

Creating Value
IN A CHANGING
WORLD



Emerging Trends, Challenges
and Opportunities For Real Estate
Professionals — May 2014

A Strategic Issues Survey
Presidents & Association Executives

May 2014

Strategic Issues Project

The Strategic Issues Work Group of the National Association of REALTORS® Association Executives Committee is charged with identifying emerging trends and issues that are likely to have a significant impact in the near future. The purpose is to create a report that will assist real estate Associations, MLSs, brokers, agents and affiliated professionals in their business planning. Released in May 2014, this report is the seventh in the last 14 years.

One step in the process is an e-mail survey of all Association Presidents and all Association Executives on changes they see in the near future. The questions are about the real estate business and the Association. The response rate to the recently sent survey was very good with 256 responses of 1,269 surveys to Presidents, or about 25%, and 291 responses of 1,239 surveys to Association Executives, or about 23%. Questions were open-ended response. A review of the over 547 responses to each open-ended question produced many recurring themes.

OVERALL TRENDS: VALUE AND MERGERS

The strongest theme in all subject areas — agents, brokers, consumers, and Associations — was the need to deliver value. Defining value amongst rapid change was the concern. Comments on Association mergers, and MLS mergers were also especially robust. These two — value and merger — were the dominant concerns, clearly outstripping all others. Some comments linked the two making creating value a reason for merger. This high degree of concentration on a specific item has not occurred in past surveys.

INTERVIEWS AND SURVEYS

The Strategic Issues Report is based on interviews conducted with leading brokers, agents, industry consultants, and economists. It is purposely focused on the real estate industry, not the REALTOR® organization. The survey of Association Presidents and Association Executives spotlights the organization. This dual view seeks to find recurring trends from the different points. The themes from the surveys and the interviews are virtually identical this year. Thus the same title, “Creating Value in a Changing World.”

The opinions of the Presidents and the Association Executives were almost identical, so they are listed together. In general the AEs were more focused on operations and the Presidents on member involvement — as it should be — but the concerns were the same. The list is in order of intensity based on number of times the subject was mentioned.

WHAT ARE THE MOST DRAMATIC CHANGES YOU SEE OCCURRING IN THE REAL ESTATE BUSINESS IN THE NEXT FEW YEARS?

- Mergers/consolidations of Associations
- Dominating position of portals in changing the business
- Mergers/consolidations of MLSs
- Possible loss of MLS by the REALTOR® organization
- Loss of perceived value of REALTOR® by consumer
- Members voluntarily leaving the REALTOR® organization
- Increasing impact of technology on business operations
- Consumer defining the role of REALTOR®
- Millennial generation replacing Boomers; changed attitudes
- Decreased number of agents and firms
- Consolidation of firms
- Growth in use of virtual and mobile technologies
- Consumers moving ahead in all areas of technology
- More governmental regulation of real estate
- Private networks for listings eroding MLS

QUOTES TO “... DRAMATIC CHANGES IN THE REAL ESTATE BUSINESS”

“Consolidation is driven by everything changing at once — technology, consumers, competition, information access, relevancy — you name it.”

“The MLS as it currently exists will either dramatically transform, or quite possibly end. We have dug in to maintain the status quo when others are running over and past us.”

“There is a growing indifference to the value of the Association.”

“Everything is losing value — agent, broker, Association.”

“Members are re-thinking the cost of membership when they have real and cost effective alternatives.”

“Our aging membership and their resistance to change in technology will make us irrelevant and unable to compete in the marketplace.”

“A continued erosion of the role of REALTORS® and the traditional real estate model.”

“Mergers are growing for Associations, MLS, and even companies.”

“Non-Realtor competitors to MLS are more nimble and aggressive.”

“Many of the business models that have works for 50 years and going to fail and we will see entirely new business models that will challenge Associations and MLSs to fit them in without making massive changes themselves.”

“Portals will offer services and branding that will directly compete with the REALTOR® brand.”

“The expectation of clients, in terms of technological capability, is going to exceed the ability of many practitioners.”

“Transformation of the model from transaction specialist to trusted advisor. So new skills are needed to capture and hold the customer.”

“Technology is changing how data is delivered. To survive we will need nimble, forward thinking leadership, making tough change decisions.”

“Rather than challenges of new models inside the industry, we now face outside competitors that are getting traction.”

“Consumer focused web companies will grow and become more powerful. Members will be drawn to them for good reason and threaten the future of organized real estate.”

WHAT MAJOR CHANGES DO YOU SEE IN THE NEXT FEW YEARS IN YOUR ASSOCIATION?

- Consolidations/Mergers of Associations
- Proving value of the Association to members
- Establishing relevance to members, firms, and the public
- Mergers of MLSs; regional or larger
- Lack of volunteers and involvement
- More virtual operations; less physical plant
- Members voluntarily leaving the Association
- Communications challenges, especially social media
- Retiring older members and newer members taking over
- Less involved, less informed, less experienced leaders
- Generational transition and attitude change
- Considering new governance models

QUOTES FOR “... CHANGES IN THE NEXT FEW YEARS TO THE ASSOCIATION”

“By merging with another Association we believe we can grow in service and ability to position ourselves for the future. If we don’t, I think we will not continue progressively and will lag behind everyone.”

“Members do not see the value in the Association. They don’t understand the importance of advocacy. If the MLS goes away, then most of the members will not participate in the Association.”

“Trying to catch up with other Associations in regards to technology and member engagement and communication.”

“Remaining relevant. Most brokers belong to us for the MLS service. If there were other options I would be very concerned for the future of the Association.”

“A more sophisticated, more educated member who understands how to use technology to be successful. That is, how to manage a business and not just to sell.”

“The need for collaboration in a world of fierce competition; creating synergy where there currently is none.”

“Maintaining relevance in an environment where we increasingly compete with firms to provide benefit to our members.”

“Finding that sweet spot as it relates to technology and the personal touch.”

“Closing the physical office and going completely virtual.”

“The current membership model based on number of members has to shift to quality of members.”

“Changing the way we engaged the newer members while still catering to the seasoned veterans.”

“Changes in association governance are well overdue.”

“We must revise our structure to ensure member involvement overall and that decision makers have the knowledge and ability to make solid choices to benefit the members.”

“Hopefully we will let go of history and get some new fresh members and ideas into leadership.”

“Our older members are retiring and leaving the business and the younger members are not as involved or interested in the Association.”

“We need to merge with another association to create new enthusiasm, capabilities, and value.”

“We must reinvent our Association to remain relevant to our membership and to the consumer.”

“It is absolutely vital that consolidations occur to create associations of large enough size to provide definitive member value.”

“What used to be areas further than 60 miles away are now literally at our fingertips. We need to consolidate.”

“Focus on our core values and define who are members and what are their needs.”

“Members are simply no longer playing by the rules. Professionalism is dropping.”

“The use of technology in our day-to-day business will cause a changing of the guard along our membership. Agents that accept and adapt common use of technology will thrive. Experienced agents who don’t will see a significant erosion of their business.”

“We need to become leaner and stay competitive with other Associations and the numerous outside real estate players.”

WHAT IS THE MOST SIGNIFICANT CHALLENGE YOU FACE AS PRESIDENT/ASSOCIATION EXECUTIVE?

- Proving the relevance of membership in the Association
- REALTOR® value to the consumer
- Consolidation/merger of Associations
- Impact of demographics; younger members different attitude
- Member involvement/participation; members not engaged
- Loss of MLS as a core service and value
- Keeping up with all the changes everywhere
- Professionalism slipping
- Communicating effectively with all types of members
- Members leaving the REALTOR® organization
- Lack of quality leadership; not business like; personal agendas
- Not considering the bigger picture of the industry in decisions
- Disconnect of the three levels of the REALTOR® organization

QUOTES TO "... THE MOST SIGNIFICANT CHALLENGE"

"Creating value for our membership and maintaining trust in the REALTOR® community with the advent of new technologies that could make us less viable."

"Keeping the Association relevant to the membership by making decisions that will be important to them and not just to the leadership."

"Getting our Association and the individual members to adapt to the new business environment."

"Keeping the membership engaged in the Association will be a significant challenge."

"Considering the need for potential mergers and whether or not the Association should take that step."

"Having members see, utilize and appreciate the value of the Association."

"Leadership that is behind the curve in what's happening in the industry and how that affects their decisions."

"Continuing to keep up with all the technologies that impact associations, members, and the real estate industry. They're all different."

"The relevancy of all Associations in the information age."

"Relevance — making sure the programs we offer are what the members want and need in light of competition from outside organizations."

"Rethinking who and how we communicate will be very important moving forward."

"Dealing with an increasing trend in personal and self interest of individual leaders in the organization as well as members."

"Quality leadership that can think strategically and stay abreast of trends that will affect the Association to give guidance and leadership."

"The threat of brokers leaving REALTOR® MLS is becoming more real; increase pressure by large firms to stop providing many services."

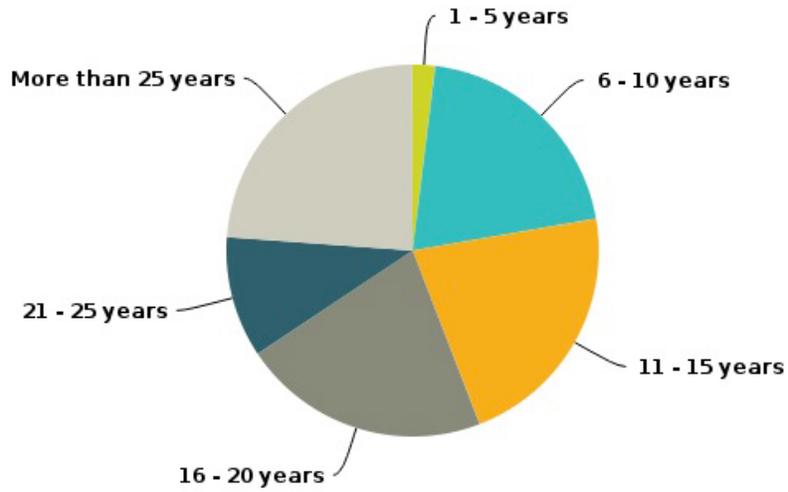
"Unethical brokers and agents, wanting what they want, when they want it, no matter the cost."

"Getting local leadership to understand some of the big picture issues that are facing the industry."

PRESIDENTS

Q2 How long have you been in the real estate business?

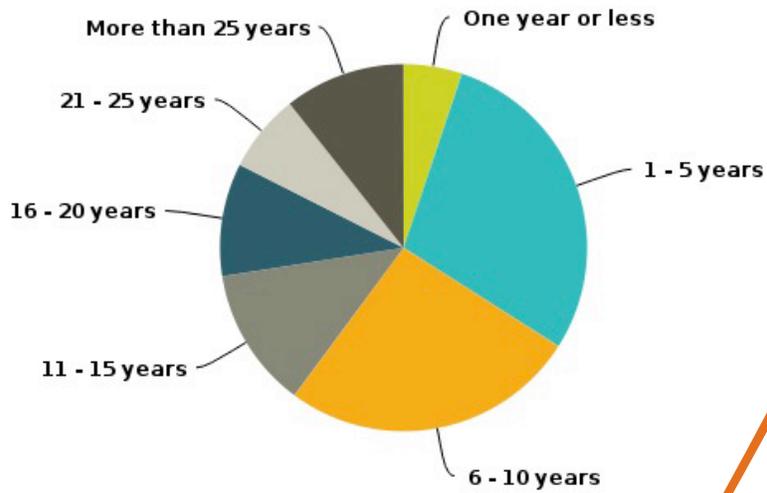
Answered: 256 Skipped: 0



ASSOCIATION EXECUTIVES

Q2 How long have you been an AE?

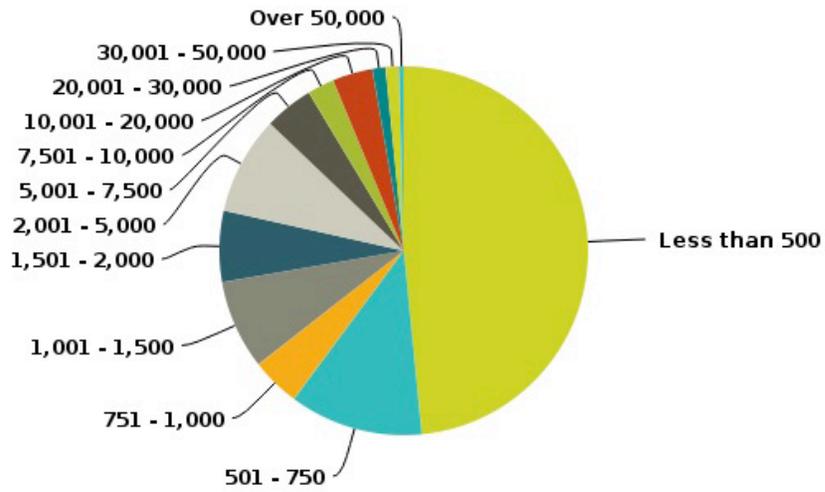
Answered: 291 Skipped: 0



PRESIDENTS

Q4 What is the membership size of your Association?

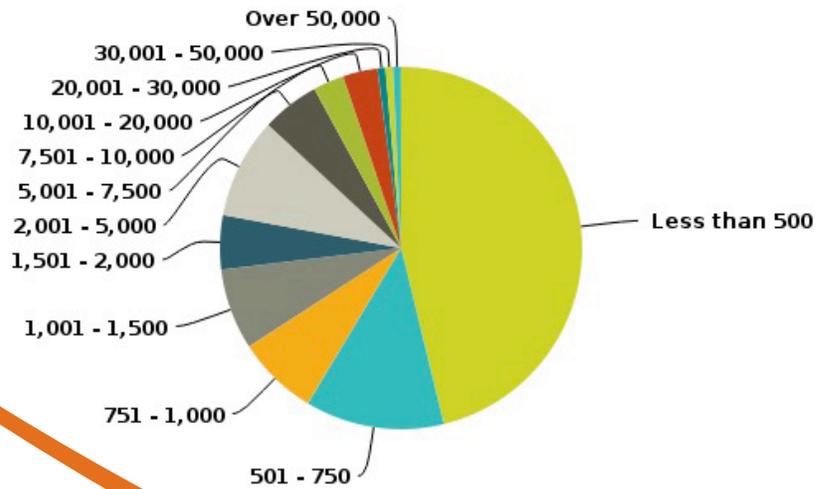
Answered: 256 Skipped: 0



ASSOCIATION EXECUTIVES

Q4 What is the membership size of your Association?

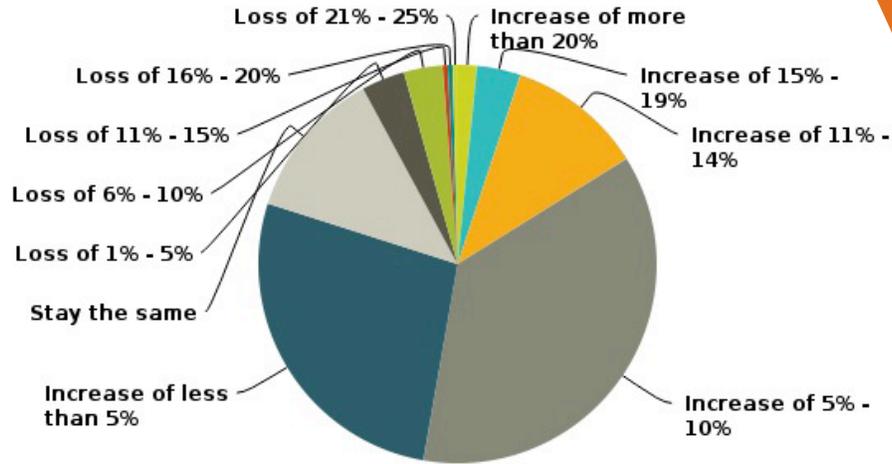
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PRESIDENTS

Q5 What are your projections on membership changes in the next 2 years?

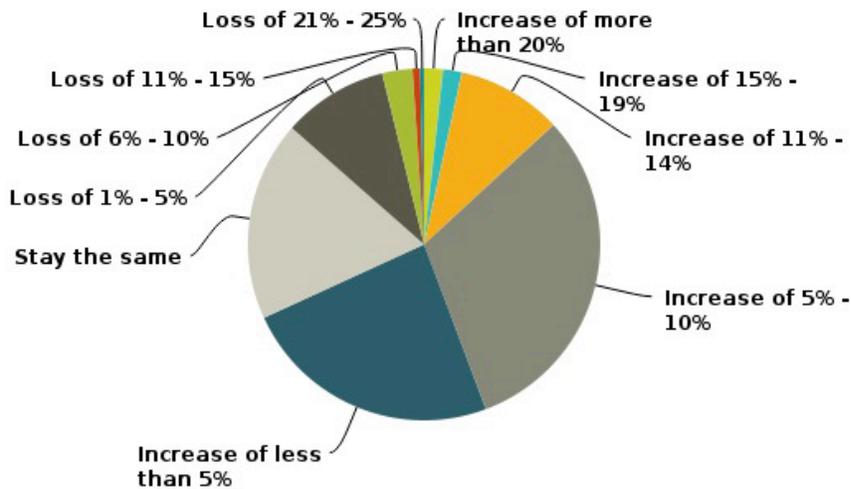
Answered: 254 Skipped: 2



ASSOCIATION EXECUTIVES

Q5 What are your projections on membership changes in the next 2 years?

Answered: 289 Skipped: 2



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Additional material supporting the strategic issues report can be found on the website AssociationStrategicIssues.com. The full report, a brief video, Keynote and PowerPoint files, books, previous reports, and miscellaneous strategic materials are there for download and reading in multiple formats and on various platforms.

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