# Brokerage Corner

# How one broker centralized recruiting

To grow, Worth Clark Realty centralized all services including recruiting. Then, they doubled their agent count in three years.

*By*[*Tracey Velt*](https://www.realtrends.com/author/tvelt/)

In a recent RealTrends [BrokerPulse](https://www.realtrends.com/brokerpulse-q32021-boosting-agent-productivity-new-business-models/%22%20%5Ct%20%22_blank) survey, recruiting was named as a top three challenge for real estate leaders. It’s no surprise, it can be a laborious task that gets pushed down the priority list as brokers and managers focus on current agents, profitability and running a business. Here’s how one RT500 broker chose to tackle recruiting.

Like many brokerages, **Worth Clark Realty** started with one office and the managing broker did the recruiting. “When we decided to expand to other markets, around 2012, we located a managing broker in those markets and gave them duties to support the agents in the office and recruit new ones,” says Steven Barks, CEO of Worth Clark Realty, a 100% commission/transaction fee model. Worth Clark Realty is No. 279 by transaction sides and No. 447 in sales volume in the [2021 RealTrends 500](https://www.realtrends.com/real-trends-500/).

That wasn’t producing the results the brokerage wanted. Barks found it difficult to have a cohesive, uniform approach to recruiting that way. “Talking to agents, reaching agents, nothing was centralized, and it just wasn’t working,” he said. “We weren’t really growing. It seemed like we were chasing our tail in circles trying to figure out how to do it.”

To grow, Barks and the leadership team decided to centralize and control the recruiting, transaction management and marketing. So, in 2018, he said, “We pulled the plug and redid our approach.” At the time, they were in four markets: [St. Louis](https://worthclark.com/), Kansas City, Chicago and Denver. Once they centralized recruiting, marketing, transaction and other services, he says, “We have easily doubled agent counts in just a couple years.”

They put the managing broker in charge of the agents and left the recruiting to a salaried recruiter. “Be available, answer the phone, text, email, whatever. Your job is to get back to agents as quickly as possible,” he said. “When we talked to agents interested in joining our company, most had a bad experience in some fashion, and usually it had to do with lack of support from managers.”

#### Centralizing services

With a new strategy in place, Barks started the difficult process of hiring a recruiter. He said it was “sheer luck” that they found one right away. They hired an agent who “had a solo brokerage, wanted a transition and our company caught his eye.” Barks has since hired another recruiter, an agent from within the company who is no longer selling. He’s currently looking for a third recruiter as the brokerage expands. Each recruiter covers a specific territory.

It wasn’t smooth sailing right away. “There were certain barriers in our minds, things we thought agents cared about but just didn’t, such as having a competing broker, or being recruited by the broker and not a recruiter,” said Barks. “We’ve found that agents care more about systems, support and a compensation plan that works for them, so we quickly changed our mindset and put those concerns to rest. We let the recruiters do their jobs.”

Barks notes that “people who are dedicated to the company and the team” are ideal recruiters. This isn’t a job for “individuals’ as, he says, “Recruiting is a team sport. That way, if they happen to run across an agent from a different territory, they still take the meeting. They don’t say they can’t help that agent. And, he says, “They talk to the other recruiter about it. They have each other’s back.”

Worth Clark’s recruiters are paid a salary, but, says Barks, “they have a lot of upsides related to the number of agents they bring in.”

#### Determining your message

Controlling the message recruiters put out is important, said Barks, even though recruiters all go about the process individually. Before they hired their first recruiter, they wanted to develop a company message that resonated with agents. “We started thinking about the ‘why.’ There’s a great quote by Simon Sinek: ‘People don’t buy what you do, they buy why you do it.’” The overall theme they developed is that agents are entrepreneurs. “Most agents nowadays spend their own marketing dollars. They get their own business. So, we figured out what problems they, as entrepreneurs, have and worked on ways to solve those problems,” he said.

Those solutions included technology, a compensation plan and equity program that tackles the fact that, “it’s hard and expensive to run a business,” he said. “We built all of our messaging around the agent as an entrepreneur and how we had solutions to the problems entrepreneurs have. If I had to say a theme, it would be about owning what you do.”

The goal is to continue to grow, and, he says, it’s easier to do now that services are centralized. “Our value prop is one thing that attracts agents to us. We are also able to reach a ton of agents through our marketing and advertising. That’s the soft approach. We do outbound now. We are a volume company.”

“There is an evolution in our industry,” says Barks. “Look at the financial services industry. That got flipped on its head in the last decade, and it’s fine. It’s fair to have competition. We offer something different to agents and our recruiters help us get the word out about that.”

# Homeownership tenure: The long view for brokers

New study shows the impact homeownership tenure has on the real estate industry.

*By*[*Sherry Chris*](https://www.realtrends.com/author/sherry-chris/)

When it comes to the real estate business, it’s very easy to focus on the short-term, including prices, inventory, pending and actual sales. But, when you run a brokerage, it’s essential to look at the long-term because, as leaders, we need to be out in front of potential changes to make the best decisions to ensure the growth of our businesses.

This is where macro trends come into play – pieces of the bigger picture that can [influence our business](https://www.realtrends.com/real-estate-industry-change/). For example, one of the macro trends that is not tracked closely that I’ve been paying attention to is homeownership tenure, specifically how long a homeowner stays in their home before entering the market again.

If you asked real estate professionals their thoughts on the average number of years an owner stays in their home, they’d probably say about seven or eight years. But, according to new reports from the **National Association of Realtors (NAR)**, recent homebuyers intend to remain in their homes almost twice that. In the [2020 Profile of Home Buyers and Sellers Report](https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers), people who have recently bought a home intend to stay for at least a median of 15 years.

This trend has been visible over recent years and has only become more pronounced as Baby Boomers redefine aging. Remember, the U.S. Census reports that those 65+ have the largest percentage of homeownership at 79.6%, followed by those 55-64 (75.4%); these groups want to stay put.

If you think inventory is an issue now, what happens downstream when fewer people put their homes on the market? And what happens if today’s inventory influencers – builders and investors – are still contributing to a low inventory environment?  It’s a question that was recently posed to ERA® Real Estate brokers across the country. Their answers reflect an astute combination of short-term activity and long-term positioning.

We are excited to share their insights, reactions and responses in a new report: [**Homeownership Tenure and its Impact on the Industry**](https://realogy.box.com/s/hjrare7y8larad61axg1ncw91vj3uroa). The report speaks to the need for continuous adaptation at every level of the business.

Homeownership is not going away, and real estate brokerages and sales professionals remain the conduit for most consumers.

Macro trends in real estate are where the rubber meets the road. Knowing when and how to adapt to these trends is a great competitive advantage, one that successful brokers across the country will continue to leverage no matter the market conditions.

# Study: Real estate firms thrive on repeat and referral business

Survey shows 42% of surveyed firms offer ancillary services.

*By [Brooklee Han](https://www.realtrends.com/author/brooklee-han/%22%20%5Co%20%22Posts%20by%20Brooklee%20Han)*

Referrals from past and repeat customers still generated the greatest number of inquiries for real estate firms in 2020 with 30% of brokerage business coming from this source, the same amount as in 2018, when the survey was last completed.

On the flip side, interest generated from traditional open houses declined from 2018, according to the **National Association of Realtors**’ [2021 Profile of Real Estate Firms](https://www.nar.realtor/research-and-statistics/research-reports/profile-of-real-estate-firms). In 2018, 1% of surveyed brokerages said their business came from open houses. In 2020, less than 1% did, likely because the pandemic put a damper on in-person open houses. Interest generated from websites and social media, however, remained steady from 2018.

#### Brokerages are thriving

Where brokers are finding business has changed slightly; however, the volume of sales have skyrocketed during the pandemic. According to the report, which is based on data from the 2020 calendar year and collected through a random sample of 6,253 Realtors who were executives and senior management at real estate firms, found that residential real estate firms had a median sales volume of $6.6 million in 2020 as compared to a median of $5.3 million in 2018. In contrast, brokerages in the **RealTrends** 500 had a median sales volume of $1.3 billion in 2020.

This is a clear reflection of the overall increase in the number of homes sold in 2020 compared to 2018. In fact, the largest firms in the nation grew at the highest year-to-year rate in 2020 than any other year in the ranking’s history.

The [2021 RealTrends 500](https://www.realtrends.com/2021-realtrends-500-biggest-growth-ever-seen-in-history-of-rankings/)report revealed a massive amount of growth between 2019 and 2020 (data for the 2021 RT 500 is pulled from 2020 data.) Closed sides were up 15.8% over 2019. When compared to the 5.6% national increase of existing home sales, we see that, for the fifth year in a row, the largest brokerage firms in the country gained market share. Sales volume was up an astounding 25.9%. Both of these growth factors are the largest that RealTrends has ever seen in its rankings. Surely, that growth happened for smaller firms, as well.

The 2021 NAR report also found that 78% of residential real estate firms surveyed had one office and that 49% of firms with one office had a median sales volume of $4.5 million. However, 1% of firms with one office had a sales volume between $250 million and $500 million. For reference, in 2018, zero one-office firms recorded a sales volume above $250 million.

Also reflecting this increase was the total number of transaction sides by residential real estate firms. The 2019 report found that the median number of transaction sides in 2018 was 26, but the 2021 report found that the median had increased to 27 in 2020.

#### Competition from virtual brokerage models

Another interesting change from 2018 is the percentage of firms that believe their current competition comes from virtual firms, such as **eXp** and **Fathom**. The report found that across all firms, 10% believe their competition comes from brokerages with no fixed location, as opposed to 5% in 2018. However, half of all firms still believe that their main source of current competition is traditional brick-and-mortar large franchise firms.

With margin compression, many brokers are looking at alternate ways to boost profits. Surveyed firms offering such services grew 3% between 2018 and 2020. The only surprise here is that that number isn’t higher. However, with 49% of the firms surveyed being one-office shops, that could be the reason. The share of firms making a percentage of net revenue from ancillary services, such as relocation services, mortgage lending, title and escrow services, and home improvement services, increased from 39% in 2018 to 42% in 2021. It is important to note that firms with three or more offices saw a decrease in the share of firms gaining revenue from their ancillary services.

Like in 2018, business brokerage is the most common ancillary service offered, with relocation services, home warranty, mortgage lending and home improvement services taking up the other top spots. However, NAR found that most firms surveyed still do not offer ancillary services, with only 21% of firms offering the most common ancillary service.

# How to change real estate brokerages without burning bridges

According to the National Association of Realtors, in 2021, the median tenure of an agent with their current firm was five years.

*By*[*Stacie Staub*](https://www.realtrends.com/author/stacie-staub/)

As a real estate agent, in most cases you’re an independent contractor, and you have an agreement with your brokerage that is reciprocal in both benefits and responsibilities. Of course, most of the time, that agreement may be be easily terminated by either party. Are you considering changing real estate brokerages?

With so many different business models, career paths, [compensation](https://www.realtrends.com/3-ways-to-justify-your-real-estate-commission/) structures and brokerage-provided tech stacks, marketing offerings, training and support structures and, frankly, personalities in our business vertical, it’s likely that you’ll work for more than one brokerage during your tenure as a real estate professional.

So, how do you make a smooth, peaceful, and — dare I even say — mutually beneficial exit from one agency to hang your license with a competitor? It’s not easy, but it’s also not impossible.

#### **First and foremost, communication is everything**

Depending on your relationship with your current leadership, you may let them know that you’re changing real estate brokerages via whatever internal communications platform your company uses, over the phone, or even just by email, but it’s really important to communicate why you have decided to make a move.

This typically falls under two umbrellas:

1. You’re not getting what you need from your current brokerage, so you looked around and found one that you think will better serve your career goals.

2. You’ve been happy with everything, but you’ve gotten recruited with an attractive-sounding offer.

Either way, it’s polite and professional to communicate this to your broker. It’s valuable information for their business, and even if it’s hard to hear, constructive criticism or intel about what their competitors are offering is super helpful. Consider this your parting gift, and an act of gratitude for what the people at your brokerage did help you with or do for you.

#### **Spread the news with grace and humility.**

No matter where you’ve been working, and regardless of where you’re landing next, think about how you want to come across when announcing your move on social platforms. If it’s appropriate, a spirit of gratefulness for the past as well as excitement about the future is a nice balance to strike.

“As much as I have enjoyed and appreciated working with the team at ABC Realty, and will really miss my colleagues there, I am excited to announce that I will now be selling property for DEF Real Estate!”If there were specific mentors, managers, staff members or company owners who taught, supported and kept you out of trouble along the way, it might be nice to mention them with a special thank you as well.

#### **Don’t leave behind a mess**

If you’re [transferring your license](https://cdn.nar.realtor/sites/default/files/documents/2021-highlights-nar-member-profile-05-19-2021.pdf) in the middle of any transactions, make sure that your files are as clean and organized as possible, and that you are communicating with the staff. Be sure to follow brokerage procedures, standards and protocol as you tie up loose ends, even if you’re no longer on their roster. You’ll be respected and remembered for your professionalism (and it will make it a lot less awkward when you swing by to pick up those last commission checks!)

#### **Don’t talk**crap

As you’re onboarding at your new brokerage, keep it positive. Rather than speaking in a negative way about the things your old brokerage didn’t do or have, stay focused on embracing the systems that you’re looking forward to learning about and using at your new real estate home. You’d be surprised at how often the word gets back and can be hurtful — why spread bad vibes?

#### **Stay in flow**

Ninjas will know what I’m talking about here, but sometimes agents forget how important it is to maintain and nurture relationships not only with their clients, but also with industry people — including brokers and agents you have worked with in the past. Add those folks to your handwritten card schedules, engage with them on social platforms, and keep that bridge intact. Real estate is a small town, even in big cities, and you never know when you’ll end up on the other side of a transaction from someone on your old team.

Hopefully there will be hugs at the closing table, not hostility. And, you never know, your new brokerage might not deliver on their promises, and you’ll be knocking on that door wanting to go back, so make sure it’s open to you!

As an independent contractor, you deserve to work where you’re happy, appreciated and supported. It’s also one of the benefits of our business to move your license as many times as it takes to find that for yourself. Just keep in mind, bridges are good to have when you need them, so try not to burn too many down along the way.

# The Agent Angle

# Valuing a real estate agent’s business

Determining the value of a real estate agent's book of business can be complicated.

 *By*[*Tracey Velt*](https://www.realtrends.com/author/tvelt/)

How many agents and teams retire and either give away their book of business/database or want to sell but don’t have anything of value to sell? Answer: Too many. That’s because they didn’t structure their businesses to have value. According to Steve Murray, senior advisor to **RealTrends**, the value of an agent or team’s business is based on the agent’s or team leaders’s ability to track business and clean financials, among other things. That’s where [brokerage coaching](https://www.realtrends.com/building-an-agent-succession-program/) comes into the picture.

But, let’s say an agent or team leader has structured the business correctly. How do you determine value? First, says Richard Fino, who heads up **Long & Foster Real Estate’s** Agent Succession Program, “You have to determine whether you have a clear path to a sale. Is the selling agent excited about their next move? The ones who aren’t have a hard time transitioning.” Once you determine they’re ready, it’s time to set a value.

“Virtually always, the purchaser will [purchase the assets](https://goldenhandoff.com/) of the selling real estate professional and not purchase stock in the selling agent’s business,” says Murray. “Second, there is always a modest amount of cash paid at close, between 10% to 20% of the estimated value, while the rest is paid out over three to five years based on actual sales from the selling agent’s database.”

Depending on whether the purchasing real estate professional, “desires to continue to use the trade name of the selling real estate agent, there may also be a royalty paid for the use of the trade name and expressed as a percentage of gross revenues,” says Murray.

#### Valuing the business

Fino says that they look at the selling agent’s last three years of net earnings and determine what percentage of those earnings came from past clients. “Then, we make some adjustments based on their database being in a solid customer relationship manager (CRM), whether the business is spread out over three counties or that person is No. 1 in a certain development. All of those things will impact the perception of value,” says Fino. He notes that the rules of the valuation are similar to any other business valuation. “Just like in the insurance or legal industry, over a period, what kind of return should the buyer expect when buying the business?”

Chuck Boles, a certified mediator, business coach and founder of **The Chuck & Buddy College of Business Knowledge**, looks at valuation differently. “Recently, I spoke to an agent in Hawaii who told me he had a successful year of $27 million (in sales volume) and had 40 transactions (sides). I replied ‘That’s great, but that’s just ego. Tell me, how are you going to deposit volume and sides in the bank? Not possible because the industry uses “ego measurements” to falsely inflate an agent’s sense of success rather than measuring the monetary success necessary to sustain a licensee’s career.”

Boles consults with brokers to develop a three-year “career transition strategy” for agents who intend to transition out of the real estate business. Boles used his strategy to sell his real estate practice three months before the market crashed in 2008. “To this day, the person who purchased my business says he would have not have made it through the Great Recession without doing it. In fact, to date, my business has generated over $1.5 million in income for him,” says Boles.

While most brokers look only at an agent’s book of business, Boles’ valuation formula calculates the value of the agent’s entire business practice. His valuation formula **(Estimated Business Practice Value = Anticipated Income + Intangible Assets + Tangible Assets)** helps brokers determine if an agent has a salable business practice. Brokers also use the valuation formula to help aspiring agents build business value over the course of their career.

“It’s important to recognize that I’m calculating the value of an agent’s entire business practice, just not their book of business.” In addition to projecting anticipated income (based upon an agent’s most recent three-year average net income) plus the value of tangible assets (based upon IRS tax values for equipment), his formula also calculates the “loyalty value” of an agent’s client base.

“The depth of client relationships are measured by loyalty which, in turn, gives birth to repeat and referral business; the life blood of a successful real estate business practice. Even though client loyalty levels are intangible assets, they are core to the sustained success of any business and deserve financial recognition for their potential value,” says Boles.

“For sake of an example, let’s say we divided client loyalty into three categories based upon their repeat and/or referral settlement history with the agent. Let’s say Category A clients (those who completed three or more transactions with the agent) receive a “loyalty value” of $1,000 each; Category B (two transactions) receive a “loyal value” of $500 each; and finally, Category C (one transaction) receive a “loyalty value” of $100. In this example, an agent with 15 A’s, 10 B’s and 30 C’s would have a client data base worth an estimated $23,000. Currently, the industry seems to ignore client relationship and loyal in determining the value of an agent’s business practice.”

There’s a reason for that, says Murray. “In our valuation work, we’ve found that the transfer of personal relationships from an agent selling their practice to another agent is not a given and is almost entirely based on the selling agent working diligently to introduce the new agent to their customers.  It has little to do, in our opinion, with how many deals have been done in the past.”

**Build a confidential foundation**

Boles says that creating a confidential foundation for the “career transition strategy” is critical to a broker’s helping an agent sell their business practice. He also notes that “confidentiality throughout the entire process is critical.” That’s because, “a broker with an agent candidate, over the next three to five years, can help the agent build a track record of increased value to achieve highest and greatest market price while, at the same time, identify potential buyers for the business. By being involved in the sale, the broker can develop a long-term business growth strategy to insure business and agent continuity plus growing market share.”

#### Arranging the sale

He recommends a “buy-sell” arrangement where a purchase price is defined with the buying agent putting down a deposit and the selling agent carrying a note for the remaining value. “Additionally, once the “buy-sell” agreement is signed, I recommend creating a 12-month written transition plan during which the agents work together to insure a smooth “business merger” with the broker acting as the transition period accountability partner to insure the parties are living up to their commitments during the 12-month transition.”

There are a number of ways in which financing strategies can be applied to the “buy-sell” arrangement. For example, during the one-year transition period, the agents could arrange a referral fee arrangement (payments applied toward the note) followed by a five-year payoff of quarterly payments at prime plus 1% (or a flat interest rate) with no pre-payment penalty. The big advantage of the “buy-sell” note approach is that it releases the selling agent from the requirement of remaining licensed in order to receive payments.

For Fino at Long & Foster, also believes in confidentiality, but says that cash up front isn’t the norm. “Usually there’s an integration period where both sides will work together. At that point, we haven’t announced that one side is retiring,” says Fino. “The longer the integration period; the better.” He says that he serves as the intermediary to match a buyer and seller and gives them interview guides. “If you haven’t sold your business before, you don’t know what you don’t know, so we help them with the interview process, as well as integration deals and the contract.

“We announce that the two are working together, but not that one side is retiring. That agreement is about a year,” says Fino.

In the Long & Foster program, the retiring agent still does their lead generation. “For the first few months, they might be even be taking the lead on servicing, but the acquiring agent is a part of every consultation. And then as they move on, the retiring agent ends up just generating the leads and maybe converting them, but the servicing transfers over to the acquiring agent. And we know that the biggest trust transfer happens when they have an opportunity to service the client,” says Fino.

Then, he says, they get into “what we call a cooperation phase or phase out.” After that year and the retiring agent’s ready to go ahead and move on to something else, the agent will announce their retirement. They may still have some marketing accountability or responsibilities in terms of their database. But at that point, it does end up being typically a referral fee over anywhere from a three- to five-year period, and it’s usually cascading,” Fino says.

One thing is sure, tracking business and have a CRM with detailed client information is vital to securing a solid valuation. The next key is finding the right person to take over the business and handling the transition in a way that sets up the buyer for success.

In Part Three, we’ll talk about lessons learned, contracts, NDAs and give more detail about the transition plans.

# What sellers really want from a listing agent

Sellers want to know real estate agents are listening to them before they give you the listing.

*By*[*Debbie De Grote*](https://www.realtrends.com/author/debbie-de-grote/)

Recently I was asked, “What do sellers really want from me when I go on a [listing appointment](https://buildingbetteragents.com/14-ways-to-get-more-real-estate-listings/)?”

**Sellers want to be heard.** Sellers today have access to information and technology, and they want to know they are speaking to an expert who can give them wise advice. They want you to listen to their goals, their dreams, their wishes. They want to tell you about their property. They want you to appreciate their property. They want you to be the champion of their home, of their value, and they want to know that you’re going to fight for them.

Next, they want to hear about the marketing. What are the things you’re going to do to bring exposure to the property, but to also deliver that right buyer? Emphasizing the proactive marketing methods will help you get away from spending a significant amount of money on marketing. Because now you’re showing them that it’s not just about running ads in a magazine, it’s about the proactive things you do to go out and find the [ideal buyer](https://www.realtrends.com/how-to-grow-your-business-when-inventory-is-low/).

Make sure you’re leveraging the tools and the resources that your company provides. **Whatever tool, technology or feature you are presenting, you need to answer the question, “How does this benefit the seller?”**

Of course, they want to know a little bit about you and your track record. For those of you who have a strong track record, leverage how your experience and expertise will net them more money. For those of you who do not have a big track record, leverage the power of the track record of your company. Use what you’ve got.

After that, you need to prove to them that you will follow through with everything you say you’ll do. The proof will be in your reviews and your testimonials.

**In summary here is what they really want to know:**

* That you’re on their side, defending their home, defending its value.
* They want to know who you are and what you bring to the table and that they feel comfortable working with you.
* They want to know a little bit about what you are going to do to market their home and find their ideal buyer.
* And finally, they want some reassurance or proof that you will keep those promises and keep those commitments.

Think about it from their perspective. Walk a mile in their shoes. Enter the conversation in their mind. When you’re there at that meeting, make it very engaging and interactive and show them that you are really listening.

# Study: Homebuyers don’t understand closing documents

Despite the requirement of closing disclosures (CDs) to inform homebuyers of their transaction costs, consumers still don't understand the costs associated with buying a home.

*By*[*Tracey Velt*](https://www.realtrends.com/author/tvelt/)

Only one in five homebuyers say they understand all of the closing documents they signed at closing, according to the [Qualia](https://www.qualia.com/) Homebuyer Sentiment Index, which shined a light on the risks consumers may be taking when they act too quickly without understanding the home purchase process or transaction costs involved. Meanwhile, homebuyers are acting quickly in a competitive market with nearly a quarter of homebuyers purchasing their home sight unseen.

“This survey emphasizes the need for increased education and transparency during the home buying and selling process,” says Nate Baker, CEO of Qualia. “Our core belief is that technology that powers the transaction is the key to providing that assurance. It can simplify a very complex process to allow real estate professionals to focus on client education and a seamless home buying experience.”

Insights from the survey revealed:

**Homebuyers take bold action in a competitive housing market**

Low interest rates and limited housing inventory sparked a competitive housing market. The survey highlighted how far buyers were willing to go to get the house of their dreams. Nearly a third (30%) of buyers paid more than anticipated for their home, and of those who paid more than anticipated, 32% paid $50,000 or more over the asking price. Buyers are also making what they may believe to be calculated concessions, with some removing inspections from the contract (19%) or purchasing the home without seeing it in person (23%).

**Homebuyers expect and experience stressful, complicated closings**

The survey indicates that recent homebuyers found the real estate closing process to be the most stressful and complicated part of the real estate transaction itself, especially the closing documents. In fact, when Qualia explored the consumer sentiments around the entire home-buying journey, the only thing more stressful or complicated than the closing was the move-in process.

Future homebuyers are also apprehensive about real estate closings. One in four future homebuyers reported that they do not understand the closing process or the closing documents they sign. Qualia’s survey illuminates the value of combining knowledgeable local agents to guide homebuyers through the process with technology that automates real-time transaction updates and offers consumers instant access to information.

**Homebuyers Experience Sticker Shock**

Despite the requirement of closing disclosures (CDs) to inform homebuyers of their transaction costs, consumers still lack an overall awareness concerning the costs associated with buying a home. In fact, 44% of recent homebuyers were surprised by higher-than-anticipated transaction costs. Qualia’s survey also found that consumers desire multiple touch points to receive information prior to closing. More than half (55%) of future [homebuyers](https://www.realtrends.com/no-contact-closings-the-new-normal-for-real-estate/) would like to receive information face-to-face about the closing process prior to the closing date and nearly half would like to receive information over a secure mobile app or web-based portal (44%). The survey data demonstrates the importance of empowering and educating consumers on whatever channel they choose to engage.

**Millennials Are Still Banking on Homeownership**

Personal finance struggles and student debt have created roadblocks for Millennials to become first-time homebuyers, but they are not throwing in the towel on homeownership. According to the study, 72% of Millennials that are in the market to purchase a home are currently saving more than $500 a month to do so.

**The pandemic may have eliminated a downsizing trend**

The percentage of homebuyers seeking more space increased more than 10 percentage points within the past year since Qualia’s November 2020 survey. According to the study, the most popular reason for buying a new home was the need for more space (36%) (vs 23% [in November 2020](https://learn.qualia.com/whitepaper-report-homebuying-sentiment)). Needing less space was the top driver for only 5% of recent homebuyers. With work from home increasingly becoming a more widely accepted work environment, is this a signal that any downsizing trends may not pick back up as offices reopen?

**About the Qualia Homebuyer Sentiment Index**

Qualia commissioned Savanta Research to conduct a quantitative online research study during July 1-July 9, 2021 among a general consumer pool in the US who recently bought a home or are planning to in the coming 12 months. 1,024 respondents participated in the study. The margin of error is 3.1% at a 95% confidence level.

**Market Updates**

# Bidding wars – the scourge of buyers – slowed in August

Bidding-war rate in markets Redfin operates in dropped below August 2020 level

*By [Brooklee Han](https://www.realtrends.com/author/brooklee-han/%22%20%5Co%20%22Posts%20by%20Brooklee%20Han)*

The bidding wars that put smiles on the faces of sellers and simultaneously [drove buyers](https://www.housingwire.com/articles/the-ugly-side-of-housing-low-inventory/) to rip their hair out weren’t as frequent in August, according to the latest report from brokerage **Redfin**.

In August, 58.8% of offers written by Redfin agents faced a bidding war, down from the peak in April of 74.3%, and below the August 2020 bidding war rate of 59.4%.

But buyers shouldn’t get too excited. The report attributes this decrease to the normal seasonal slowdown, causing the [shortage of inventory](https://finance.yahoo.com/news/three-quarters-homebuyers-faced-bidding-164800069.html) to slow as well.

Another indicator of a slowing market cited by Redfin is the percentage of homes that sold above list price. During the four-week period that ended Sept. 5, it dropped to 50% from a peak of 55% [in July](https://www.housingwire.com/articles/the-housing-market-is-losing-steam/). Despite these obvious signs of a slowing market, Redfin states that it is in line with the typical seasonal decline.

“Sellers are still pricing their homes very high, but a lot of buyers have had enough and are no longer willing to pay the huge premiums they were six months ago. Instead of 25 to 30 offers on turnkey homes, we’re now seeing five to seven,” Nicole Dege, a Redfin real estate agent from Orlando said in a statement.

Raleigh, NC had the highest [bidding-war](https://www.realtrends.com/tips-for-helping-your-buyer-clients-win-a-bidding-war/) rate of the 48 U.S. metros listed in the report, with 86.7% of offers written by Redfin agents facing competition in August. San Francisco/San Jose at 70.7%, Tucson, Arizona at 70.5%, Cincinnati at 70.4% and Salt Lake City at 68.1% rounded out the top five toughest markets for homebuyers.

On the filp side, Charleston, South Carolina; Richmond, Virginia; Milwaukee, Wisconsin; Sarasota, Florida and Oklahoma City rounded out the five most favorable cities for buyers, with bidding war rates of 43.5%, 42.9%, 42.9%, 41.7% and 35.7%, respectively.

“Sellers remain in control, but the next month or two will be very telling,” Stacey Delgado, a Redfin agent in Raleigh said.

In 2018-2019, [total housing inventory](https://www.housingwire.com/articles/housing-inventory-is-about-to-get-better-heres-why/) was in the range between 1.52 million and 1.92 million, and that level of inventory helped to drive real home-price growth in 2019 into negative territory briefly. Existing home sales during those years stayed in the monthly sale range of 4.98 million to 5.61 million homes, according to the **National Association of Realtors**.

Then the pandemic hit, and after eight months of consecutive gains spanning 2020 and 2021, the consequences of [low home inventory](https://www.housingwire.com/articles/the-ugly-side-of-housing-low-inventory/) finally caught up with the housing market in February 2021.

An earlier Redfin study found that all-cash buyers [improved their chances](https://www.housingwire.com/articles/how-much-cash-matters-in-a-bidding-war/) of winning a bidding war by 290%.

# Is the relo boom slowing? Barely.

Miami and Sacramento are top destinations for relocating homebuyers.

*By*[*Tracey Velt*](https://www.realtrends.com/author/tvelt/)

Nationwide, 30.1% of Redfin.com users looked to move to a different metropolitan area in July and August, down slightly from 31.1% in the second quarter but up from 28.7% during the same two-month period in 2020. This is according to a new [report](http://email.prnewswire.com/ls/click?upn=OXp-2BEvHp8OzhyU1j9bSWuwMvMWelqIco5RbfBrouY-2BR-2FitrwEnCQVYmH5h9Nac8crVmn0NKaDeYR-2F-2BZe8FfNOVap8jPqpHn2x-2FaxlLcfeQR22z1DH-2BwdeQIHpx6HJZ35OBNUnuHUCUB96yC1Uy43rNeuEEOGMiqtnoCMhKQi2swl51ZW5oUQS2GxoWr-2Bh9UdyiSdg-2B4gd2wPBxaL4oAwwA-3D-3DsY2d_-2FYltCSDm0LSzJb4zkeGx22RBM1w0wt9IYC5iw2B19NAg9iGiJQgwP3Oq66ON70XiCtFYUS5U1uJ3vowFJtiyXF2ZACRrqnki5uEnkHD-2FWy0qkYJjaHrMILCFHhWxTM-2FbJq-2FjH8D0axStIAn9zDwIs8tjM-2BpqwPwZHp-2BIWMuztr-2FWngOI6G9pUFaulfa-2FQGmr1iWXsSEHhdom0yeMSkSmBZoLt1QMG8anT4uZ0TTaJlXgyG8ifoOD7LUOXAy-2BSRe8KQjhc77DmSdGliVkep1uyV15VN1XoY7Wc4vfrZeLP9Fzt314209ffdWMNq2x-2B04jVgb38Ud9Al9BV1Dq1he6xppUPgPWpuRl21zP4I323Ng-3D) from Redfin ([redfin.com](http://email.prnewswire.com/ls/click?upn=OXp-2BEvHp8OzhyU1j9bSWuwMvMWelqIco5RbfBrouY-2BR-2FitrwEnCQVYmH5h9Nac8cyFLZMwHn5-2BybJvMq3dVJIXnS1BRxpWyDfHHRPOwret3vOQ7sd2eFWjI6bfponPHTA9kY3aDJOslvoNP3vEJ6ix15eQVAc8shSXWT-2BjerDtA-3DZ3dn_-2FYltCSDm0LSzJb4zkeGx22RBM1w0wt9IYC5iw2B19NAg9iGiJQgwP3Oq66ON70XiCtFYUS5U1uJ3vowFJtiyXF2ZACRrqnki5uEnkHD-2FWy0qkYJjaHrMILCFHhWxTM-2FbJq-2FjH8D0axStIAn9zDwIs8tjM-2BpqwPwZHp-2BIWMuztr-2FWngOI6G9pUFaulfa-2FQGmr1iWXsSEHhdom0yeMSkSmBeo3a3Nzheoub36OxLspa0GF4cleq8dmYHgHph-2FoTg73vd9CVpMiRl-2BWvj9R2MKGowUL7VfXWqlWxJ-2FWkD8ll5p7nhr5Vt8JSQXBzzz-2BJcZAuMnVMZJv2q5QiSyVJkakC5wyoACNX7tS-2FaCOXddQZlI-3D)).

The pandemic triggered a relocation boom among Americans, who took advantage of [remote work](https://www.realtrends.com/trending-shifts-in-the-real-estate-landscape/) and record-low mortgage rates. Scores of families left major cities in search of affordability and space. But while house hunters continue to relocate at a higher rate than they did early in the pandemic, migration has cooled this summer as life in the U.S. has returned, at least somewhat, to normal.

The slight dip in migration has coincided with a slowdown in the broader housing market: Homebuyer competition, home-sales growth and interest in second homes, for example, are all on the decline. It’s worth noting that the housing market typically slows at this time of year.

“We’re not seeing the level of movement we saw at the end of 2020 and the start of 2021, but a lot of people are still looking to move to new cities,” said Redfin Lead Economist Taylor Marr. “Worker turnover is one reason interest in relocating remains high. Scores of Americans are quitting their jobs in search of better salaries, benefits and flexibility. Once they find their next gig, people are often able to move for affordability or a better lifestyle.”

**Miami and Sacramento are the top destinations for relocating buyers**

Miami, Sacramento, Phoenix, Las Vegas and Tampa were the most popular migration destinations of any major U.S. metros in July and August, meaning they had the largest net inflows. A net inflow is a measure of how many more Redfin.com home searchers looked to move into a metro than leave.

Metros that are more affordable than major coastal cities like San Francisco and New York, and feature warmer weather, frequently make the list of top migration destinations. They’ve become even more popular during the pandemic because homebuyers who work remotely have had the freedom to prioritize affordability and space over proximity to the office.

“The influx of homebuyers into Las Vegas eased a little in August, but appears to have picked back up in September,” said local Redfin real estate agent Cheryl Van Elsis. “August seems to be a little slow every year because it’s so scorching hot here. People are also heading out on vacation and families are preparing to send their kids back to school.”

**San Francisco and Los Angeles are the top places homebuyers are leaving behind**[San Francisco](http://email.prnewswire.com/ls/click?upn=OXp-2BEvHp8OzhyU1j9bSWuwMvMWelqIco5RbfBrouY-2BR-2FitrwEnCQVYmH5h9Nac8cvHYy0Inm08Tw75tFhM4tdMZQLdW09apf5q72wxJjVhZ5mcK3EQFrutv9GoIVwqo5JanTCCGi0plE4NQL8fm2Qcrlafn6W72O06P3jt0tMjkmGnGS0OtgC0FRCh9jkHrS50fDHwPvAFUXrctQWQ3xaA-3D-3DOOjH_-2FYltCSDm0LSzJb4zkeGx22RBM1w0wt9IYC5iw2B19NAg9iGiJQgwP3Oq66ON70XiCtFYUS5U1uJ3vowFJtiyXF2ZACRrqnki5uEnkHD-2FWy0qkYJjaHrMILCFHhWxTM-2FbJq-2FjH8D0axStIAn9zDwIs8tjM-2BpqwPwZHp-2BIWMuztr-2FWngOI6G9pUFaulfa-2FQGmr1iWXsSEHhdom0yeMSkSmBfNYwz3AFcC-2FgwsKDvODCSae3WWrqT4GsQeX-2FiTGCAL3Z-2F6QQJgF5YCzA7-2FrSOH9IoHAFpE112paXEOMhw9v799KnNGgIqFgIJ-2FGssMEHbncIBOVy3Z7cjbF7-2BjWgSckDgj8w-2BK7jrnDLZxbCkvm9eg-3D), [Los Angeles](http://email.prnewswire.com/ls/click?upn=OXp-2BEvHp8OzhyU1j9bSWuwMvMWelqIco5RbfBrouY-2BR-2FitrwEnCQVYmH5h9Nac8cX-2BG-2BIiqAgOmZPrQfPUeC0LJNVOdWzIHdHjNxJa6OK0YAOYfDcwLNFwcqyALhvxaAtF3WaxXrkuu7gDWdtgrgn85s7m4utr7zTTdRcCMJkc3OQSkK85z7WVBLLH9iwK8T7AP4_-2FYltCSDm0LSzJb4zkeGx22RBM1w0wt9IYC5iw2B19NAg9iGiJQgwP3Oq66ON70XiCtFYUS5U1uJ3vowFJtiyXF2ZACRrqnki5uEnkHD-2FWy0qkYJjaHrMILCFHhWxTM-2FbJq-2FjH8D0axStIAn9zDwIs8tjM-2BpqwPwZHp-2BIWMuztr-2FWngOI6G9pUFaulfa-2FQGmr1iWXsSEHhdom0yeMSkSmBaNFhOkUYSQS4zVR5vf85Vj6AJkEkuQL-2Fbxnl-2F-2F4S7Rn8Vyx3fnuOFEV6TnIQzPXg6mnw-2B2S1wXG7JjJKdSF-2BZN8n35Eurc-2FiGEPFzqpCw-2FrIcu9GSG7lwI-2FSowkvq3oY-2Bx6l87-2FOy0oEb7nB9YA6bg-3D), New York, Washington, D.C. and Boston saw more Redfin.com users aim to leave than any other metro areas in July and August, meaning they had the biggest net outflows. A net outflow is a measure of how many more Redfin.com home searchers looked to leave a metro than move in.

Dense, pricey cities typically see the most residents depart—a trend that has intensified during the pandemic as remote work has given more people the flexibility to leave expensive job centers for relatively affordable areas.

That said, four of the 10 top metros that people are leaving—New York, Chicago, Denver and Seattle—actually saw fewer people exit than a year earlier. For example, New York saw a net outflow of 25,534 Redfin.com users in July and August, down from a net outflow of 40,049 during the same period in 2020.

# August housing starts better than expected

Housing starts continue to rise despite material and labor shortages

*By [Brooklee Han](https://www.realtrends.com/author/brooklee-han/%22%20%5Co%20%22Posts%20by%20Brooklee%20Han)*

U.S. homebuilders started construction on 1.615 million homes in August, up 3.9% from July 2021 and 17.4% higher than a year ago, according to a new [report](https://www.census.gov/construction/nrc/pdf/newresconst.pdf) by the **U.S. Census Bureau** and the **U.S. Department of Housing and Urban Development**.

Across the country, 1.728 million building permits were pulled, which is 6% above the revised rate from a month prior and 13.5% higher than the August 2020 rate. Additionally, 1.33 million homes were completed, a decrease of 4.5% from July 2021, but this is still 9.4% higher than a year prior.

“The August month-over-month increase in permits and housing starts indicates that builders are eagerly responding to near record-low rates, a limited supply of existing-homes for sale and sturdy demand driven by millennials aging into homeownership,” **First American** Deputy Chief Economist Odeta Kushi said in a statement.

This increase comes as builders continue to[face material shortages](https://www.housingwire.com/articles/lumber-prices-are-falling-but-builders-still-feel-the-pinch/) and a[tight construction labor market.](https://www.housingwire.com/articles/august-jobs-numbers-are-bad-but-theres-a-silver-lining/) This is reflected in a 50% increase in the number of single-family units permitted but not started compared to a year ago. In addition, only 25% of new homes sold in July were completely built. In comparison, 40% of new homes sold in Spring 2020 were completely finished.

“The nation’s homebuilders are finding ways to defy expectations, keep their pipelines moving and put up more homes,” **Zillow** economist Matthew Speakman said in a[statement](https://www.zillow.com/research/august-housing-starts-2021-30139/). “It’s not all perfect, and some creativity is being shown by builders to keep things moving. These choppy waters are unlikely to calm anytime soon, but builders are continuing to find ways to stay afloat.”

A more thorough examination of the data reveals that strong production of multifamily housing was the primary driver in the increase in total starts. Although the number of single-family building permits pulled was 0.6% above the revised July rate, the number of single-family housing starts was down 2.8% from July. In comparison, multifamily permits and multifamily housing starts both increased 15.8% and 20.6%, respectively, from July to August.

Despite this, the **National Association of Home Builder**’s (NAHB) chief economist Robert Dietz is optimistic about the single-family market’s trajectory.

“More inventory is coming for a market that continues to face a housing deficit,” Dietz said in a statement. “The number of single-family homes under construction in August-702,000-is the highest since the Great Recession and is 32.7% higher than a year ago.”

Regionally, combined single-family and multifamily starts are up across the country, with the Northeast region seeing the greatest increase (35.9%) on a year-to-date (January through August) compared to the same period of time in 2020.

This report comes on the heels of the release of the September NAHB and **Wells Fargo Housing Market Index**(HMI)[report](https://www.nahb.org/news-and-economics/industry-news/press-releases/2021/09/builder-confidence-steadies-as-material-and-labor-challenges-persist), which revealed that homebuilder sentiment increased for the first time in three months.

**Regulation**

**Dems propose 20-year mortgage for first-gen homebuyers**

The LIFT Act would create a program through HUD to sponsor low fixed-rate 20-year mortgages

*By*[*Maria Volkova*](https://www.realtrends.com/author/mvolkova/)

The [raft of legislation](https://www.housingwire.com/articles/potential-impacts-of-bidens-15000-tax-credit/) designed to spur first-time homeownership in America [seems to grow](https://www.housingwire.com/articles/another-15k-first-time-homebuyer-tax-credit-bill-emerges/) by the minute. Another bill has joined the fray, and its sponsors propose creating a new 20-year-fixed-rate mortgage program through **Ginnie Mae**.

The [legislation,](https://www.warner.senate.gov/public/_cache/files/e/0/e080edc7-856c-45d4-8a9e-d7bb25390977/C3ABA20D728601CD4F7C4DA5C2E241A0.lift-2-pager.pdf) dubbed the “Low-income First Time Homebuyer (LIFT) Act,” would create a program through the **Department of Housing and Urban Development** that would sponsor low fixed-rate 20-year mortgages.

The bill is sponsored by Sens. Mark Warner (D-VA), Tim Kaine (D-VA), Chris Van Hollen (D-MD), Raphael Warnock (D-GA), and Jon Ossoff (D-GA).

To qualify, one would have to be a first-time, first-generation homebuyer, with an income equal to or less than 120% of the area median income.

“The number one way that middle class Americans build wealth is through homeownership, an opportunity that due to racism and structural inequality has been denied to too many families of color,” Warner said in a statement. “Today, Black families in this country have an average net worth just one-tenth the size of their white counterparts.”

According to the bill, Ginnie Mae in tandem with the **Department of the Treasury** would subsidize the interest rate and origination fees associated with these 20-year mortgages, so that the monthly payment would be in line with a new 30-year FHA-insured mortgage.

The move could “allow qualified homebuyers to build equity-and wealth- at twice the rate of a conventional 30-year mortgage.”

In the past couple of months two versions of the [$15,000 first-time homebuyer tax credit](https://www.housingwire.com/articles/another-15k-first-time-homebuyer-tax-credit-bill-emerges/)and Rep. Maxine Waters’ (D-CA) [Down Payment Towards Equity Act of 2021](https://www.housingwire.com/articles/here-it-is-bidens-homebuyer-tax-credit-legislation/)were introduced as alternatives for addressing housing inequity.

The response from some fair housing advocates to the LIFT Act has been lukewarm so far. Some sources expressed worry that if significant money is allocated to this program, funding for Rep. Maxine Waters’ down payment assistance bill – a favorite among fair housing advocates – might not come.

Dave Stevens, former **FHA** commissioner, said in an interview with HousingWire that Warner’s bill has the potential of getting traction in Congress.

This first-time homebuyer bill has a “unique combination of Republicans and Democrats that have aligned on how this thing can work,” Stevens said.

Additionally, the legislation is “very limited” and specifically geared towards first-generation homebuyers, addressing worries of a bill being too broad, resulting in minority homebuyers getting pushed out of purchasing a home.

“In Congress right now, and I would guess the White House, they would like to see both [Maxine Waters down payment assistance bill](https://www.housingwire.com/articles/here-it-is-bidens-homebuyer-tax-credit-legislation/) and this one make its way to the reconciliation process,” added Stevens. “If you could get a modest amount of dollars for both Chairwoman Waters’ piece of legislation as well as for the LIFT bill, you get some really good dollars targeted for first time homebuyers.”

Dave Dworkin, CEO of the **National Housing Conference**, said that down payment assistance is still the number one option for increasing homeownership.

“[The LIFT Act and Waters’ down payment assistance] have to go together,” he said. “Our first priority is creating homeowners and our second priority is to accelerate wealth building.”

Dworkin added that NHC “would like to see at least $20 billion to $50 billion go to down payment assistance.”

Meanwhile, Mark Zandi, chief economist at **Moody’s Analytics**, commented that there are upsides to the bill, mainly that it “preserves affordability and supports homeownership” while also allowing homeowners to rapidly accumulate equity.

“LIFT is among the most effective ways policymakers have to address the nation’s pernicious problem of large and widening economic disparities,” he said.

The only troubling language with the LIFT Act, said Stevens, may be the attestation clause.

“I mean, the real question is how do you prove that you’re a first-generation buyer,” said Stevens. “As long as a borrower attests to the fact that they’re first generation, they technically are able to apply.

“That’s the only area where I think there could be some moral hazard,” Stevens concluded.

# MLSs advance small business, equity in homeownership

National Association of Realtors President Charlie Oppler talks benefits of the Realtor marketplace.

*By*[*Charlie Oppler*](https://www.realtrends.com/author/charlie-oppler/)

A critical foundation of American homeownership is the Multiple Listing Service (MLS). These independent, local broker organizations create highly competitive markets that are friendly to small business while ensuring equitable home ownership opportunities, superior customer service and greater options for buyers and sellers.

Simply put, local real estate organizations provide sellers access to the largest possible pool of potential buyers while creating the greatest number of housing options for buyers in one, centralized location.

#### Leveling the playing field

For people trying to break into this real estate market, MLSs level the playing field, allowing small brokerages to compete with large ones by creating hubs of local real estate market information where all broker participants have access to the same reliable and trusted data. As a byproduct, these data hubs spur entrepreneurship and innovation, allowing consumers to choose the type of broker they want to work with and what fee options they prefer, including those who provide many different service and fee options, from varied commission models to flat fees.

Without the associated broker cooperation — where the listing broker pays the buyer broker — countless first-time homebuyers and low- and middle-income Americans would find themselves unable to afford both a down payment and professional representation if these homebuyers had to pay a buyer commission out of pocket at closing.

For many, saving for a down payment is difficult enough. For example, on average, American households have about $8,800 in the bank. That’s barely 50% of the median down payment on a starter home. And since most lenders don’t allow real estate broker commissions to be financed, every 1% of broker commissions that first-time buyers might have to pay out of pocket would put their home more than $2,000 further out of reach.

#### Clear Cooperation Policy

Together with the hundreds of MLSs around the country, NAR is working to ensure guidelines for the MLSs allow for that kind of affordability as well as accessibility that better enables all Americans the opportunity to achieve the American dream of home ownership.

Part of that ongoing fight is NAR’s recent adoption of its [Clear Cooperation Policy (CCP)](https://www.nar.realtor/about-nar/policies/mls-clear-cooperation-policy), which was intended to promote transparency and fairness in the U.S. housing market by addressing concerns about so-called “[pocket listings](https://www.realtrends.com/are-office-exclusives-the-new-pocket-listings/).” These listings allowed brokers to market properties themselves before placing them on a local market MLS.

The CCP requires a listing broker to submit his or her listing to the MLS within one business day of marketing a property to the public. The CCP is especially important in competitive markets where properties sell extremely fast, and also help protect against circumstances in which properties are only marketed to particular groups of people in America. NAR determined this guidance was needed as a crucial consumer protection, and it was overwhelmingly adopted by NAR’s board of directors in November 2019.

NAR believes everyone should have the opportunity to purchase the home of their dreams, wherever it may be. Local broker organizations and the CCP help facilitate that opportunity and promote equity and accessibility in the housing market while creating a fertile ground for small businesses to flourish. NAR is proud  our guidelines play a critical role in promoting the pro-consumer and pro-competitive American housing market.