

# REAL *Trends*

The Trusted Source

## COMMENTARY

### *Leadership Is All There Is*

Over the past several years, we've been busy searching for some fundamental truths about our business. One of the first questions we asked several years ago once the market had first soared and then suffered a calamitous decline was, "what does a normal market look like in terms of housing sales?" As we've reported in earlier editions, after looking at 30 years of housing data we discovered that approximately 5 percent of all households buy a home each year.

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# REAL Trends

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We tested this against 2008 and 2009 results and have them to be remarkably prescient about what actually happened.

The next big question we asked was, “what is it that determines the success or failure of a brokerage firm?” Was it size, location, brand, technology, marketing, business model or some other factor? Was it the age of the leadership, the structure of ownership, the personality of ownership or some other factors that we had yet to uncover?

We set up three studies to assist us in finding the answer. In 2006, we looked at the sales and financial results of the largest 800 firms in the industry going back 10 years. After sorting through all the data and selecting the 15 best in these performance categories (growth in agent count, per agent productivity, firm productivity growth, growth in profitability) we then interviewed 14-17 sales professionals with each of the 15 to find out what they thought the strengths of their firm were—what had caused them to accomplish what few others had.

The result was a book we published called “People Still Matter”. It revealed several traits common to these leading companies. Among these traits were Vision, Transparency, Accountability and Community.

Earlier this year, we published two additional studies that attempted to explain the success of certain firms. We looked first at the results of the REAL Trends 500 from 1999 to 2008 in five categories of performance: agents per office, sides per agent, volume per agent, sides per office and volume per office. What we found is that there was no material difference in the results when looking at large versus small brokerage or affiliated versus independent. No material difference.

In another study, we compared the financial results of five different business models over the past year: traditional, high commission, capped company dollar, freedom shop and hybrid. This study resulted in a White Paper, which is available from Profit Navigator ([http://www.rebos.com/profit\\_nav.html](http://www.rebos.com/profit_nav.html)), the leading online benchmarking tool available today. Again, we found that the average operating and financial results of firms for each model were roughly equal—that is they all achieved an acceptable level of profitability given market conditions in 2008.

So if it isn't technology or marketing, size, location, brand or business model then what is the deciding factor?

What we are left with is leadership. Leadership that determines what it wants to accomplish (sales and profits) and the culture it wants to establish (behaviors and relationships) and then pursues these relentlessly. That's what separates firms that will be successful over the long term from those that won't be.

So while there are some leaders who seek a magic pill or an easy way out of a predicament of underperformance in their businesses, it turns out that neither will work. Pick a model, a brand, a size and culture that fits and relentlessly pursue perfection. There's simply no other way to succeed in the long term in our business.

Things are more like they are today than they have ever been before.

At the REAL Trends Innovation Conference held in Dallas September 23-25, we experimented with a new format. Instead of speakers with PowerPoint presentations, we set up three panels on technology, marketing and new target marketing strategies. We asked questions and asked our guests to text their

questions to a billboard that was shown to all on a projector screen. What we discovered midway through the morning is that we had nearly half the audience Twittering or blogging about what they were learning to networked friends across the country who were in turn asking their own questions.

Now, we have all heard of online training and learning systems but candidly we did not quite expect to be hosting a global conference with several thousand people outside the conference participating. While it was “cool” to be thinking that this was happening it also showed powerfully for all in attendance that social networking is here to stay. Whether leaders of the brokerage industry and sales professionals serving consumers want to adopt social networking, consumers of all ages are tuning in via these channels.

As networking in the past was necessary to building a real estate business, it was done in ways that were comfortable and familiar to previous generations. Mainly community based, church, clubs, neighborhood and civic participation. Today’s social networking is really just the recognition that how people stay networked with each other is based online.

Dr. Phil Evans in his book *Blown to Bits* said over 10 years ago that the Internet would change everything. A main point he made was that the historic trade off of richness versus reach would disappear in an online world. For example, we used newspapers because they gave real estate professionals reach even though the content was not rich. One-on-one meetings were rich but you could only do so many in a 24/7 time frame.

Perhaps he foresaw social networking such as Facebook, LinkedIn and Twitter. Regardless, we are now entering a new era where these tools give real estate professionals the ability to have both richness and reach in their communications with current and potential clients and customers (not to mention old friends.)

So, while many of us are confused about what these really mean and how to best use them, perhaps the best way to make sense of them is to consider that they are nothing more or less than an updated means of meeting people and establishing a relationship. ■

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## Benevolence

by Mike Staver, contributing editor  
Principal, The Staver Group

Benevolence has to do with being generous, giving and kind. This month, I’m wondering if you are intellectually generous, giving and kind, or do you find yourself far too quick to judge or evaluate someone or something else simply because they are different than you or what you believe?

I am on Facebook personally, and The Staver Group has a fan page on Facebook. I am always entertained, in a kind of morose way, at all of the opportunities there are for attack or judgment.

I am not, in any way, suggesting that we should lack good judgment or somehow be free from compelling intellectual debate about differing views. I even like a little fire in the debate; a little hot-blooded emotion. What troubles me is the way in which it has become so personal.

It’s interesting to observe the intensity and personalization of disagreement. Take the health care debate raging (and I mean

raging literally) in the United States right now. Are you kidding me? Calling people names is going to somehow move us closer to a healthier society?

Here is a checklist to evaluate your intellectual benevolence:

1. I am genuinely interested in other points of view.
2. I allow people to have contrary opinions without feeling the need to change their minds.
3. I can ask, listen, read about, and consider other points of view without becoming angry, annoyed or irritated.
4. I avoid name calling, or personal attacks.
5. I ask questions and attempt to understand others.
6. I am able to accept people even if I don’t approve of their beliefs or behaviors.

The more ‘yeses’ the more intellectually benevolent you are. ■

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## It is a Whole New Demographic Out There

by Jeremy Conaway, contributing editor

The real estate industry literature has dedicated a great deal of space over the past couple of years talking about the changing American consumer. Much of that talk has been focused on multigenerational issues and the maturing of the X and Y generation.

Over the past several months, a lot of attention has been given to examining the impact of the recent recession on this consumer. From these two sources we’ve been able to identify the 14 critical factors incorporated into the *Consumer Focused Brokerage: New Challenge or Old Dilemma* presentation (The PowerPoint slides are on [www.realtrends.com](http://www.realtrends.com)) at the recent Real Trends Innovation Conference in Dallas.

But the “Super Bowl” of demographics is about to occur and all eyes will be on that big announcement early in 2011 when the U.S. Census Bureau announces the results of the 2010 census. More than any other census in history the 2010 version will provide a comprehensive in-depth three dimensional view of how the American people have changed over the past ten years not just in terms of ethnic background, household unit composition, gender and education but, more importantly in terms of consumer behaviors.

The Census bureau will be investing a record \$15 billion in this latest version of the “Platinum” standard for demographic research. The final census report will incorporate the latest in informational technologies including an unparalleled search function.

But already members of that special group known as demographers are placing their bets on what the census is likely to show. America is estimated to have a total population of about 309 million. But some experts are suggesting that what this census won’t show may be as important as what it does show.

For example, experts like world-renowned demographer and founder of the American Demographics magazine Peter Francese suggests that the 2010 census will mark the demise of the “average American family” which has been the leading category since the original census in 1790. In fact, Francese in a recent interview with *Ad Age* suggested that the most remarkable aspect of the 2010 census might be the disappearance of the whole concept of the “average American.”

Instead of “average” the new census is likely to disclose that Americans now reside in a whole new range of categories. The average American has been replaced by what Francese refers to as a “complex, multidimensional society that defies simplistic labeling.”

Some of the anticipated findings of special interest to the real estate community will be found in the 14 new categories under household type. The special needs and behaviors of blended families, single-parent families, multiple generation households and multi-family households will all require rethinking the real estate/life style marketing experience. In many states and in some of our largest metropolitan areas the traditional “white – non-hispanic” will no longer be a majority.

Age-based population distribution will also require another look with respect to real estate. Experts are predicting that while 85% of Americans over 65 will be “white – non-Hispanic” only 54% of children under the age of 18 will be so identified.

This is not to suggest that the common measurements that the census has always been noted for will not be available.

In and out migration will continue to play an important role in tracking America. Migration from the Northwest and the Midwest into the South and the West is likely to have continued.

What does this mean to the American real estate broker? As a starting point it probably suggests that demographics, certainly local and regional demographics, are yet another area of expertise that must be incorporated into the brokerage business model. An important characteristic of the traditional brokerage agent pool was to have at least one agent representing each household category. While the concept may continue to have relevance the current distribution undoubtedly will not.

These facts should have an immediate impact on agent and manager recruiting. There may be significant areas of your region’s demographics that you’re currently not marketing. As we approach the arrival of the new market this could be a serious deficiency.

The final issue raised by these facts is one of timing. The 2010 census, which will not be released until early 2011, will reflect the status of local populations as of two years ago. Brokerages simply cannot wait until 2011 to reconfigure their service and marketing coverage to local demographic profiles.

Brokers should use currently available sources to compile updated demographic profiles of their markets. There are plenty of these sources available. *American Demographics* magazine cited above is an excellent source of information. Local colleges and universities often have at least one faculty member who specializes in local demographics.

An excellent starting point for the brokerage demographics search might occur at a Tuesday morning sales meeting or other well-attended sales event. Start by asking the agent panel what they know or think they know about the demographics of the local or regional marketplace.

Brokers may discover that their current marketing course is being governed by what “they don’t know” rather than what they “should know.” If the results of this informal survey don’t match the results of your more formal efforts perhaps that circumstance will provide the beginning of a discussion relative to other market facts that need to be aligned and incorporated into brokerage operations.

This is a homework assignment not an investment. Getting ready for the new market is what you have time to do in a slower market. Team research, study and discussion are what will mark the new collaborative company environment. Any member of your team that won’t participate in something this simple will not be on board when it comes to profit planning time either. Get started now, we can do this. ■

# ANALYSIS

## *Broker Roundup: High Commission Business Models*

No matter what your business model, there's a new way of thinking in today's market. *REAL Trends* spoke with several brokers to find out how they're tweaking business to meet today's demands.

**John Foltz, president emeritus**  
Realty Executives of Phoenix  
Phoenix, Arizona

*REAL Trends:* Where are you finding business these days?

**Foltz:** We're definitely finding most of our business online. That's not as much a product of the recession as it is the fact that technology marches on. We've adopted, on behalf of our executives, the ListHub product and Realty Generator as well as other products that give us better search engine optimization so that we increase our Web traffic and then have leads filtered. We've found that traffic alone is not valuable. We must do some elementary scrubbing, and we've hired vendors to do that initial scrubbing. We also have an in-house person who takes it a step further.

Another source of business, and perhaps our most productive source, is asset managers. Also, the business with Freddie and Fannie comes to a central point of contact in our company for quality control. The executives who receive assignments from those asset managers have agreed to have calls [from prospective buyers] go to our buyer center. So, when a call comes in, we have folks who can call back and immediately qualify these buyers. Our lender partner has helped train executives who, on a volunteer basis, answer these calls. This is a shift in our business.

We're rethinking yard signs and scrubbing leads from those yard signs. Once those callers are qualified, they're referred back to the listing agent, who pays a referral fee to the company for running the buyer center. That's been a smashing success.

We developed a short-sale division to assist and coach executives through the process. The division includes a lawyer so that salespeople can sell and not be personal experts in the process. It's helped in risk reduction. Repeat clients and customers are also a big source of business. We have an in-house coaching system to help them stay in contact and work on relationships.

*REAL Trends:* What brokerage strategy/product/service have you had to change in order to compete in today's market?

**Foltz:** We're making a lot of changes, but we're really focusing on executive motivation. We've got their backs. There's no embarrassment in asking for help. What got them here in the

first place is our focus on the entrepreneurial executive. So, we're focusing on productivity through coaching and motivation.

Second, our executive service center part of the company has focused on capturing wholesale accounts from Freddie, Fannie and large banks. We're capturing these accounts by offering to centrally supervise and insist on certain processes and quality control. We will incorporate the use of executives for the sale process but all processing details are controlled at the corporate office. That's not part of our tradition. Executives are used to doing all of it themselves so the company has shifted slightly in function.

*REAL Trends:* What are your three biggest challenges in today's market?

**Foltz:** A big challenge is controlling the level of anxiety. There's so much uncertainty. We want to focus people on activity, rather than the economy. We're challenging them to focus on doing rather than talking like victims. Keeping them fired up is a big deal.

Another challenge is to help experienced executives confidently perform new activities. We want them to feel OK about doing things they don't know how to do. Experienced executives are used to being competent in everything they do, but the market is changing and they have to deal with unfamiliar situations. So, we're offering coaching in a non-threatening way. We provide a safe place for them to get information to help them change with the market.

No. 3 is to hold the levels of service to our executives to a higher standard. We're known for a high level of service and maintaining that service with budgeting is a huge challenge. From an operational standpoint, every line item needs to be examined to be sure the expenditure is pointed at our primary goals.

These are tough times. Those who stay successful have adopted a behavior pattern. They recognize things are changing, they make adjustments and they get over it and do something about it. They take risks.

**Jack Fry, president**  
RE/MAX of Reading  
Wyomissing, Pennsylvania

*REAL Trends:* Where are you finding business these days?

**Fry:** About 8-10 percent of our business comes from our online presence. That seems to be slowly, but consistently, growing. Repeat and referral is still predominant. In addition we have a lot of call-in and walk-in business, probably

because of our strong market share. Our company's name is at the forefront of the marketplace.

**REAL Trends:** What brokerage strategy/product/service have you had to change in order to compete in today's market?

**Fry:** We have a huge focus on agent prospecting— helping them keep the pipeline filled. For the last three years we've been preaching and teaching Buffini. We're really focusing on business generation. Now, we're taking their database and teaching them how to stay in front of those people, to continuously ask for more business and create a closer relationship than they've ever had. We're taking that to a much more serious level. Instead of the consumer calling them, it's about touching the consumer's life. And that's a shift.

We've also taken great strides in online representation. We want to get the listing out there for little to no cost. So, we use ListHub and syndicate it to 30 different online portals. We also work harder to track how many leads come back to each agent through our search engine optimization and our unified marketing of the company's domain name. This effort has helped us increase leads by about 400 warm leads per month, on top of the leads we already generate from RE/MAX.com and each agent's personal Web site.

**REAL Trends:** What are your three biggest challenges in today's market?

**Fry:** Staying focused and delivering positive energy is vitally important. We want agents to believe in themselves. We look at external challenges—which are the same for all of us—and figure out that how we deal with that change comes from within. Whatever the mind stays focused on it will create and achieve—both positive and negative.

No. 2 is helping agents to do enough business to stay in business. It's all about teaching them to prospect and generate leads.

No. 3—business from social networking will grow exponentially as the next generation flows into real estate buying mode. How do we analyze the effectiveness of the time, energy and money that we spend in this area?

**James O'Bryon, president**  
**RE/MAX Gold**  
**Rancho Cordova, California**

**REAL Trends:** Where are you finding business these days?

**O'Bryon:** Most sellers in our marketplace are still distressed— either REO or short sale. On the buyer side, most of our business has dramatically shifted to online with IDX on company or individual agent Web sites.

**REAL Trends:** What brokerage strategy/product/service have you had to change in order to compete in today's market?

**O'Bryon:** In direct correlation, due to nature of the market, we've placed a huge emphasis on getting agents qualified to handle distressed properties. We've had about 160 of our agents go through the Certified Distressed Property Expert (CDPE) certification course.

We want close to 100% of our agent population certified and that's worked out well. After all, in our market, even if the agent is not representing the seller, he or she is representing buyers who are purchasing distressed property. This certification gives them a higher level of understanding about how the process works.

In line with where buyers are coming from, we're strongly encouraging agents to develop a personal Web site and use IDX links.

**REAL Trends:** What are your three biggest challenges in today's market?

**O'Bryon:** Each of these is equally weighted. The appraisal piece of the lending process is causing huge delays. What used to take 30 days is taking much longer. In addition, all of the uncertainties involved with short sales are challenging. The mix in our market has changed. A year ago, REOs were escalating and the short sale piece was small. Now, short sales are escalating. Because of that change in the mix, things have been uncertain. And, ironically, inventory shortage in the part of the market that's selling is a huge challenge.

There's plenty of inventory in the parts of the market where no one is buying— anything \$350,000 and up. But, in the \$150,000 to \$250,000 range, the moratoriums on foreclosures have cut so deeply that we're actually getting multiple offers on properties and buyers are getting frustrated. Many are leaving the market because of that frustration.

Another problem is the uncertainty about the cessation of the first time homebuyer credit. ■

## Budgeting in Turbulent Times

by David B. Colmar, contributing editor

Across the country, some markets are doing better while others continue to see sales and prices continuing an up and down unpredictable trend. The good news for some is that sales are up. Closed transactions are ahead of last year and even ahead of a few months ago. The bad news is that prices are down which means that revenue is down.

In discussions with broker/owners, the constant comment is that they have cut all that they can out of their operations in an effort to stop the outflow of cash and get the ship onto an even keel. "We just don't know where else to reduce costs", they say. As we enter the fourth quarter of 2009 with no universal data pointing to the straight road to recovery how do we plan for 2010?

In the past, we looked at our expenditures for operations and simply updated the information. We knew utilities would increase, print advertising was going to rise and leases were tied to some index like CPI for rent adjustments. We planned accordingly. We also knew that controlling company dollar and riding on price appreciation covered the revenue side. These old principals just don't cut it anymore.

Maybe it's time to bring back the old concept of "Zero-Based Budgeting." Nothing new in this concept as it has been around for years but usually has not been applied to real estate brokerage. Simply put, this is the technique of planning and decision making which reverses the traditional budgeting process. All expenditures must start anew. Nothing is automatically carried over and adjusted. It can work in the service industry though and the application produces much more accountability.

Nothing is taken for granted. All expenditures must be justified and accounted for; from rent to advertising to personnel to the multitude of things provided to agents and others. This is a great time to re-focus on dollars that are being spent for the benefit of the consumer! Each cost needs to be questioned with how will this benefit the consumer and bring more business to the company and therefore add to the bottom line; or, this is a great idea that places me ahead of my competition but where do we find the financial resources to pay for it. We applied this process successfully in my former municipal services life before real estate. Some of the advantages of this process are:

1. Forces cost centers to justify their mission.
2. Drives efficiency in operation even searching for out-sourcing opportunities.

3. Establishes needs/benefits accountability
4. Seeks out waste and has the potential to move people toward common goals. Can be implemented in a team decision making process.
5. Moves the process from a potential personal one to a straight justification of the bottom line.
6. Adds to the transparency of your operation. Having your technology or marketing departments justify to a group of managers why they need money for a certain program or hardware/software can create teamwork. It can force the marketing department to identify the new marketing campaign and determine the funding needed to launch and sustain it.

The process also has some disadvantages, particularly if not clearly understood by managers and others:

1. Process can be very detailed. This takes time but does eliminate the "take for granted" line items as there should be none.
2. Turf wars can be created when the justification process is not clear-cut.
3. Communications of the process is necessary for all to understand.

The point is that the old practice of budgeting and planning just does not apply in this changing economic climate. If we are looking to hold agents and staff accountable for performance though then it would seem that we ought to hold each projected expenditure accountable as well. Market share is great but utility companies won't accept market share for payment!

I don't know where it came from but it was once said that the first rule of business is; "Stay in business!" Applying the simple old technique of Zero-Based Budgeting should be able to help.

"A budget is telling your money where to go instead of wondering where it went." - John C. Maxwell

For further help check out references: [www.inzolo.com](http://www.inzolo.com) or [www.budgety.net](http://www.budgety.net)

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## Recruiting Now! Do We Need to Know Our Competition?

by Steven Friedman, president  
Recruiting Services, Inc.

There is a solution to the market challenges. It is to face the reality of lack of organic growth in our organizations.

To recruit effectively today, it is critical to know how you stack up to your competitor. However defining the competitor may be different than it was in previous business climates. We have all heard that 2001-2006 is not coming back. The way we view our competitor is not either. The traditional ways in which we measure the competitor has shifted.

What needs to be evaluated today is how are you and your competitor matching the needs of the candidate you need to be hiring? And, are you coaching to productivity? The company that will win in the future is the organization that can demonstrate in clear business terms how they will impact the business development needs of those they hire and grow.

The company that can get production today out of the newly hired will win!

The business strategies of years past where we have hired without standards or expectations and hoped they would produce is dying. The angst of today's challenging market may even cause a manager to feel that worrying about the other guy is wasted energy. However, I feel that being focused on your vital business strategy and comparing it to others' is the winning competitive edge today.

According to industry leaders at a recent industry conference in New York, there's a new— perhaps permanent—reality.

- Business is being propelled by the first time buyer
- The expense structure vs. the revenue flow is challenging
- The traditional ways of doing business as we have done in the past are not the current reality
- Recruiting has been ignored as the one way to drive business today
- The market we are in is not over; those that recruit will survive

A sad reality in office management is that too many brokers/managers are still of the mindset that they can drive business with the agents they have now. The challenge with this is that too many of the agents were grown in a market where a digital world did not exist and they relied on strategies that no longer work.

We're all aware that budgets have been slashed in all areas of our business. Recruiting can change the tide of events. We are not going to see price growth change our picture and the recovery is more likely to be an L shaped recovery, long and slow. If all of those issues are true then recruiting becomes the true key for growth.

We are trying to get production out of our current team and don't think we can impact the business growth of the organization by recruiting. However, organized organic growth is now the strategy that must exist as the current agent populations may not be able to drive the business forward as we need them to over the next three years.

To impact our growth, we may not have an awareness of the competitive scenario that impacts us. There is attitudinal and business platform change. As previously mentioned and supported by many industry luminaries, the way we did business before 2007 is never coming back. An ill-prepared agent is not an asset. Unfortunately, too many still are and in ways they are not aware of. The buyer is now 86 percent internet-educated before they meet the agent. Most agents do not possess the information the buyer already has.

The manager that does not understand current business approaches cannot recruit effectively. The importance of knowing the competition- is not to know what they have that you don't. It is to be aware of business strategy that you possess that may give you an edge or in the worst case scenario know the areas they more advanced than you are.

To do this, you must know where your competition is doing specific business; especially where you are not.

To do this, examine your MLS data to know the number of listings they're taking in submarkets and micro markets where your market share lags. Your goal is to always drive business opportunities. This then becomes your recruiting vision as well.

Be keenly aware and knowledgeable. Know how many agents have listings in those markets, and then know how many each agent has. Your recruiting targets lie in those facts. Evaluate how much business you have in comparison. Who are the agents you can contact because of the market share they might gain because of your coaching?

Open business-based dialogue conversations are critical. Because of your business coaching, you can present a fact-based dialogue that is not widely used. If an agent is doing a bit of business in a market you wish to expand; knowing where they do their business and how they could expand it by your coaching is a dialogue opener. Many agents are unaware of the business opportunities they might miss. Agents will respond to a smarter manager than they have now if you are that smarter manager. Agents want to be led. This becomes a competitive edge.

What competitive data should you explore? Be aware of which agents are doing the business in your target market. Who is doing less business? Who is not doing enough business? The agent that moves does not do so because of splits. Agents move for business leadership, lack of business

leadership in their offices and dated business strategies that are not connecting them to the current market.

Who is the competition? In reality you may need to be re-educated! It is not the other company... necessarily. Be an expert in your tools first. Next, be an expert in the agents' business whom you're approaching. How does your online presence compare? How does your social networking strategy compare? What is your social networking strategy? How are you using FaceBook, ActiveRain, LinkedIn; and Twitter to position yourself? Phone calls are no longer the way to open dialogue- necessarily. Begin dialogues online, this is a competitive edge. An agent does not find e-mail and a text an interruption. On line communication especially in active rain can help you become an expert in an agent's business.

When it comes to thinking about competition- don't be blindsided. Typically the tools are similar, comparable, and all valid, just branded differently. One interesting focus is to know what brand tools the other guy is not using that would be assets to that potential candidate's business were they to have a manager that were committed to the implementation of their brand, as you should be and are.

In real terms, it is your leadership that makes the difference. How are you positioned compared to them? Do you know depth and detail of your agent's business? How many of your agents produce on a monthly basis? How visible are you to agents you wish to recruit? How would you add a business layer to the agent you wish to recruit? These issues seem to be taken for granted and do focus an agent onto the direction of a move. Agents today want to be led to where business is happening.

The value package discussion is also critical. What gives you an edge? The real value package bonus must be your leadership. Splits are not the real reason people move- that is the reason often given, but in reality the move is created out of brand or leadership being devalued.

Where do you build your value so a candidate can see it? Value has to be in concrete business strategy for today's market. Current business strategy is what will lead the growth. Your ability to drive an agents business online is particularly critical. Your ability to specifically take an agents business to a new level, in strategic ways their manager can't is the competitive edge. Your ability to impact business, dominating the market options with focused current business strategy is the marketable leadership asset.

Know the history of the agent's inventory. Know their open listing currently. Know their closed transactions. Also know if they have unsold listing inventory- that is potentially problematic.

You should also possess 10 areas of needed business platform expertise:

- What is your ability to enhance an agent's business strategy?
- What is your ability to develop a focused pricing strategy in the challenged market?
- What is your office marketing strategy to outsell the competition listings?
- What is your plan to target the buyer that is in the market today?
- How do you create actionable coaching strategies internally?
- How do you coach negotiating strategies?
- How is your organization developing financing leadership?
- How does your leadership create worry free business support and implementation
- What are your company business dynamics?
- What is your front line developmental management success story?

The competition is not the company. The competition is the agents in the company.

Focus on knowing target agents' business realities.

Use social networking and specific online business strategies to drive the competition.

Identify action items for your personal development adding layers of advantage. If you are not 100% clear on these issues you may even need business coaching and guidance to achieve a different result for yourself.

What to do first---

Have an online social networking strategy. How will you build social capital?

Determine by market analysis who the agents might be that qualify for your target list.

Reach out using online conversation strategies to them and use facebook applications to set a communication pattern into gear. Learn about their business by doing research. This market has changed the productivity rules. The person to talk to may be an up and comer based upon data. It may also be someone who is crashing. Agents doing less business might be good targets, they have an extra added edge of vulnerability.

In summary, possess an active aggressive social networking strategy that you clearly understand. As you do this build social networking capital. Be in control of the messages accurately. Know the agents who compromise the competition as a vital strategy.

The competition is not necessarily a company but the agents who are doing business in markets you desire. Learn their business using online tools and be the valuable expert they need to succeed, outpacing their current leadership. ■

# TRENDS

## *Understanding Users of Social Networks*

by Sean Silverthorne  
Harvard Business School

Mikolaj Jan Piskorski is an associate professor and a Marvin Bower Fellow in the Strategy unit at Harvard Business School.

If the ongoing social networking revolution has you scratching your head and asking, “Why do people spend time on this?” and “How can my company benefit from the social network revolution?” you’ve got a lot in common with Harvard Business School professor Mikolaj Jan Piskorski.

Only difference: Piskorski has spent years studying users of online social networks (SN) and has developed surprising findings about the needs that they fulfill, how men and women use these services differently, and how Twitter—the newest kid on the block—is sharply different from forerunners such as Facebook and MySpace. He has also applied many of the insights to help companies develop strategies for leveraging these various online entities for profit.

### Addressing network failures

“Online social networks are most useful when they address real failures in the operation of offline networks,” says Piskorski. They can address some basic search failures: “It’s hard to know what my friends are up to, but online I can catch up with them quickly.” But they can also fix bigger search shortcomings, such as those related to establishing new relationships.

“If I am looking for someone who can help me with my start up, I would ask my friends if they know such a person, and if they don’t, I would ask them to inquire with their friends. The problem is that those friends of friends don’t always have an incentive to help, so they won’t work on my behalf. But here is where LinkedIn comes in handy—there I can go and search through the network of my friends of friends and find the person I am looking for.”

Online social networks also can improve people’s ability to use offline social networks as “covers.” This is very salient on LinkedIn. There, people display a lot of information about their careers, which makes them available to headhunters and other employers as passive candidates. But they also establish relationships with others to stay in touch with peers and to make new contacts. This network allows them to establish plausible deniability that they are not looking for a job, even if they are.

### Empirical evidence

With these general ideas of why people use these sites,

Piskorski examined weblogs of social networking sites (not LinkedIn) to see what people did when they were online. “I just wondered why people spend so much time on these sites; what do they do?”

The biggest discovery: pictures. “People just love to look at pictures,” says Piskorski. “That’s the killer app of all online social networks. Seventy percent of all actions are related to viewing pictures or viewing other people’s profiles.” Why the popularity of photos? Piskorski hypothesizes that people who post pictures of themselves can show they are having fun and are popular without having to boast.

Another draw of photos (and of SN sites in general) is that they enable a form of voyeurism. In real life there is a strong norm against prying into other people’s lives. But online enables “a very delicate way for me to pry into your life without really prying,” the researcher says. “Harvard undergrads do it all the time. They know all about each other before they meet face to face. ‘Oh, you’re that guy that did that internship in D.C. last summer.’”

Piskorski has also found deep gender differences in the use of sites. The biggest usage categories are men looking at women they don’t know, followed by men looking at women they do know. Women look at other women they know. Overall, women receive two-thirds of all page views.

“This was a very big surprise: A lot of guys in relationships are looking at women they don’t know,” says Piskorski. “It’s an easy way to see if anyone might be a better match.” Again, online networks act as cover.

### Then came Twitter

Piskorski says these findings do not hold for one network: Twitter.

Looking at who uses Twitter, which restricts users to 140-character messages, Piskorski and student-researcher Bill Heil (HBS MBA ‘09) found that 90 percent of Twitter posts were created by only 10 percent of users. This was not surprising, he says, because the technology uses words without photos to communicate.

“Only the people who are willing to put themselves out there publicly in words to people who they may not know will use Twitter. Some people will find this incredibly appealing; others will find this too scary.”

*“Women actually say things, guys give references to other things.”*

But the remarkable finding was the gender dynamics. According to the research, there are more women on Twitter than men, women tweet about the same rate as men, but men's tweets are followed by both sexes much more than expected by chance. "That was stunning because on all these other social networks you see the opposite," Piskorski says.

Piskorski and Heil are now doing a follow up study to see whether this is because there are no pictures on Twitter or because men and women say different things. Early results suggest that women create fewer links in their tweets than men. "Women actually say things, guys give references to other things." But even accounting for these differences, the researchers still saw differences between how men and women are followed, perhaps pointing to a fundamental representation of the role of men and women in society.

"No one uses MySpace"

To continue on the issue of online representation of offline societal trends, Piskorski also looked at usage patterns of MySpace. Today's perception is that Twitter has the buzz and facebook has the users. MySpace? Dead; no one goes there anymore. Tell a marketer that she ought to have a MySpace strategy, and she'll look at you like you have a third eye.

But Piskorski points out that MySpace has 70 million U.S. users who log on every month, only somewhat fewer than facebook's 90 million and still more than Twitter's 20 million in the U.S. Its user base is not really growing, but 70 million users is nothing to sneeze at.

So why doesn't MySpace get the attention it deserves?

The fascinating answer, acquired by studying a dataset of 100,000 MySpace users, is that they largely populate smaller cities and communities in the south and central parts of the country. Piskorski rattles off some MySpace hotspots: "Alabama, Arkansas, West Virginia, Oklahoma, Kentucky, and Florida."

They aren't in Dallas but they are in Fort Worth. Not in Miami but in Tampa. They're in California, but in cities like Fresno. In other words, not anywhere near the media hubs (except Atlanta) and far away from those elite opinion-makers in coastal urban areas.

*"You need to shift your mindset from social media to social strategy."*

"MySpace has a PR problem because its users are in places where they don't have much contact with people who create news that gets read by others. Other than that, there is really no difference between users of facebook and MySpace, except they are poorer on MySpace." Piskorski recently blogged on [http://blogs.harvardbusiness.org/cs/2009/08/will\\_the\\_real\\_myspace\\_users\\_pl.html](http://blogs.harvardbusiness.org/cs/2009/08/will_the_real_myspace_users_pl.html).

### From social media to social strategy

Corporate marketers by and large struggle with how to use social networking sites to reach potential customers, says Piskorski, who advises companies on this subject. The problem is that execs think of online social networks as social media and treat it as another channel to get people to click through to a site.

It doesn't work that way.

For one thing, findings show that people don't click through on advertising on social networks. "A good analogy is to imagine sitting at a table with friends when a stranger pulls up a chair, sits down, and tries to sell you something while you are talking to your friends. You will not get far with a strategy like this."

**"To be successful, you need to shift your mindset from social media to social strategy,"** he continues. A good social strategy essentially uses the same principles that made online social networks attractive in the first place—by solving social failures in the offline world. Firms should begin to do the same and help people fulfill their social needs online.

To continue the earlier analogy, "You should come to the table and say, 'Here is a product that I have designed for you that is going to make you all better friends.' To execute on this, firms will need to start making changes to the products themselves to make them more social, and leverage group dynamics, using technologies such as facebook connect. But I don't see a lot of that yet. I see (businesses) saying, 'Let's talk to people on Twitter or let's have a facebook page or let's advertise.' And these are good first steps but they are nowhere close to a social strategy." ■

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*Mikolaj Jan Piskorski is an associate professor and a Marvin Bower Fellow in the Strategy unit at Harvard Business School.*

## *It's Time to Simplify Real Estate Advertising* Advertisers need to focus, publishers need to package

By Tim Fagan, CEO  
HomeFinder.com

Things were simpler then, more familiar. You knew who to call, what to do and what to expect.

I'm talking about the good old days of real estate advertising.

Back then, you dealt with the sales rep for the local paper over a cup of coffee. Maybe you sponsored a little league team or bought a spot on the back of the church bulletin. And your audience? You could count on them to be in just a few places, at the same times, week in and week out.

Those days are long gone, a fact that has been amply documented. I won't belabor that point.

The more important question is this: Now that the game has changed, how can we make it simpler for real estate advertisers? Think about it: The average agent, broker or brokerage marketing director is faced with panoply of media, formats and creative challenges these days.

On the table are:

- SEM/pay-per-click
- Brand display ads
- Direct response display ads
- Syndication
- Video
- Mobile
- Print

And this, mind you, is a growing list. Video wasn't there three years ago; mobile wasn't there just one year ago. Next year, you may need to consider your strategy for tweet ads, or feel pressure to get into the "augmented reality" game. I know, it's a little scary. And most brokers, and darn near all agents, don't have the in-house talent to master all these platforms. Nor do they have the budget needed to hire a digital agency that does.

What to do?

Here are a few recommendations, from both the advertiser and publisher side of the business.

### **For advertisers (brokers and agents)**

When Google launched Adwords back in 2002, thousands of brokers and agents jumped on the opportunity. After all, who wouldn't explore performance-based advertising?

The problem was few practitioners had the time or skill necessary to optimize an SEM campaign. Results for many were disappointing.

My point: Pick media you are confident you can execute well in. If your marketing department has a good designer, you may want to focus on display ads. If you have a great headline/call to action writer on your team, SEM may be a good choice. If you or your broker performs well in front of the camera, start syndicating video.

Stick to that which you are capable of executing well.

Secondly, for digital media, make sure you think beyond the click. By this I mean where the user is taken when they click on your ad. Whether this is a property detail page or a more conventional landing page, you have to make certain you present the user with something that is clear, consistent in message and look with the ad that got them to click, and loaded with a strong call to action.

**If you can't execute beyond the click, don't bother.**

### **For publishers**

We as publishers – those site owners or media channels that sell advertising to brokers and agents – can also do our share to simplify the advertising ecosystem. For one, we can offer cross-platform buys. At HomeFinder, we offer national exposure through HomeFinder.com combined with local placement on individual newspaper sites. Brokers and agents like this because it allows them to kill two birds with one stone.

Adwords now has a mobile offering. Several companies are marrying listings syndication with distribution to YouTube. We are getting there. But we need to move more quickly to offer integrated packages that streamline the process for our advertisers.

Second, publishers should do more to share best practices with their advertisers. Many sales people take a consultative approach with broker and agent clients as far as structuring an ad buy, but I'm talking about something more.

For example, a strong case can be made that any large publisher would do well to hire an in-house marketing specialist available to help clients evaluate creative, craft messaging and optimize landing pages. If that sounds over the top, consider that newspapers sometimes create ads for smaller clients.

### **Moving forward**

We will never again see a world where advertising is straightforward and audiences are concentrated. Our time is one of multiple, often blended, media channels and atomized audiences.

Our aim should be to make that reality more manageable. ■

## Multiple Listing Service Technologies Advance

By Tracey Velt, contributing editor

The ever-expanding role of the MLS has produced a host of new technologies for members. *REAL Trends* spoke with MLS executives from around the country to find out what's hot and what's not.

**Cantey Davis, president**  
First MLS listing service Inc.  
Atlanta, Georgia

*REAL Trends:* Which MLS technologies are most effective and actively adopted?

**Davis:** We use MarketLinx, and the product they offer is very popular. In particular, we rolled out the Client Gateway. Agents like it because their customers like it. Virtual tours are becoming more popular, and we're working with Property Panorama. We're going to provide a virtual tour free for every listing. Agents can stitch photos together to get a very sophisticated and impressive virtual tour.

We're seeing a lot of interest in map searches. These searches are getting more and more sophisticated and agents are gravitating away from geographical area searching.

*REAL Trends:* What are the new technologies you're looking at?

**Davis:** We're renewing our contract with MarketLinx and using their next generation system that will have cross-browser capability. For the past three or four years, we've looked into transaction management. We studied other MLSs that rolled it out, and because it's so complicated it hasn't gone over that well. So, we decided to start with document storage capabilities in hopes that agents and brokers will embrace that. Over time, we'll add to it with the goal of making it a full-blown transaction management system.

*REAL Trends:* Which technologies are fading?

**Davis:** It appears that need for downloading data on the entire database just isn't there. The member use of this service has dwindled substantially. We've never really had a huge following with our wireless product either, which is different from other MLSs.

**Bud Fogel, CEO**  
Midwest Real Estate Data LLC  
Lisle, Illinois

*REAL Trends:* Which MLS technologies are most effective and actively adopted?

**Fogel:** The ability to integrate multiple data sources—such as

public records to auto-populate new listings—is very popular right now. CMA functionality and property content can be cross-referenced and enhanced with public records, to include foreclosure and by-owner sales.

In addition, integrated mapping—satellite view, data overlays, and directions—is very effective. Other well-liked technologies are appointment scheduling and auto-populating data into contracts, riders and disclosure forms. We integrated appointment scheduling into the MLS about three to four months ago and about 90 percent of the offices use it.

Our platform allows users to access the data from a variety of browsers and wireless devices. Most popular with our users are client features, such as automated alerts notifying agents and clients with results of searches, new listings, price changes, listing expiration, listing compliance notification and more.

*REAL Trends:* What are the new technologies you're looking at?

**Fogel:** We're looking at mobile applications, such as Smartphone-enhanced text messaging and social networking, such as an interface with Facebook, LinkedIn and Twitter. We've recently implemented adapted security and electronic faxing, where a hard copy is converted into PDF e-mail docs.

We're looking at providing brokers and agents with enhanced market statistics that will make it easier to create their own reports and reuse the data.

*REAL Trends:* Which technologies are fading?

**Fogel:** Use of financial tools is fading. There are so many available to access on agents' personal websites so it's barely accessed. We also had a very active ad management system where we would feed and create ads to newspapers, and we're phasing out that technology. Whole photography services—where we took photos and provided hard copies—have fallen off in use as well.

**Bob Hale, CEO**  
Houston Association of Realtors

*REAL Trends:* Which MLS technologies are most effective and actively adopted?

**Hale:** The MLS has extended beyond its traditional platform and out to consumers. Listing syndication is very popular—where an agent inputs a listing and it's automatically uploaded to Trulia, Zillow, Realtor.com and other sites with which we've partnered. Mapping technology is very popular. Members can pull up listings that reside in a specific area. In addition, mobile applications are heavily used.

A lot of markets are using ActiveKey, which provides instant showing information so agents know who's been in and out of homes. We've started a sign-rider-information service where a consumer can drive up to house, punch in (on their cell phone) the MLS number and hear about the home and be connected to the listing Realtor. That's very popular and we're extending it into a text message as well.

We've added ratings of Realtors where consumers can provide feedback about the Realtor and the transaction. We have 2,400 members signed on and the feedback is extremely positive. We're now tweeting every time an agent gets a new listing, there's a price change or other listing change. This is an automated service where we tweet to the Realtor's individual account. We'll also automate a post to facebook accounts. We have a free blogging platform for members.

We offer agent videos, where they can video the house or themselves and put it up on a detail page of the listing. They can provide the video to us or they can use our video studio to create a professional video. The common thread is that more of our services are focused on consumer engagement. Agents are finding map searches to be particularly useful in lead generation.

**REAL Trends:** What are the new technologies you're looking at?

**Hale:** We'll soon be providing a free Web site to brokers as well as agents. The sites frame our MLS site and create the look and feel of the broker's site. It only costs them a set-up fee. We're looking at iPhone apps as well as parcel boundary maps, which will allow users to diagram maps.

Another tool is "find an agent" where consumers can find agents based on transaction information and ratings rather than just by geographic area. One challenge is providing a multi-browser MLS system, and we're working toward that capability.

We just introduced a price reduction tool so that if a listing is reduced, it will show up for consumers. We had a large broker in Austin join HAR just because of this tool.

**REAL Trends:** Which technologies are fading?

**Hale:** Virtual tours are almost dead. Videos are taking its place. In addition, we built some systems for print advertising that aren't being used as much.

**Peter Shuttleworth, executive vice president  
Multiple Listing Service Inc.  
Milwaukee, Wisconsin**

**REAL Trends:** Which technologies are most effective and actively adopted?

**Shuttleworth:** We offer a fairly robust piece of MLS software right off the top, which has a lot of function to search, analyze and present data. Users have the ability to prepare CMAs and produce DRIP marketing campaigns with e-mails and text messages. We have a number of companies that are dominant and offer a lot of services internally to their agents; we don't compete with them in that respect. We just help them integrate with us so their tools are more effective.

We're looking to build an automated e-mail system that allows users to provide customers with a search portal off our system in order to help our members build relationships. We believe we're the source of market information, not the interpreter of it. To that end, we've partnered with the Minnesota Association of Realtors and their 10K research branch to provide a lot of custom market reports that are available for the agent to use with clients and customers. We're the source of this information, so it can be relied upon. Mapping is very sophisticated and integrated with our very deep and rich public records. We service 10 Realtor associations, so there's a lot of variety.

**REAL Trends:** What are the new technologies you're looking at?

**Shuttleworth:** The biggest thing we're working on is a statewide data-sharing system. The three largest MLSs in the state are working together to share data; so all online subscribers have data from these adjacent MLSs. This knits together our market and makes it more easily available. We're growing into VOWs. Our IDX is at about 99% participation. We're adding sold data to IDX in the next couple of months.

With data sharing, we'll have security issues that we'll deal with. We've had a public-facing Web site since 1998, and we'll see how we want that to evolve and generate more leads. We're a customer-service organization; we don't see ourselves as a marketing business.

**REAL Trends:** Which technologies are fading?

**Shuttleworth:** Getting rid of things in an MLS system is difficult. We carry some artifacts of systems from 25 years ago! In our area, we have coordinate addresses, which give coordinates of a property from the center of Milwaukee. Half of my subscribers love them because they know exactly where the property is but we've been encouraging them for years to use mapping.

I have a broker who told me last year she wants the MLS books back. Some of these things have comfort value and there's no reason to take them away. We're conservative here. We haven't embraced the odd, interesting things that have come along over the years. But, we have a Web-enabled feature for phones and give subscribers a lot of choices. We want to provide them with effective service and support so they can create relationships with customers. ■

## *REAL Trends Housing Market Report*

### Market showed strong September results with 3 of 4 regions showing increases in unit sales

September housing sales showed evidence that the long awaited floor in housing unit sales has been reached. Unit sales were up 4.9 percent in September 2009 over September 2008 with 3 out of 4 regions showing the best results in year over year comparisons in 4 years. The Northeast had the strongest results with unit sales climbing 9.4 percent over September 2008; the western region continued its run of positive results with unit sales up 7.2 percent and the Southern region up 6.1 percent. Only the Midwest showed year over year declines with unit sales down 3.3 percent.

On the pricing front, the Midwest showed the best results with average prices for all homes sold down 6.8 percent while the Western region continued to suffer the largest price declines with a decrease of 13.2 percent. Overall the average sold price for all homes was down 9.8 percent that is the best results that have been recorded in the past three years. Price declines in the Northeast were 10.9 percent and average sold prices in the South were 8.9 percent.

“September 2009 results were the best that have been recorded in nearly four years. Unit sales strength was across the board with every region showing improvement in September closings over August 2009 results and over September 2008”, said Steve Murray, editor of *REAL Trends*. “Unit sales have firmed up four months in a row with

September enjoying the best results. Price declines are measurably less than they were than in the first eight months of the year with every region showing improvement.”

### *REAL Trends September/August Housing Market Report* (Versus same month a year ago)

	September 2009 Closed Sales	September 2009 Avg. Price	August 2009 Closed Sales	August 2009 Avg. Price
National	+4.9%	-9.8%	-0.2%	-12.1%
<b>Regional Report</b>				
Northeast	+9.4%	-10.9%	-1.6%	-10.7%
South	+6.1%	-8.9%	-3.3%	-9.5%
Midwest	-3.3%	-6.8%	-2.0%	-10.4%
West	+7.2%	-13.2%	+7.0%	-18.2%

“Near record low interest rates and the federal and state first time homebuyer tax credit are for the time being doing the job of assisting the housing economy. We do know from brokerage reports that September sales were significantly affected by the pending expiration of the Federal home buyer tax credit. Should the tax credit be extended then sales in the fourth quarter of 2009 and the first quarter of 2010 should remain at current levels. It is thought, however, that should the tax credit and/or the low interest rate environment change negatively, then housing sales will slump again. Further, the wave of additional foreclosures yet to hit the market may have a significant downward effect on housing prices.” ■

# NEWS

## Mergers & Acquisitions

First Weber Group of Madison, Wisconsin recently announced the addition of two Wisconsin real estate companies to their network. Former Coldwell Banker Schwab of Oshkosh affiliated with First Weber Group on September 14 adding over 40 sales professionals to one of Wisconsin's largest real estate firms. Former Prudential Premiere Real Estate of Janesville joined First Weber Group on September 26 adding 14 sales professionals to their operation in Janesville. The First Weber team combined to participate in over 9,700 real estate transactions and over \$2.1 billion in sales volume in 2008.

Realty Executives Michigan announced this week that they have awarded franchising rights to Realty Executives Platinum Group, formerly an independent brokerage in the Grand Rapids region with 59 sales associates and over 350 residential listings. Craig Van Assen is the founder and president of the newly formed firm with Jason Van Assen serving as vice president and designated broker and Bruce Vinnick as regional developer and vice president.

Alain Pinel Realtors recently announced further growth in the Marin County real estate market with the opening of a new boutique office in Ross. This comes on top of the opening of two offices in Marin County earlier this year, with new branches opening in both Corte Madera and Novato in March. There are now 31 offices in Northern California and approximately 1,300 agents.

## Senior Executive Appointments

Realty Executives Phoenix recently announced that Dominic Scappaticci will be the new president and designated broker. Scappaticci originally started his career with Realty Executives Phoenix when he received his real estate license in 1975. Scappaticci is the successor of John Foltz who continues with Realty Executives as president emeritus. Foltz will participate in speaking engagements, coaching and will head major projects at Realty Executives related to supporting entrepreneurialism in the real estate profession.

Chip Huggins, Coldwell Banker United Realtors® business development leader, was recently appointed to the South Carolina Housing Commission. Huggins also currently serves as the House Representative for District 85.

Better Homes and Gardens Real Estate LLC announced the appointment of Richard Gregory to its executive team as vice president, business development and internal operations. He will report to Sherry Chris, president and CEO of Better Homes and Gardens Real Estate LLC, and oversee the development of new core service business products and solutions to increase broker profitability. He will also serve as a financial liaison within the brand. Previously, Gregory served at Weichert Financial Services as vice president, Affiliate Solutions Group.

Move, Inc. recently announced the appointment of David Story as chief technology officer and Scott Boecker as chief product officer. Story will lead all elements of the Company's tactical and strategic technology development, and Boecker will lead the company-wide development of the organization's product strategy, product lifecycle planning and product design for all business functions.

## Announcements

First American CoreLogic announced that it has built the mortgage industry's most comprehensive national fraud data repository to help clients combat all types of mortgage fraud and to further enhance the predictive performance of its anti-fraud solutions. For more information about the National Fraud Repository, please [click here](#). ■

## EDITOR'S NOTE

As many of you have heard by now we are pleased and excited to have Nicolai Kolding join the REAL Trends and Murray Consulting team.

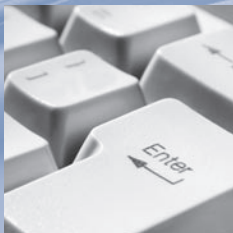
Nicolai brings over 11 years of experience in residential brokerage including merger and acquisitions, franchise management and social network marketing. With his input and that from our team we expect to offer entirely new forms of industry knowledge and access to experts from across business in a variety of new ways.



With the continued leadership of Doniece Welch, Dani Stufft, Amy Broset and Tracey Velt we will also roll out an entirely new E-mail Update and far more robust and easier to use Web site. Our goal is to become a center for knowledge and information about the best practices in the industry along with new sources of solutions. With the continued input of Contributing Editors Dave Colmar, Jeremy Conaway and Mike Staver we plan to bring the best in commentary from leading consultants.

The floor in housing sales appears to be here. While prices will remain soft and this winter will be particularly challenging, the stage is set for a slow but steady return to healthy housing market conditions. ■

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