Today’s headlines include stories about Opendoor, Offerpad, Zillow, and Knock, along with Realogy buying homes direct from consumers; and Compass and NRT acquiring agents and teams. You’ll also see Keller Williams, RE/MAX and others building out global tech platforms that integrate numerous data and software services in a single platform; eXp, HomeSmart, Realty One Group, Fathom and countless local, privately owned flat fee or capped commission plan firms expanding rapidly either through virtual platforms or franchising. Plus, NRT stopping purchasing brokerage firms and Berkshire Hathaway HomeServices lowering the prices and terms it is willing to pay.
THE NUMBERS

• Gross margins for all brokerage firms have declined from 22 percent five years ago to less than 15 percent as of the end of 2018.
• Net margins for all brokerage firms have declined from 4.3 percent to 3.5 percent over the same period.
• Average agents per office achieved little growth over the past five years for all brands and independents except Keller Williams.
• Per-person productivity has declined as existing home sales flattened out and agent counts keep growing.
• Teams are growing both in terms of numbers and average size and, in many cases, in the sophistication of their lead generation efforts. A 2018 California Association of Realtors® + REAL Trends team study showed that teams show gross margins of nearly 65 percent versus brokerage firms that average 15 percent.

There are firms, mostly small- to medium-sized firms, that are doing extremely well by investing in coaching and training, and who are much more intimately involved in their agents’ success than is the norm.

THESE ARE NOT UNCONNECTED EVENTS

The value proposition of full-service, strong brand brokerage firms is under attack by lower-cost models without strong brand names. Whether the full-service brokerage firms are independent or franchised with a national brand, new competitors are undercutting the gross margin of the incumbents with less office space, less managerial and staff support and little-to-no marketing or advertising. In short, the low-cost models usually offer a tech platform of some kind but not much else—and a growing number of agents and teams are taking them up on it.
With the announcement that RE/MAX, the world’s largest residential brokerage franchise and Redfin, the United States’ largest tech-driven brokerage, have entered into a partnership agreement to broaden Redfin’s reach into new markets and secure a valuable source of online prospects, the whole industry must now wonder whether there are numerous more partnerships and restructurings coming.

The Redfin-RE/MAX partnership also highlights that, while some wonder about the future of the nearly 50-year-old brand, Dave Liniger, and CEO Adam Contos are not planning for a status quo future. The Redfin deal tops the successful launch of Motto Mortgage, which now counts over 100 franchises in less than three years with future growth rates climbing. Also, RE/MAX is investigating how to improve the growth prospects of its largest brokerage franchises in several areas, some of which have not been attempted before by any franchiser.

In the Redfin deal, RE/MAX agents in Canada will become the preferred agent partners with Redfin as it pushes into Canada. In areas in the United States where Redfin does not have owned and operated units, RE/MAX agents will also have access to the lead flow from Redfin’s strong online presence. Both companies are exploring other ways to work together in the future.

Several firms haven’t succumbed to the attack of low-cost models by getting ever closer to their agents, establishing and nurturing these relationships more intensely than at any time in the recent past. We recall one of the great lessons from REAL Trends’ whitepaper “Against All Odds,” which recounted the stories of the most successful brokerages through the 2006-2010 housing debacle, which was “if you think you are close to your people, get closer still.”

The percentage of agents for whom the historical value is attractive is shrinking—but not disappearing. To compete in this new environment, incumbents (and new firms) will have to focus more on the investment of themselves in their relationship with their agents and the development of their success.

With this new partnership, REAL Trends wonders who else may be partnering?

By Steve Murray, president

3 | APRIL 2019
In a perceived attempt to smear the Realtor organization and its MLS services and excuse the failure of venture-funded entities to provide consumers with a better market opportunity to buy and sell homes, executives from a low-cost, tech-driven realty firm wrote an editorial filled with numerous unsupported assertions in The Wall Street Journal on March 3. The National Association of Realtors penned a response that was confined to the Letters page.
EXPERTISE
First, a disclosure. I have been retained by and qualified as an industry expert by the U.S. Federal Trade Commission (FTC) in matters pertaining to MLS and its relationship to brokerage and housing consumers. I testified as an expert in a major case brought by the FTC against an MLS that was found to be practicing anti-competitive ways. Further, I was employed by the Canadian Competition Bureau in an investigation into the likely impact of certain minimum service requirements in Canada on low-cost brokerage firms. Plus, I was employed as an industry expert witness by the National Association of Realtors® in the actions of the U.S. Department of Justice Antitrust Division. Most of these cases were over ten years ago. I also provided expert reports on behalf of Zillow in its acquisition of Trulia and, just last year, provided an expert report to the FTC’s panel looking into a review of the industry upon the termination of the consent decree of more than 10 years ago.

ASSERTIONS BY THE WRITERS ABOUT THE REALTY INDUSTRY:

1. “Sites like Zillow and Homes.com are commonplace, but they could not have thrived without the department’s intervention.” The authors may not have known that Microsoft HomeAdvisor, Realtor.com, Homes.com and others were thriving before the DOJ’s actions.

2. “They’ve shielded themselves with a skein of anti-competitive practices, such as restrictive all-or-nothing membership rules and commission tying practices. These have kept the high fees they charge unchanged since 1991.” Without commenting on how Realtor membership rules have any effect on commission levels, they are wrong about commission levels. As the Department of Finance/FTC’s economic reports show, through the end of 2006, the inflation-adjusted cost of commissions had gone up less than 1.5 percent per year for the previous 10+ years. Further, our own authoritative research on commission rates show that the rate has dropped from 6.1 percent on average to slightly less than 5 percent in the past 25 years.

3. “The Realtors’ anticompetitive practices have had a greater negative impact on the American economy than anything Canadian dairy companies or European car makers could to their counterparts in the United States. “What facts do the authors have to back up that claim? More to the point, what economics courses have they taken, or studies have they read to get anywhere close to a correct assertion?

4. “Homeowners are required to hire a buying agent if they employ a selling agent through a multiple listing service—a potentially illegal tying arrangement under the Sherman Antitrust Act that keeps buying agents paid though they offer almost no useful service.” I have news for the writers: No homeowner is required to use an agent at any time. In the U.S., no seller or buyer is required by law to use an agent. No seller is required to pay any stated commission, as commission rates are all negotiable. Our studies with Harris Insights (REAL Trends 2019 Consumer Study) show that consumers know this. Further, even when a seller employs a listing agent, the homeowner can dictate whatever amount they decide to offer the agent working with buyers. If agents provide no useful service, then why do the authors employ their own agents to help buyers and sellers?

In our REAL Trends 2019 Consumer Study by Harris Insights on recent buyers and sellers in July 2018, over 90
REAL TRENDS

Plaintiffs have filed a class action lawsuit in the United States District Court for the Northern District of Illinois claiming that defendants National Association of Realtors® (NAR), Realogy, RE/MAX, Keller Williams and HomeServices of America have conspired together around NAR’s adoption and implementation of a rule that requires all brokers to make a blanket, non-negotiable offer of buyer broker compensation when listing a property on an MLS.

While this practice has been litigated and settled many times in the past, once more some parties (no doubt backed by plaintiff bar attorney funding) have decided to challenge the practice where listing brokers agree to publish what they will pay to another broker working with a buyer for bringing that buyer to purchase their home. REAL Trends will report more on this as it moves through the system.

HOME SELLERS CLAIM ANTITRUST LAWS VIOLATED

The National Association of Realtors® is seeking dismissal of flawed lawsuit.

By Steve Murray, president

Plaintiffs have filed a class action lawsuit in the United States District Court for the Northern District of Illinois claiming that defendants National Association of Realtors® (NAR), Realogy, RE/MAX, Keller Williams and HomeServices of America have conspired together around NAR’s adoption and implementation of a rule that requires all brokers to make a blanket, non-negotiable offer of buyer broker compensation when listing a property on an MLS.

Wall Street and Silicon Valley have been trying for 25 years to blow up our industry and do away with agents, and, in some cases, brokerage firms. They haven’t succeeded yet. Even the best of the real estate tech firms, Zillow and Realtor.com, have found that using agents in their service delivery is critical to their business success.

Whether REX succeeds or not, the execs who spent their time writing these unfounded and unsupported claims should spend more of their time focusing on how they can offer something compelling as a way to win the hearts and minds of consumers. Otherwise, they’re just wasting their investors’ money.

FIRST PERSON

percent of all buyers and sellers used an agent, up from 85 percent in a similar study in 2014 and up from 81 percent in 2001. Millennials (you know the ones who didn’t want to own homes or who would use smartphones to buy homes instead of agents?) used an agent 92 percent of the time to buy or sell their homes.

The REX authors say, “Agents offer no useful service.” Again, our independent Harris Insights research said that the highest value consumers received was “helping me negotiate the price and terms of a purchase or sale.” I assume their own company does the same thing. But what really jumps out is that buyers and sellers said they found that their agent helped them “by providing me with homes that match my home when I am selling (Comparative Market Analysis) and those I am looking for.” They said this when housing consumers could find virtually every home online; yet, consumers still find their agents helping them find homes!

There are many things wrong with our industry and those of us who have called it home for 30 to 40 years know what those things are. The MLS can be made more effective. Consumers know something that these executives don’t know:

• Buyers and sellers know that they can dictate the cost of their own transaction, including not using a real estate professional at all.
• Buyers and sellers find their agents’ services actually quite useful.

Millennials (you know the ones who didn’t want to own homes or who would use smartphones to buy homes instead of agents?) used an agent 92 percent of the time to buy or sell their homes.

By Steve Murray, president
On March 27, REAL Trends proudly released its annual REAL Trends 500 and Up-and-Comers report which ranks the top residential brokerage firms in the country. This study—now in its 31st year—is the standard by which all other rankings are measured. That’s because firms have the option to willingly submit their numbers and third-party verification. That is the standard set by REAL Trends that sets our report apart from others.

Recently, another firm released its own brokerage rankings. That makes them the third firm to do so. They claim that their report is “the most comprehensive, accurate brokerage” rankings. Their press release also says, “Without the best data available, assumptions and decisions are flawed before they’re even made.” Further, the release says, “We are determined to include all of the nation’s largest companies, whether they participate or not.”

Their claims fail in a number of ways. First, located in their footnotes, they admit that they made up the numbers for four of the top 15 firms in the country. Not only are these numbers wrong; they are wildly wrong. Second, they are still missing many firms that belong on the list. These are firms that REAL Trends is aware of; however, we don’t publish their data because they did not choose to have their data released. We respect that decision.

WHAT’S IMPORTANT
The problem with their claims is that they fail to understand the respect a company must have with its clients. The authors of this other report have told brokerage firms that if they don’t submit their data, then the authors of the third-place ranking report will make up the numbers. They will put in whatever they think are the right numbers. REAL Trends has corroborated this information from several sources. Rather than respect the privacy of brokerage firms that chose not to participate, this company tries to force them to do so.

Now, let’s talk about third-party verification—the reason that REAL Trends is the standard to which all other rankings is compared. The third-place ranking does not require third-party verification. From their own admission, they made up data for at least four of the top 15. And, now that they add agent count data (for analysis purposes they say) which leads to another problem—they don’t verify agent counts. As we know from long experience, these numbers are among the most easily manipulated for the purposes of one brokerage firm being more productive than another. It will lead to grossly misleading statistics now and in the future in calculations of this kind. They just don’t know it yet, because they don’t have any history doing this kind of work.

Brokerage firms don’t live and die by where they rank. These firms like our report because it gives them a sense of what they and others are doing, and which businesses are growing and which are not. Most importantly, they have always enjoyed it because it is the most accurate due to independent, third-party verification. It is this feature that makes the REAL Trends 500 the most respected, even if not every brokerage in the country is on it.

Finally, the REAL Trends 500 is not meant to glorify the authors of the report, but rather highlight the incredible brokerage companies that dedicate themselves to building and growing their companies. We have always tried to do the best work we can and let the work speak for itself, just like brokerage leaders do. The relationship we have with those who provide their data and submit to the verification process is the reason we have the most successful brokerage ranking in the industry.
Emerging technologies and data-driven startups are empowering consumers and fundamentally changing the way they buy and sell properties. What’s more, discount and nontraditional brokerages are challenging the longstanding reign of the traditional realtor model.

To get a clearer picture of the evolving role of the real estate agent—and the mindset of home sellers in 2019—St. Louis-based Clever Real Estate recently surveyed 1,000 Americans who indicated they were planning to sell their homes within the next year. What they found was that the average homeowner remains ill-informed about real estate commissions. The survey found that 45 percent of home sellers didn’t know they were expected to pay the buyer’s agent commission.

The findings echo concerns voiced earlier in the year by the Consumer Federation of America, which called for improvement of disclosure laws, and an outright ban of dual agency.

Tom O’Shaughnessy, author of the report from Clever Real Estate, said the poll showed 37 percent of home sellers would consider dual agency, and 46 percent were unsure. These types of arrangements are controversial, as dual agents have no clear fiduciary responsibility to either party involved in the sale.

O’Shaughnessy said that despite widespread industry disruption, real estate professionals still have a crucial role to play in the home-selling process—and it’s unlikely that demand for their services is going to go away anytime soon. Most home sellers—even those trying to sell for sale by owner (FSBO)—still need a real estate agent. About 50 percent of respondents said they wouldn’t feel comfortable negotiating with buyers,
and about 62 percent wouldn’t feel comfortable finding and completing the necessary paperwork for closing.

Clever’s poll found that many home sellers are on the fence about using a real estate agent, said O’Shaughnessy: 32 percent were unsure if they’d end up using an agent, and 14.5 percent said they were planning to try to sell FSBO.

Here are some other takeaways from the study:

• Sellers are preparing for a housing market slowdown. Some 65 percent of respondents said they’re willing to wait longer for a better price versus 35 percent of respondents who said their No. 1 goal was to sell as quickly as possible.

• Consumers are almost ready for AI technology in real estate. Approximately 50 percent of respondents said they would be willing to sell their home using an AI platform that finds potential buyers, and 37 percent believe existing AI tech could outperform a human real estate agent.

• While many sellers use the internet to find and vet real estate agents, most (50%) said they rely on referrals from friends and family.

• According to survey respondents, the most challenging part of selling a home is preparing it for sale (27%), followed by attracting buyers (20%), pricing it correctly (18%), finding a good real estate agent (13.5%), negotiating with buyers (10.7%), and handling all of the paperwork (9.7%)

The key takeaway is that many homeowners simply don’t understand all of the costs involved in selling a home. Real estate agents should set realistic expectations at the outset to avoid nasty surprises and difficult conversations further down the line. This is especially true for first time home sellers, who were 53 percent more likely to believe home buyers pay commissions than experienced home sellers.

BROKER CHALLENGES

DO YOU STRUGGLE TO COMMUNICATE EFFECTIVELY?

It’s time to put in place a strategic communications system. | By David Siroty

Real estate brokerages are filled with people—people—a group of leaders, staff, and agents who love connecting. That’s why you would think it’s a place where strong communicators would run rampant. Instead, almost all of the real estate brokerages I’ve come across struggle to communicate for a variety of reasons.

The first is the breakneck pace of the real estate environment. There’s so much going on—so many deals, offices, and agents—that having a strategic communications system is challenging to set and maintain.

The second reason is the entrepreneurial nature of the industry. Each office tends to have its own culture and each manager his/her style. Most leaders are fearful that any effort to infringe on a manager’s work would hinder their spirit. The third is the agent-led system. While most leaders would love to have their agents tethered to the company, the reality is that most would rather have them selling and producing.
THE TIME IS NOW
If we believe challenges are to be met and overcome, I believe it’s time for brokerages to adopt better systems of communications. I can’t tell you how many broker-owners I’ve spoken to who feel they’re continually showcasing and defending what they offer. They’ll say, “We have X, and we have Y, but the agents don’t come to our meetings and don’t pay attention.” The agents have left the barn. The more they disconnect, the harder it is to share what you offer.

Unfortunately, this has led many to have fewer sales meetings hoping that the exclusivity of these events will be a draw. I’ve seen that many have drastically cut back on emails and newsletters. The problem is not how often you’re trying to communicate, it’s what you’re sharing that has gone astray.

When communicating, no matter if you do it through emails, texts, newsletters, video or meetings, you have to understand the audience and what they want and need to hear. They come first. Once you hook them, then you can weave in your messaging in a way that will engage them. Of course, you also need to understand the underlying themes you want to get across.

Here are some ideas that may help you better communicate with your teams:

1. **Your intranet site is not a communications vehicle.** It’s a holding cell. You still have to get them there.

2. **Newsletters work.** You should have a healthy mix between what the agents want to see and what you want to tell them. As a simple example, if your agents love celebrating birthdays, include a list of birthdays for that week. Write concise, scannable chunks of copy along with bold graphics so that agents can read it on the go. I’m a fan of the weekly newsletter rather than a monthly dump of information.

3. **Emails work as long as you’re not overusing them.** Only major items should be shared in a company-wide email. Consider a targeted approach where agents interested in a specific topic get those appropriate messages.

4. **Facebook groups work.** Your firm should have a closed Facebook group where you can communicate, share, congratulate, etc. The group also allows for an environment where agents see energy, learn and engage. Keep it updated with only current agents and staff, and never allow it to become a listings bazaar.

5. **Sales meetings work.** You must have them. And the broker-owner should be scripting them with the manager’s input. Every office—and every agent—should hear the same thing. The meetings should ooze company culture, energy, and vibrancy with time set aside for hardcore real estate along with traditional pieces that agents love (i.e., new listings).

6. **Managers must be in the know.** As leaders, we want to equip managers to tell the company story. If they’re not on the same page and have trouble articulating the firm’s value, that has to be fixed immediately. Then, get buy-in on the importance of consistency and the tools that the company will use to share the message.

What challenges do you have communicating?

David Siroty has spent 30-plus years in marketing and communications, the last 15 in real estate. He launched Imagine Productions, a marketing and communications consultancy focused on assisting real estate brokerages, in December 2016 after 13 years leading global communications for Coldwell Banker. He can be reached at david@imagineprstrategy.com.
BUILDING YOUR TEAM

TOP 10 INTERVIEWING TIPS

Hiring great talent is at the top of every brokerage’s list. Here’s how to interview agents to find out if they’re good for your team.

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

The first step in building a great team is hiring the right talent. Clearly, the interview process is a key component. Here are 10 tips in interviewing.

1. **Hire to Vision.** Hire for the vision you want your organization to become. Also, hire to the interviewee’s vision. What are they trying to accomplish and how is your company positioned to help them achieve their goals?

2. **Stop Selling!** Don’t be so focused on selling your brand, technology, marketing, etc., that you fail to interview them. Instead, provide interviewees with a package of information on your company in advance that will answer many of their questions. For the top producers you’re recruiting, ask them what their greatest challenges are in their business and then offer solutions. Stop selling and start solving. The interview should be about them.

3. **Look for losers.** In my 45 years leading a sales organization, I’ve learned that spotting the winners is difficult. Salespeople come in all shapes and sizes. Many surprise me. I’ve found it’s easier to spot the losers and make sure I don’t hire them. The next few tips will help you eliminate the losers and give the rest a chance. Put those who meet the following criteria into your sales system and see how they do.

4. **Character.** Did they show up on time? This is a sign of their ability to keep their promises. Are they dressed for the interview? Are they likable? Would I be proud to introduce them to a key client? Would I trust them with the keys to my car and my house? (Note: Our sellers will be trusting them with the keys to their houses.)

5. **Commitment.** Do they have a commitment to a work ethic? “What was your first job for pay?” is a key question. Research shows that young people who had a job for pay by the time they were 14 have a much stronger work ethic. Explore their various jobs and hours worked to determine their commitment to a work ethic.

6. **Capacity.** Do they have the capacity to work full time? The failure rate in the first two years for new real estate sales associates runs close to 90 percent. A big reason is their inability or unwillingness to work full time. Our experience is that they’ll need to work 60 to 80 hours a week for their first year to make it in this career.

7. **Coachability.** Are they coachable? Our industry attracts people who don’t respect the hard work and commitment it takes to be successful. They think what we do is easy, and they won’t have to do the work. One way to test their coachability is to give them an assignment to bring to the interview. Our favorite is to ask them to bring their database. If they show up without it, we learn two things. First, they have a character issue. They don’t keep their commitments. Second, they have a coachability issue. They won’t follow instructions. If they have character, commitment, capacity, and are eager to let us show them the way, they’ll usually make it.

8. **Culture.** Will they fit into our team? Is their focus we or me? In his book, *The Ideal Team Player,* Patrick Lencioni says his research shows the best team players are humble, hungry, and smart. We’ve found these three characteristics to be important in building a high-performance culture.

9. **Three Accelerators.** New people get a faster start in our business if they have one or more of the following accelerators: They have previous sales experience; they have previous real estate-related experience (mortgage, title, builder); and, they have a large network of people who know, like, and trust them—and the interviewee is willing to access this network. Look for these three accelerators.

10. **The Informal Interview.** Interviewees can sometimes fool you in the one-hour interview. Have them meet with your marketing or technology people to “see the resources available to you.” Tip-off your marketing and tech people to watch for the signs listed above, especially coachability. Does it look like the interviewee will embrace your marketing and tech solutions, or do they think they don’t need it? Are they humble, hungry and smart? This informal interview can be very revealing.

By following the 10 tips in this interview template, you’ll hire the talent that fits your culture. That’s a great start. The next step is turning this talent into performance which is the primary responsibility of managers. To turn talent into performance, managers should use one of the proven sales systems available in our industry—and build a great team.
MARKET WATCH

SHOWING TRAFFIC FALLS

SELLERS HOPE FOR A SPRING THAW

KEY POINTS:
• February showing traffic fell 9.3 percent year over year in the U.S.; the West Region again saw the largest decline in activity, down 16.8 percent vs. the same time last year, the region’s 12th straight month of slowing traffic
• The decline was also felt in the Northeast (-5.5 percent), South (-11.3 percent) and Midwest regions (-10.5 percent), the fifth consecutive month where all four regions saw a year-over-year drop

The traditionally busy spring home buying season can’t come soon enough for home sellers across the country as February continued the trend of year-over-year declines in showing activity, according to data from the ShowingTime Showing Index®.

Marking the seventh consecutive month of year-over-year decreases, February saw national showing activity drop 9.3 percent, with the West Region reporting the biggest decline at 16.8 percent. The West’s 12-month average percentage change was -11.7 percent. The South Region saw an 11.3 percent year-over-year decline, followed by the Midwest Region (-10.5 percent) and Northeast Region (-5.5 percent).

“Showing activity remained slow in February, furthering the notion that the historically busy spring selling season may see less traffic than is typical,” said ShowingTime Chief Analytics Officer Daniil Cherkasskiy. “These conditions may prove to be beneficial for home buyers, however, as the greater available inventory signals a strong buyer’s market.”

“Showing activity remained slow in February, furthering the notion that the historically busy spring selling season may see less traffic than is typical. These conditions may prove to be beneficial for home buyers, however, as the greater available inventory signals a strong buyer’s market.”

— Daniil Cherkasskiy,
ShowingTime
Chief Analytics Officer

Sluggish February real estate showing activity continues seven-month decline foretelling a buyer’s market.
The ShowingTime Showing Index tracks the average number of buyer showings on active residential properties on a monthly basis, a highly reliable indicator of current and future demand trends.

Methodology: The ShowingTime Showing Index® measures showing traffic per residential property for sale by agents and brokers utilizing ShowingTime solutions for property-access management. A higher number means that an average home receives more buyer visits in a given month. All index values are scaled relative to initial index value set to 100 for January 2014. ShowingTime facilitates more than 4 million showings each month.

The ShowingTime Showing Index, the first of its kind in the residential real estate industry, is compiled using data from property showings scheduled across the country on listings using ShowingTime products and services, providing a benchmark to track buyer demand. ShowingTime facilitates more than four million showings each month.

Released monthly, the Showing Index tracks the average number of appointments received on active listings during the month. Local MLS indices are also available for select markets and are distributed to MLS and association leadership.

To view the full report, visit www.showingtime.com/index.

ABOUT SHOWINGTIME
ShowingTime is the residential real estate industry’s leading showing management and market stats technology provider, with more than 1.2 million active listings subscribed to its services. Its showing products and services simplify the appointment scheduling process for real estate professionals, buyers and sellers, resulting in more showings, more feedback and more efficient sales. Its MarketStats division provides interactive tools and easy-to-read market reports for MLSs, associations, brokers and other real estate companies, as well as a recruiting tool for brokers. ShowingTime products are used in more than 250 MLSs representing nearly one million real estate professionals across the U.S. and Canada. For more information, contact us at research@showingtime.com.
As Congress continues to debate comprehensive reform of the National Flood Insurance Program (NFIP), federal banking regulators have published a final joint regulation allowing for broader acceptance of private flood insurance policies.

By Sue Johnson, strategic alliance consultant

The National Flood Insurance Act of 1968 made federally subsidized flood insurance available through the National Flood Insurance Program (NFIP) to cover gaps left by the withdrawal by private insurers from the flood insurance market. The Flood Disaster Protection Act of 1973 required property owners in Special Flood Hazard Areas to purchase flood insurance when purchasing a mortgage originated, guaranteed, or purchased by a federal agency, federally-regulated lender, or Fannie Mae/Freddie Mac.

RENEWED INTEREST BY PRIVATE INSURERS
In recent years, private insurers have expressed renewed interest in providing flood coverage, due to advances in flood risk quantification and increases in capital market capacities. However, few private insurers can compete with the NFIP, which offers cheap subsidized rates but has had to borrow $30 billion from the government to pay for its claims from flood disasters like Katrina, Sandy, and Harvey. Private insurers currently are estimated to issue only 3.5 percent to 4.5 percent of all U.S. residential flood policies.

In recent years, private insurers have expressed renewed interest in providing flood coverage, due to advances in flood risk quantification and increases in capital market capacities.
In an effort to enhance private flood insurance competition, Congress passed the 2012 Biggert-Waters Act, which require that federally regulated lenders accept private flood insurance as defined in the Act. On February 12, federal banking regulators (the OCC, the Federal Reserve Board, the FDIC, the Farm Credit Administration, and the National Credit Union Administration) published a joint proposed rule to implement this law.

Here are some of the Rule’s highlights:

**WHICH PRIVATE FLOOD INSURANCE POLICIES MUST BE ACCEPTED**
Federally regulated lenders must accept private flood insurance policies providing coverage that is “at least as broad” as the coverage provided under a Standard Flood Insurance policy (SFIP) issued under the NFIP for the same type of property, including when considering deductibles, exclusions, and conditions offered by the insurer.

Some commenters on the proposed rule asked whether policies with anti-concurrent causation clauses would be considered “at least as broad” as an SFIP, meaning that they qualify as “private flood insurance” that must be accepted by lenders. Anti-concurrent causation clauses provide that if a loss is caused by two perils (such as wind and flooding), one of which is excluded and one of which is covered, the loss is not covered. The regulators responded that the SFIP includes what is effectively an anti-concurrent clause and that as long as the private policy’s anti-concurrent causation clause excludes losses to not a greater degree than an SFIP that it qualifies as a private insurance policy.

**A STREAMLINED PROCESS**
To assist smaller lenders that often were confused by the statutory definition of private flood insurance, the Rule provides for a “streamlined compliance aid provision” that allows lenders to determine, without further review, that a policy meets the definition if the policy (or an endorsement) contains the following language: “This policy meets the definition of private flood insurance contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation.”

**DISCRETIONARY ACCEPTANCE OF PRIVATE INSURANCE OUTSIDE THE STATUTORY DEFINITION**
Significantly, the Rule has a discretionary acceptance provision that allows lenders to accept policies that don’t meet the strict statutory definition of private flood insurance, so long as they...
provide sufficient protection for a designated loan, are consistent with general safety and soundness principles, and the lender documents its conclusion regarding the sufficiency of the protection in writing.

**Mutual Aid Society Plans**
The Rule also allows lenders to accept, under certain conditions, private flood coverage issued by mutual aid societies, under which members share a common religious, charitable, education or fraternal bond.

**Continuous Coverage Still a Concern**
The Rule does not address the issue of continuous coverage, which the NFIP considers when determining flood insurance rates. Since the NFIP does not officially recognize private flood policies, it considers anyone who leaves the program to purchase a private policy to have had a gap in coverage, which could affect their rates if the homeowner later decides to return to the NFIP. The National Association of Realtors® (NAR) states on its website that it will be following up with the regulators on this and other issues, such as whether surplus lines residential coverage is included.

Enhanced private competition could provide more flexible flood policies, lower costs for some homeowners, and reduce the NFIB’s financial risk after major disasters. This Rule—which takes effect July 1, 2019—is a first step towards expanded lender acceptance of private flood insurance policies, which should be a boost to the growing private flood insurance market.

**Sue Johnson** is the former executive director of RESPRO, the Real Estate Services Providers Council Inc. She retired in 2015 and is now a strategic alliance consultant.

Enhanced private competition could provide more flexible flood policies, lower costs for some homeowners, and reduce the NFIB’s financial risk after major disasters.
As you may have read, Compass, the NYC-based brokerage, announced that it had acquired Silicon Valley giant Alain Pinel Realtors® on March 1, 2019. Alain Pinel closed over $12.2 billion in 2017 sales on nearly 7,600 closed transactions ranking it seventh among all brokerage firms in the United States in closed sales volume.

In the calendar year 2018, the firm had a closed sales volume of $12.2 billion and closed sides were up slightly, which again ranked it in the top ten brokerage firms in the country based on closed sales volume for 2018.

With the acquisition of Alain Pinel, in the last six months, Compass has now purchased two of the ten largest brokerage firms in the United States based on sales volume—the other firm being San Francisco-based Pacific Union. Compass had also purchased San Francisco-based Paragon in June 2018, meaning that Compass bought three of the five largest firms in California in less than a year.

It appears that, in addition to its agent acquisition program, Compass will invest in the purchase of brokerage firms that operate in high-priced housing markets. Compass executives have told REAL Trends that they intend to remain opportunistic in so far as the acquisition of key brokerage firms in its target markets.

REAL Trends was honored to represent Alain Pinel and the Hulme family in the transaction.
Iceland has a population of about 350,000 of whom nearly two-thirds live in the capital Reykjavik on the West Coast. The lack of crime, strong education, healthcare systems, and friendly population are drawing more people to Iceland every year. Since 2015, visitors to Iceland have doubled to over 2.5 million in 2018. The majority are from the U.S. (30%) followed by the U.K. (16%), Germany (7%), and Canada (5%). These percentages also reflect the buying interest of international buyers. It’s interesting to note that a large number of Icelanders living abroad still have a second home in Iceland.

**EVERCHANGING OPPORTUNITIES**
The Icelandic market is everchanging with the opportunity to rent out property to locals or visitors growing, according to results of a recent Airbnb survey. Earnings from Airbnb accommodations and similar services were reported by *The Iceland Review* to be $55 million last year. The percentage of home-based accommodation for tourists is estimated at 50 percent, which has put a strain on this sector due to the rapid increase in tourism. This has had an impact on the expansion of the housing market and rising prices.

Real estate prices in the capital Reykjavik rose 14 percent in the first half of 2017 but have leveled off recently. The average rise in prices in the last ten years is 9 percent per annum. The average rent in Iceland is $2 per square foot and in Reykjavik $2.3 per square foot. The number of apartments under construction in the country is currently above the long-term average since before the banking collapse. However, *The Iceland Review* reported that an economist from Housing Financing Fund said that apartment construction had not kept pace with the demand, and the cumulative shortage of apartments is expected to exceed 9,000 by the end of 2018. Airbnb rentals are a significant factor in increased demand.

**ECONOMY**
Average house prices, as well as their rate of inflation, vary widely between Iceland’s different regions. The four major driving forces of real estate are the current economy, interest rates, demographics and government subsidies from time to time. The current average price of residential property in Reykjavik is between $375,000 and $475,000. Real estate agents in Iceland charge commission of between 1.5 percent to 2.5 percent of the purchase price. Buyers under a purchase agreement filed with the Real Estate Register get a formal title in terms of a deed issued by the seller, and 25- to 30-year mortgages are available from commercial banks and the State Housing Fund.

An investment in Iceland is an investment in the country’s future and its strong revival to date can give investors some confidence when making their investment decisions.
When I first joined my brokerage as the vice president of business development, I had a relatively narrow view of what my responsibilities would look like. I would help generate business for the agents, recruit for the offices, and potentially evaluate, analyze and structure growth and acquisition opportunities. Coming from the software world, I assumed the title reflected the responsibilities of the position. However, the last year has shown me that no position can live in a bubble—it must work with other positions to share a recipe for success. Technology infrastructure is key to that success.

Traditional leadership positions are no longer as simple to define. Sales managers, recruiters, coaches, trainers, business development, marketing—they all have core responsibilities, but they also have one large common denominator: They have to be comfortable with technology and always thinking about how to leverage it to increase the brokerage’s bottom line.

**NEW ROLES FOR CTO**

The days of a CTO having the sole responsibility for technology infrastructure is no longer applicable in the real estate world. All positions are responsible to increase the bottom line. They are all responsible for finding ways the company can use systems and integrate platform data to create a recipe for success that can be replicated from agent to agent within the brand.

York Baur, CEO of MoxiWorks, explained this concept quite eloquently, “The success of a brokerage is directly connected to recruiting and retention and agent productivity is the key to recruiting and retention. If agents are productive, they won’t want to leave, and it will be easier to get other agents to join your company. Productivity is tied to a specific methodology or system, which is nothing more than documenting, training, and coaching to a specific set of tasks or activities to succeed with your unique value proposition, in your unique market. Technology must be leveraged to reinforce those systems with the agents, managers, trainers, and coaches. At the end of the day, the success of a brokerage is directly connected to the company’s ability to leverage technology to reinforce the systems that will help agents sell more real estate.

Leaving the Annual LeadingRE conference recently, I was humbled at the diverse expertise top leaders throughout this industry hold. What’s clear is that they all have comfort with technology and don’t shy away from it. I say this often and will likely say this many more times—technology will never replace the agent, but an agent with technology, will replace one without.

Warren Dow is the VP of Business Development at Peabody & Smith Realty based in New Hampshire. Warren has over a decade of leadership experience in real estate software and services. With a degree in behavioral neuroscience and a background in technology, consumer engagement, and marketing strategy, Warren offers a unique perspective in brokerage efficiencies with a client-first mentality.

At the end of the day, the success of a brokerage is directly connected to the company’s ability to leverage technology to reinforce the systems that will help agents sell more real estate.
REAL Trends and Inside Real Estate set out to answer an age-old problem for brokerages: Agent adoption with technology implementation. What the two companies found in the case study were four main pain points outlined by The Keyes Company and how they were determined to fix these setbacks.

“With the lead landscape changing, we needed to take control of our destiny away from the major portals,” says Mike Pappas, CEO of The Keyes Company in Miami. “To do that, we needed a smart CRM to handle longer-term relationships with our clients and leads. Without being able to engage in the process using a tech platform actively, we were losing a lot of opportunities.”

The Keyes Company shares its technology journey by first identifying their pain points and then outlining a plan on how to address them. They knew that it was essential to find a technology partner that was flexible to their needs and ability to integrate with all their other tools. This, they believed, would increase agent adoption.

The technology implementation strategy is not a one-size-fits-all solution. It took The Keyes Company nearly nine months from the time they signed with kvCORE to the system running. With three brands and over 4,000 agents, it was important to The Keyes Company and Inside Real Estate to manage the project effectively to increase agent adoption. What Keyes also solved was the agent adoption problem by offering a smooth, well-thought-out rollout of the platform. Within three months, about 90 percent of their agents had logged in to the system. “Our lead cost went from $100 to $150 per lead to under $10 per lead,” says Pappas.

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