

future

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The Future of Real Estate: Mobile, Social, Local

Looking Beyond the
Immediate Market Issues
To Examine Fundamental
Industry Changes

Strategic Issues Work Group
Association Executives Committee
National Association of REALTORS®



1 INTRODUCTION

What forces and trends will be shaping the industry in the next few years?

The Strategic Issues Work Group of the National Association of REALTORS® Association Executives Committee was charged with identifying emerging trends and issues that are likely to have a significant impact on the real estate industry in the near future. The goal was to prepare a document that will assist real estate associations, brokers, sales associates, multiple listing services (MLS) and affiliated professionals in their strategic planning. This is the fifth such report in the last decade.

On February 25–26, 2010, the work group held a series of structured discussions with U.S. brokers, sales associates, real estate consultants, economists and technology experts, asking them to comment on industry trends. For reasons of confidentiality, the names of those participants are not included in this report; however, their comments are cited as direct quotations. The participants were asked the following two questions:

1. What do you see as the future of real estate in the next few years?
2. What are the major changes in the real estate business ahead?

Those candid, interactive discussions are summarized in this report, which covers:

- *Executive Summary: Reshaping the Industry*
- *The Dynamic Dozen*
- *The Uncertain National Landscape*
- *Conclusion: New Value Propositions*

While participants reached consensus on many points, there were also strong opposing opinions. In these cases, we are presenting their contradictory comments, without making a judgment. As with our previous reports in 2001, 2003, 2006 and 2008, this examination of strategic trends draws no conclusions and makes no recommendations. Any action you take as a REALTOR®, association executive or affiliated professional must be your own decision, based on your own unique market and skills.

“All of us in the real estate industry need to pay attention to the underlying facts and trends, not just the sound bites in the media. Gathering and analyzing this information allows us to make intelligent decisions rather than react emotionally.”

— A regional broker



identify

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3. EXECUTIVE SUMMARY: RESHAPING THE INDUSTRY



“The biggest trend in technology is the shift in the Internet to mobile usage, social networking and local search. This is right in real estate’s ‘sweet spot,’ since this profession has always been mobile, social and local.”

Somewhere in America, a top-producing real estate agent is meeting a Millennial buyer in a local coffee shop. It’s right in the desired neighborhood, and a convenient location for the agent, who doesn’t have a traditional “desk” at her brokerage. It’s their first face-to-face meeting after a dozen Facebook conversations. The agent has helped the buyer see that buying a home is a good step for her desired lifestyle. Meanwhile, the buyer has done extensive online research, including a stop at the local “rate-the agent” website.

As they sit down to a cup of tea, the agent uses her versatile electronic tablet to give “virtual showings” of several listings, using MLS data, interior photos, street-level video and satellite photos. Meanwhile, the buyer uses her smartphone to forward those listings to her Facebook page and sends texts or “tweets” to her friends asking for comments about the neighborhood or properties. Two people check in right away with positive remarks, and the agent and buyer are soon on their way to the first listing. The agent doesn’t need to stop by the broker’s office because she has electronic access to the homes.

By the time they arrive, the buyer has downloaded the listing data and feels like she already “knows” the home. While walking through the home, the buyer shoots a video of the interior with her smartphone and uploads it to her spouse, who’s traveling on business. As he reviews the visuals, the couple discusses various features of the kitchen and bathroom.

The home meets all the couple’s expectations and they decide to make an offer. So the agent launches her tablet again, prepares the contract offer and transmits it wirelessly to the seller’s agent. Other transaction documents are

prepared automatically in a secure virtual room. As they return to the coffee shop, the agent and buyer get the good news: “Your offer has been accepted.”

Welcome to the future of real estate — **mobile, social and local!**

As the U.S. real estate market moves into a new decade, it’s clear that advances in mobile communications, changes in online social behavior and convenient access to a wealth of local data will be reshaping the industry in the next few years. Real estate professionals who recognize and respond effectively to these changes — and other key industry trends — will be in the best position to control their destiny and take advantage of emerging opportunities, despite the many uncertainties in the nation’s economic outlook.

Our previous reports (2001, 2003, 2006 and 2008) focused on the changing consumer, technology innovations, alternative business models and the issue of value as key themes in the ongoing conversation about the future of real estate. We invite our readers to review those reports, as many of those trends are still occurring. In this report, we believe there are three key “takeaways” for readers:

1. Real estate is converging on a mobile, social, local platform. This is a major transformation that could have as much of an impact as the rise of the Internet in the 1990s, bringing changes in prospecting, marketing, showing homes, obtaining financing and perhaps even closing the transaction. In an era of constant motion and global connectivity, real estate professionals will be able to provide local service from almost anywhere and at any time.
2. The overall health of the real estate market for next few years will depend on the national economic landscape, including creation of new jobs, housing stimulus programs, mortgage rates and consumer confidence. At this point, there are an unusually high number of uncertainties that make it difficult to predict future business conditions. Therefore, real estate professionals will need to monitor the impact of those broad trends on their local markets, and join together, when appropriate, to be sure that policymakers continue to hear the voice of real estate.

3. All participants in the real estate industry need to re-examine their value propositions to meet the fast-changing needs of their customers. For instance, agents may need to walk first-time buyers through complicated local or state incentive programs, as well as show the physical property. Brokers and associations may need to focus on social networking training rather than traditional prospecting strategies. MLS organizations may need to consider promoting the quality of their property information as a “brand.” Advances in technology and shifts in consumer behavior are changing the traditional role — and the perceived value — of real estate professionals.

Finally, it is apparent that the rate of change in real estate, and the overall business world — is accelerating. Today’s technology may be tomorrow’s trash (does anyone still use MySpace?). Consumers may flip from one behavior to another (just ask any former condo developer). And real estate professionals may adjust their priorities as well (more than one luxury specialist has switched to the first-time-buyer market).

But change continues to create a host of new opportunities throughout the industry. As one broker said, “Real estate has been defined as a sales industry for 40 years. Now, we have a chance to redefine ourselves beyond the transaction.”

“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”

— Charles Darwin



4. THE DYNAMIC DOZEN

This report focuses on 12 structural trends that are impacting all aspects of the real estate industry — agents, brokers, associations, multiple listing services and affiliates — in similar or subtly varying ways. They include changes in technology, personal behavior and broad generational shifts. In some cases, these trends intersect with each other, such as the posting of real estate information to social media sites. For real estate professionals, understanding these 12 trends and their interrelationships can lead to better personal and business decisions.

#1: Mobile

“Everything is going more mobile and we’re just at the start. In fact, we’re considering taking land lines out of our offices and having our agents use smartphones.”

— A major broker

Today, real estate professionals can conduct virtually any aspect of their business from outside the office — reading e-mails, social networking, downloading MLS data, uploading mortgage applications and contract offers — the list of possibilities goes on and on. The introduction of the smartphone, with its robust data gathering and processing capabilities, is changing the real estate industry even more than the move from one-way pagers to two-way cellphones did two decades ago. “Consumers will be accessing media primarily through mobile devices,” says one industry consultant.

Apple’s introduction of the iPad, Amazon’s popular Kindle reader and the recent launch of Google Buzz, which will connect millions of gmail users, are indicators of the strength of investment worldwide into mobile technology. In turn, some traditional technologies are being pushed aside — phone directories, public pay phones and high long-distance phone charges — are headed for the history books. After all, who needs to carry around a folder with disclosure forms or

a pile of road maps when the same information is immediately accessible on a smartphone or another mobile device.

Another indicator of the rapid growth of the smartphone is the popularity of downloadable applications (apps). Over 3 billion apps have been downloaded for the iPhone, including dozens with real estate functionality. Real estate agents can download MLS apps from any system, IDX apps from their brokerage or third-party party apps with different types of data. As one top agent said, “I already have 30 different listing applications on my iPhone.”

Other types of applications are also being developed that provide time saving access to real estate information. Some examples are augmented reality (AR) videos, quick response (QR) codes, and RFID readers that let agents or consumers with mobile phones access videos, photos and other listing information while parked in front of the property.

Most real estate professionals will need training to get the most out of their smartphones — perhaps from tech-savvy managers or associates within the brokerage firm. As one technology expert said, “The average person uses less than 30 percent of the features available in mobile technology.”

#2: Social

“We have reached a tipping point with social media. To be successful in the future, you have to understand how to manage this new form of communication.”

— A real estate consultant

Today, Facebook, not Google, is the most-visited U.S. Web site — a clear signal that the Americans are gathering information in a new way. People no longer rely on newspapers, radio, television or even websites for news and information. Instead, they spend their time doing social networking, such as reading their friends’ Facebook postings, Tweeting each other, sharing photos on Flickr or watching videos on YouTube (the second most popular search engine after Google).

In the real estate field, the explosive growth of social networking offers creative new ways to connect with prospective clients and referral sources. “You can follow top agents on Twitter to see what they’re doing,” said one consultant. “Or you can look to see what your clients are telling their friends about your service.” Another popular strategy: going to Facebook or LinkedIn to see a photo and read a bio before meeting a potential customer face-to-face. Other agents use their social network connections to ask for an introduction to a prospect.

Since consumers of all ages now “hang out” at social media sites like Facebook, real estate professionals need to understand how to create an appealing online presence that ultimately results in referrals. One strategy is to become a trusted source for information on a local real estate market. That’s an important role, since social networking accelerates the flow of information — and misinformation — among consumers. Today, a prospective buyer might ask his Facebook friends about a particular neighborhood and get more information (not necessarily accurate) than an agent could provide under state licensing laws or the Code of Ethics. “One study indicates 75 percent of consumers trust peer recommendations, while only 14 percent trust advertisements,” said a technology expert.

Brokers are already challenged to formulate effective social media policies, such as what data you can post to Twitter or YouTube, or how to respond to a negative blog item about one of the company’s listings. “We’re just beginning to go down that road,” said one broker, “but social networking affects prospecting, data management and lead generation policies and practices.”

Another practical issue: How does a real estate professional maintain a consistent, effective presence on an increasing number of social networking sites? It’s a time consuming process for agents, brokers and association staffers who need to maximize their online presence in a cost-effective manner. Monitoring services have already arisen to address this new challenge.

For brokers, associations and affiliates, a related challenge is using social media as an internal communications channel. Does it make sense to send emails to announce the next monthly board meeting or invite members to an informal “Tweet-up” on an upcoming weekend? “We have a popular Facebook page,” said one association executive. “It allows us to keep our members informed, and it also helps create a two-way dialogue, including providing an opportunity for them to vent their feelings from time to time. We believe it’s important for us to be part of the conversation.”



“Having extensive knowledge of a local market is inherently valuable.”
— A regional broker

#3: Local

For consumers, it's never been easier to gather information about a local real estate market, a neighborhood, street or property. Among the online options are broker and agent websites, social media sources, blogs, public records, streetscape videos, satellite photos and services that estimate the market value of each property.

Much of this data can be downloaded to a mobile handset and used while driving or walking through a local neighborhood. In fact, one of the fastest-growing application sectors is “local search” — using a GPS chip in a smartphone to determine an individual's current location and provide relevant information, from “How do I access the highway from this house,” to “What's the nearest pizza restaurant?” As one broker said, “Local search is the holy grail for consumers.”

Because so many buyers have done extensive online research before contacting a real estate professional, many agents report that their number of physical showings has actually decreased. That lets them serve clients more efficiently with higher-value activities — provided they can let go of the desire to be in control of the house-hunting process. Today, it's the consumer who actually “drives the car.”

In an age of greater global connectivity, local expertise is an increasingly important aspect of an agent's value proposition. In fact some agents use their mobile devices to take notes or snap photos when driving or walking through a neighborhood prior to a showing, and share that information with a prospective buyer, reinforcing their firsthand knowledge of the local market.

I personally don't believe we're moving away from a relationship business,” said one agent. “While Boomers, GenXers and Millennials all use technology to access information, they also want to build relationships — and you can't build that type of business intimacy online.”

#4: Data

As real estate-related data flows throughout the Web, how will the role of the multiple listing service (MLS) change in coming years? Will it remain the primary source of data on residential properties, or just one of many services available to real estate professionals and consumers? Should an MLS offer a consumer-facing service? And what is the value of MLS data to third-party services that repackage the listing information?

Today, MLS data is considered the “gold standard” for real estate information. As one broker said, “The collection of timely and accurate real property information, the enforcement of listing rules for the common good, and knowledgeable customer are valued activities that make the multiple listing service work.”

“The Internet and powerful search engines will challenge the future role of the MLS.”
— A technology consultant

At the same time, it is almost impossible for MLS organizations to control the online distribution of property data — particularly subsets of listing information. Agents today promote their listings in social media, blogs and e-mail alerts, as well as posting them on their sites. Meanwhile, other services use MLS data for their own purposes, including attracting consumers and generating online leads.

“Any discussion of MLS, VOW or IDX policies is becoming increasingly irrelevant to real estate agents — or the consumer,” said a consultant. “Our MLS organizations can crank out new data policies, but the reality is that any policies will be difficult to enforce.” However, there may be an opportunity to build a national brand by promoting “MLS Certified” data. Real estate professionals could use this brand to distinguish their source of information — “MLS Certified” would not be a warranty but should be able to offer better accuracy and timeliness than other sources.

One suggestion: Turn the multiple listing service into a single point of entry for listing information, and then upload that data to broker and agent sites as well as search engines and other third-party service providers. “Why should we have to enter the same data multiple times?” said one regional broker. Some MLSs are attempting to accomplish this through syndication agreements.

Another opportunity for MLS organizations is to take advantage of their vast stores of market data and provide analytic services to key players in the real estate industry. “What if Fannie Mae or Freddie Mac (which manage the secondary market for residential mortgages) were to use MLS data to track the performance of their collateral?” asked one consultant. “That would help them to manage their investment risks and give confidence to their investors, improving liquidity in this difficult market.”



#5. The ‘Splinternet’

Successful online retailers take advantage of the “long tail” sales concept. While bricks-and-mortar retailers stock the most popular goods in a particular category — best selling books, home furnishings, sporting goods, etc. — they can only stock a limited amount of physical inventory. In contrast, etailers can offer almost unlimited inventory, making it profitable to serve small, niche consumer markets.

For real estate professionals, the Web is actually a “splinternet” with hundreds of relevant sites catering to prospective buyers, sellers and investors. Even the busiest sites, such as Realtor.com and Yahoo attract only a small percentage of online “eyeballs.” Many real estate professionals have added tracking features to their websites to identify sources of their online traffic and validate web-based investment decisions.



“When posting information online, distribution trumps destination: It's easier to put your data in front of the eyeballs than to bring those eyeballs to your data.”
— A real estate consultant

The diversity of traffic generators suggests that REALTORS® seeking to market their services on the Web should consider a splinternet strategy, such as establishing a presence on niche sites that are “under the radar” of the competition. This can be done through a search engine optimization (SEO) approach, buying display advertising or using a pay-per-click service. As one broker said, “The more places your information lives on the Web, the better your chances of reaching a prospect.”



#6. The Cloud

“It’s the end of the desktop as we know it.”

— A technology consultant.

A new era of “cloud” computing services are growing on the Internet. Instead of purchasing in-house applications, storage devices and communications gear, businesses and individuals can take advantage of low-cost services — hardware and software — on the “new” Web. One reason: key documents, templates and other data can be easily accessed from any location by any device — smartphone, laptop, tablet, etc. There’s no need to worry about whether or not the latest version of a buyer’s offer is on the agent’s USB drive. Another benefit is that crucial business data is stored away from the physical premises, providing protection in the event of fire, flood, earthquake or hurricane.

One technology expert predicts the gradual demise of Microsoft’s dominant applications suite as online providers like Google offer easy access to file creation, document storage and presentation programs. “When everything is done on the Web, there’s no reason to buy desktop software,” he said. “Instead of training agents on Microsoft Outlook, Excel or PowerPoint, brokers and associations should be thinking about using Google Docs to using Skype for no-cost video calls.”

One regional broker was able to reduce his company’s ongoing IT costs by moving its e-mail system into the cloud. “Now, we’re considering moving data off our Exchange server into a g-drive in the cloud. That would be an enormous savings for us.”

#7. Consumer Motivation

Is the traditional single-family home a damaged product? What about townhomes and condominiums in overbuilt U.S. markets? Do consumers view real estate differently now?

At the height of the real estate boom, many consumers were purchasing houses and condominiums primarily as financial investments. The significant drop in home values in most U.S. markets over the past few years has caused them to re-consider whether buying a property makes financial sense — even if prices appear to be a relative bargain. “Real estate as a product has been tarnished,” said a consultant.

For many buyers, the purchase decision now revolves around traditional lifestyle issues: Will I be working in this city for the next five years? Am I in a stable relationship and ready to settle down? Are my spouse and I ready to start a family or have another child? “The primary reasons for buying a home today are related to family matters,” said one consultant. “That’s especially true for multi-generational or extended families.”

Real estate professionals who understand this shift in consumer motivations will be better able to serve tomorrow’s buyers. One agent noted the importance of determining how many people — including ages and degree



of physical ability — will actually be living in the home. A couple with two young children, for instance, might need an extra bedroom or two for a parent, aunt or cousin. At the same time, brokers and agents need to provide accurate, up-to-date financial information, including market values, in order to support a buyer’s decision. “While consumers are rethinking real estate, they still want someone to sort through the issues,” said a consultant. “There’s no excuse not to be prepared: You have to know the numbers and interpret the statistics as well as coach them with what is ultimately a lifestyle decision.”



“Many consumers are rethinking the purchase of real estate. Their reasons for buying may be quite different than they were a few years ago.”

— A real estate consultant

“The biggest challenge our profession faces is maintaining public trust.”

— A real estate broker

#8: Public Trust

In a world of deep access to information and instantaneous communications, consumers now expect transparency in economic transactions — something frequently lacking in real estate sales. Many consumers are confused by the industry’s complex commission structure where contingency payments may be made to different agents and brokerage firms. Another issue is the potential complications of a dual agency arrangement where one person or firm represents both buyer and seller. “Some of our traditional business practices do not correspond with the way consumers think business should be done,” said one broker. And some times basic information, such as address, are purposely withheld. “Everything should be clear to the consumer, including the nature of the professional arrangement, the terms and the pricing.”

Surveys by the National Association of REALTORS® consistently show that the vast majority of buyers and sellers trust their agents and are satisfied with their knowledge and services. In fact, honesty, integrity and reputation are the most important factors for buyers when selecting an agent.

However, trust in institutions and government is increasingly a concern for consumers in the wake of the 2008 financial system meltdown. They need reassurances that the agent and the broker are fully disclosing their roles and interests, that their deposits and escrows are in safe hands, and that there is an effective process in place to resolve any disputes that might arise from the transaction. “Our Code of Ethics has to remain relevant to the consumer,” said one broker. “We should also have an independent, neutral party, like an ombudsman, to be an advocate for the consumer if necessary.”



“Consumers now rate doctors and attorneys, and kids rate their teachers — can real estate agents be far behind?”

— A real estate consultant

#9. Agent Ratings

Agent rating systems will become more prevalent in the next few years in one form or another. In fact, there are a number of online sites today where consumers can “Rate Your Agent.”

With the rise in social networking and the acceptance of seller rating systems on sites like eBay and Amazon, it appears to be only a matter of time before agent ratings become an important factor in influencing consumer decisions. Perhaps the only reason the growth curve has been relatively slow is that home transactions occur far less frequently than sales of books or household merchandise.

Many agents are concerned about the rating process, particularly the potential for abuse. “I am skeptical about the concept,” said one top producer, “because it could be manipulated by other parties.” However, agents can take control of the rating process by asking their customers to evaluate their services and posting an overall approval rating, such as, “95 percent of my customers are happy with my services.”

A technology consultant noted that e-commerce studies have consistently found that online reviews — even bad ones — are a positive factor in building consumer trust.

One of the questions for real estate brokers and associations is whether or not to become involved in an agent rating process. The advantage, according to one consultant, is the ability to set certain standards and monitor the rating process to ensure its integrity. However, the disadvantage is that consumers prefer ratings by an independent third party; otherwise, the rating process might be interpreted as a conflict of interest or protective.

#10. Company Presence

“Every company is looking at reducing costs and real estate is a sizeable chunk of their budget”

— A commercial broker

As more agents work from home or remote locations, many brokers will be able to reduce their office “footprint” in the market. In general, real estate offices will be smaller, with more conference rooms, but fewer desks that would be used by multiple agents throughout the day. “We are opening up the middle of our office to create a community space for agents to gather, talk, use computers and share information,” said one broker.

However, one of the challenges with a mobile agent workforce is projecting an on-the-ground presence and a brokerage brand throughout a local or regional market. “We may need to cover the same geography in a different way,” noted another broker. One strategy is to use outdoor advertising, such as billboards or building signage to blanket a target market without bricks-and-mortar locations.

One of the implications of this trend is that agents are likely to become more self-reliant and less in need of a broker’s traditional services. In fact, the agent might not see a broker or manager face-to-face for weeks or months at a time, raising issues of oversight and risk management for the broker. “We see more solo practitioners and smaller firms, along with the unraveling of large-scale brokerage companies,” said one consultant. “In some ways, that would mean a return to real estate the way it was practiced 50 years ago.”

However, other brokers and consultants disagree with that conclusion, and argue that the future will see a market dominated by large brokerages and franchises, along with a wide range of small, boutique firms. That’s because it is more cost effective to offer key services on a large scale: branding programs, online technology, and specialized human resources — such as a real estate attorney, accountant or marketing expert — who can help agents navigate the changing market landscape. “Real estate branding will need to be more effective in the consumer market,” said one consultant, “and that will take money.”



#11. Collaboration

“Consumers are far more willing to share their private information than in the past. That indicates we may see more collaboration in the future.”

— A real estate consultant

From YouTube to Facebook to Twitter to LinkedIn, it appears that nothing is private anymore. Young consumers don’t hesitate to post personal information that once would have been considered embarrassing — if not illegal. In that environment, it would be a natural progression for buyers and sellers — as well as their online social communities — to share information and collaborate on a real estate transaction.

For example, a seller might collaborate online with an interested buyer in order to locate a purchaser for the buyer’s home. If both seller and buyer have large social networks, they could secure that secondary purchaser and then ask a real estate professional to draw up the contracts and handle the transaction process on both sales at a reduced compensation level.

This collaborative approach — in some ways an extension of the traditional “for sale by owner” (FSBO) method — could also result in greater adoption of a fee-for-service compensation structure. After all, consumers who collaborate to put a deal together would not require the time-consuming traditional listing and showing services from a real estate professional.

As one consultant says, “When you connect people in real time, you create both opportunities — and unintended consequences.”

#12. A New Generation

“Putting our young people in charge of organizing their own meetings has been hugely successful.”

— A veteran real estate broker

At some point in 2010, the Millennial population will surpass the Baby Boomers, signaling the arrival of a new generation into the real estate market. In the next few years, young adults in their 20s and 30s will constitute a growing share of the real estate market — and play a larger role within the industry itself.

For real estate professionals, this suggests placing a greater emphasis on the first-time buyer and first move-up markets, as Millennials establish households and begin starting families. It also means adopting social media as a primary method for meeting prospective clients and cultivating those relationships.

Within the real estate profession itself, the advent of younger professionals is bringing “new blood” and style to brokerage companies and local associations. Some creative brokers have established two-way “mentoring” programs, where younger agents learn personal social skills from the veterans, while teaching the “old pros” about new technology and social media.

Another emerging trend: agents of all ages are creating informal groups around a common interest, and exchanging ideas and suggestions at informal “meetups.” These are professional gatherings — usually arranged through social media sites — that may focus on a timely issue or simply provide a face-to-face communications opportunity. This is a new definition of networking sessions.

As one broker said, “We are seeing a decentralization — a more organic approach to sharing news and information. That will certainly increase in the future and will likely change the way real estate associations operate. It will certainly provide a different model for continuing education.”



5. THE UNCERTAIN NATIONAL LANDSCAPE

“For the next few years, all bets are off because of the economy. The future of the real estate market will depend on that.”

— A national consultant

Real estate markets are inherently local, with significant variations from city to city, region to region and state to state. Unlike stocks, bonds or other assets, real estate is not a commodity — every property is unique in some way. However, local real estate markets are profoundly affected by the national economic landscape, including mortgage rates, credit availability, the level of residential and commercial construction, and consumer behaviors that impact overall supply and demand.

At this point, the outlook for the next few years remains highly uncertain. Therefore, it is important for real estate professionals to monitor the following economic, financial and government trends — some of which REALTORS® can influence through advocacy and communication programs.

- **Business recovery.** Some geographic regions and business sectors will see a faster recovery than others in the next few years. Job growth is also expected to be sluggish. Overall, the U.S. economy is recovering, but at about half the pace of the normal post-World War II recovery, according to one economist.
- **Government involvement.** Federal, state and local governments are now actively involved in the real estate market, including housing stimulus programs. On a national level, there is a strong desire on the part of the government to restore consumer trust in the banking and lending, including greater transparency and regulation in the real estate transaction. On the state and local level, governments are seeking new sources of revenue to replace declines in business and property taxes.
- **Risk tolerance.** The 2008 meltdown on Wall Street continues to affect Main Streets across the country. Many investors are afraid of investments they perceive as “high risk.” For some of them, real estate falls into that category — particularly second homes, vacation properties, rentals and commercial properties. Families whose retirement savings have dwindled are more likely to “stay put” than to move to a new home in a different climate.
- **Credit availability.** In recent years, lenders have raised their qualifying criteria for residential and commercial loans. In addition to concerns about borrower risk, many financial institutions are uncertain about the impact of potential changes in U.S. banking and lending laws. Until they know if there will be new “rules of the game” in terms of capital, lending or disclosure requirements, it’s hard for them to become more active in the real estate market — particularly with big-ticket construction and development loans.
- **Consumer confidence.** The sheer number of unknown and unresolved issues today — employment, taxes, economic growth, inflation, homeowners insurance, health care, and investments — affects consumer confidence. As a result, many consumers are delaying major purchases, perhaps adding to savings or paying down their debts rather than investing in a new home.
- **Housing starts.** Residential construction activity is likely to remain at low levels for the next several years. In fact, some economists believe it will be another three years before residential construction returns to “normal” levels. That’s because many builders have excess inventory, particularly in urban and suburban markets that exploded in the 2003-05 boom.
- **Commercial real estate.** Construction activity is forecast to remain low in virtually all areas of the commercial market, including the office, retail, warehouse, industrial and hospitality sectors. In some markets, an oversupply of product, tepid demand and high levels of debt coming due are causes for concern.
- **Foreclosures and short sales.** Transactions involving financially distressed properties will continue to put downward pressure on prices in some, but not all, local markets. That’s because there are several different types of distressed borrowers — including speculators, the suddenly unemployed and borrowers who “got in over their heads” for some reason. “Given these differences, it’s hard to see that one single federal policy can address the foreclosure issue effectively,” said one economist. “The complexity also makes it hard to see what’s working and what’s not.”
- **Mortgage rates.** Historically low mortgage rates have been a stimulus for the real estate market for the past decade. Some economists foresee a modest rise in rates in the next year, which could result in a decline in new mortgages — particularly in the refinancing market.
- **New mortgage products?** Both public sector and private lending institutions are examining more flexible mortgage loans as a way to increase mobility for borrowers. After all, it may make economic sense for a homeowner in financial distress to move to another state with a stronger job market rather than be locked into a loan headed for foreclosure. Among the possibilities: the return of assumable mortgages, balloon loans or fixed-rate mortgage with a slightly higher rate that offer an “out” clause for borrowers in the future.

“Buyers and sellers will take on more parts of the real estate transaction than in the past. That’s fine, as long as agents and brokers bring other values to the table.”

— A real estate consultant



CHANGING VALUE

As real estate becomes more mobile, social and local — in the midst of an uncertain economic climate — traditional value propositions are also changing. Agents, brokers and associations are asking themselves: “What skills and services will be most important in tomorrow’s market?”

6. CONCLUSION:

- **Agents.** Imagine an artificial intelligence application that would walk a real estate buyer through every step of a real estate transaction. Which of an agent’s skills would still be important to that buyer? What if a seller were to collaborate with the agent in posting home data to dozens or hundreds of different websites — far more than the agent could do himself?
- **Brokers.** What if agents never came into a bricks-and-mortar real estate office? How could a broker deliver training and support services to a mobile agent workforce? Would the camaraderie still exist? Could a corporate culture be developed? Could a firm become a “virtual” brokerage and still meet licensing and regulatory requirements?
- **Franchises.** What brand value will regional and national franchises provide for local firms in the future? Will consumers recognize, understand and care about the differentiators between brands?
- **Multiple listing services.** What is the value of MLS listing data compared with other sources of real estate information readily available to the consumer? How can that value proposition be clearly conveyed to consumers, as well as the real estate professionals who assist them in their transactions?
- **Associations.** What if younger professionals — the Millennials — were put in charge of a real estate association? What aspects would change in terms of services to members or day-to-day operations? What are the new services or new types of “networks” needed? How can the association effectively use the myriad forms of communications?

By asking these types of questions, real estate professionals can challenge their current thinking and shed old, unproductive habits. Most importantly, they can adjust their strategies to take advantage of the many opportunities emerging in the new world of real estate — **mobile, social and local!**





“For the first time
in three years, our
company is facing the
future with confidence.
We are changing and
evolving so we can
move forward. It’s not
easy, but it is necessary.”
— A broker