It’s a presidential election year. Does that matter? Sales were down in 1980 and 1988 from prior years, but up in 1984, 1992, 1996, 2000, 2004, 2012, and 2016. It turns out that there’s no clear pattern, except that when the economy is going in the tank, then housing sales will be down. Otherwise, there appears to be no correlation between Presidential election years and housing sales, so don’t overly worry about that impact.

**MARKET OUTLOOK**

Most forecasts say unit sales will be flat to somewhat up. Certainly, builders are finally building more, so there will be more new home inventory. Otherwise, the same constraints we’ve been faced with for the past six years or so will persist—low inventory, affordability challenges, etc. Interest rates, for the moment, are stabilizing, but no one knows what will happen next with them. They are unlikely to go up much.
The triple threats of the entrance of massive amounts of capital that’s backing iBuyers, bridge loan services, and rent-to-own investors, the substantial growth of low-cost brokerage models in most markets and the aggressive growth of financially-backed brokerage models that have the benefit of not having to earn a profit will remain. It’s also likely that their investors will begin to look more carefully at models that are 5+ years old with no particular path to profitability, but that probably won’t come home to roost in 2020.

There is still much money piled up in equity markets and with private equity firms to think they will bail in the near term. This is not good news for incumbents fighting a three-front war with little time to carefully adapt.

Too Many Large Real Estate Organizations Have Bet Their Futures that Such Tech Investment Will Rescue Them from the Lack of Organic Growth in Their Core Businesses.

REAL ESTATE TECH

The land grab for real estate tech platforms will intensify. Investment by national and regional brokerage firms in their tech platforms is not going to subside in 2020 nor the years afterward. Too many large real estate organizations have bet their futures that such tech investment will rescue them from the lack of organic growth in their core businesses. Investing in search of such growth, whether in agent recruitment and retention or capturing more consumers will be at the top of these firms’ agendas for the foreseeable future.

Interestingly, nearly half of the REAL Trends 500 and Up-and-Comers from last year had five-year annual growth in their closed sides when total housing sales were flat to down. This is not only an incredible testament to incumbent brokerage firms (not ignoring the extraordinary growth of Compass and eXp), but it attests to the fact that organic growth is still achievable even in this kind of environment. In a market where 80,000 to 100,000 new Realtors® join the industry (not taking into account departures), there remains ample opportunity for many brokerage firms to recruit and develop new talent.
The California ABC Test Looks to Be Expanding

New states are adopting provisions that pertain to independent contractors vs. employees.

Just when you thought that the California ABC test would stay within that state’s borders comes news that the states of New York and New Jersey are considering adopting some of the same provisions that pertain to the qualifications of independent contractors versus employees. In an article in The Wall Street Journal on December 6, various state legislators in New York are quoted about how they might impose some of the same regulations, although some comment that they felt California went too far.

Behind this is not a directed attack on residential brokerage independent contractor status but more focused on workers in the gig economy—like Uber and Lyft drivers. Unfortunately, the same regulations don’t differentiate many industry’s independent contractors from those they most want to target.

We wrote in the past that state legislators might come after the independent contractors of ours (and others) industries in the search for tax revenue, licensing fees, more control, and lobbying monies from those affected by the regulations. It looks like this trend is not going away.

The ABC Test is a test to determine whether a person is an employee or an independent contractor for the purpose of determining state unemployment tax.

The California ruling found that a worker could only be an independent contractor if each of these three factors was met:

1. The worker is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
2. The worker performs work that is outside the usual course of the hiring entity’s business.
3. The worker is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed.
At a recent meeting with several key state and local associations of Realtors® CEOs, we learned membership rolls are still growing. Many also report that membership totals are now at or nearing historic highs.

It’s interesting to us that with record low unemployment and rising household incomes, real estate still appears to be an industry with unique appeal. Whether someone wants to have a license for occasional referral or transactions or want to give it a go in creating a real business career, a residential brokerage is attracting high levels of new talent.

Some of these CEOs also commented that they’re seeing a growing number of younger people entering the business. All of this is good news for our industry.

While no one can say that they like the fact that a large percentage of Realtors® won’t complete a single transaction in 2019 (which has been the case for many years) and that this does have an impact on the view of the level of professionalism, we must also consider that every top agent and team out there today started as a rookie. And, many of today’s top producers took years to build their practice. Let’s keep in mind that we don’t have a foolproof way to know which of today’s new Realtors will become the stars of tomorrow.

And, let’s also keep in mind that for all the challenges facing our industry, it remains a wide-open opportunity for women and men of all sociodemographic levels, regardless of race, creed, or color to create their businesses—and create their future.

IT’S INTERESTING TO US that with record low unemployment and rising household incomes, real estate still appears to be an industry with unique appeal. Whether someone wants to have a license for occasional referral or transactions or want to give it a go in creating a real business career, a residential brokerage is attracting high levels of new talent.
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“The biggest opportunity for performance improvement in any organization is in moving the middle,” according to business coach Michael K. Simpson. He lays out the formula in his book Unlocking Potential. Most companies have a low-performing group (10% to 20%); a middle-performing group (60% to 70%); and a high-performing group (10% to 20%). Improving performance in the middle 60 to 70 percent yields the quickest path to greatness.

Some simple math makes the point. A 10 percent improvement among the top 20 percent of performers yields a 2% gain overall. On the other hand, a 10 percent improvement in the middle, which constitutes 70 percent of your sales associates, would equal a 7 percent improvement overall—more than three times as much. When we look at profit per associate, the returns may even be higher as the middle often has a less generous commission split.

Traditional coaching programs tend to focus on top performers, with many of these associates paying for personal coaches. The middle tends not to hire coaches because they don’t have the production to afford coaching. A typical management trap is focusing on the bottom 10% to 20%, trying to bring them up to the middle. This has proven to be a waste of time. Instead, put your management resources into paying attention to your top performers and helping the middle improve.
HOW DO YOU DO THAT?
Focus on these three success keys: Mindset, Skillset, Actions. Most in the middle have the ability, but they don’t have the motivation and focus. That’s where you come in.

Mindset. My observation, based on over 40 years of training and managing sales associates, is that most middle of the packers are drifters. They have no definite chief aim and are living their lives by default. They have the talent but lack the motivation to put it to work. Help them discover their goals or why. To get their attention, you may need to point out the consequences of their drifting. Based on their current pattern, here’s their trajectory—they won’t be able to pay for their kid’s college, they will end up living in poverty (as 45% of Americans over age 60 do), etc. This wake-up call can then be used to set positive goals and a plan. This approach is called motivational interviewing.

Motivational interviewing is a psycho-therapeutic approach that attempts to move an individual away from a state of indecision or uncertainty and towards finding the motivation to making positive decisions and accomplishing established goals.

Skillset. My observation is that the middle of the pack has most of the skills. The one area that many are missing is an effective CRM (Customer Relationships Manager). Because they have been drifters, they’ve never taken the time to put their database together in a useful format. You can help them with this. Hire a student or a temp if you need to. This is a huge opportunity for you and them. We have seen average producers triple their income quickly once they have their CRM in place and are using it. This is the one thing you can do that will help them the most.

Actions. We have a saying in our Ninja training: “Flow Fixes Everything!” Flow is the frequency of interaction—face-to-face, voice-to-voice, mail, email, etc. What holds most in the middle from doing these activities? It’s a lack of motivation (drifting) and a lack of a database. Solve these two areas, and you’ll see them writing their notes, making their calls, sending their mailings, and meeting face-to-face with their friends and clients. And you will see an increase in production. Flow will fix everything.

Once they’re motivated and active, help them stay focused on their goals, so they don’t drift. It’s easy for them to get distracted. Remind them of their intentions to help them stay on track. Manage their activities, and their production will take care of itself. You will have moved the middle!

MOST MIDDLE of the packers are drifters. They have no definite chief aim and are living their lives by default. They have the talent but lack the motivation to put it to work. Help them discover their goals or why.
HOME BUYER INTEREST UP AGAIN IN NOVEMBER NATIONWIDE

Showing Traffic Increases for Fourth Consecutive Month.

KEY POINTS:

• U.S. showing activity increased by 12.6 percent year over year, the largest national increase since January 2017

• Home buyer traffic in all four U.S. regions increased vs. 2018 for the fourth consecutive month

• The West Region’s positive 23.1 percent year-over-year change in showing activity was the largest in November

November home showing activity continued an upward trend of year-over-year growth following the fourth consecutive month of increased showing activity, according to the latest ShowingTime Showing Index report.

The nation’s 12.6 percent growth in home showings compared to activity in 2018 was the most significant jump in buyer traffic during the current four-month streak of year-over-year increases. The West Region saw the greatest growth in activity in November, with a 23.1 percent jump – the region’s greatest in the history of the Showing Index. The South had the second greatest boost, with a 15.4 percent increase, followed by the Northeast close behind, which notched a 13 percent uptick. Rounding out the month of gains, the Midwest saw a 7.1 percent in home buyer activity.

“Although market slowdown is typical around the holidays, November 2019 was one of the busiest Novembers on record,” said ShowingTime Chief Analytics Officer Daniil Cherkasskiy. “While different markets saw varying levels of activity, several saw a substantial increase, as a greater number of buyers continued their search for a home than we typically see during the season. In addition, the lateness of Thanksgiving this year compared to last year’s early holiday pushed the year over year number of showings even higher in November.”

“ALTHOUGH MARKET SLOWDOWN is typical around the holidays, November 2019 was one of the busiest Novembers on record. While different markets saw varying levels of activity, several saw a substantial increase, as a greater number of buyers continued their search for a home than we typically see during the season.”

— Daniil Cherkasskiy
ShowingTime
Chief Analytics Officer
MARKET WATCH

ShowingTime® Showing Index — November 2019

The ShowingTime Showing Index tracks the average number of buyer showings on active residential properties on a monthly basis, a highly reliable indicator of current and future demand trends.

### Methodology

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

### ShowingTime Showing Index

<table>
<thead>
<tr>
<th>Region</th>
<th>November 2019 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNITED STATES</td>
<td>+12.6%</td>
</tr>
<tr>
<td>WEST REGION</td>
<td>+23.1%</td>
</tr>
<tr>
<td>MIDWEST REGION</td>
<td>+7.1%</td>
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<tr>
<td>SOUTH REGION</td>
<td>+15.4%</td>
</tr>
<tr>
<td>NORTHEAST REGION</td>
<td>+13%</td>
</tr>
</tbody>
</table>

### ABOUT SHOWINGTIME

ShowingTime is the residential real estate industry’s leading showing management and market stats technology provider, with more than 1.2 million active listings subscribed to its services. Its showing products and services simplify the appointment scheduling process for real estate professionals, buyers and sellers, resulting in more showings, more feedback and more efficient sales. Its MarketStats division provides interactive tools and easy-to-read market reports for MLSs, associations, brokers and other real estate companies, as well as a recruiting tool for brokers. ShowingTime products are used in more than 250 MLSs representing nearly one million real estate professionals across the U.S. and Canada. In September, ShowingTime acquired Centralized Showing Service, Inc. (CSS) to better serve the needs of clients in the residential real estate industry. The two established companies bring together a combined 43 years of experience helping real estate professionals and their clients.

To view the full report, [CLICK HERE.](#)

For more information, contact us at research@showingtime.com.
In a November 22 Request for Information (RFI), the Bureau asked for public comments on the TRID Rule’s effectiveness as it prepares an assessment report of the Rule that the Dodd-Frank Act requires to be published within five years of its effective date. The TRID report must be completed by October 3, 2020, and public comments in response to the RFI are due by January 21, 2020.

By Sue Johnson, strategic alliance consultant

The implementation process for TRID was complex, cumbersome, and costly for all segments of the home buying industry. The CFPB’s guidance often was vague, and many found the Rule’s requirements to be overly restrictive, confusing, and unnecessary. The Bureau tried to address some of these concerns in July 2017 and April 2018 amendments and updated its guidance in January 2019 to

The implementation process for TRID was complex, cumbersome, and costly for all segments of the home buying industry.
clarify the roles and responsibilities of various parties during the loan origination process.

The CFPB says in its new Request for Information that its assessment of the TRID Rule will involve cost-benefit analysis, with a focus on the Rule’s effects on consumers, firms, and mortgage origination markets. It specifically asks the following questions:

**EFFECTS ON CONSUMERS**
- How did the TRID Rule affect consumers’ understanding of their mortgage disclosures?
- How did the TRID Rule affect mortgage and settlement service shopping behaviors?
- How did the TRID Rule affect consumer satisfaction with mortgage disclosures, mortgage products, and settlement services?
- How did the TRID Rule affect the ability to compare and choose among mortgages and settlement services?

**EFFECTS ON FIRMS**
- What were the TRID Rule’s implementation costs to firms?
- What are the TRID Rule’s ongoing costs and cost savings to firms?
- How did the TRID Rule affect creditors’ ability to sell mortgages to others on the secondary market?
- How did the TRID Rule affect the way creditors disclose information to consumers?

**EFFECTS ON MORTGAGE MARKETS**
- Did the TRID Rule affect the price of mortgages or the volume of mortgage originations in the aggregate or for particular market segments or mortgage product types?
- Did the TRID Rule affect entry, exit, or consolidation in any parts of the mortgage market?
- Did the TRID Rule’s specific provisions affect market structure by changing the relationship between various providers (e.g., creditors and settlement agents or creditors and their affiliates)?

The CFPB also requests comments on any aspects of the TRID Rule that “were or are confusing or on which more guidance was or is needed during implementation,” and asks for recommendations “for modifying, expanding, or eliminating the TRID Rule.” This last reference led one housing publication to note that “eliminating the rule is not off the table.” Given the long and expensive implementation process, most observers think that is unlikely.

Nonetheless, this new Request for Information offers the industry an opportunity to lay its remaining issues with TRID on the table. If the Rule still is creating frustrations or inefficiencies for you and your customers, now is the time to let the CFPB know.

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

AUSTRALIAN REAL ESTATE MARKET

SIGNS OF RECOVERY

It looks like the Australian real estate market’s decline has leveled and started to ease in most major cities.

By Peter Gilmour, chief foreign correspondent

According to the latest report on the Australian residential real estate market by CoreLogic, a property data and analytics provider in Australia, the annual rate of decline in housing values saw continued improvement in October 2019. National dwelling values recorded their fourth consecutive month of growth in October 2019, taking dwelling values 2.9% higher over the quarter. Although house prices are still broadly trending lower on an annual basis, the annual rate of decline has leveled and started to ease in most major cities.

The most expensive properties, which have recorded the largest decline over the last 12 months, are also recording the most rapid recovery.

THERE’S MONEY IN REAL ESTATE

CoreLogic’s statistics show that residential real estate underpins Australia’s wealth. The local stock market has been very volatile, interest rates on money invested in financial institutions are negligible, making real estate market valued at around $4.7 trillion a very desirable investment source. This is compared to investment in Australia’s stock market of $1.5 trillion and commercial real estate of $1.7 trillion.

Approximately 50% of Australia’s household wealth is held in residential real estate. Residential real estate in Australia comprises over 10 million dwellings with an outstanding mortgage debt collectively of $1.75 billion.

In October 2019, Sydney dwelling values increased by 1.7% and by 5% over the three months to October 2019. Over the past 12 months, though, Sydney dwelling values have fallen 2.5% and are currently 10% lower than their peak in July 2017. Melbourne dwelling values increased by 2.3% in October 2019 and 5.5% in the last quarter. Melbourne dwelling values have fallen 1% over the previous 12 months and are now 6% below their peak in November 2017. Median days on the market in the capital cities are trending lower, at 40 days, as market conditions improve.

The number of dwellings approved for construction nationally has trended lower since 2017. Still, housing demand has seen an increase with growing migration, which has pushed the national population statistics higher with a growth of 1.6% over the last 12 months. First-time homebuyers have been a critical source of housing demand in 2019 due to affordability, less competition from investors, low mortgage rates, and incentives have been given by financial institutions. The market is cautiously optimistic about the outlook for 2020 and looks forward to the return of investor activity, which is yet to rebound. 

By Peter Gilmour, chief foreign correspondent

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The most expensive properties, which have recorded the largest decline over the last 12 months, are also recording the most rapid recovery.
IT’S TIME TO TALK ABOUT YOUR FIRM’S VALUE!

THE MARKET IS CHANGING

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From Silicon Canal to Silicon Slopes to Silicon Prairie, tech cities continue to pop up across the nation as long as the consumer continues to evolve and demand, tech gurus, will be there to respond. Although many sectors have found success among this rise in tech, it seems others have tried and missed the mark. Now, the reasons why a business or technology was not successful is not what we are here to discuss, and for time’s sake, we won’t. But what I want to discuss is one major area in technology that more than often gets overlooked, comradery.

As we all know, buying and selling a home is a very emotional transaction for more than 85% of the nation’s housing consumer population (due to financial capabilities and experience). This emotion drives brokerages to specialization, which encourages consumers to need a human connection and coaching, not just A.I. This is what many tech gurus fail to recognize and easily overlook. However, we have been trained to expect new and modern consumer experiences. Let’s call this Pre-Desire-User-Experience (PDUx). The concept is easy to whiteboard, but much more challenging to deliver.

A NEW SET OF EXPECTATIONS
Simply put, consumers have a new set of expectations based on other contemporary consumer experiences—think Amazon, Uber, Grubhub, Apple, Airbnb, etc.). The idea is to provide the consumer with what they need and want at the moment or before they think they want it. If your customer’s inner-speak is, “I need and want… and where do I start…?” The question then becomes, how does the housing industry respond? Unfortunately, as a whole, we haven’t.

When consumers buy and sell a home, they are required to complete this transaction while navigating many different industries—real estate sales, real estate financing, moving services, home products and services, security, energy and utilities, warranty, insurance, and more. Let’s refer to each of these industries as kingdoms, all of which are vying for the consumer’s attention, but operate quite competitively and separate.

CONSUMERS HAVE A NEW SET OF EXPECTATIONS
based on other contemporary consumer experiences—think Amazon, Uber, Grubhub and Apple.
Today, most technology strategies are focused on staying within each of these various kingdoms, and often the gurus themselves establish their careers within that sector. The individual industries that make up the Housing Market are a somewhat esoteric set of knowledge. And more consideration needs to be on the actual result. We must all ask the question, are we responding to our customer’s needs? We need to look beyond the traditional Net Promoter Score and Social Surveys, asking, “Were you satisfied with the lending experience?” What we need to ask is, “did you enjoy selling and buying a new home?” Unfortunately, that answer is most often unequivocally, “No.”

Managing the Outcome
Housing consumers gauge met expectations based on two very straightforward outcomes: Was it easy or difficult? And was it fair? When consumers are forced to work with multiple, disjointed industries to complete a single transaction, each of which is complex, it makes it nearly impossible to meet these trained and ingrained expectations. This disjointedness also dramatically increases the overall cost of housing.

As a whole, regardless of what industry career path you operate within, you need to start asking some new questions: Do you satisfy our client’s overall housing expectations? And are you doing it in a way that supplies delight when buying a home, while at the same time providing PDUx and saving your customer money in the process? If you want to respond positively to these questions, it may be time to expand your current technological strategy. There is a way to come together as an industry to create this type of comradery, save money, and streamline processes while unilaterally making it easy for all parties involved.

The technology is here and readily available amongst all industry kingdoms. It’s time that we work together to supply real estate professionals with predictable and sustainable career experience, while at the same time finally meeting our clients’ overall expectations. We can delight them if we work together and think together.

Dave Zitting’s mortgage industry career launched in 1989, and within ten years, he was Co-Founder and CEO of Primary Residential Mortgage, Inc. (PRMI). After a successful exit from PRMI, Dave, co-CEO of Avenu Technologies, Inc., became laser-focused on Avenu’s work to enhance the real estate sales process through revenues and career opportunities for real estate agents. IntroLend, MoneyTips, and HomeKick are collaborative technological platforms that create ease for the home buyer and new revenue streams for professionals.

The idea is to provide the consumer with what they need and want at the moment or before they think they want it. If your customer’s inner-speak is, “I need and want... and where do I start...?” The question then becomes, how does the housing industry respond? Unfortunately, as a whole, we haven’t.
TECHNO-TRENDS

IT’S ALL ABOUT AUTOMATION

With a portfolio of 15 real estate tech company, Constellation Real Estate Group does extensive research on technology trends and solutions from the front office to back and everything in between. REAL Trends spoke with Scott Smith, president, and general manager of the Constellation Real Estate Group portfolio, about some of the trends he’s seeing.

“There’s some interesting stuff around marketing automation, artificial intelligence (A.I.) and Leads,” says Smith. “We will continue to invest in marketing automation to generate leads, automate follow up and more. But, the other areas that are starting to get interesting are conversations down marketing. I’ll call it sort of A.I. People use that term loosely, but sort of A.I. is how somebody’s interacting with an agent, and we can automate the conversation via one of our products called Zirpoli.”

Here are some of the top trends Smith sees in technology:

1. Marketing Automation. Think social automation, “we have tools that are invested in auto-posting to Facebook and look to extend that out to Instagram, LinkedIn, YouTube and Twitter,” he says. The goal: To keep an agent front and center on many of the social channels. “We just acquired a company called Reach 150, which is an automated way to get recommendations and reviews, then retarget back to your consumers via Facebook and other channels,” says Smith.

2. Linked In=CRM. “We think of LinkedIn as the world’s best CRM. It’s user-generated content, it’s very social, and it’s interactive. It updates you on the things that are happening within your network, and it’s growing at a much faster rate than any other contact database that you may use,” he says. “It shows me what’s going on in my network, and I know whom I should reach out to or congratulate.”

3. Race for Tech at Brokerage and Franchise Level. “There’s a big race for technology both at the brokerage and the franchise level. So, we’re seeing a transition from technology being a checkbox or technology is a recruiting and retention strategy to technology being a core part of the business to remain competitive,” he says. “We see much developing proprietary software. This is happening more at the franchise level, but we’ll see it move downstream to the brokerages as well.”

4. Pressure on Commissions Impacting Tech. “There’s pressure on commissions, margins, and profits for the brokerage. And, brokers are getting pressure from agents, forcing them to look at technology as more than just a checkbox to recruit and retain agents.” He notes that technology is seen as a “solution for prioritizing the consumer experience and capture more consumers.”

Overall, says Smith, “We’re definitely in an ecosystem where every brokerage will have solutions that come from multiple different sources. Even the large companies investing in and building out platforms are looking to third parties.” He says he “still strongly believes that consumers will work through a real estate professional.”

Also, the elusive one-stop-shop for all a brokerage’s technology needs is non-existent. “As you look at technology choices, look for vendors that work closely with existing standards, and are responsive to the integration with other platforms. There will always be strong point solutions, and there will always be core foundational components that are strong.”

It’s an excellent time to be in a brokerage if you believe technology is going to be a game-changer for your business, says Smith.

― Scott Smith
Constellation Real Estate Group