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SEPTEMBER 2020 NEWSLETTER

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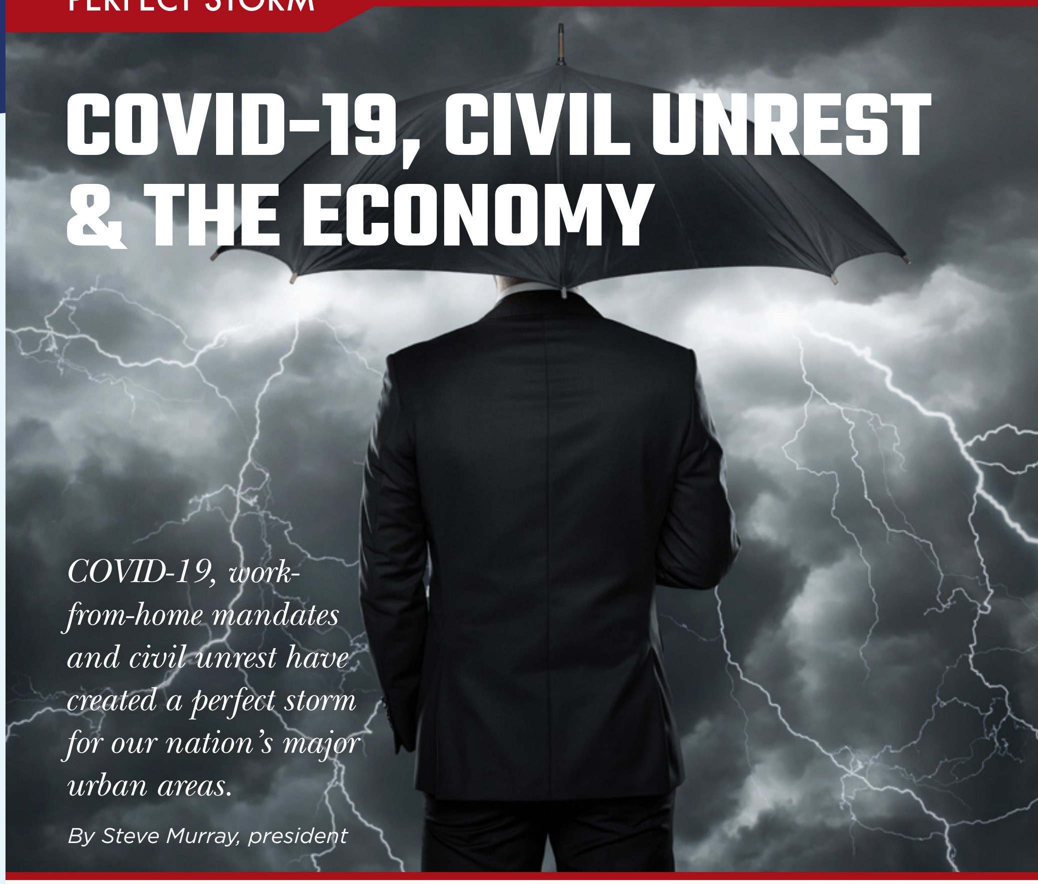
PERFECT STORM



COVID-19, CIVIL UNREST & THE ECONOMY

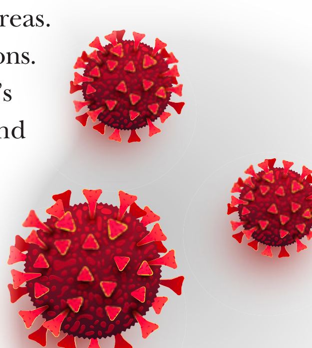
COVID-19, work-from-home mandates and civil unrest have created a perfect storm for our nation's major urban areas.

By Steve Murray, president

A near total shutdown of economies due to COVID-19 has choked the vitality that has made urban areas so popular. Jobs and income have been lost due to the closing of thousands of stores and restaurants—some never to reopen. Let's not forget that tax revenues are declining. These revenues provide the services that citizens depend on in these cities.

The shift to work-from-home, which will likely become a more permanent part of the work force, separates the *where I work* from the *where I live*. What percentage of the workforce will have this option is unknown. Regardless, how many families will give up the action and vitality of living and working in a major city for the lower costs and slower pace of suburbs or even ex-urban or rural lifestyles?

As if this weren't enough, in certain urban areas, civil unrest has caused many more to consider relocating to suburban or rural areas. Some families are buying getaway homes, so they have options. Others appear to be decamping permanently, whether it's due to COVID-19, civil unrest or the high cost of living and taxation. Anecdotal evidence suggests that the wave of those relocating permanently is large enough to be called a significant demographic event. Time will tell.



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FUTURE VIEWS HAVE CHANGED DRAMATICALLY

What occurs to me is that none of this was in the thoughts or future views of Americans just seven months ago. It's amazing how one event, which triggers other events, can cause such disruption and such a foundational change in how our economy operates. For instance, while Amazon and online shopping services were eating away share from traditional brick-and-mortar retailers, the events of the last seven months have pushed hundreds of mainline retailers into bankruptcy and untold numbers of smaller, privately owned retailers to close, some permanently.

We have a housing sales boom, fueled by the delay in the normal spring market and record low interest rates, as well as additional demand coming from those who are either buying second homes in the suburbs or countryside, or

Some families are buying getaway homes, so they have options. Others appear to be decamping permanently, whether it's due to COVID-19, civil unrest or the high cost of living and taxation. Anecdotal evidence suggests that the wave of those relocating permanently is large enough to be called a significant demographic event. Time will tell.

permanently relocating away from urban core communities. When combining already low inventories of homes for sale with this uber-demand, it creates a market critically short of for-sale inventory in many markets around the country.

WHAT'S NEXT?

A question we get asked often is: What's next? We don't know; no one does. The economy is slowly adding jobs, but there are large segments of the workforce that won't see any quick recovery, such as travel and tourism, state and local governments, retail and restaurants. The current 8%-10% unemployment rate is a fair distance from the 3%-4% the country had in February 2020.

How will this affect housing sales this fall and into next year? Certainly, anyone paying attention knows that the elections this fall—no matter the outcome—will cause more unrest. The pandemic will also continue to restrain our country's economic recovery.

The homeownership rate rose to the highest rate since 2004 in July and was at or near record highs for virtually every demographic group. How much room does it have to run? The peak in 2004 was over 69%. We are halfway between the 30-year average rate of about 64.5% and that level—which preceded the housing crash of 2006-2010. There are substantial differences between the circumstances of that homeownership peak and today's circumstances.

Thankfully, most of today's reasons should discount another crash. Yet, it's disconcerting to think that with the level of unemployment in the country today, how in the world did we get the highest homeownership rate in 16 years? I trust some very smart people are watching carefully. The recent fee increase proposed by Fannie Mae and Freddie Mac, while evidently only on refinanced mortgages, may be caused by policy makers to cool things down a bit. That's not what they say it's for, but one wonders.

When we talk with our clients, we suggest that, since there are so few answers to these questions, the most important thing they can do is focus on building stronger relationships with family, friends, clients and customers. Preserve cash and liquidity, because we know from past downturns (We've had a front-row seat for four of them) that great growth opportunities are just over the horizon.

SOME OBSERVATIONS

WHAT WE KNOW AND WHAT WE DON'T

The uncertainty of the market has everyone confused about what to do next.

Steve Murray, president

- **COVID-19 Cure.** We don't know when a COVID-19 cure will be available to the American population that will enable life to return to its normal rhythm.
- **Office Space.** We know that some meaningful number of office workers will not be permanently tied to an office in the future.
- **Deficit Spending.** We don't know what the outcome of outsized deficit spending will be, not only in the U.S., but in the world. We don't know yet whether it will cause huge inflation or lead to deflation.
- **Inventory Shortage.** We know that the shortage of home inventory is soon to cause a slowdown of some sort in housing sales regardless of record low interest rates.
- **2020 Election.** We don't know the outcome of the 2020 presidential election or Senate elections.
- **Technology.** We know that real estate technology has had an impact on how we do business but not on who does it. There's no evidence that the pursuit of all-encompassing tech platforms has shifted the balance of power away from agents and their relationships with consumers in any meaningful way.
- **Moving.** We know from anecdotal information and actual sales that consumers are buying homes outside of core urban areas whether for primary or secondary purposes. The surge is pronounced in areas around New York, San Francisco and Atlanta, but reports indicate that it's happening in virtually every major metro area.
- **Global Tourism.** We don't know with certainty what will happen to the global tourism business over the long term. Travel will be substantially lower in the next few years and online video conferencing will supplant a significant number of business trips.
- **Homeownership Rates.** We know that homeownership rates for most categories, including minority families, have increased to record or near-record rates. We also know that the last time we had such an event, it led to a housing meltdown. However, the record homeownership levels were achieved with funny-money mortgages, which do not appear to be prevalent at this time.
- **4th Quarter Housing Sales.** We don't know what the fourth quarter of housing sales will look like given the inventory shortage and the high unemployment rate. Nor can we forecast 2021 housing sales with any confidence given changes in attitudes among consumers that will occur based on the outcome of the fall elections.

RETENTION

ARE YOUR POLITICAL VIEWS LOSING YOU AGENTS?

In today's tell-it-like-it-is society, are you alienating top agents because of your political and societal views?

By Tracey C. Velt, publisher

I just got done listening to a great session called *Recruiting Lessons Learned From the Pandemic,* part of the RE/MAX Broker-Owner Virtual Conference. It was an eye-opener for me. The crazy part? It shouldn't have been.

One case study in this session focused on a top agent who left one brokerage to join RE/MAX. One of the reasons she mentioned leaving her former broker was their political views. Chalk that up to the current climate of political division and social unrest, right? Wrong. Yes, she had different beliefs than her former broker. She wasn't bothered by the differences, though. What bothered her, and instigated her move to a competitor, was the fact that she felt the broker was shoving those beliefs down her throat. Her new broker, she says, has kept things professional, unemotional and neutral. No one wants to be told what to believe in, or that they are less-than because they believe something different from another person. Why should it be any different in real estate?

Emotions are running high. We've got a double whammy of a pandemic and civil unrest. Our big cities are being looted and vandalized causing untold economic damage. We also have a lot of very vocal people shouting differing opinions. As a broker, you have a right to believe in what you want to believe. But, no one wants an authority figure to force their agenda on them, especially when that agenda has nothing to do with being a productive and responsible real estate professional. However, educating agents on the potential industry impacts of each party's platform is useful.

Brokerage owners should think carefully about the public stances they take using their companies as a platform. While you may be gaining some supporters; you're losing just as many—both customers and agents. Real estate leaders should be focused on helping all members of the community and helping agents become better at their career. Let's rise up together.

No one wants an authority figure to force their agenda on them, especially when that agenda has nothing to do with being a productive and responsible real estate professional.

DEMOCRAT AND REPUBLICAN PLATFORMS

THE COMING STORM

Independent contractors and franchiser-franchisee business relationships face potential challenges ahead.

By Steve Murray, president

Recently, I read the 2020 Democratic Party Platform report (91 pages) and the 2020 Republican Party Platform report (59 pages). The Republican Party report is actually the same as the 2016 report.

The Republican Party Platform did not reference independent contractors or franchiser-franchisee business relationships. We do know from our research that the Republicans in the U.S. House of Representatives voted almost entirely against the PRO Act and further have read that the Trump administration's National Labor Relations Board (NLRB) reversed the Obama administration's rulings on the joint employer issue.

To be fair, there is much to like in both platforms in their support of homeownership in general and the belief that more needs to be done to address both the critical areas of homelessness and affordability. Both parties discuss these two issues at some great length.

Regardless of your political or social views, there are a few provisions that could have a substantial and material effect on the residential brokerage business in the years ahead. These have to do with who can be classified as *Independent Contractors (IC)* and whether or not franchisers and their franchisees can be considered *joint employers.*

THE ABC TEST AND ITS IMPACT ON INDEPENDENT CONTRACTORS

On page 15 of the Democratic Party report, it states, "Democrats believe employees who are being misclassified, including gig and platform workers, deserve wage and workplace protections including minimum wage and overtime pay, and we support using the ABC test to determine employees' status."

For those who didn't follow the development of the ABC test in California over the past few years, the ABC test contains the following requirements used to determine whether one can be classified as an IC or not:

Part A of the test requires that 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, AND;

Part B of the test requires that the worker performs the work that is outside the normal course of the hiring entity's business, AND;

Part C of the test requires that the worker is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed.

Further, the California Supreme Court noted that under the right-of-control test, it's 'not how much control a hirer actually exercises, but how much control the hirer retains the right to exercise.'

The outcome for Realtors® in California was that, through the efforts of the California Realtor® and others, Realtors were not covered under the ABC test and were deemed to be ICs. We won't go into details as to how this was attained but, sufficient to say, it wasn't without a great deal of effort by the Realtor Association. The reasons for the effort to keep the ABC test from applying to real estate professionals is self-evident. To escape the application of the ABC test, the employing entity has to survive all three of the ABC tests. A plain reading of the ABC test and its application to real estate professionals seems to indicate that Realtor independent contractors may fail at least Part B and perhaps even Part A of the ABC test.

If the ABC test was applied on a national basis, there would be a dramatic reduction of the number of real estate professionals. Given the requirement to pay agents minimum wage and other benefits, brokerage firms would cut the number of agents they employ drastically.

Whether this would be a good thing for our industry or not—fewer, more productive full-time agents—is not necessarily a bad thing. It would change the nature of everything in our industry. In talking with brokerage and Realtor® Association leaders, when this issue was first raised, they realized that the impact would be drastic.

Depending on whether this truly becomes a national regulation or remains at the

To be fair, there is much to like in both platforms in their support of homeownership in general and the belief that more needs to be done to address both the critical areas of homelessness and affordability. Both parties discuss these two issues at some great length.

state level, Realtor associations and industry leaders should be prepared to vigorously engage in this issue to protect the ability for real estate professionals to remain ICs. We're not expert enough on the issue of whether the states would retain the right to supervise this within their own borders or whether, should it be passed by the Congress and signed into law, it will be a national regulatory issue.

THE JOINT EMPLOYER ISSUE

In early 2020, the U.S. House of Representatives passed HR 2474, the Protecting the Right to Organize (PRO) Act. The bill was not taken up by the Senate.

On page 14 of the Democratic Party Platform report, it states, "Democrats will prioritize the passing of the PRO Act and restoring worker's rights, including the right to launch secondary boycotts.'

The PRO Act would make significant changes to the joint-employer standard under the National Labor Relations Board (NLRB). Joint-employer rules determine when two or more employers are jointly responsible for the same employees. Take, for example, the relationship between a real estate franchiser and its franchisees. A case filed with the NLRB in 2014-2015 referenced McDonalds, and others, as defendants in the action. Any franchiser-franchisee agreement could fall under a redefinition of the joint-employer rule under the NLRB.

In 2015, the NLRB, under the previous administration, issued a decision in the Brown-Ferris (BFI) case that sought to drastically expand the coverage of what constitutes a joint-employer relationship. For example, prior to this decision, a company was a joint employer if it exercised *immediate and direct control* over the employees of another company. Under the NLRB's new standard, it expanded joint employment to situations where a company only had *indirect or potential control* over a group of another company's employees.

Depending on its scope, the joint-employer standard can impact a variety of business-to-business relationships, including contractors, subcontractors and franchisees, according the American Action Forum (AAF), a conservative issues-focused business advocacy organization. According to the AAF, the new standard is so vague it could impact companies' ability to impose minimum standards and for franchisers to assist franchisees with a host of business issues without triggering possible joint employment liability.

Imagine our industry's leading franchisers faced with either having to enforce employment standards on their franchisees or not having the ability to enforce service standards or minimum standards. The underlying foundation of how franchisers work with their franchisees may be fundamentally changed through actions by the NLRB under the proposed PRO Act.

One other more minor part of the PRO Act would be to "rewrite the rules that have undermined worker's ability to advocate for themselves, *including non-compete clauses, and no-poaching agreements.*" One can only imagine the impact on the merger and acquisition business when purchasers of brokerage firms no longer enforce non-solicitation agreements on the sellers. Not only would it kill brokerage firm valuations, but it would put a huge damper on any activity at all.

Remember, none of this is national law or regulation today. Whether it becomes law will be a matter of the national elections in November.

HOTTEST HOUSING MARKET IN NEARLY 15 YEARS

Market trends continue to be positive, in part, due to telework. Look out: A slowdown may be coming.

By Steve Murray, president

NAR's report that the annualized rate of existing homes sales, at 5.86 million, surely doesn't surprise anyone. Among the brokerage owners and leaders, July closed homes sales were a welcome and positive result. Most are telling us that August won't be far behind.

None of this should surprise you. Nor should what comes next. We crammed 120 days of demand into 60 days. On top of this. the country is undergoing a transition from "live-where-you-work" to "work-where-you-live." Further, there is anecdotal evidence that a meaningful number of families have decided to cast their lot away from large, urban core cities, especially those with a high cost of living.

Much of this excess demand will run into three realities sometime later this year. The first reality is that each of these trends will start to subside. Pent-up demand will ease. Secondly, the lack of inventory will slow the market. Lastly, even by the end of the year, it's likely that we will still have abnormally high unemployment, with millions of workers out of work.

It behooves brokerage firms and agents to be aware that a slowdown is coming. Plan accordingly.

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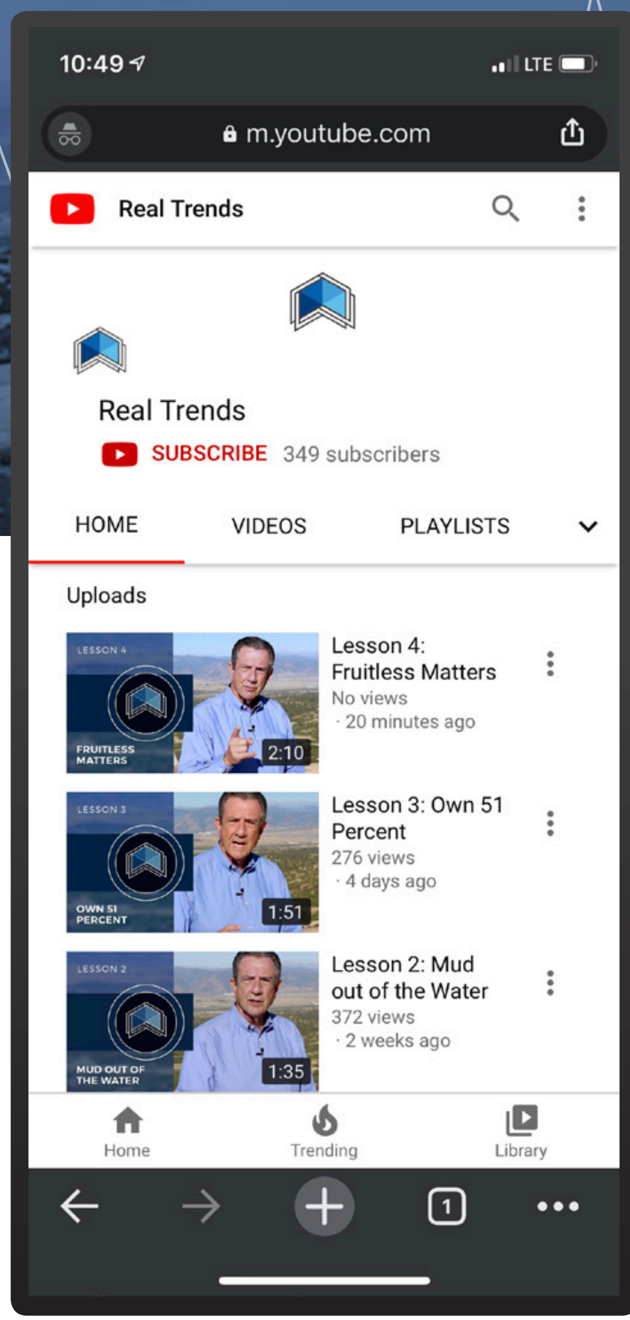
LESSONS LEARNED: A ROUNDUP OF ADVICE FOR BROKERAGE LEADERS

Steve Murray, president of REAL Trends, shares his top lessons learned from coaches, brokerage leaders and more in this series. You'll find great nuggets of information and takeaways to implement in your own business.

WATCH NOW



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THE FUTURE OF SMALL BROKERAGE FIRMS

Are you stuck in no-man's land between being a selling/managing broker or just a managing broker? Here's some interesting insight.

By Steve Murray, president

In our past research, we found that approximately two-thirds of the National Association of Realtors® member brokerage firms have fewer than 10 agents. Depending on how the numbers of brokerage firms are counted, this could mean there are approximately 60,000 residential brokerage firms that fit into this category (90,000 brokerage firms times .67).

Clearly, there's a strong desire among real estate professionals to own one's firm. Further, this segmentation has been in evidence for many years. The percentage of firms with fewer than 10 agents has been mostly consistent with prior years.

We've consulted with a number of these firms over the past 30+ years. We've found:

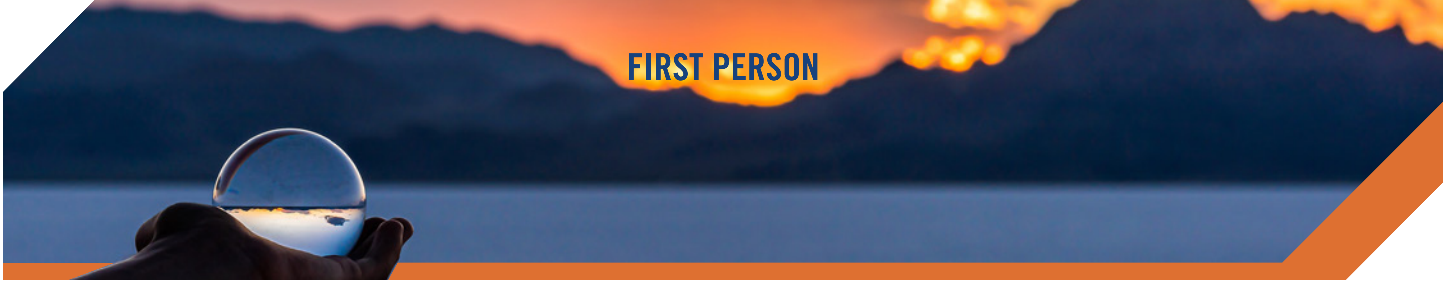
1. The firms all had the same dream of having a brokerage that would be their own, with a culture they desired, and respect from their agents and the community.

2. They dreamed that their firms would grow to an extent that would produce additional income (in addition to their sales income), develop into a business that had value (equity), and would become a satisfying investment of their time and capital.

What happens is that even though brokers have the same goals, they all reach them in different ways. This is what we've found:

- There were those who loved what they built, were satisfied owning and running a smallish boutique-type firm and were generally feeling good about what they had done.

- We found another group that was still planning to grow large enough to provide both additional income and potential equity in their firm but had not come to grips with the transition required to get that goal accomplished.



- The last group was composed of owners who had grown tired of having two jobs—dealing with the challenges of owning a brokerage, yet still listing and selling to pay both corporate bills and personal bills.

The last two groups were the ones that came to us for the most help. We were not the first to share with them that few people can master two different jobs at the same time. Being an owner of a brokerage, whether 10, 100, or 1,000 agents, is a full-time job. Being a highly productive agent or team is also a full-time occupation and requires intense effort to stay productive. When we counseled them about the steps to decide which course they would take, which job they would focus on, the majority flinched, unable to choose. This is where most of them remain stuck.

WHY GO OUT ON YOUR OWN?

Several years ago, we ran focus groups with two sets of eight top-producing agents who left a large, mainstream brokerage to open their own firm—and also got stuck in the 10- to 20-agent size. They all wanted to run their own firm, develop a separate identity, and build an income stream separate from their production while also building something of value. We asked one basic question: Why can't you do that while under a larger, mainstream brokerage firm?

After all, over 95% of the top-producing agents and teams in the country reside within a larger mainstream brokerage firm, and many are accomplishing all of those key objectives.

Independent contractor agents and teams are just that—independent. They're buying a set of services and tools from a brokerage firm that they would have to reproduce if they had their own firm. You either pay for these support services with a check to a brokerage firm, or you pay for it yourself. One path is a fixed cost, and one path is variable.

In other studies, top teams stated that the most valuable services provided by a brokerage are *legal and regulatory assistance* and *having a strong local or national brand name*. When asked what more a brokerage could do to add value, survey respondents mentioned *more legal and regulatory assistance* and *business coaching*—not *sales coaching*.

Given the intense level of competition among agents and teams, we truly feel for those pioneers who want to own their firm, try their hand at building a sustainable brokerage firm and accomplish the income and equity goals of their dreams. Absent a true assessment of how willing these top agents and teams are to leave behind their sales careers, and the willingness to want to build others' careers, most firms will never get to where they want to be. When we visit those firms, we often remind them that, in most cases, they can accomplish those goals within an existing brokerage firm.

Given the intense level of competition among agents and teams, we truly feel for those pioneers who want to own their firm, try their hand at building a sustainable brokerage firm and accomplish the income and equity goals of their dreams.

SPECIAL REPORT

FINDINGS FROM THE THOUSAND AND AMERICAS' BEST REAL ESTATE PROFESSIONALS

By Steve Murray, president

For the first time, we ranked teams in our reports by their size based on the number of licensed Realtors® they had on the team. Small teams had 2-5 members, medium teams had 6-10, and large teams had 11 or more. We've measured the relative production and productivity of these different-sizes teams and found some interesting data:

Size of Team	Sides per Realtor®	Volume per Realtor®	Average # of All Realtors®
Small team	31.3	$9,035,723	3.5
Medium team	18.1	$6,110,378	7.5
Large team	12.8	$4,776,607	17.8
Overall	17.1	$6,981,540	7.2

Now look at the average productivity per team:

Size of Team	Total Sides	Total Volume
Small teams	109.6	$31,625,030
Medium teams	135.8	$45,827,835
Large teams	227.8	$85,023,604

If we assume a national average commission rate of 2.45% for each of these teams, then small teams are averaging $777,976 in gross commissions (before splits or cost-sharing with their brokerage firm), $1.2 million in gross commissions for medium teams and $2.1 million for large teams.

Looking at teams on our 2020 REAL Trends + Tom Ferry America's Best Rankings, the aggregate numbers of sides, volume and gross commission income estimates are as follows:

Total transaction sides	116,759
Total sales volume	$47,669,955,120
Total gross commissions	$1,167,913,900

We thought these data numbers would be of interest to our readers.

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REAL ESTATE PROFESSIONALS

THE THOUSAND

2020

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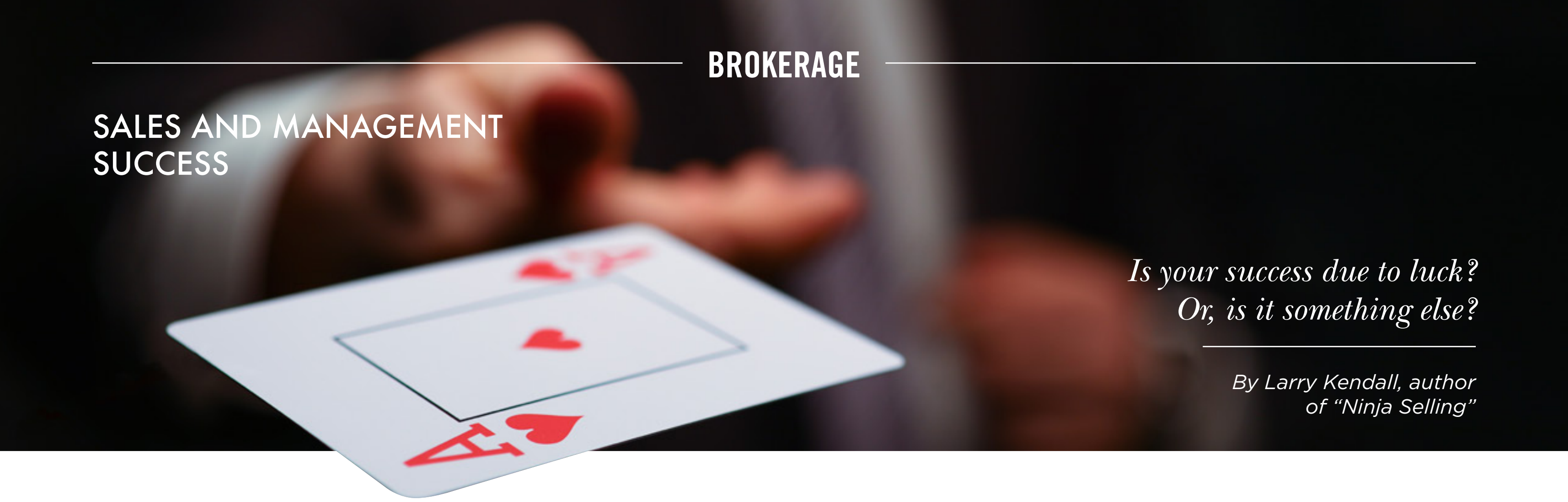


SALES AND MANAGEMENT SUCCESS

Is your success due to luck? Or, is it something else?

By Larry Kendall, author of "Ninja Selling"

THE ROLE OF LUCK

Are successful people just luckier? This question was posed to author and researcher Jim Collins several years ago at the REAL Trends Gathering of Eagles Conference. The renowned author of "Good to Great" and other books documenting the keys to success in business, had finished his speech and had opened the floor to questions. "What is the role of luck?" asked one of the real estate executives.

"That is a great question!" commented Mr. Collins. "We just finished a research study on the role of luck in business. Our conclusion is that luck definitely plays a role. However, what we found was the most successful people took advantage of luck when it showed up whereas the less successful people let luck pass them by or did not even recognize luck when it arrived."

HOW TO RECOGNIZE LUCK

How do you position yourself to recognize luck and take advantage of it when it arrives? Follow a simple formula called the 3-D (Dream, Dedicate, Dare) Success Formula. I've been very lucky in my business career, and I'm most grateful. I credit much of this success to the 3-D Success Formula. Many of my lucky business friends follow this formula as well.

Dream. Successful people have a vision. Because of this vision, a part of their brain, called the Reticular Activating System (RAS), opens to the vision. This part of the brain is a focusing device that starts non-consciously scanning for any information that will lead to the vision. The RAS is your onboard Google search engine. Properly programmed, you begin to see things that others don't see. For those who don't have the vision, the opportunity or luck is filtered out. They simply never see it.

Thomas Edison, the famous inventor, said, "What the mind can conceive and believe, it can achieve." It starts with vision. President John Kennedy, after his famous man on the moon speech, was confronted by the scientific community and told, "With all due respect Mr. President, we do not have the technology to go to the moon." President Kennedy responded, "The 'what' comes first. The 'how to' will follow."

Adventurer and explorer Dr. John Goddard put it this way, "When you establish compelling goals, you engage a mysterious force that magnetically attracts the people and experiences necessary to accomplish your objectives." With vision, you recognize luck when it shows up.

Dedicate. "The harder you work, the luckier you get!" When you work hard and prepare yourself physically, mentally, financially, assemble the right team and scale your business, you are prepared to take advantage of luck when it arrives. The less dedicated and hard-working people may see the luck, but they have not prepared themselves or their companies to take advantage of it. Unfortunately, they have to let it pass them by.

Dare. When luck arrives, are you prepared to take a risk? Do you have the courage to go for it? If you've been dreaming about this opportunity for years and dedicating yourself to preparation for this moment; then daring is a calculated risk—not an impractical risk. The risk may not work out but, most often (if you have done the 3-D's), it does. You will achieve success most of the time by following the 3-D Success Formula. Observers will call you lucky.

When luck arrives, are you prepared to take a risk? Do you have the courage to go for it?

FINANCIALS

HOW DID THE NATIONAL FIRMS DO IN THE FIRST 6 MONTHS?

Here, we review data and statistics for the first half of 2020 for the national brands. | *By Steve Murray, president*

We just reviewed the first six months results from eXp, Keller Williams, Realogy, Redfin, RE/MAX and Zillow. Below, we share highlights of their results, and, in most cases, compare them to their results from the same six-month period a year ago. Other than Keller Williams, which is not publicly held and therefore not required to report anything, the others are publicly held, and the data is from their public filings.

They are reported here in alphabetical order. Overall, it's clear that most, but not all of these firms, experienced a negative impact to their results in the 2nd quarter of 2020.

eXp

Agent count was up 54% year-over-year at the end of June 2020. Transactions closed were up 22% in the 2nd quarter over the same quarter a year ago. Net income was up over $16 million in the first six months of 2020 versus the same period a year ago.

KELLER WILLIAMS

Home searches were up more than 100% in the 2nd quarter from the 1st quarter 2020. KW Command hit 133,000 users at the end of the 2nd quarter. Agent count was down 2.9% from the end of the 3rd quarter of 2019 in the U.S. and Canada. Closed transactions were down 15.4% in the 2nd quarter from the same period a year ago.

REALOGY

Closed transaction sides for the combination of owned and franchised brokerages were down 12.8% in the six months ending June 20, 2020. Operating EBITDA was $172 million, down $63 million from the same six-month period in 2019. Excepting a one-time impairment charge, operating costs were down more than 10%.

REDFIN

Revenue from brokerage was up 2.4% for the first six months of 2020 over the same period of 2019. Closed transactions within the owned portion of the firm were up 2.3%. Operating losses declined by 16.4% from $79.8 million to $68 million in line with reductions in operating costs of approximately $10 million.

RE/MAX

Agent count worldwide was up 3.8% to a record level. It was down 1.4% in the U.S. and Canada. Motto Mortgage franchises increased to 127 offices, up 29.6% over the prior period. Total operating expenses were down 5.2% in the six months ended June 30, 2020, while operating income was down 41.4% for the same period.

ZILLOW

Total revenues were up 79.8% in the six months ended June 30, 2020, while the IMT (Internet, Media, Technology) segment was down slightly at 1.6% for the same period. Website traffic hit new record levels with over 218 million average monthly unique visitors. The operating loss before income taxes grew from $142 million to $256 million, or nearly an 80% increase. In the Homes segment, the loss per home sold in the second quarter was $6,933.

Overall, it's clear that most, but not all of these firms, experienced a negative impact to their results in the 2nd quarter of 2020.

JULY HOME BUYER TRAFFIC SURGES 60.7 PERCENT

Buyer Demand Jumps in all Regions for the Second Consecutive Month

KEY POINTS:

- July showing activity increased 60.7 percent year over year after posting 50.1 and 21.4 percent increases in June and May, respectively
- For the third consecutive month, all four regions tracked by the ShowingTime Showing Index® saw year-over-year boosts in showing activity, again led by the Northeast, which saw a 76.6 percent jump, followed by a 56.7 percent increase in the West, a 52.1 percent uptick in the Midwest and a 46.7 percent gain in the South
- The number of listings set up to allow virtual showing appointments increased 28 percent vs. June

Home buyer traffic jumped again in July, recording a 60.7 percent year-over-year increase in nationwide showing activity according to data from the ShowingTime Showing Index®.

It marked the third consecutive month of growing foot traffic in all four U.S. regions, a sign of the continued resilience of the U.S. residential real estate market and sustained buyer demand. The latest data from ShowingTime also reveal continued adoption of virtual showings, as the number of listings set up to allow both in-person and virtual appointments increased 28 percent in July.

"Multiple existing trends continued and were amplified in July as buyers competed for a dwindling supply of homes, pushing the level of competition and prices higher across all major regions of the U.S.," said ShowingTime Chief Analytics Officer Daniil Cherkasskiy. "Part of the imbalance can be attributed to the fact that potential sellers are not yet seeing the latest negotiated selling prices, which usually come out with a one-to-two-month delay.

"In previous years, July would be the month when real estate activity begins to slow down," Cherkasskiy said. "In 2020, July became the peak month of the delayed busy season. A glimpse at August trends also suggests that demand is staying at this high level and may continue to do so through at least September."

For the second consecutive month, the Northeast saw the most significant boost in year over year activity, with a 76.6 percent increase. The West followed, with a 56.7 percent jump, while the Midwest recorded a 52.1 percent increase and the South saw a 46.7 percent uptick.

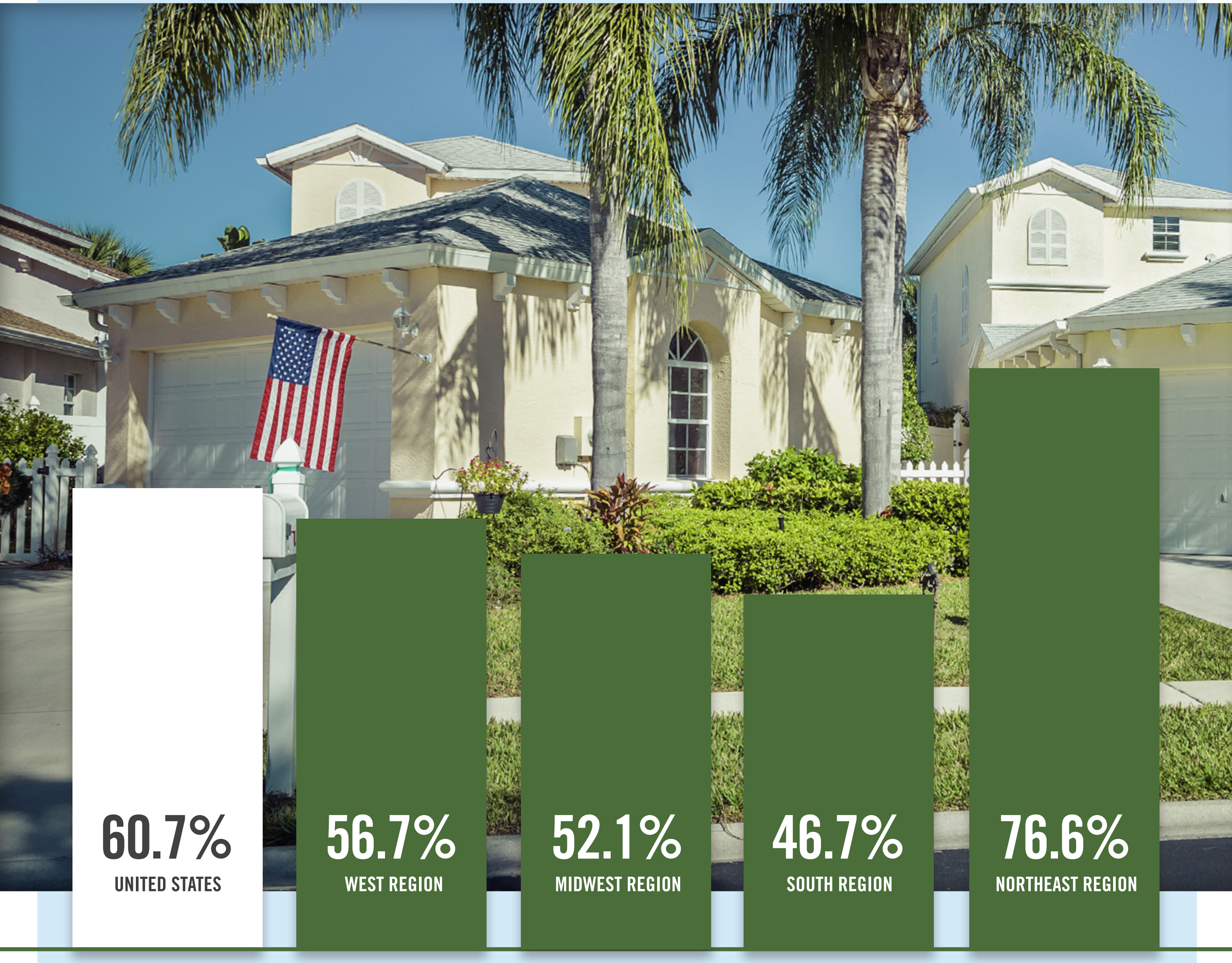
"All indications point to sustained growth in buyer demand, and we're committed to helping agents meet it," said ShowingTime President Michael Lane. "The rate of agent adoption of ShowingTime LIVE Video continues to increase, which demonstrates its utility as a valuable tool to keep showings going when in-person showings aren't possible."

The ShowingTime Showing Index, the first of its kind in the residential real estate industry, is compiled using data from more than six million property showings scheduled across the country each month on listings using ShowingTime products and services, providing a benchmark to track buyer demand. Released monthly, the Showing Index tracks the average number of appointments received on active listings during the month. Localized MLS indices are also generated for select markets and are distributed to MLS and association leadership.

"In previous years, July would be the month when real estate activity begins to slow down. In 2020, July became the peak month of the delayed busy season. A glimpse at August trends also suggests that demand is staying at this high level and may continue to do so through at least September." – ShowingTime Chief Analytics Officer Daniil Cherkasskiy

ShowingTime® Showing Index – July 2020

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.

ABOUT SHOWINGTIME

ShowingTime is the residential real estate industry's leading showing management and market stats technology provider, with more than 1.7 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, agents and other real estate companies, as well as a recruiting tool for brokers. ShowingTime products are used in 370 MLSs represent-ing one million real estate professionals across the U.S. and Canada. For more information, contact us at research@showingtime.com.

CULTURE IS KEY

5 TIPS FOR ENSURING A SEAMLESS M&A TRANSITION

By Rich DeNicola, COO, Realogy Expansion Brands

I wrote last month about three things to consider when contemplating a merger or acquisition. Let's assume you've done your homework. The math makes sense. You've got the right team in place and you have a business plan for moving forward.

Have you considered the human aspect? While your decisions may center on sound financial projections, the personal element is equally important in paving a smooth path to a successful future together.

Oftentimes, the profitability of the M&A is predicated by the successes at the earliest outset of the relationship. While we understand it boils down to culture, the word *culture* is tricky for us because we must consider multiple parties—the principals of the deal, leadership, staff, agents and potentially ancillary services.

It's all about the people. How do they work together? Are their goals aligned? Is there a healthy mix of *thinkers* and *doers*? Are they respected by their peers?

Assuming both parties believe there's a fit, there must be an understanding that when the two groups come together, a new culture will form. Therefore, creating the basis for that culture is critical at the outset of the process and throughout the onboarding and transition.

Here are five tactics you can use during and after a merger or acquisition to ensure a seamless transition:

1. **Develop an integration plan.** Establish a leadership team to oversee the integration and assign responsibilities. Prepare communications and talking points about

Oftentimes, the profitability of the M&A is predicated by the successes at the earliest outset of the relationship.

the change with a specific focus on what's in it for the agent. Troubleshoot potential culture clash areas by proactively planning activities to neutralize these obstacles and ensure a smooth integration.

2. **Lead and communicate effectively.** Be open about what will change and what will stay the same. Organizational change is hard, even if it's positive. Given that many deals of this nature are confidential until the announcement, most people will be surprised, and almost all will have questions about their future. There is no such thing as over-communicating during a time of organizational change.

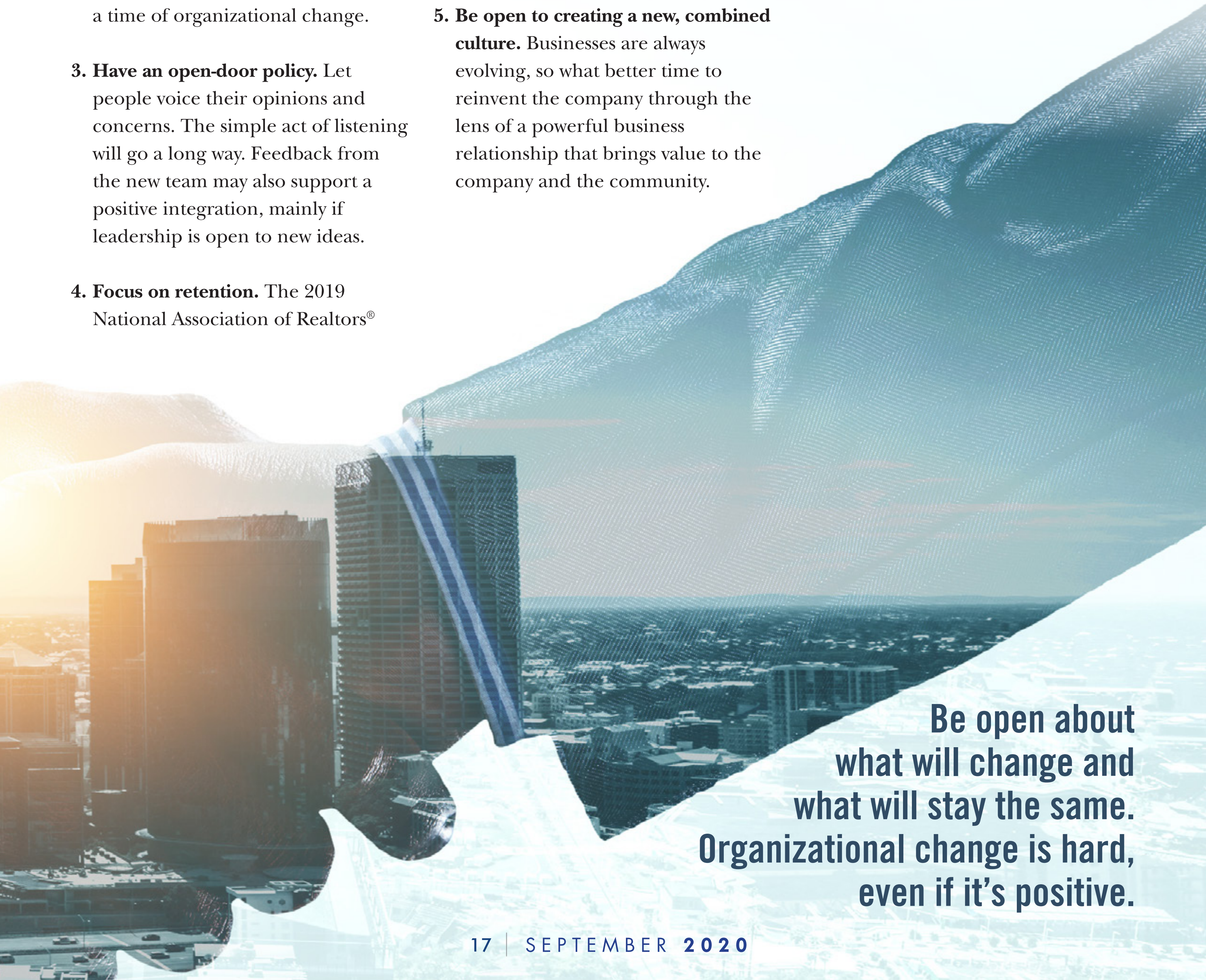
3. **Have an open-door policy.** Let people voice their opinions and concerns. The simple act of listening will go a long way. Feedback from the new team may also support a positive integration, mainly if leadership is open to new ideas.

4. **Focus on retention.** The 2019 National Association of Realtors® Member Profile indicated that of the Realtors who worked for a firm that was bought or merged, 76% remained—a solid majority. My personal experience is that the lack of an organized integration plan tends to be the most significant contributor to breakage. The acquired agents were at their brokerage because of a personal connection they felt to the company and the owner. If they're going to stay with your company post-closing, the personal connection to you and your company needs to be established immediately.

5. **Be open to creating a new, combined culture.** Businesses are always evolving, so what better time to reinvent the company through the lens of a powerful business relationship that brings value to the company and the community.

Mergers and acquisitions can be effective for profitable growth. Like anything rewarding, it requires time, effort, money and practice to be successful. Having a sound plan that considers all of the factors—including the human element—is key to success.

Rich DeNicola is the Chief Operating Officer for Realogy Expansion Brands—Better Homes and Gardens® Real Estate and ERA® Real Estate.



Be open about what will change and what will stay the same. Organizational change is hard, even if it's positive.

FHFA REFINANCE FEE

INDUSTRY FAILS TO SEE LOGIC IN NEW FEE

Industry experts speak out about new refinance fee. | By Tracey C. Velt

On August 13, the Federal Housing Finance Agency announced it was implementing a 1.5% fee on the loan amount for the majority of Fannie Mae and Freddie Mac refinance loans. This did not sit well with the housing industry, for obvious reasons. Due to this pushback, the fee, which was set to begin Sept. 1, is now delayed to Dec. 1. Also, borrowers with loan balances below $125,000 will be spared the fee. We pulled some of the industry takes on this refinance fee:

MORTGAGE BANKER ASSOCIATION PRESIDENT AND CEO BOB BROEKSMIT, CMB

"[The] announcement by the GSEs (government-sponsored enterprise) flies in the face of the administration's recent executive actions urging federal agencies to take all measures within their authorities to support struggling homeowners. Requiring Fannie Mae and Freddie Mac to charge a 0.5% fee on refinance mortgages they purchase will raise interest rates on families trying to make ends meet in these challenging times. This means the average consumer will be paying $1,400 more than they otherwise would have paid. Even worse, the September 1 effective date means that thousands of borrowers who did not lock in their rates could face unanticipated cost increases just days from closing.

"The housing market has been able to withstand many of the most severe effects of the COVID-19 pandemic. The recent refinance activity has not only helped homeowners lower their monthly payments, but it is also reducing risk to the GSEs and taxpayers. At a time when the Federal Reserve is purchasing $40 billion in agency MBS (mortgage-backed securities) per month to help reduce financing costs for mortgage borrowers to support the broader economy, this action raises those costs and undermines the Federal Reserve's policy.

"This announcement is bad for our nation's homeowners and the nascent economic recovery. We strongly urge FHFA, which had to approve this policy, to withdraw this ill-timed, misguided directive."

NATIONAL ASSOC. OF REALTORS® VINCE MALTA, PRESIDENT

The Federal Housing Finance Agency has announced a new mortgage refinancing fee that could cost homeowners about $1,500 extra on a $300,000 loan. The fee is the absolute wrong policy at the wrong time. It directly contravenes the administration's own directives for federal agencies to do no harm to homeowners during the coronavirus crisis. It is especially troubling since the GSEs use their profits from refinances to support homebuyers in underserved markets—meaning those communities already suffering the most will be harmed the most by this action. Home values and residential real estate are a rock for the American economy right now. We should do everything we can to lower costs for households during this crisis, not make homeownership more expensive."

It would appear that the FHFA is trying to slow down the current mortgage refinance market. Time will tell.

To read the original memo, **CLICK HERE**

It would appear that the FHFA is trying to slow down the current mortgage refinance market. Time will tell.

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GLOBAL GROWTH

THE TINY HOUSE MOVEMENT

The ins and outs of the growth of the tiny house movement worldwide. | By Peter Gilmour, chief foreign correspondent

Defined as an architectural and social movement that advocates living simply in small homes, the tiny house movement is growing across the world. A tiny home is a residential structure under 400 square feet. The average size of a new, single-family home in the United States now exceeds 2,500 square feet. Tiny houses may be on wheels, set on a fixed foundation or contained within apartment blocks.

The tiny house movement is most active in North America but has spread to many developed countries around the world, including Japan, Spain, Britain, Germany, Australia, New Zealand and South Africa. Various documentaries and television shows exploring the concept of tiny house living have captured the attention of many. Relief from the financial burdens of paying off and maintaining a home, the desire for more free time, environmental concerns and shared community expenses are all factors that motivate people to swap traditional homes for tiny houses. Although living in tiny houses makes sense on many levels, it certainly doesn't suit everyone.

OBSTACLES

One of the biggest obstacles tiny houses face is zoning regulations that typically specify a minimum square footage for new construction on a foundation. For tiny houses on wheels, parking on your own land may also be prohibited by local regulations. Most U.S. states have laws and regulations pertaining to tiny houses—some more favorable than others. The same situation exists in most countries around the world where longstanding regulations, building codes and red tape hamper the growth of tiny houses.

In Australia, some success has been achieved in Victoria where the world's first master-planned ecological, off-grid tiny house subdivision has been established. In Germany, the community of Vauban created 5,000 households in an old military base in Freiburg. The planned density in that area is 50 dwelling units per acre. In Cape Town, South Africa, the need for people to live close to the city due to the lack of public transport and unreliable electricity supply, has led to the growth of micro apartments between 250-400 square feet. Designed to include integrated living solutions, the apartment blocks include communal recreation and work spaces, food courts, laundromats, rental stores and are close enough to the city center to walk or bike to work.

It's clear that, around the world, even in the face of housing shortages and rising home prices, local authorities need to update their rules and regulations relating to more sustainable and eco-friendly, compact housing.

Peter Gilmour is REAL Trends chief foreign correspondent and Chairman Emeritus and co-founder of RE/MAX of Southern Africa.

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