

## **Ten Trends That Are Shaping the Real Estate Business: Part II**

By John Tuccillo, PhD

March, 2005

As you may recall from my last column, I believe there are ten trends that are currently shaping the future of the real estate business. The first five—described in that column—are:

- There are fewer firms
- Commissions are falling
- Falling standards
- Online or out to lunch
- New business models.

This month, we finish the list.

### **Trend #6: Broker-owned MLS**

The major issues brokers now have with MLS center around the listing of homes for sale by owner and listings by discount brokers. As we pointed out in an earlier column, these are putting downward pressure on commissions and thus broker income. In addition, there is still lingering displeasure among larger firms over the need to join several MLS in order to do business. These have come to a head in the Bay Area where brokers are in intense negotiations with MLS about structure and ownership. Look for this to crop up in other places, and for brokers to form their own, privately-owned MLS in areas where there are large market share firms.

### **Trend #7: Public companies in real estate**

It started when Cendant bought Coldwell Banker, ERA and Century 21. It has continued with the growth of Home Services. Public companies are now in prominent positions in the real estate industry. There will be others as the need for capital to run a modern, efficient real estate firm grows and the public capital markets offer convenient sources for that capital. The implications of this are similar to the implications of a smaller number of firms and the implementation of the corporate business model in real estate: more central control, different business goals and a movement toward employee relationships. All of these are necessary if the public company is to satisfy its shareholders.

### **Trend #8: The graying of real estate**

Real estate, as an industry is getting older. The typical real estate agent is now around 53 years old, and that median is advancing almost a year as each calendar year passes. Simultaneously, the age of first-time homebuyers is falling. The differences between Baby Boomer agents and Gen X and Millennialist

buyers are significant. The two groups differ in what information they like to receive and how they receive it and what trust relationships they establish. As the agent population ages, the gap widens. Clearly real estate needs to refresh itself. The method of doing this to date is for established agents to entice their children into the business. This doesn't work as a long run strategy. Ironically, as the industry becomes more corporate, it can attract younger agents with regular hours and benefits.

### **Trend #9: The second home explosion**

NAR recently issued a report on second homes that indicated that nearly one-quarter of all homes sold were bought for investment purposes, and that two-thirds of the increase in existing homes sold between 2003 and 2004 was accounted for by second home sales. As the baby boom ages, these numbers will only rise, and second homes will become a leading part of the real estate market. While traditional destinations will still prosper, other locations, particularly college and university towns will emerge as new destinations for the boomers looking to audition their last home. It's important for real estate professionals who do not work in second home markets to establish referral relationships with those who do, so they can share in this boom.

### **Trend #10: The merging of services**

Technology has wiped out the barriers between that various businesses involved in the real estate transaction. Mortgages, brokerage, title and escrow (among others) are businesses that are increasingly within the capabilities of each other. This is part of the reason that NAR is campaigning against the entry of banks into real estate. One of the major reasons for this merging is the demands by the public for convenience (the "one-stop shop") in the real estate transaction. Look for the increased merging of services within single entities as real estate firms of all sizes adopt mortgage agreements, as well as business arrangements with other service providers and move toward the single point, streamlined transaction.

Each of these trends can be the subject of its own treatise and some will be given a fuller treatment in future columns. But, as a real estate professional, you should be aware of their emergence and plan to incorporate them for your own profit and your business evolves.