REALTRENDS

COMPLIMENTS OF

DENVER METRO ASSOCIATION OF REALTORS®

JULY 2021 NEWSLETTER

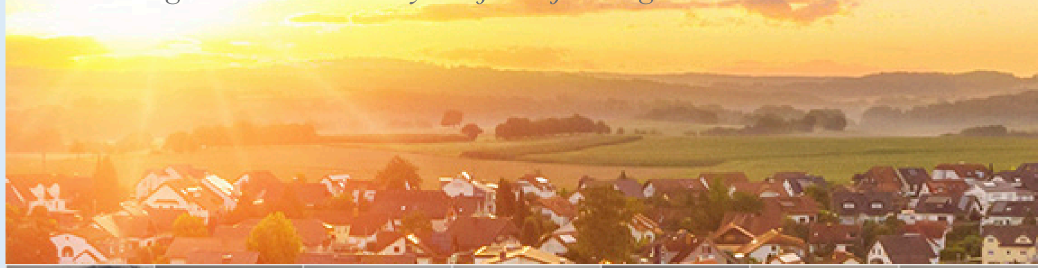
CONTENTS

REALTRENDS + TOM FERRY AMERICA'S BEST REAL ESTATE PROFESSIONALS

Record number of agents and teams on lists

On June 11, we launched the agent and team rankings. Here's an analysis of our findings.

by Steve Murray



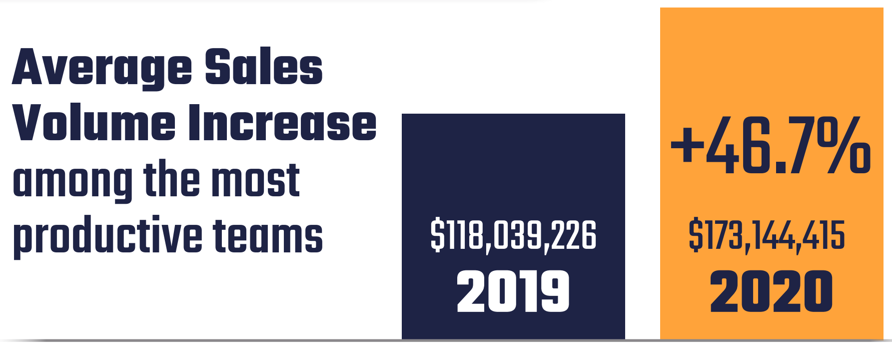
We had a record number — over 18,000 individual agents and teams — qualified for the RealTrends America's Best Real Estate Professionals rankings. This was up over 4,000 from the 2019 results. We further reported earlier that, interestingly enough, the average productivity of these top agents and teams had not increased from 2019 to 2020.

I dug in to find out more about this. With the addition of so many new agents and teams qualifying, it occurred to us to examine the highest ranked agents and teams and see how they performed in the strange year that was 2020.

THE TOP THE THOUSAND TEAMS CRUSHED IT

The top The Thousand teams ranked by transaction sides saw their average transactions increase by 49.7% in 2020 over 2019. Even on a median basis, teams increased their transaction productivity by 31.3%. The average team did 252.9 closed sides in 2020 versus 106.9 in 2019. Incredible results.

Calculating the same data for sales volume, we found that the most productive teams by sales volume increased their results from an average of $118,039,226 in 2019 to $173,144,415 in 2020, or an average increase of 46.7% — in one year.



TOP INDIVIDUALS HAD THEIR OWN GREAT YEAR

On the same basis, The Thousand top-performing individual agents grew their closed transactions sides an average of 18.2% from 2019 to 2020. In closed sales, these individuals saw their closed volume surge by 44.9%. Even the median figures were up strongly, with median sides up 9.3% and median volume up 30.5%.

CONSOLIDATION IS HAPPENING

We reported in an earlier newsletter that the RealTrends 500 brokerage firms saw their market share grow by 10% in 2020, going from 35% share to 38.5%. This 10% jump was nearly 10 times the best year leading brokerage firms ever had in one year. When we add in the data from top agents and teams, it seems apparent that the largest-producing firms and agents are growing far faster than the market as a whole.

ONE OTHER INTERESTING POINT

Out of the over 8,000 individual agents who qualified, slightly more than 97% were associated with a well-known national or regional brand. Out of over 8,200 teams fully 96% of them were associated with a well-known regional or national branded brokerage firm. At least at this time, there doesn't appear to be any major shift of top agents and teams to their own brokerage firm, but rather they are tending to remain affiliated with a regional or national brand.

Steve Murray is a senior advisor for RealTrends and a partner with RTC Consulting based in Castle Rock, Colorado.

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AMERICA'S BEST

REAL ESTATE PROFESSIONALS

2021

THE THOUSAND

REALTRENDS + TomFerry

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With a Digital Marketing Package!

Promote your status as the TOP 1.5% of all agents & teams nationwide!

FEATURED PACKAGE

Custom Digital & Trophy $450

*Includes your headshot, ranking & company logo

WHAT'S INCLUDED?

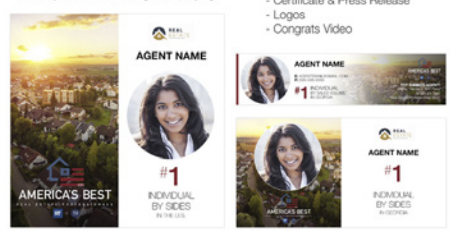
- Trophy with your ranking data
- Customized Social Ads*
- Badge
- Certificate & Press Release
- Logos
- Congrats Video

Custom Package $300

*includes your headshot, ranking & company logo

WHAT'S INCLUDED?

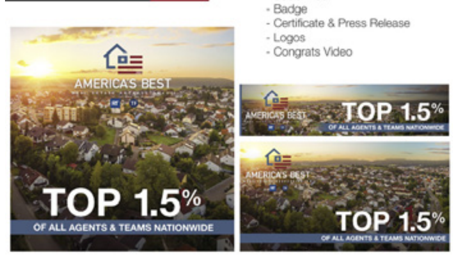
- Social Ads*
- Badge
- Certificate & Press Release
- Logos
- Congrats Video



Basic Package $200

WHAT'S INCLUDED?

- Social Ads
- Badge
- Certificate & Press Release
- Logos
- Congrats Video



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RT REALTRENDS

Housing legislative proposals

Which ones could impact housing markets and brokerage?

by Steve Murray

From making significant changes to the tax code to nationalizing the California independent contractor rules, the Biden administration has many proposals embedded in their plans that could have a material impact on housing markets and brokerage. I don't claim to be an expert in any of these. I would like to give credit to those who likely spent much more time analyzing their impact. Here are a few thoughts.

The award of cash allowances to first-generation homebuyers sounds like a very useful program. This would assist lower income, first-time buyers to have a better chance to enter the homeownership ladder which history has shown to be strongly correlated to future wealth of a household. The challenge, as we have commented elsewhere, is that we do not have a demand problem. The issues are on the supply side. While this proposal is both targeted and useful, one wonders how many will benefit.

If the real target is to help low-income, first-generation and first-time homebuyers to get into the market, might a better approach be to underwrite the building and financing of housing targeted at and made available only to these households?

The elimination of the $10,000 limit on the deductibility of state and local taxes

There are several respected economists who view the $1- $2 trillion proposed infrastructure package as being pro-housing. Part of the proposal calls for the rehabilitation of 500,000 homes in low and middle income areas.

on Federal tax returns (SALT) has little to do with improving access to the housing market and mostly to do with easing the loss of high-income households who are departing high-cost, high-tax states. The resulting loss of taxable income in several of these states, due at least in part to the SALT limitations, has begun to have a measurable impact on the financial health of some of these states. The Center on Budget and Policy Priorities issued a report stating that the top 1% of all households would receive 56% of the benefit of such a repeal, while the top 5% of households would receive nearly 80% of all the benefits. The SALT limits are estimated to generate over $185 billion over a 10-year period. Whether an increase in the personal tax rate would offset the decline in repeal is unknown. But it does not appear to have any measurable impact on housing sales or housing values given the increases in average sales prices in the high-cost states that were most affected.

Another proposed change is the repeal of the 1031 exchange section of the Federal tax code. According to various studies I've reviewed, such a repeal or limitation would affect a large segment of transactions — mostly high-tax states — and would raise the cost of capital and debt burdens on an important segment of the investment market. Some studies suggest that it would have a minor effect on GDP and tax revenues, but it's uncertain what the true impact of such a change would be. Clearly, it may impede some investment activity in this segment of the market and raise the cost of such investing for a certain segment of real estate.

There are several respected economists who view the $1- $2 trillion proposed infrastructure package as being pro-housing. Part of the proposal calls for the rehabilitation of 500,000 homes in low and middle income areas. Clearly, this part of the bill would be very pro-housing. In addition, another portion of the plan proposes building over two million affordable homes. Were this to be done effectively, then it would have a significant positive effect on the housing market. As we've said, demand is not the problem – it is supply – and anything the Federal government can do to stimulate supply is a huge plus for the housing market.

The House has passed a bill called the PRO Act which, among other items, calls for extending the California regulation on independent contractors and is referred to as AB 5. Under AB 5, there are three key tests as to whether a person qualifies as an independent contractor. Failure on any of the three could mean a person cannot be so qualified. Realtors fail at least one and, possibly two, of the tests.

Under the PROAct, this standard would be imposed throughout the country. While California Realtors sought and won an exclusion from this Act, whether other states would prevail in getting excused is another big question. While the AB 5 standard may not have been intended to be used against Realtors, it remains to be seen whether the bill will make it through the Senate and, if it gets through the Senate, will the AB 5 standards survive rewrites or amendments?

Steve Murray is a senior advisor for RealTrends and a partner with RTC Consulting based in Castle Rock, Colorado.

LISTEN UP, BROKERS!

Organizational health is more important now than ever

You can have all the resources in the world, but if you don't serve your agents and staff, your growth will be hindered.

by Steve Murray

Richard Branson, founder of Virgin Group, says, "Clients do not come first. Employees and your team come first. If you take care of them, they will take care of your clients."

Derek Linsell, CEO of Apricot Consulting, a well-known organizational health consultancy, says "Culture eats strategy for lunch. An organization can have the finest strategy, complete with action plans, timelines, and metrics but if it's not supported by their culture, it will likely fizzle out along the way."

I am reminded of the importance of this in listening to numerous brokerage firm CEOs, whether local, regional or national, and in looking at brokerage performance over the past one, three, five and 10 years. When I look at this data and consider what else we know about these firms, it becomes clear that something other than brand, technology, is at work. Some of the least well-known brokerage firms are among the fastest growing, and they're not all low-cost brokerage platforms.

GAINING MARKET SHARE

The RealTrends 500 has gained more market share in 2020 than in any of the last 25 years that we have been measuring performance. And, it's not just by a little but **10 times as much market share growth** than ever before. When we look at 2020 and the practices and conduct of leading brokerage firms, we see that one of the only major changes that leaders made was to increase outreach to their staff and agents. This was done virtually for many months, of course, but it was done far more frequently with far higher levels of participation than had ever been seen before.

Building relationships with agents and staff, therefore, has now reappeared as an absolute key to growing your business. It's actually based on evidence; it always has been. As Branson points out, taking care of your people is the best way to take care of your clients and customers.

What are you doing today to strengthen your culture?

THE SLEEP TEST

How do you handle frustrated buyers?

What do you say to a frustrated buyer? Nothing, you just ask good questions.

By Larry Kendall

Have you ever struggled to make an important decision – fearful that you'll make a mistake? Many home buyers are facing these struggles and fears in today's market. What if I don't pay enough and lose the house? What if I get the house but pay too much?

At a recent Ninja Installation, a Ninja from Austin, Texas asked what she should say to a difficult buyer. He's an engineer (perfectionist) and builds spreadsheets to analyze what he should pay for a house. "He's lost out on so many houses that I quit counting after 12 offers," she said. "At last, we're in the top three contracts, and the listing agent told us to make our best and final offer. The buyer is a little over $1 million and is convinced he's offering top dollar based on his spreadsheet. I believe it will take at least $1.1 million for him to have a chance to buy this house. What should I say to him?"

My response was, "As a Ninja, you don't say anything. You ask good questions. I recommend a couple of sleep questions. Here they are:

1. **If you offer a little over $1 million and discover later that you could have owned this house for $1.1 million, will you be able to sleep at night?**
2. **If you raise your offer to $1.1 million, and you win this house, will you be able to sleep at night?**

The Ninja asked her buyer the sleep questions that night after class. He went to $1.1 million and won the house! Most importantly, he's comfortable with his decision. What happened? These two questions moved the decision out of his conscious (spreadsheet) mind and into his nonconscious (feelings) mind. His nonconscious is a much higher-level processor. It's also where he determines his comfort level.

Here's the science. We are equipped with two high-level processors – our conscious and our non-conscious. Our conscious mind processes at 2,000 bits per second and runs in sequential mode. An example of sequential processing is language. It's step-by-step, one word after another. For this reason, it is difficult (some say impossible) to multi-task in sequential mode. Analytical thinking and spreadsheets are done consciously in sequential mode.

Our non-conscious part of the brain processes at 400 billion bits per second and runs in simultaneous mode. It's processing massive amounts of data at the same time. For example, when we're asleep, our non-conscious brain is running all the processes to keep us alive – breathing, heart beating, body temperature control, etc. We do not have to think about this. Also, when we're asleep, it's processing our thoughts, experiences, and data collection. If it's concerned that we are making a mistake, it sends an alert by waking us up. Sometimes it's a small voice that speaks to us.

Pay attention to the messages coming from your non-conscious. It will send you an alert if it feels you are in danger. Honor the small voice. Ask it for help if your conscious processor isn't providing the answers. Thomas Edison, when stuck working on an invention, would take a nap and ask his non-conscious for an answer. Many times, he would wake up with the answer. He understood the processing power of his non-conscious mind and was a master of the sleep test.

Stuck on a decision? Fearful? Looking for answers? Take the sleep test.

Larry Kendall is the founder of Ninja Selling.

CONGRATULATIONS TO OUR

REALTRENDS GC2021 GAMECHANGERS

Each year, RealTrends announces its Game Changers, brokerage leaders who grew their brokerage dramatically over the past five years. Brokerages are chosen based on transaction side percentage growth between 2016-2020.

Only two brokerages from last year made this year's list: Bill Bullock, CEO of Golden Gate Sotheby's International Realty and Tom Hosack, president and CEO of Berkshire Hathaway HomeServices The Preferred Realty.

This year, we are proud to present the 2021 Game Changers.

Glenn Sanford
CEO
eXp Realty International
Bellingham, Washington

+2,418%
growth

Robert Reffkin
CEO
Compass
New York, New York

+2,395%
growth

Jose Medina
Operating Partner
Keller Williams
Legacy Group Realty LLC
Canton, Ohio

+435%
growth

Keith Pike
Broker/Owner
RE/MAX Elite
Little Rock, Arkansas

+306%
growth

Bill Flemming
Broker/Owner
HomeSmart Connect
Arlington Heights, Illinois

+305%
growth

Anthony Lamacchia
CEO
Lamacchia Realty
Waltham, Massachusetts

+212%
growth

Bill Bullock
CEO
Golden Gate Sotheby's
International Realty
Mill Valley, California

+192%
growth

Jason Sherman, Esq.
CEO
RLAH Real Estate
Chevy Chase, Maryland

+172%
growth

Steve Houle
CEO
Coldwell Banker Island Properties
Lihue, Hawaii

+141%
growth

Greg McClure
CEO
Realty ONE Group Complete
Rocklin, California

+120%
growth

Tom Hosack
President/CEO
BHHS The Preferred Realty
Wexford, Pennsylvania

+118%
growth

Neil Walter
CEO
ERA Brokers Consolidated/Skyline
Saint George, Utah

+96.5%
growth

Greg Harrelson
President
CENTURY 21 The Harrelson Group
Myrtle Beach, South Carolina

+85.3%
growth

Susan Jenkins, Ph.D.
Broker/Owner
BHGRE Native American Group
Virginia Beach, Virginia

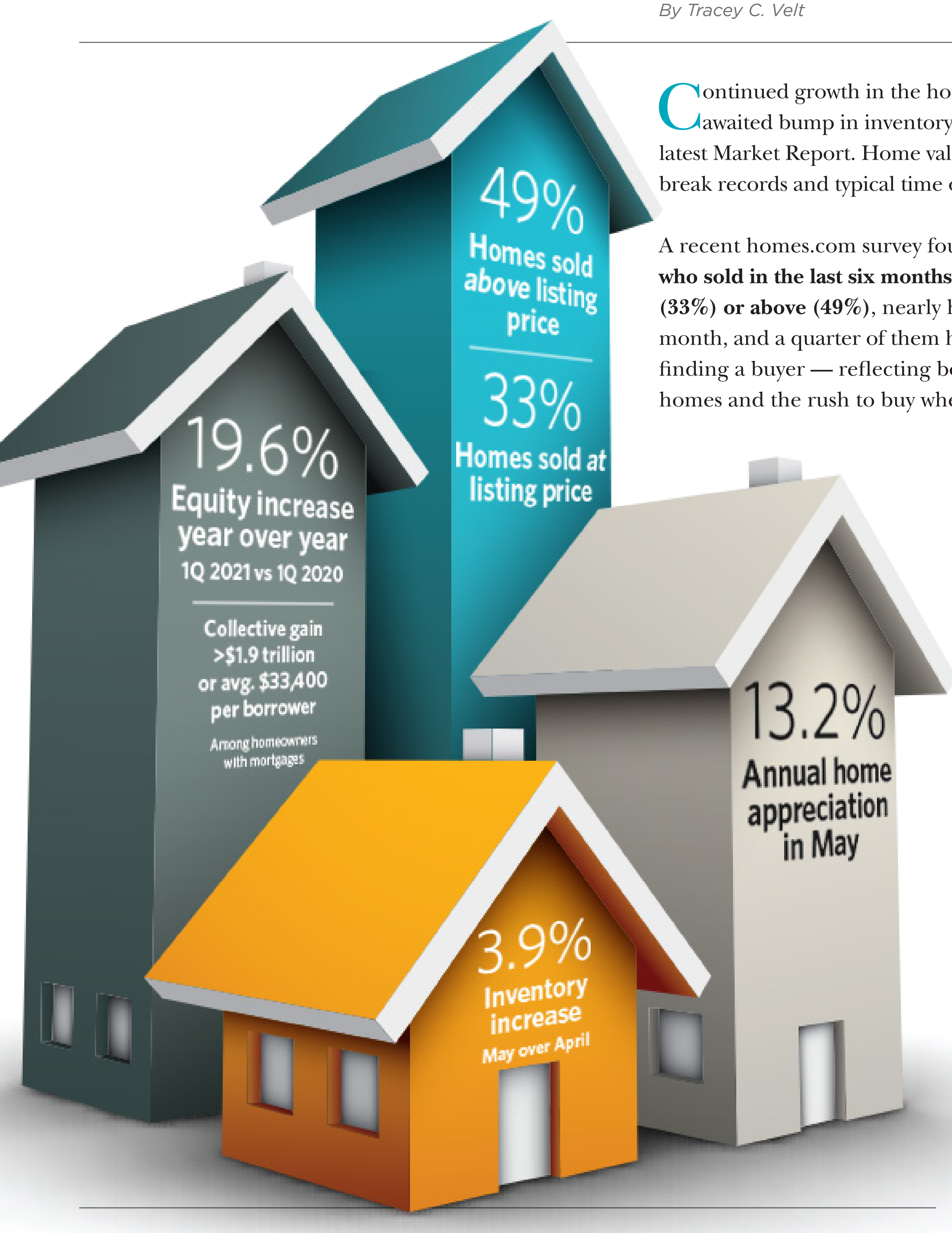
+70.3%
growth

HOUSING OUTLOOK

Time on market drops 6 days, home values break new records

It can't last forever, that's what long-time real estate professionals are saying about this market. And, it looks like they may be correct. While home values are breaking records, there's been a slight bump in inventory, says a new report.

By Tracey C. Velt



Continued growth in the housing market paired with a long-awaited bump in inventory in May, according to Zillow's® latest Market Report. Home value appreciation continues to break records and typical time on market is down to just six days.

A recent homes.com survey found that **82% of homeowners who sold in the last six months accepted offers at listing price (33%) or above (49%)**, nearly half of them sold in less than a month, and a quarter of them had five or fewer showings before finding a buyer — reflecting both the low supply of available homes and the rush to buy when new listings hit the market.

Inventory is finally showing signs of recovery at the national level after nearly a year of steady decline. The 3.9% month-over-month gain in May is the first uptick since July 2020 and only the fifth seen in the last 24 months. Of the top-50 largest U.S. markets, only six saw inventory fall from April. Inventory across the U.S. is down 31.2% since May 2020, an improvement over the 32.8% annual decline seen in April. New inventory has trended up since mid-March.

However, the typical time for a newly listed home to go under contract dropped to just six days nationwide, one day shorter than in April. Time on market is the shortest at three days in hot Midwest metros of Cincinnati, Kansas City and Columbus.

CoreLogic® released the Homeowner Equity Report for the first quarter of 2021. The report shows U.S. homeowners with mortgages (which account for roughly 62% of all properties) have seen their equity increase by 19.6% year over year, representing a collective equity gain of over $1.9 trillion, and an average gain of $33,400 per borrower, since the first quarter of 2020.

While the coronavirus pandemic created economic uncertainty for many, the continued acceleration in home prices over the last year has meant existing homeowners saw a notable boost in home equity. The accumulation of equity has become critically important to homeowners deciding on their post-forbearance options.

In contrast to the financial crisis, when many borrowers were underwater and home values dropped, borrowers today who are behind on mortgage payments can tap into their equity and sell their home rather than lose it through foreclosure. These conditions are reflected in a recent CoreLogic survey, with 74% of current homeowners with mortgages noting they are not concerned with owing more on their home than it is worth within the next five years.

Annual home appreciation reached 13.2% in May while monthly growth was 1.7%, both of which are new records within Zillow data reaching back through 1996. Typical home values now stand at $287,148. Month over month growth accelerated in 47 of the 50 largest U.S. markets and decelerated in just three — roughly matching the local market heat in April.

Austin retained its lead in annual appreciation with a blistering 30.5% increase over 2020, followed by Phoenix (23.5%) and Salt Lake City (20.6%). Even the metros with the lowest annual appreciation — Orlando, New Orleans and Oklahoma City — still put up historically strong numbers above 9%.

Zillow economists forecast home values to increase by 14.9% by May 2022, an upward revision from the April forecast. Home sales are expected to reach 5.91 million in 2021, a 4.8% increase over 2020.

Tracey C. Velt is managing editor of RealTrends.

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MARKET PREDICTORS

Buyer activity remains strong despite unusual decline in showings

113 markets – led again by Denver and Seattle – recorded double-digit showings per listing in May, down from 146 markets in April but still well ahead of last year's pace.

Although May buyer traffic declined compared to April, it remains elevated from the same time last year, according to the ShowingTime Showing Index®.

Of the 30 busiest markets for showings across the U.S., 28 recorded month-over-month declines from April. The exceptions were Orlando, Florida, and Raleigh, North Carolina, which were unchanged. Jackson, Tennessee, bucked the trend, recording an 11% increase in the average number of showings per listing.

May's ebb in traffic suggests the U.S. residential real estate market is adjusting and stabilizing, as inventory levels begin to rise again.

"It's common for showing traffic to reach a high point in April and remain there for a couple of months," said ShowingTime President Michael Lane. "The unusual May decline doesn't take away from the fact that showings continue to be at an all-time high, with year-over-year traffic up nearly 65% in some regions of the country."

Showings increased 49.6% year-over-year in the U.S., with the Northeast region leading the way with a 63.5% increase compared to last May. It was followed closely by the West's increase of 60.5%, while the South increased 43.7% and the Midwest was up 40.7% year over year.

"Although showing traffic continues at a historic pace, we saw a substantial month-to-month decrease from April's levels," said ShowingTime Chief Analytics Officer Daniil Cherkasskiy. "As we stated last month, even if demand begins to weaken, we'll still be far from a buyer's market since the demand for real estate remains at an unprecedented level."

Even if demand begins to weaken, we'll still be far from a buyer's market since the demand for real estate remains at an unprecedented level.
– ShowingTime Chief Analytics Officer Daniil Cherkasskiy

May marks the one-year point in which showing activity resumed in earnest after pandemic-induced drops. The infusion of additional inventory should come as a relief to buyers.

The ShowingTime Showing Index is compiled using data from more than six million property showings scheduled across the country each month on listings using ShowingTime products and services. The Showing Index tracks the average number of appointments received on active listings during the month.

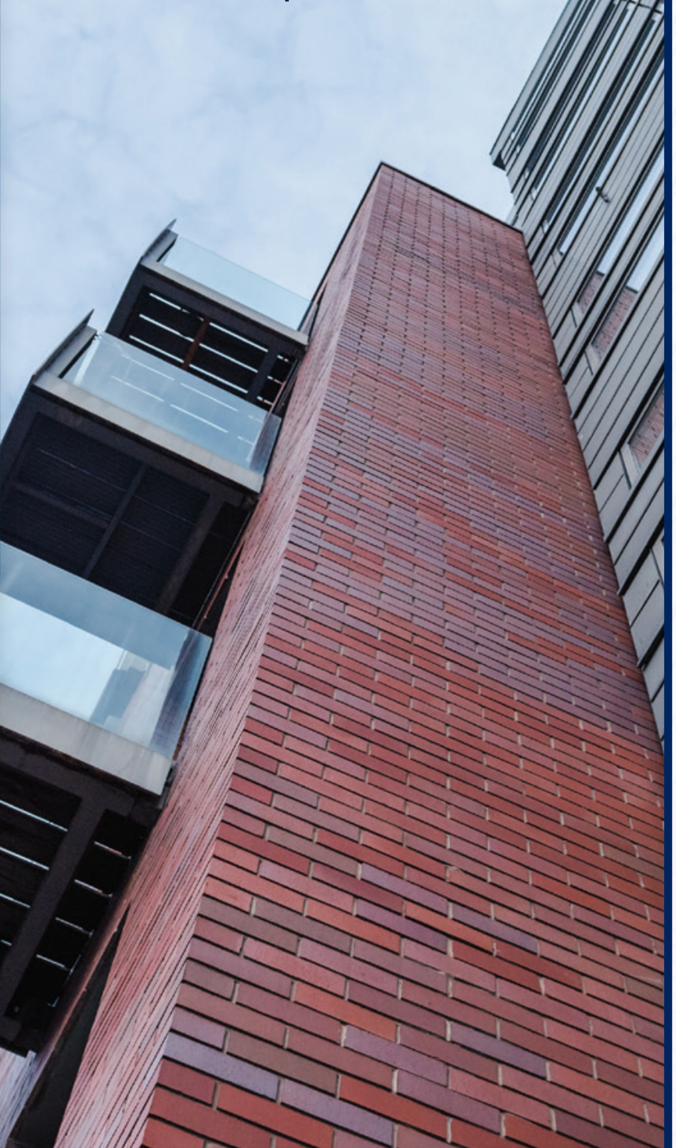
The Biden infrastructure plan's housing initiatives are sidestepped… for now

A new, bipartisan plan will sidestep Biden's affordable housing initiatives for now.

by Sue Johnson

$1.2 trillion
Infrastructure package
over eight years on roads, bridges, rail, water systems and internet broadband

Missing from the bipartisan infrastructure package: $213 billion in funding "to produce, preserve, and retrofit more than two million affordable and sustainable places to live"



"We have a deal," President Biden said on June 21, appearing with the group of Republican and Democratic senators outside the White House to announce a bipartisan infrastructure agreement to spend $579 billion in new spending and $1.2 trillion over eight years on such traditional infrastructure as roads, bridges, rail, water systems, and internet broadband.

Unlike Biden's original $2.3 billion infrastructure proposal, the bipartisan plan would not raise taxes on corporations but would be paid for with unused COVID-19 relief money, user fees, and other funds.

Also missing from the bipartisan infrastructure package is the $213 billion in funding (and more than $100 billion in new and expanded tax credits) "to produce, preserve, and retrofit more than two million affordable and sustainable places to live" that was in Biden's original billion infrastructure plan.

At the time of this article, however, the "deal" is in flux as Republicans object to Biden's announcement that he will veto the bipartisan infrastructure plan if it is not accompanied by a budget resolution that funds "human infrastructure" aimed at communities and families. The budget reconciliation process allows Democrats to pass legislation without Republican support in a 50-50 Senate, with Vice President Kamala Harris providing the tie-breaking vote.

The affordable housing initiatives in Biden's original plan are sidestepped for now, but will they resurface? Here are just a few of the proposals that currently are in limbo.

Regardless of the outcome of the bipartisan infrastructure deal, Biden's affordable housing initiatives are by no means dead. The Democrats still intend to include undetermined elements of his "human infrastructure" proposals into a budget resolution, and other components requiring Republican support for passage in the Senate likely will be split into multiple bills.

CONSTRUCTION AND REHABILITATION OF 500,000 HOMES

Biden's original plan called for Congress to pass the Neighborhood Homes Investment Act (S.98 and H.R. 2143), which would provide $20 billion in federal income tax credits for the building and rehabilitation of 500,000 homes in low and moderate-income neighborhoods over the next five years. The tax credits would cover the gap between the cost of building and restoring homes and the price at which they can be sold.

ELIMINATION OF EXCLUSIONARY ZONING LAWS

Biden also asked Congress to authorize grants and tax credits to cities that change exclusionary zoning laws and land-use policies (such as minimum lot sizes, mandatory parking requirements, and prohibitions on multifamily housing) that favor single family homes and may block smaller, more affordable home construction. The Biden administration has yet to designate which zoning ordinances it deems exclusionary.

INVESTMENTS TO INCREASE ENERGY EFFICIENCY

The plan proposed a $17.5 billion investment in the U.S. Department of Energy's Weatherization Assistance Program, which reduces energy costs for low-income households by increasing the energy efficiency of their homes through block grants. It also proposed $500 million in grants and low-interest loans to help renovate multifamily homes; a $10 billion consumer electrification rebate program; and the extension and expansion of existing home efficiency tax credits for working families.

INVESTMENTS IN RURAL COMMUNITIES

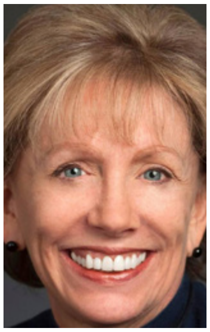
Biden wants to invest $2 billion to build and rehabilitate housing across rural America. This includes additional loans under the U.S. Department of Agriculture's Section 502 direct loan program that would enable low-income individuals in federally declared disaster areas to use funds for new construction of single-family homes, and new resources through the Small Business Administration's Section 504 loan program to help existing low-income rural homeowners make energy efficiency improvements to their homes.

BUILDING AFFORDABLE HOUSING AND INFRASTRUCTURE IN SMALL TOWNS

The Plan would devote $250 million towards a new Main Street Revitalization Program that would provide grants to communities for renovating their downtown business districts and adding units of affordable housing, while retaining the area's traditional and historic character.

OUTLOOK

Regardless of the outcome of the bipartisan infrastructure deal, Biden's affordable housing initiatives are by no means dead. The Democrats still intend to include undetermined elements of his "human infrastructure" proposals into a budget resolution, and other components requiring Republican support for passage in the Senate likely will be split into multiple bills.



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.