running a brokerage company is effectively managing operating expenses. Occupancy, advertising/marketing and salaries/payroll are key expense categories that all brokerage companies pay very close attention to, and our benchmark data on these categories can help brokers understand how they scrub up with their peers.



As you can see in the above table, we show where brokerage companies are with these expenses relative to their revenue and gross margin. This particular dataset is a national average from 2014 to current. As an example, of all the brokers we have financial data for (which includes all models from a graduated commission to cappers to fee based), the average firm spends 18.4 percent of gross margin, or 3 percent of revenue, on occupancy-related expenses.

Trim Expenses and Enhance Spending
Benchmarking can be incredibly useful in not only finding areas where you can trim expenses but where you can enhance spending that would ideally improve profitability. If your firm spends 26.2 percent of gross margin on occupancy-related expenses, then you may need to examine why there's such a deviation from the norm. If your firm is spending only 18.1 percent of gross margin on salaries/payroll, then you can explore hiring a full-time transaction coordinator to help your sales associates.

Our benchmark report includes a myriad of valuable metrics. Above the line, we examine gross margin and percentage retained, and below the line, we look at expense categories like the ones in this table. We also look at agent productivity and break down the data on a per-office basis to normalize the report to fit brokerages of any size. Lastly and equally important to our clients, we segregate our data by region. Brokerage firms in the northeast do business differently than those in the south, so we need to make sure we compare apples to apples.

Benchmarking is something that can help all real estate brokerage firms in their quest to build value. If this is something that intrigues you, contact us today to find out about our valuation services which include custom benchmark reporting.

NINJA SELLING: THE BOOK

After teaching Ninja Selling for 22 years, Larry Kendall decided to put it in writing.

by Steve Murray, publisher

It's been 22 years since The Group, Inc. co-founder and chairman Larry Kendall launched the first Ninja Selling course. As much a life-philosophy as a professional tool, that first class held 430 real estate professionals and shifted the sales conversation from pressure to solutions. After decades spent teaching and honing his system, Kendall decided to put it all into print for the first time.

Why a Book? Why Now?

When Kendall first set out to write *Ninja Selling,* his publisher pointed out the irony. "I did this backward. Most people write books so they can be a teacher. I've been teaching for 22 years, and now I write a book," Kendall recalls. "[But] I wanted to create a permanent document for the system."

More than 55,000 people from the United States to Spain have graduated from Ninja Selling classes, retreats and workshops. Over the years, Kendall watched demand grow for something concrete to bring home at the end of the day. "I've had a lot of people ask if I've written it in the form of a book," he says. "They have the notebooks, but not a small portable book. A lot of people are visual learners, so they'll take the class but want to read it again. [Another] thing that was happening is people were using the system or teaching parts of it. I had the disciples out preaching the word, but I didn't have the bible from which they could preach. So, I wanted to put it together in a format people could use."

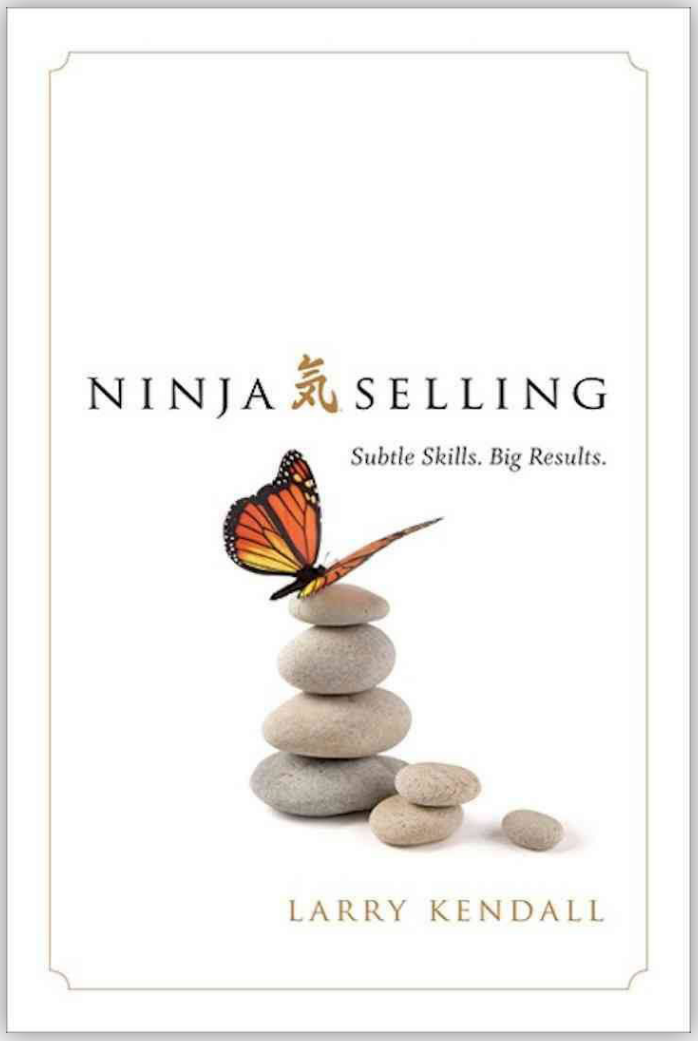
What Makes *Ninja Selling* Unique?

The cover of *Ninja Selling* is a lot like the product: simple, foundational, elegant. A monarch perches atop a cairn of balanced river rocks. "This book will show you the path," says Kendall. "The butterfly symbolizes transformation. If you follow this path, it will transform your life." But what's the path, and what makes it worth following?

The Ninja Selling System has changed the way many real estate professionals approach their work and personal lives. Like the classes, the book is built around three areas that Kendall says are key to success: Your Mindset, Your Skillset, and Your Actions. But, it's the underlying philosophy that makes the system special. That takes the program out of the conference room or sales transaction and into peoples' everyday realities.

"IT'S A PULL VERSUS PUSH SELLING SYSTEM.

As a Ninja, you never put your customer in a position of feeling pressure. Stop selling, start solving. Solve the customer's problem."
– Larry Kendall



First, Kendall explains, "It's a pull versus push selling system. As a Ninja, you never put your customer in a position of feeling pressure. Stop selling, start solving. Solve the customer's problem."

Second, because it doesn't depend on the tension between pressure and rejection, Ninja Selling works for most every type of person. "Most sales books are written by power people whose success is built on their personality. What about everybody else? What about introverts? What about the women? This is the book for any personality," Kendall says.

Will the Book Replace or Change the Classes?
As a system, Ninja Selling was ahead of its time. When Kendall started teaching his classes, salespeople relied on resilience to withstand 10 "No's" for every "Yes" they received. But his system prevailed, even in the days of the high-pressure market. Today, in a world that values a more collaborative sales relationship, Kendall's approach seems downright logical.

Perhaps a unique aspect of Ninja Selling—the system and the book—is the timelessness of the principles. Sure, markets change, but Ninja Selling hasn't. This timelessness bodes well for the book's ability to stand the test of time.

While Kendall hopes that *Ninja Selling* becomes central to the real estate canon, he doesn't foresee it replacing the classes. "I don't think it'll change how we teach," he says. "I think it could change the number of classes we're teaching. It could increase demand. But for those who take the course and read the book, it'll help them become better salespeople and people."

Want One?
In its first three months, Kendall's book, *Ninja Selling*, has sold 7,500 pre-released copies to Ninjas and Ninja companies. In early November, it hit the National Association of Realtors® 2016 Convention by storm, selling out in fewer than 24 hours.

On January 3, 2017, *Ninja Selling* will be available to the public on Amazon.com, at local and national bookstores, and in 175 airport locations throughout the country. If you don't want to wait, early copies can be purchased through ninjaselling.com.

Because it doesn't depend on the tension between pressure and rejection, **NINJA SELLING WORKS FOR MOST EVERY TYPE OF PERSON.** "Most sales books are written by power people whose success is built on their personality. What about everybody else? What about introverts? What about the women? This is the book for any personality," Kendall says.

RESEARCH AND NEW PUBLICATIONS IN 2017

Under the leadership of Deirdre LePera, director of research for REAL Trends, we will be developing several new research studies in 2017. Among them is a deep study about the habits and practices of residential real estate investors; an updated study on the practices of teams and additional research into common industry benchmarks.

MORE THAN A SHINY PENNY

DETERMINING WHICH TECH PRODUCTS TO IMPLEMENT

Don't fall prey to the shiny penny. Instead, carefully vet new technologies and monitor results before committing.

by Paul Salley, manager of marketing strategy

Trying to keep up with the latest and greatest in digital marketing technologies and platforms is almost impossible. Many marketers fall victim to the *shiny penny syndrome*—always looking for the next best thing when seeking technology solutions. Don't make this mistake. It's a dangerous way to approach your marketing strategy as it will never allow a single marketing effort the ability to prove, or disprove, its efficacy at producing leads and growing your bottom line.

Of course, there are times when the next best thing is the answer you're seeking. How do you decipher what will work for your business and what is merely just another shiny penny? The key is to commit resources to a specific platform for a set amount of time and monitor the results. During the A/B testing phase of a platform, consider the following to maximize the return on your investment:

1. **Allocate a specific dollar amount to the platform.**
2. **Select a similar audience across all platforms being tested.**
3. **If possible, test each platform during similar business cycles for the same amount of time.**
4. **Ensure that accurate tracking and reporting of campaign performance is available.**

Once you narrow down which marketing platform consistently delivers a positive performance, use it to its fullest. To maximize marketing performance, refresh ads and rotate the target audience. This will ensure optimal performance and prevent maximizing the exposure and wearing out a specific campaign. By consolidating your marketing dollars on a select number of ad platforms that you have proven to be effective rather than spreading your budget too thin, your business will have the ability to thrive.

CELEBRATING REAL TRENDS 30TH ANNIVERSARY

JANUARY 1988: COMPUTER-AIDED DESIGN AND SOTHEBY'S

To celebrate REAL Trends' 30th anniversary year, we will bring back old articles from our early years to see how much (or little) has changed about the industry.

by Steve Murray, publisher

Some of the big news stories from 30 years ago had to do with the introduction of brokerage management software being built and deployed by the original Better Homes and Gardens Real Estate Service. Yes, it was big news then. Computer-aided design and drafting systems were used to design and plan new home floor plans.

A Harris Poll indicated that a majority of homeowners believed their children would end up living in smaller homes than their parents did at the same age. It turns out, almost none of these big stories survived the test of time.

Some things have panned out. A study by AARP said that over three-fourths of retirees are staying put, a trend that has some basis in truth today. Sotheby's was beginning a strong growth surge under their original membership program strategy. That growth has continued under the ownership and guidance of Realogy. Sotheby's remains a strong high-end luxury global network.

For one last trip down memory lane, the median sale price of existing family homes at the end of 1987 was about $84,200—about one-third of what the price is today, 30 years later.

REALTRENDS

GATHERING OF EAGLES

30TH YEAR ANNIVERSARY
FOUR SEASONS HOTEL, DENVER, CO

APRIL 26-28, 2017

That's right—30 years!

Join Ron Peltier, Dave Liniger, Hoddy Hanna, Author Jim Collins, Spencer Rascoff and 300 of our best friends at this premier annual event.

Register for the 2017 REAL Trends Gathering of Eagles today!

You don't want to miss this year's 30th Anniversary event with keynote speaker Jim Collins, leadership expert and author of "Good to Great," the must-read business book for brokerage leaders.

For more information and to register online, CLICK HERE

Don't forget to book your hotel room early. We are expected to sell out. Plus, due to space restrictions, attendance at the Gathering is limited to 300 attendees.

Hotel Accommodations:
Please contact the Four Seasons directly at 303-389-3000 and ask for the REAL Trends room block to receive the negotiated room rate of $299 per night from Wednesday, April 26 to Friday, April 28, 2017. The cut-off date to receive this discounted rate is March 24, 2017, unless we fulfill the room block commitments before that date. A one-night deposit must be submitted upon booking the reservation. Cancellations on or after March 25, 2017, will require a forfeiture of the one-night deposit.

SAYING GOODBYE

Two of REAL Trends' movers and shakers are moving on.

Terry Penza

In the fall of 2013, we approached Terry Penza, who departed from the CEO position at a large Florida Board of Realtors®, about coming to REAL Trends to head up our relationship program and services with associations and MLSs. While Terry had recently finished nearly 40 years of leading Realtor organizations, it appeared that she was not nearly finished with her career.

In fact, in her three years with us, she quintupled the reach of our publications to almost 800,000 of the nation's 1.2 million Realtors. She greatly improved our consulting business with Realtor associations and, well, brought joy to all the people of REAL Trends.

The funny thing is that when we hired her, people said it was a great thing for Terry. We always thought we were the beneficiaries, not her. Terry and I laugh that we both wish we had 30 more years given that we think we might finally understand enough about our industry to accomplish something.

Most don't know that Terry is among a very small number of people in the Realtor Association to have been awarded the William Magel Award for outstanding professionalism and leadership. Most don't know about her long-term devotion to her friends both inside and outside of our business.

Terry decided that she wanted to slow down. For Terry, that likely means that instead of going 150 miles an hour she will be running at only a 100 miles per hour. There is no quit in her, so likely she will focus on being active and having fun in new ways.

Terry, here's to a life well lived! We pray that all that your dreams come true!

–From your many friends who wish you only the best and your REAL Trends family

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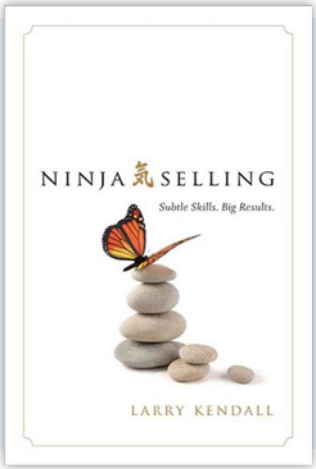
Travis Saxton

Travis Saxton, who was a leader of REAL Trends Marketing and Technology services, recently left REAL Trends to pursue other endeavors. Travis has been an important part of our company for nearly seven years and was an acknowledged leader in the real estate technology arena during that time. We will miss him and wish him good fortune in whatever he intends to do next.

NINJA SELLING HITS BOOKSHELVES

Ninja Selling, the long-awaited book from Ninja Co-Founder Larry Kendall, is hitting the bookshelves January 1, 2017. In the book, Kendall lays out the fundamentals of how to become a true Ninja in life and real estate sales. This book is not just about sales; it's a way of life. Kendall is one of rare true industry teachers who not only walks the talk but invented the right way to talk! Go to **Ninjaselling.com** to purchase your copy. It will be the best read of 2017.



THE ANNUAL REAL TRENDS 500 SURVEY AND RANKINGS

Save the date! The annual REAL Trends 500 survey will launch January 9, 2017. Surveys go out to all firms that were in last year's survey and many who have signed up to receive one. If your brokerage has at least 500 closed transactions in 2016, then you are eligible for the rankings. Please contact Scott Wright (swright@realtrends.com, 303-741-1000) at REAL Trends with questions.

REAL TRENDS AMERICAS' BEST REAL ESTATE AGENTS AND THE THOUSAND,

AS ADVERTISED IN THE WALL STREET JOURNAL

On January 9, the Annual REAL Trends The Thousand and Americas' Best Real Estate Agent surveys will be open for those individuals closing 50 closed sides or $20 million in volume or for teams 75 closed sides or $30 million in closed volume in calendar 2016. For more information, please contact Doniece Welch at Dwelch@Realtrends.com or 303-741-1000.

2017 WEB SITE RANKINGS REPORT

REAL Trends reviewed the websites of over 750 leading brokerage firms in the United States during the latter part of 2016 rating their websites in eight key areas. The results will be released January 16, 2017.

REAL TRENDS DEAL MAKERS CONFERENCE

NEW FOR 2017!

August 10-11, 2017 • Denver, Colorado

Save the date for this first-of-its-kind conference for those wishing to know more about:

- Valuations
- Deal terms and structures
- Legal and tax issues surrounding mergers and acquisitions
- How to put deals together—the art of the deal

The nation's leaders from Realogy, Berkshire Hathaway HomeServices, Howard Hanna and REAL Trends will lead discussions, along with expert legal counsel.