

# REAL *Trends*

The Trusted Source

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## COMMENTARY

### *Restart*

The great thing about starting a new year is that we get to... start a new year. Many make New Year's resolutions and some even stick to them. It is seen as a beginning of something.

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REAL *Trends* Leadership Institute  
New Book on the Future of Brokerage

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So it is with 2011 and residential brokerage. Let's make some resolutions.

First, let's get something out of the way. The old real estate broker's prayerful promise that goes something like "I promise that if I'm given just *one* more good housing boom, I won't spend it/waste it all." Well, clearly most did just that with the 1992-2006 boom market and some even did it with the short burst we got in the second quarter of 2010. So, now we're looking at another up period (even if it's a modest increase from a low base), let's remember that old adage.

Housing sales will not rise dramatically in the coming year but they will rise. With the extension of the tax levels for another two years, the extension of unemployment insurance, the one-year payroll tax holiday for employees, and the recent news of rapidly growing retail sales, the economy will find its footing. Once that takes hold, consumer confidence will rise.

Once that happens, housing sales will rise as well. Not a huge jump, but a reasonable increase in the low single digits.

## Some predictions

### *Housing sales:*

- Housing sales will increase between 3-4 percent on a unit basis.
- Prices will be generally flat with some markets showing small improvement.

### *Realtor® membership:*

- The number of Realtors® will decline between 4-12 percent nationally with variances between regions.

### *Commission rate:*

- The average commission rate will decline slightly after five consecutive years of increases as markets stabilize, agents start to compete on price again for good listings and buyers increase their appetite to ask for portions of the co-op commission as rebates.

### *Mortgage activity:*

- Interest rates will rise and as a result the percent of all mortgages due to refinancing activity will decrease while the percent due to purchase will rise. Overall mortgage financing dollar totals will decline.

### *Consolidation:*

- The next six months will see a significant rise in merger and acquisition activity among brokerage firms as a) more firms run out of cash, credit and time and b) stronger firms push their marketing efforts to locate candidates more aggressively. The number of brokerage firms will decrease as a result.

### *Commission splits:*

- The competition for producing sales professionals will increase to unheard of levels and the incentives and compensation offered to get experienced sales professionals will rise – and Company Revenue as a percent of Gross Commission Income will shrink as well for most market leading firms.

### *Office space:*

- Brokerage firms in all markets and of all kinds will continue to downsize their office space footprint as the cost and necessity of such infrastructure continues to decline in an era of mobility.

## **Growth opportunities**

### *Property management and rental services:*

One of the hottest segments of residential brokerage will be in property management and rental services. The decline in the homeownership rate and the rise of investor-owned housing will drive the demand for these services up strongly – in fact the demand has already risen and will continue to do so.

To be profitable in these segments generally requires volume and scale so should you choose to enter these segments do so with a commitment to growing the business continually. Likely, there are also many small, undercapitalized firms already in the space that can also be acquired. These services can be offered both through the sales force as well as direct to consumers. Think of the many homeowners who will have to move to find new work but who can't sell their homes and you get a sense of one part of this market.

### *Search Engine Optimization (SEO):*

Driving traffic to your firm is among the most important components of your marketing and advertising investments. At our firm, we found that having an expert focus on SEO has driven our traffic up over 50 percent in less than three months with more gains to come. As a result, we have more customers and more revenues. Sounds simple, doesn't it? And it is that simple.

In the environment we are in for the next few years, each incremental customer is valuable. SEO can

bring incremental customer growth at low marginal costs and can be structured as higher margin customers (in company-generated business models).

We know of several teams that have fine-tuned SEO to where they know exactly how much effort it takes to drive business up and by what percentage. All from careful monitoring of their SEO efforts.

### *Customer relationship management (CRM):*

Brokerage firms have done an admirable job of building out solid, functional websites. Perhaps they are not as 'sexy' as others but they are functional, getting easier to use, and more useful. Leading firms also have an abundance of professional experienced sales professionals to serve customers. So, where is the problem?

A wide gap remains in how we respond to and communicate with customers who use our websites. A firm engaged in providing outsourced CRM, 1CAVO, reported that in test cases with brokerage firms they find that a great majority of web inquiries and requests for service go unanswered within 24 hours—a full day before anyone returns their call or email.

In our research that led to a guide on the best practices of top teams in North America, we found that the single greatest defining difference in great teams and average teams is their ability to respond to inquiries promptly and thoroughly. We also found a few brokerage firms where their response requirement before redirecting inquiries is less than 5 minutes; those firms are seeing large gains in sales from their websites.

2011 should be the year brokerage firms finally bite the bullet and put in place business rules that incent sales professionals to 'answer the phone.' There are also providers of CRM, such as Market Leader's Realty Generator, that can help brokerage firms automate their business rules. There are other firms that provide similar services.

For all the talk about where listings go, syndications, unique visitors, stickiness, etc., there is no more

compelling investment that a brokerage firm can make than in their CRM systems and business rules. It goes without saying that it doesn't matter one whit how big your traffic is if there is no one there to assist a customer promptly.

#### *Recruiting:*

One can argue whether mass recruiting efforts pay off or not. One can also argue as to whether to focus on recruiting only experienced sales professionals or focus on new people to the business. One cannot argue whether recruiting is necessary to the health of a brokerage firm. It is. End of topic.

Yet, this is an area where most leading brokerage firms are woefully under-performing. We can see it in the data we collect in the *REAL Trends 500* and in our valuation and, merger and acquisition work. When a firm is ineffective in recruiting, ultimately it will weaken and may fail.

In 2011, leading firms will get back to the fundamentals more so than at any time in the past four to five years. One of the most fundamental

aspects of sales management is recruiting, whether new to the industry or experienced sales professionals.

All the data is there to identify people in both segments. All that is required is a system of accountability for results.

In research on the practices of top sales managers that we completed in 2010, we found two key philosophies that are consistent among sales managers at the top of their game. First, they view their top responsibility as being the building and establishment of relationships with their own sales professionals. Second, they view recruiting as merely an extension of that responsibility to sales professionals who are not with their company. To the person they told us that when a manager views recruiting as 'cold calling' they will likely fail.

As we said earlier, this will be the year that fierce well-organized competitors will take share from others who aren't prepared and focused. We will see it first in recruiting. ■

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## *REAL Trends Consulting (RTC)*

In 2011, we will be dropping the name "Murray Consulting" from our brand. Going forward all of our consulting services will carry the *REAL Trends* brand name.

For readers who are not familiar with our consulting practice, here is a brief outline of the services that our consulting team provides to brokerage firms, management teams, Realtor® associations, and firms that provide services to the industry:

### **Valuation**

RTC will provide a comprehensive valuation report for your firm including three different approaches to valuation and an outline of how and where a brokerage firm can act to increase value;

### **Merger and Acquisition Advisory and Brokerage**

RTC represents sellers and buyers of brokerage firms and acts as either an advisor or a broker in this regard depending on the needs of the client. We also act as a facilitator to two or more firms desiring merger or other forms of combination;

### **Benchmarking**

RTC provides an analysis of your firm's revenues and expenses against a benchmarked group of firms of similar size and characteristics;

### **Commission Concepts**

RTC has developed a tool that provides a brokerage firm with the ability to model their own commission plan against up to eight other plans with complete

impact analysis on each agent's income as well as the Company's revenue and earnings;

### Business planning

RTC has developed a simple-to-use tool that provides a brokerage firm with the ability to model different future scenarios for their firm and in their market;

### Website Analysis

RTC provides a service that analyzes a client's website through a whole range of issues that deal directly with SEO and social media implications;

### Organizational and management assessment

RTC facilitates assessments of organizational structures and management strengths and weaknesses for senior management of brokerage firms;

In 2011, we will also formally introduce the new REAL Trends Consulting Group which is a collection of a small number of the industry's leading consultants in areas where they are the experts. Leading consultants such as Dave Colmar, Jeremy Conaway, Jerry Matthews, Brad Hollingsworth and others will be formally joining our effort to insure that our readers and clients have access to the most knowledgeable and experienced advisors in the business. ■

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## *How Politically Correct are You?*

*By Michael Staver, CSP, Professional Speaker & Coach  
The Staver Group*

I am very tired of having to watch everything I say to make sure I don't offend anyone. Sure, I understand there are some things that are unquestionably offensive and I do my absolute best not to offend anyone intentionally, but come on!!

Christmas Day is a national holiday - do we all understand that? It doesn't matter whether you celebrate it or not. The Fourth of July is a national holiday along with Labor Day, etc. So I say let's lighten up a bit. Let's get just a tad thicker skin. Call it what it is and focus on the things that matter.

During this time of year there is so much to be grateful for; so many people that need a hand or a smile or a (God forbid) Merry Christmas. I respect a person's right to believe and to celebrate as they wish - it's one of the things that makes America great - but during this season of celebration, I suggest we all spend a little less time being offended and a little more time giving people room!

So, whatever it is you celebrate (or don't), let's remember a little peace on earth and good will to uhhhhh people!

Merry Christmas! ■

# BROKERAGE

## *A Look at Real Estate Practices in Other Countries*

We recently undertook a study of foreign real estate practices as part of a presentation given at the National Association of REALTORS® Conference in November. In addition to drawing on some past international work we've been involved in, we uncovered through our research and discussions a wealth of information on various brokerage structures, how agents are paid, the lending environment, tax and legal regulations, and consumer behavior. But it was perhaps that which we *didn't* find that was as intriguing: woefully few reliable sources, a general lack of consistency in the way data was presented and measured, and no single resource that combines summaries of multiple foreign real estate practices with relevant and updated statistics. In short, it was a hodgepodge of websites and research reports that required an enormous amount of cross-examination to try to check the facts. In time, we hope to collaborate with others to create a repository of reliable and updated global real estate information. For now, we'll slowly build on what we have and work on expanding our global network.

What we do have already, however, is more than enough to produce a first research report on fundamental differences in global practices in about twenty key countries. At the very least, this could help brokerage leaders and agents better understand their foreign clients and what they're used to. It may also, perhaps, spur some ideas on what we could or could not apply back home.

Before we give a preview of some of what we've put together, it's important to keep in mind that the one common difference of how real estate is transacted in the United States versus elsewhere is with respect to restrictions on cross-selling other real estate related services. The concept of RESPA (The Real Estate Settlement Procedures Act) or anything similar is generally unfamiliar outside the United States.

So, without further ado, here are eight global real estate facts we're betting you didn't know:

**The United States is one of the few countries that allows for tax deductions on mortgage interest.**

This would seem to be a fact that captured the attention of the powers that be in the National Commission on Fiscal Responsibility and Reform, but in nearly every other country worldwide, mortgage interest receives no tax benefit (the sole exception we found was the Netherlands). On the flip side, however, many countries do not levy any tax, capital gains or otherwise, upon the sale of a primary home. What this does, in combination with most other countries' more restrictive lending practices, is increase the incentive to pay off a mortgage quickly and, arguably, reduce the size of the home one is willing and able to buy.

**A country's homeownership rate does not correlate to per capita wealth.** It probably comes as little surprise that the United States' homeownership rate (about 69%) is about equal to that of similarly wealthy countries like Canada (68%), Australia (69%), and the United Kingdom (70%). What may surprise you is how low the rate is in many wealthy countries, particularly in Japan (about 60%) and throughout northern Europe (which bottoms out with Germany, at only 43%). But perhaps the biggest stunner is reserved for the list of nations whose homeownership rate is higher, which includes four countries estimated at over 80%: China, India, Mexico, and Spain.

For the countries at the low end: the housing market woes of Japan are well documented and are thanks in large part to unfriendly lending practices and tax policies while Germany has both a very restrictive lending environment and a high population density that drives many to lifelong rentals. The reasoning for the countries at the other end of the spectrum are varied and often less clear. Spain is now paying the price for very loose lending practices during their boom so it would seem their figure could change considerably.

In China, "ownership" is often a land lease so their figures would seem skewed. And we can only speculate that much of the housing stock in India and Mexico, especially in the rural markets, has been passed down from one generation to another but often without the formal title or the oversight we're used to. That may result in a higher homeownership

rate but establishing, and transferring, legal title may be another issue so liquidity is hampered.

**If you think roundtrip housing costs in North America are steep...** then you don't want to move to Russia. According to Global Property Guide, "roundtrip costs" (which calculate the average total fees – such as taxes, transfer fees, notary fees, legal fees, broker fees, etc. – to both buy and sell a home) are on the lower scale in Canada and the US (7% and 9% of the home's price, respectively). Many countries in Europe far exceed this, like France (16%) and Italy (17%). Russia, however, comes in at a whopping 25%. What makes that even less enticing is when you consider that three-quarters of their housing stock is in apartments. Nyet spasibo!

**The real estate system is far from rotten in the state of Denmark.** The Danes, in our humble opinion, have created themselves a wonderfully consumer-friendly system which is both highly regulated and highly transparent. First, agencies and agents are very accountable and must abide by strict rules regarding their dealings. For example, agents must go through at least four years of college-level training in legal and housing-related courses (most Danish real estate agents are therefore also attorneys) and are required to be nearly debt-free themselves or they can lose their license.

There is no dual agency allowed and all homes are placed on a single, country-wide MLS that gives consumers and agents solid insights into not only the marketplace but, in the case of home sellers, their agent's activities in trying to sell both their home and other homes they are representing. Although their ability to create such a system is thanks in large part to having a very homogenous society with just over 5 million citizens, it is still interesting to think about how different our industry would be here if such a system of accountability was adopted.

**Going to auction Down Under.** Although this may change over time, many North Americans continue to view auction sales of real estate as being for unusual circumstances, often reserved for either very high-end or distressed properties. In Australia, however, buyers and sellers long ago got more comfortable with this process. Estimates vary, but it would appear

that about one-third of all sales take place through auction. Brokerages there have integrated auction into what we would consider "traditional" selling practices. Interestingly, roundtrip transaction costs appear to be lower Down Under than here.

Finally, **imagine if these quirky customs existed.** Before a closing can be completed in Germany, it is required that the notary read the entirety of the contract aloud at the closing table. This is an almost ceremonial event that was presumably established to provide an unbiased interpretation of the legal clauses but is, in practice, a sight to be seen (and heard) as the notary reads each and every sentence at lightning speed (like someone blasting through a disclaimer at the end of a commercial but for hours). Achtung! In Italy, the custom of "prelazione" grants a third-party right of first refusal to match a bid received by any of their neighbors. An interesting idea meant to protect the rural markets from over-development by giving small farmers the ability to grow their properties but one that, in practice we're told, results in process-blocking bids being placed by neighbors who often retract them after getting a little extra pocket change to go away. Che macello!

Last but not least, if you are trying to buy or sell a home in England, beware you're not "gazumped" or "gazundered" at the last minute. There is little recourse for those on the short end of a transaction that's been unexpectedly ended by either party; the reality of doing business there is that a housing deal is fairly unsteady until final documents have been signed so fall-through rates are far higher (a buyer who is left with nothing but sunk costs after the seller takes someone else's offer is said to be "gazumped" while the seller gets "gazundered" by a buyer who turns tail unexpectedly leaving them to start the process all over again). The government's attempt to fix what some consider a chaotic practice (by introducing Home Information Packs in 2007) was not well received by either the industry or the consumers and was abolished last year. Blimey!

We'll take a deeper look at these and many other foreign real estate practices early in the year both through a white paper and a webinar. Please contact us if you are interested in either and we will keep you informed as we get closer to delivery. ■

## *Build a Strong Culture Around Performance*

Develop multiple sets of marketing tools with customization;  
Focus on relationships with community

*Interview with Jim Winer, Principal,  
Coldwell Banker Algerio/Q-Team Realty, Elko, NV*

Unknown to most, Elko Nevada is one of the world's largest centers of mining. Gold, silver, rare earth minerals, coal and others are found in large quantities in the area. Add that to some of the country's most beautiful open space with large ranches and a population of just 22-23,000 and you get a wonderful, small, out-of-the-way place to live and work.



Jim Winer came to Elko after college seeking employment in the coal business. He stayed because of the beauty of the area, the low cost of living, and the real estate business. Winer started in the business in 2002 with a firm called Coldwell Banker Nannina and eventually bought the founder's interest. Later an opportunity to merge with the second largest competitor (Algerio) enabled the firm to grow to its current size of 25 sales professionals (in a market that has about 75) and a market share in excess of 50 percent.

**REAL Trends:** What makes your firm special?

**Winer:** We instill in our sales professionals the thought that we are here to build businesses for ourselves by serving buyers and sellers. This is a small community, so your relationships and reputation are highly important. There is no hiding. We communicate constantly, through words and actions, that we will always 'do what is right for our customers', first time all the time. We don't have to write it down, our people know that is what we believe and what we live.

For a small town, we have one of the largest selections of marketing and technology tools of any firm in the area. Coldwell Banker is a big part of that and they bring us a great deal of these tools. The key here is that we don't force usage of any particular tool on our sales professionals but rather we insist that they use what fits them. Importantly we point out that they should be using some system and tool to build their business. Sitting around doesn't get you anywhere.

**REAL Trends:** How do you stay in touch with your sales professionals?

**Winer:** We have a sales meeting every Tuesday. These are well attended because we go over market information, pricing, sales, listings, economic news and other facts that affect housing. We place a huge importance on being sure our people are the best informed about all of these areas. Even here in Elko, a small town, our customers want to know that we know what we are talking about when it comes to housing, mortgages and other areas related to homes and neighborhoods.

You can't over-communicate the importance of keeping your people informed about the market. As we like to say, you always have to be prepared for that 35 second interview in the grocery store, when a friend or acquaintance asks, "How is the housing market?" We teach our sales professionals that you have to always be prepared to answer that inquiry with authority – otherwise why bother being in the business at all?

**REAL Trends:** What do you think is different about being in a relatively small market?

**Winer:** We certainly know each other better than folks in a larger market. There is a large emphasis on community involvement. As a firm and as

individuals we pride ourselves on being great supporters of a wide number of community events and activities. One example is the National Cowboy Poetry Gathering where the best writers of such writing come to Elko. We are a large supporter of these kinds of events. I don't know whether that is unique to brokers in smaller markets but it is a huge effort on our behalf.

We also end up knowing each other, our competitors, and the homes in this community much better perhaps than those working in larger areas. But again I don't know that for a fact; we

just know that we work closely here to make the market work for all parties.

**REAL Trends:** What is your role?

**Winer:** I do my own work mostly in commercial brokerage and leasing and spend most of my time working on the business of the company. I believe that the more successful I can make my own sales professionals the more successful the company will be. So we focus on constant learning, constantly reinforcing our way of doing business and we figure that if we do those things well success will follow. ■

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### *Brand Can Matter*

**Focus on recruiting to the market segment;  
Marketing is highly important**

*Interview with Judy Green, Principal, Premier Sotheby's International Realty, Sarasota, FL*

Sotheby's International Realty had opened in Sarasota years before and for any number of reasons the firm had not made the kind of progress that was expected. Judy Green had served in a number of senior executive roles for Coldwell Banker/NRT in both Florida and at corporate headquarters in New Jersey. When Green decided to get back to Florida, despite her plan to find something 'less stressful,' she took on the re-launch of Sotheby's in the Sarasota area. As of this writing she was leading the firm into a merger with Premier Properties of Southwest Florida, a firm with 7 offices and 200 sales professionals in the Naples/Bonita Springs area south of Sarasota. The combined firm will have about 350 sales professionals in 10 offices throughout the Gulf Coast of Florida.



**REAL Trends:** What was your original thinking on re-opening in a tough market?

**Green:** We knew Sotheby's is a powerful high-end brand. A really strong name for both high-end sales professionals and for high-end homeowners. Sarasota is an area I had come to love when I worked in the area with Coldwell Banker. We knew there were plenty of high-end homes and customers who would know the Sotheby's brand looking to have a home in the area.

We planned our brokerage to be a home for only experienced agents; we did not want to be the place where new agents came where we had to provide a lot of basic training. We wanted to emphasize a brokerage for these kinds of agents which also meant we had to be very deep and strong in marketing support.

**REAL Trends:** What surprises did you encounter?

**Green:** The good news is that we have grown much faster than we thought we would even in a very difficult market. We have grown to almost 130 sales professionals much faster than we thought. The market has been really tough, tough on our people. But most of the surprises were on the upside. We grew over 75 percent in sales over the previous year.

**REAL Trends:** What special challenges do you have when you are focused on only experienced agents and mainly on the upper end of the market?

**Green:** You have to invest fairly heavily on marketing and advertising to not only get experienced agents in the high-end but also to attract high-end sellers. And it is not only that you have to spend these monies on actual advertising but you have to have marketing and advertising support staff and services along side these investments. It is not enough to have really great materials, you have to have superior support. None of that is cheap.

We try to find areas that reach potential buyers coming to the area for vacation as well as when they are looking around for a second home or a place to retire. We focus on print media that people will actually look at when they are here, such as table top magazines, special area publications that are read by the high-end consumer. We also do some newspaper but the focus there is on open houses as these are the most likely spots that someone might stop by for a look-see.

Lastly, we built systems that let sellers know when, where, and how we marketed their homes. If you

can't establish what you are doing for sellers on a fairly consistent basis you have a potential hole in your marketing system.

There are no downsides that we can see from pursuing only experienced agents. Some might say they are more expensive but we have not found that to be true. Where you have excellent marketing services and, support and a plan, experienced agents can make intelligent decisions about the trade-offs between their commission split and the value they get.

**REAL Trends:** What is your focus going forward?

**Green:** We say that we strive 'to make a difference in people's lives.' We are building our culture around that theme and much of what we do is focused on what we can do to impact that vision. Is there a way to make finding the right home easier? Is there a way we can get our sellers to see the market the way it is rather than the way they wish it were? How do we improve our communications with clients and customers to make the process easier? Those are the areas we will focus on along with growing in our market segment. ■

# NETWORKS

## *An Interview with Bruce Zipf, President & CEO of NRT, LLC*

There is no company in the residential real estate brokerage industry that is more closely watched than NRT. No other brokerage is on the receiving end of more scrutiny, more second-guessing, more imitation, or more carefully planned targeting. This is the price to be paid for being far and away the biggest player in what is still a very fragmented industry.

Since its formation in 1997 and for each year since, NRT has closed more home sale transactions than any other firm. According to last year's annual *REAL Trends 500* report, its closed sales volume is greater than the second through twelfth ranked companies combined. Few companies in any industry would attain this kind of top position without having made its fair share of enemies. Yet it's hard not to admire, even if begrudgingly for some, how the company has navigated the seas in a fairly unassuming manner. Like a big ship in crowded waters, NRT is impossible not to notice yet it has always seemed intent on charting its course straight and steady without creating more waves than necessary.

Standing at the helm since 2005 has been Bruce Zipf, President and Chief Executive Officer. An avid weekend fisherman and boater, Zipf knows a thing or two about steering through stormy waters. He assumed the skipper's seat from his predecessor and friend Bob Becker at nearly the exact moment that the residential real estate market was turning. As the first signs of a slowdown were becoming clear, Zipf made the decision to consolidate sales offices before nearly anyone else in the industry. Since 2005, the company has reduced its office count from a high of 1,100 to less than 750 today, an elimination of over 1 million square feet of leased space.

"With the increased use of technology, the need for large office space has diminished," said Zipf. "Rent expense is a significant line item in operating a real estate brokerage company and something that needed to be addressed as the market conditions changed."

Although office consolidations have yielded considerable cost reductions for NRT, this has still not been enough to keep pace with the drop in the company's sales volume which, despite its continued top ranking nationally, is less than half



of its peak from five years ago. When you combine the reality that its parent company, Realogy Corporation, is carrying over \$6 billion of debt with the fact that over three-quarters of Realogy's operating expenses are with NRT, it's clear that Zipf has had to maximize

efficiencies at nearly every conceivable level.

When asked about Apollo Management, the private equity investment firm that acquired Realogy in a highly leveraged buyout over three year ago, Zipf offered his perspective.

"They have been strong financial partners standing behind Realogy, and by extension, NRT, through probably some of the most difficult times that were ever registered in residential real estate," Zipf said. He referred on several occasions to Apollo as both a financial and strategic partner. "Apollo has been extremely supportive of the operating decisions that Realogy and NRT have made, especially in the area of investments and acquisitions," Zipf said. As an example of NRT's investment in technology, Zipf cites HomeBase, a proprietary transaction management system that has been three years and several million dollars in development and is now in nearly every NRT office. And, of course, there are the acquisitions.

In 1996, HFS Incorporated, the predecessor to the predecessor of Realogy, acquired Coldwell Banker

Corporation and its approximately 330 company-owned offices. NRT (initially known as the National Realty Trust) was born of this purchase and has used acquisitions as its main growth strategy ever since. In its first several years, NRT grabbed the industry's attention and market share as a ravenous purchaser of brokerages big and small; up until July of 2000 it averaged an astonishing one acquisition per week. Although the pace slowed down over the next six years, it was still buying over two firms per month during this time. In 2007, however, NRT slowed its acquisitions pace considerably as the market really turned south. It has remained that way until very recently with nearly all deals since that time being "roll-in" transactions in which the company adds sales associates but without any net gain in branch offices. It simply made no sense to add overhead and risk from additional bricks and mortar while the market was getting worse by the day.

Over the last several months, however, NRT has been turning heads again as its acquisitions have increased in both frequency and size. Five deals in October and November, including three sizeable transactions in Pennsylvania (Coldwell Banker Preferred), California (the Cashin Company), and New Mexico (Santa Fe Partners), added nearly 1,000 agents and close to \$2 billion in sales volume. Of particular note was the purchase of the eight-office Coldwell Banker Preferred in Philadelphia, which marks the first time NRT has entered a new metropolitan market since it began consolidating offices in late 2005.

"Philadelphia was always a hole in our presence along the eastern seaboard," Zipf said. "We were presented with a unique opportunity, and it was a perfect fit for us." He signaled that there will be more to come in that area, possibly soon. "Our mission is to grow and, over the next several months, we expect to further strengthen our position there."

After adding the nation's fifth largest market to its operations, NRT's East Coast presence spans from Maine to Florida, but with a notable gap from central Virginia through the Carolinas. Asked whether or not the company was now pursuing

growth there, too, Zipf admitted NRT's interest in those markets but hinted that they would be patient. "I believe that over the next several years that opportunity will come about."

It seems clear that Zipf considers NRT's size to be a benefit rather than a hindrance as its acquisition activity picks up, but he thinks the increase in deals being completed is less about a shift in NRT's terms than it is in sellers' attitudes. "That has generated some of the perceived increase in acquisitions: sellers are coming around," he said, noting that many seem to be accepting that "this is as good as it's going to be over the next couple years" so the price and terms they could get from NRT today may not be substantially different than what they would get tomorrow. "What we're looking at today, more or less, is going to be the market," continued Zipf. By incorporating into the valuation analysis the company's ability to reduce costs through combined operations, NRT is able to "build off synergies and price acquisitions accordingly." Regardless of whether it's truly driven by a shift in purchase terms or in sellers' expectations, many in the industry view NRT's increased deal activity as a clear indicator that the biggest player in the industry may be signaling that the bottom has either arrived or is very near.

From many perspectives, NRT has always served as a barometer both of and for the industry. Because of its presence in over 35 major metropolitan markets, NRT is able to "get a bird's eye view of what's going on in the national market," acknowledged Zipf. Although he wouldn't make any forecasts for 2011, Zipf did say that the markets that had fared best for NRT, and it seemed those they were still most bullish on, were those that had "strong diversity in economic and business mix" as well as the "stronger per capita income, high-end urban and suburban markets with larger than normal" international interest such as Manhattan, Boston, Los Angeles, and San Francisco.

Although foreign capital may help those markets, Zipf echoed many others' opinions when citing employment as the top issue facing both the economy and housing but he seemed reasonably optimistic that this would improve. "One positive

thing,” he concluded, “and this is a known fact: most of corporate America is reasonably cash-rich and the sooner they open up some of the purse strings and invest in human resources and invest in growing some of their businesses, which I believe they will as we go into 2011 and 2012, then that will improve the employment picture. And as the employment picture improves so will the real estate picture.”

Despite his optimism, it is the fragility of the economy that makes 2011 so hard for most to predict. Although it would appear NRT will once again become a more acquisitive force, though certainly not to the degree it was a decade ago, the sailing won't be easy as the industry continues to face headwinds and NRT's parent has to manage the business with a considerable debt burden. At the end of the first quarter of 2011, a closely followed provision in Realogy's debt covenants tightens once again: its senior secured debt (which

is over \$2.5 billion of the total debt) can be no higher than 4.75 times Realogy's trailing twelve months' adjusted EBITDA, which is down from 5.0 times throughout 2010. Although Realogy has managed this well throughout 2010 (it has held between 4.34x and 4.57x), both the National Association of REALTORS® and Fannie Mae (as well as *REAL Trends*) are forecasting that transactions in the first half of 2011 will be between 7% and 10% less than 2010 levels with prices flat to slightly down. So the questions for NRT are many: is their recent swell of acquisitions an indication of a future wave or a temporary blip on the screen? Is this a clue that they believe the tide will turn in 2011, or is it a necessary strategy to help successfully navigate through the waters ahead, especially in light of the tightening covenants?

The skipper, of course, wouldn't say. But the ship sails on. ■

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# TECHNOLOGY

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## *Interpreting Your Website Analytics: What You Need to Know*

Website analytics can be a scary and intimidating subject when you're not perfectly comfortable with the terminology. Often times, even when you are comfortable with the terminology it doesn't necessarily mean what you are interpreting is actually important. This article will outline the information within most analytical reporting systems, and we will use several examples from Google analytics as a reference point. While we understand that not all websites employ Google analytics, even if you do not have that platform you can certainly take the same concepts and apply them to any similar website traffic system.

### Where to Start: Your Dashboard or Traffic Summary

In this area, you will find some valuable information that goes well beyond your visitors and page views. Pay attention to the *average pages per visitor* and the *average time spent on the site*. This is very important in understanding the ability of your content to capture your visitor's attention. A bad website with content that is relatively unuseful will see low page views and low average time. In some cases, if you have a decent average time-on-site, (upwards of 2 minutes) but low page views, it may signify that you are divulging too much information on your homepage thus giving the visitor no reason to dive any deeper. When looking for growth, the *percentage of new visitors* on your site is a key number to look into. While this isn't 100% accurate due to changing IP addresses, it does give you a good trending feel for your site.

*Bounce Rate* is a very useful term when used in the right context. For most sites, the bounce rate in the dashboard isn't super useful unless you see it upwards of 70% which would be cause for concern, but it does become more relevant as you get inside the site. It can give you useful insight into your content or pages that are sending visitors away. A good example is an intrusive form that may be asking too many questions or questions

that are too personal can scare visitors away. This will result in a high bounce rate for that page.

In your dashboard, you can also distinguish between *unique* and *reoccurring visitors*. Under the *site usage* portion of your dashboard, you will see your overall visitors. This number indicates the total amount of reoccurring visits to your website during the time period specified. Below the site usage box, is a box that is titled *visitors overview*. This is where you can draw your unique visitor number from. Both visitors and unique visitors are important in their own way but together they can tell you some useful information about your site.

For instance, if the two numbers are relatively close in nature it means you are getting few returning visits to your website during the specified date range and it may mean the content is only useful on an irregular basis. A lot of Realtors® will see this trend simply due to the nature of their business and it is in no way a reason to panic.

### Visitors Tab

Under the visitors tab in Google analytics, there are several useful data tools. The first is the connection speed of users who are using your website. Be cautious of loading too much info, pictures, or heavy flash-intensive content on your site if you get a high percentage of slower connections. This will vary by market, but it can cause end-user frustration who will not likely return, thus decreasing your average time-on-site and your overall pages viewed.

Secondly, not all websites are created equal, but the fundamental building blocks should be relatively versatile and your browser capabilities under your visitor tab will break down who is using what. Even though the site might look perfect on one browser it is important to periodically check what it looks like from other popular browsers.

Your mobile tab is a very important and growing feature within Google Analytics. Obviously, this area of web travel is booming greatly so what can this area tell you? We recently conducted a REAL *Trends* Website Analysis on a client that had some wonderful web traffic considering the size of the company and market; however we noticed that they were receiving approximately 12,000 monthly visits via mobile phones of all nature. This mobile traffic was spending 90% less time on the site and viewing 1/4th of the overall pages versus the regular visitor. Now, it is important to note that a decrease is expected due to the nature of the smaller screens and the habits of users, but in this case it was alarmingly high. Upon further review with a mobile phone, the site was indeed very hard to navigate and took a considerable amount of time to load; this would lead to frustration from users.

On the other side of the equation, we conducted a website analysis where we saw the opposite results. The mobile visitors browsing to the client's website was virtually identical in nature to their normal web traffic and upon further review they had built a nice looking simplified version of their site for mobile browsers. So, to recap here be sure to compare average time spent on your site and average page views to your normal web traffic numbers for anything that may be out of the ordinary.

### Traffic Sources Tab

This tab has some very useful marketing and other data. The starting point to explore here is the pie chart that is displayed on the first screen. It can give you a great indicator of your weak or strong areas. If you get a relatively low percentage of direct traffic you may want to consider rebranding, increasing your branding of your site, or attaining an easier to remember domain, etc. If your referring sites percentage is relatively low (say less than 5%) it may be useful to start a reciprocal link campaign to increase the overall traffic and your site's presence among industry specific traffic.

Of course, search traffic is important and there are two things to note here: 1) If the percentage is low

or less than 5-10%, you may have some serious SEO to implement, 2) if you click on the search engines tab and find that the traffic coming from this source is viewing very few pages and spending little time on your site, this may be an indicator that your search efforts are drawing in a not-so-valuable visitor and it would be wise to refocus your efforts to obtain an ideal visitor.

Under the keywords submenu you will find some very useful data. Naturally, this can tell you where your SEO strong points are right from the main screen, but at the same time it can also tell you your weak points. We recently conducted a site analysis for a company that had all of the top 50 keywords and had some form of the company's name in the search term. This can tell you your brand is strong and people are searching it frequently, but in this case it was indicating that they had little SEO implemented outside of their brand name.

It was very evident they needed some work on the SEO front. Also, keep an eye on the metrics associated with the term as well. If you end up noticing that a specific search term has a high bounce rate and low time-on-page it is a good indicator that the traffic and/or that term is not relevant to you or is commonly confused with something similar.

### Content Tab

Keeping an eye on your most popular content is a great way to get a better understanding of your consumer habits, interests, etc. If you see that 90% of your traffic is viewing only a small portion of your website, we feel it's wise to either work on the content not being viewed or play up the content that is being used and make it readily available. The new *In-Page Analytics* feature is a useful tool (yet still work in progress) to see what links people are actively using on a given page of your site.

You can use this to further identify visitors' habits and correct any problems you may have. In a recent analysis we had a client that dedicated a large

portion of their homepage to specific content in their industry. This content was drawing less than .01% of navigational clicks indicating the content was not what the user was looking for. That

valuable homepage “real estate” could go to better, more useful content. This is an example of understanding your visitor/consumer and giving them what they want. ■

## REAL Trends Website Consulting

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

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

## Trigger Marketing

*An interview with Debbie Gurley of Quantum Digital*

REAL Trends caught up with Debbie Gurley of QuantumDigital to find out more about their new service called **TriggerMarketing**. Debbie brings over 29 years of customer and sales support experience to the QuantumDigital team and has worked intimately with numerous clients seeking dynamic direct marketing programs that offer efficiency and improved ROI.

**REAL Trends:** Tell us about your services offered to the real estate industry.

**Gurley:** We currently offer direct mail, print on demand, and email marketing services.

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

**Gurley:** Real estate makes up about 50% of our overall customer base and within the real estate industry we work with all sizes of brokerage companies all the way down to individual agents.

**REAL Trends:** Explain *TriggerMarketing for Automated Lead Generation*.

**Gurley:** This is an automated program to uncover warm leads using listing databases, email, and mobile devices. Within seconds, TriggerMarketing launches an integrated marketing campaign featuring your new listing and notifies you via email whenever a warm lead shows interest. Now, you can effectively market your listings in a consistent way—even when your resources and time are limited:

- Just listed postcards mailed to homeowners surrounding your new listing
- Custom website that emails you whenever prospects visit to get property details
- House flyers designed to attract leads and more listing opportunities

**REAL Trends:** Being a printing company in the green era can create a difficult challenge. What is QuantumDigital doing to reduce its environmental impact?

**Gurley:** At QuantumDigital, we’re committed to doing our part to reduce our environmental footprint and conserve vital natural resources. Not only do we personally hold ourselves accountable to practice the highest standards of environmental stewardship, we’ve also taken the necessary steps to

become chain-of-custody certified by the FSC (Forest Stewardship Council).

**REAL Trends:** Five years from now what new or emerging technology or capability will impact the real estate industry?

**Gurley:** Real-time response will play a significant role in this area whether it's via mobile, email, voice, print, etc. This is why we created the TriggerMarketing program to address the growing importance of real-time response and to give their consumers the instantaneous results they desire.

**REAL Trends:** Why is customer service so important in the real estate industry and how can QuantumDigital help?

**Gurley:** Customers are the real estate business and building/fostering those relationships is why social marketing is becoming more and more pertinent. We believe automated direct mail can give you that personal touch to stand out amongst your competitors and also be used to enhance your brand socially. Consumers are much more likely to respond to a customized direct email piece that is

relevant than to a generic email campaign.

**REAL Trends:** Our editor, Steve Murray, will be speaking at your conference in January. Tell us about this upcoming event in 2011.

**Gurley:** The Ignite 2011 Real Estate Summit is hosted by QuantumDigital and will be held in Austin, Texas on January 20th and 21st. It is an opportunity to network with real estate industry leaders from companies such as Leading Real Estate Companies of the World, Better Homes and Gardens Real Estate, Weichert, Prudential Gary Greene, Long Realty, and of course REAL Trends and many more. Hear how they're leveraging the latest technologies, marketing automation programs, and leadership techniques to increase productivity and pull ahead of the competition.

Travis Saxton is the marketing and technology manager at REAL Trends. His background includes web consulting for numerous industries and businesses across the U.S. and Canada. Most recently he spent several years consulting and guiding the newspaper industry in the online arena before joining REAL Trends. ■

# TRENDS

## *Consumer-Related Trends That Will Influence Your Brokerage in 2011*

*By Jeremy Conaway, Contributing Editor*

If you haven't already done so it is that time of the year to once again gather your stakeholders, key personnel and decision makers together for your firm's annual planning conference. Never has this exercise been more important than in today's fast moving, highly flexible and quickly transitioning real estate marketplace.

To assist our readers to set their brokerage business course in 2011, we have researched the business trends that have been identified by such publications as the Harvard Business Review (HBR), Advertising Age, Fast Company, Entrepreneur, Forbes and Fortune. Of course none of these publications specialize in or are noted for their expertise in real estate. While some experts and readers would suggest that this is a problem we would opine that failing to view itself in the context of the overall business environment is one of the shortfalls of the current real estate industry. While a few of the successful strategies and tactics that will be put into place by our industry will be exclusively real estate in nature, the majority will be drawn from a much wider business experience base.

It can be argued that the single most important trend in consumer behavior in 2011 will be one that has already been a major force in the industry over the past three years. This of course is the overall growing power and sophistication of the consumer relative to all aspects of business. In an industry in which top agents continue to believe that they have a psychological, informational and experiential superiority over their clients, customers and consumers this trend continues to be the yardstick by which relevancy is being measured.

While many real estate professionals continue to measure their value proposition based upon traditional factors, today's real estate consumer is measuring relevancy and value against a whole new set of personal, lifestyle, economic and market factors. This trend will be most influential in urban markets. Urban consumers tend to be more daring, more liberal, more tolerant, more experienced, and

more prone to trying out new products and services.

The second trend that brokerages should be tracking is the growing consumer desire to encounter a human touch in everything that they do. One needs merely to spend ten minutes in an AT&T consumer service telephone queue to understand the desperation being shown by many firms to avail themselves of lower cost high tech rather than high teach. Consumers are becoming increasingly annoyed and dissatisfied with being denied the simple courtesy of contact with a real person who has the authority to make a decision and solve a problem. The real estate industry should use this trend to its advantage by installing a human touch in its property inventory search functions.

The third consumer trend of interest for 2011 is tied to the issues of product pricing. While real estate consumers have always looked out for special offers and discounts, new technologies combined with unstable markets will mean that 2011 will see high levels of pricing chaos especially in real estate markets where a predominance of distressed properties continue to negatively impact pricing policies and appraisal processes.

Today's real estate consumers are constantly connected, and when they hear about housing related pricing and market "deals" they can quickly and easily spread them through their social networks. Increasingly, these consumers will be part of exclusive networks or real estate buying groups that facilitate either receiving special deals or demanding them.

Mobile devices increasingly enable consumers to find or receive dynamic deals right at the point of sale, or to compare prices online. Case in point: Amazon.com just released an iPhone app that allows users to compare prices by scanning the product's barcode, photographing it or saying its name. Look for Zillow to expand its functionality in this direction over the next year. Always-on connectivity will further encourage changing consumer-spending habits in a myriad of ways.

The fourth consumer trend arises out of the fact that over 90% of real estate consumers now use the internet as a significant part of their property search and marketing activities. This activity is no longer experimental but rather has become a sophisticated consumer skill set, indeed almost a culture. Like all cultures it will be developing its own status symbols and “cool” points. What started with showing off the number of visitors to one’s listing pages or agent blog now also encompasses the number of one’s Facebook friends (or any other social network), Twitter followers that respond to the listing, Yelp and Foursquare check-ins and a host of other metrics that indicate one’s ‘wiredness’ will soon spread to the real estate space.

In 2011, brokerages should consider supplying their (online-loving) customers with any kind of symbol, virtual or ‘real world’ symbol or logo that helps them display to peers their online contributions, interestingness, creations or popularity.

Indeed, one extra element to watch out for in 2011 is new status symbols that straddle the ‘real’ and ‘online’ worlds. From physical manifestations of digital status (think personalized Facebook and Twitter memorabilia), to online recognition of physical activities (status updates or badges based on real-world visits), consumers will seek to display their online status symbols in all arenas including real estate. Watch for Zillow and Trulia to join this trend during the first two quarters of the year.

One last trend that brokerages should consider adopting is today’s consumers’ almost compulsive interest in being surrounded by all things “healthy.” As good health is now as important to some consumers as having the biggest, newest or shiniest status symbols, growing numbers of consumers will expect health products and services in 2011 to prevent misery if not improve their quality of life, rather than merely treating illnesses and ailments.

#### Some signs of the times:

- 73% of U.S. consumers consider being physically fit important to being ‘well’, with 74% including ‘feeling good about themselves.’ (Source: *The Hartman Group, August 2010*)

- An estimated 500 million people worldwide are expected to be using mobile healthcare applications by 2015. (Source: *Research2Guidance, Nov. 2010*)
- There were nearly 17,000 health apps available in major app stores in November 2010, with 57% of them being aimed at consumers rather than health care professionals. (Source: *Research2Guidance, November 2010*)
- The heaviest use of health or medical related apps is by young adults: about 15% of those aged 20 to 33 (a prime real estate consumer group) have such apps, compared to 8% of users aged 30 to 49. (Source: *The Pew Internet Project, October 2010*)
- In 2011, more and more health and “well being” monitoring technologies will become portable, wearable and cheaper (the smart phones held by many consumers are now more advanced than most dedicated medical devices).

Also, both regular and dedicated medical social networks give audiences a platform to share, compare and discuss their personal health issues with other consumers. Last but not least, the ‘consumerization’ of health means that more consumers will choose products with embedded health benefits that are actually well designed, desirable, accessible, fun, tasty, interesting or storied.

It will be a quick jump from these matters to the new world of “healthy houses.” Akin to the fast growing “green” house movement the relative value of homes whose location, configuration and composition support good health for their occupants will begin to impact the marketplace. Brokers should consider who should be the first in their marketplace to offer “Healthy Rated” houses as a marketing benefit aimed at today’s health conscious real estate consumer.

There will be more to the 2011 real estate marketplace than transitioning mortgage rates, distressed properties and emerging rental lifestyles. Opportunities abound for brokerages to convert consumer trends, needs and demands to market share results. ■

## *REAL Trends Housing Market Report – November 2010*

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*Housing sales continue to slump in November as the annualized unit basis decreased to 3.660 million new and existing home sales. This November results were down from October 2010 rate of 4.327 million.*

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*New and existing housing sales in November declined 25.7 percent from November 2009 while the average price increased 7.3 percent from the same month a year ago.*

December 13, 2010 – The REAL Trends Housing Market Report for November 2010 showed that the annualized rate of the combination of new and existing housing sales decreased to 3.660 million from the 4.327 million recorded in October 2010. Overall housing sales fell for the fifth month in a row when compared to the same months in 2009.

November 2010 unit sales fell 25.7 percent from November 2009. The average price of all sales increased 7.3 percent from November 2009, a positive point in otherwise disappointing results.

Housing unit sales for all regions fell in the last twelve months with the Northeast showing the greatest decline of 32.2 percent followed by the Midwest which saw unit sales fall 30.6 percent from November 2009. The West had the smallest decline at 19.2 percent.

Average prices of homes sold in November 2010 increased 7.3 percent compared to November of 2009 on a national basis. Every region showed increases in the average price with the Northeast showing the greatest improvement with a 9.1 percent increase in the average price of homes sold. The Midwest showed the smallest increase at 4.8 percent improvement.

“The housing market continues to suffer the effects of record high unemployment and restrictions in the sale of foreclosed homes. The halt in foreclosure proceedings appeared to have impacted sales significantly. Foreclosure and distressed home sales are a significant portion of all sales in the first 10 months of 2010 and it appears that purchasers are waiting for more inventory. The annualized rate fell 15.4 percent from last month which indicates that housing continues to face strong obstacles in getting back to a healthy condition,” said Steve Murray, editor of the REAL Trends Housing Market Report.

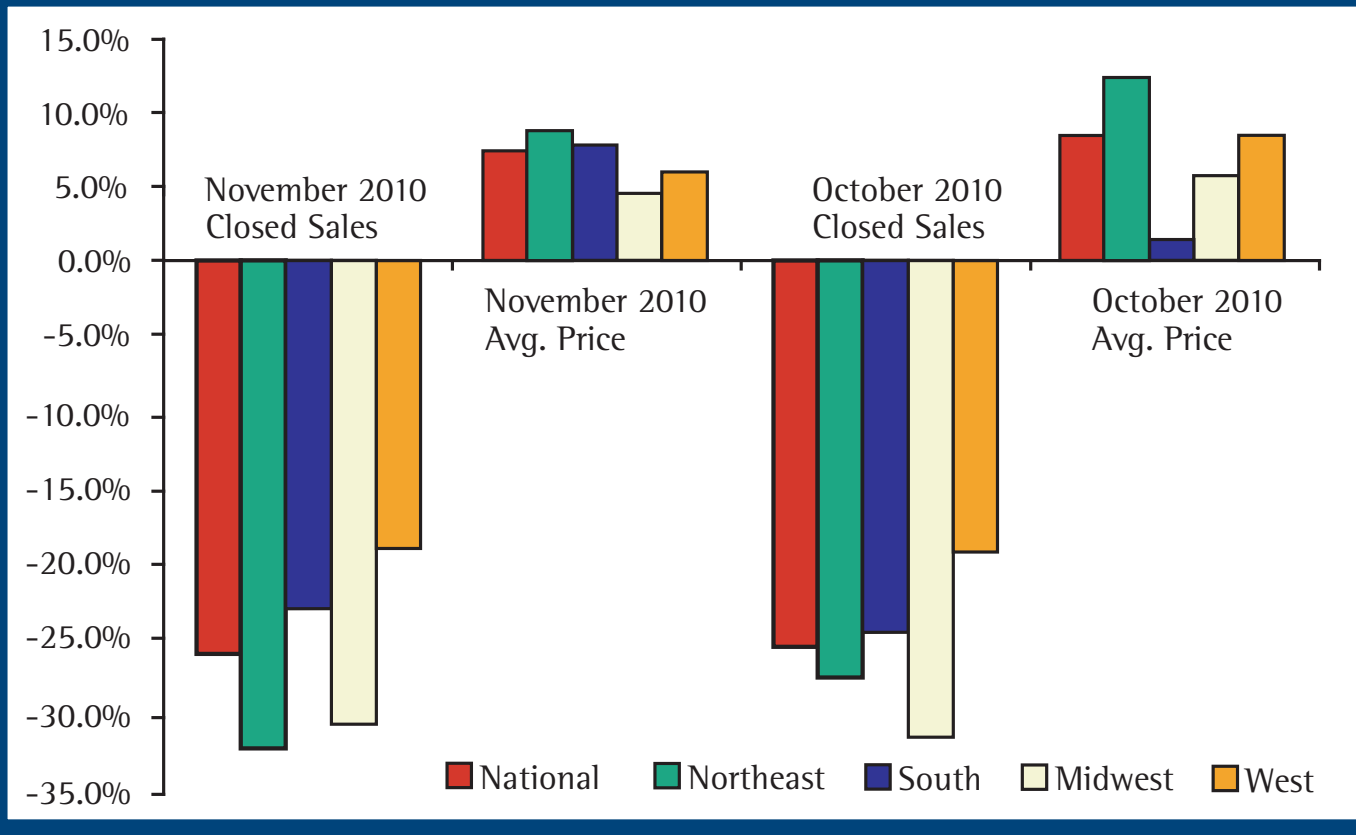
“The downside is that on a year over year basis housing sales continue to fall. We expect that the unit sales rate will continue to show year over year declines for the remainder of the year and into the first half of 2011 as the 2010–2011 results will be compared against sales that took place during the first wave of tax credit fueled housing sales in the fourth quarter of 2009 and the first two quarters of 2010. The declines will be partially offset by improving conditions in the overall economy.” ■

*See the REAL Trends  
November/October Housing Market Report  
Chart on the Following Page*

## REAL Trends November/October Housing Market Report

(Versus same month a year ago)

	November 2010 Closed Sales	November 2010 Avg. Price	October 2010 Closed Sales	October 2010 Avg. Price
National	-25.7%	+7.3%	-25.4%	+8.2%
<b>Regional Report</b>				
Northeast	-32.2%	+9.1%	-27.8%	+12.3%
South	-23.0%	+7.6%	-24.4%	+1.9%
Midwest	-30.6%	+4.8%	-32.7%	+5.4%
West	-19.2%	+5.8%	-19.6%	+8.2%



# EDITOR'S NOTE

## REAL Trends Leadership Institute

Attendance is growing rapidly for the January 26-28, 2011 REAL Trends Leadership Institute. The program has three distinct parts: Wednesday the 26th is a day-long program with Larry Kendall and Ninja Leadership. Thursday and Friday are broken into two deep dives – Recruiting is the first and Finance and Operations is the second.

There are a limited number of spots left, so if you:

- a) need to relearn the fundamentals of leadership,
- b) need to fire up your recruiting program, or
- c) need to hear from the industry's leading CFO's and COO's go to

[www.realtrends.com/conferences](http://www.realtrends.com/conferences) to learn more or to register for the REAL Trends Leadership Institute.

## New Book on the Future of Brokerage

Game Plan is the title of a new book we are writing in partnership with Market Leader CEO Ian Morris about the future of residential brokerage. We are seeking input from a wide array of industry sales, technology, management, and marketing professionals. Should you want to add your own comments about your view of the future please send them via email to [smurray@realtrends.com](mailto:smurray@realtrends.com) ■

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