



HERITAGE  
REALTORS®

November 22, 2005

HOME OFFICE



ATTN: Lee Quinn  
Antitrust Division  
U.S. Department of Justice  
Liberty Place, Suite 300  
325 7th Street NW  
Washington, DC 20530

Federal Trade Commission  
Office of the Secretary  
Room 135-H (Annex F)  
600 Pennsylvania Avenue NW  
Washington, DC 20580

This letter will provide you information in regard to the level of competition being experienced in the real estate industry and specifically in our marketplace of Dayton, Ohio. Our company was founded in 1967 and has experienced solid growth over the years. Our market has never benefited from (or suffered the consequences of) rapid increases in home values. We have grown through diligent and focused efforts of our ownership, our managers, our agents, and our employees.

The real estate industry has seen dramatic changes in that homebuyers and home sellers require much more today than they did even ten years ago. Today we are expected to provide more services than ever and we must have a higher level of expertise to earn the business of our clients. Clients expect "one stop shopping" and look to us to be able to provide all the services that they need to achieve their home selling or buying expectations. The pace of our environment, the frequency of home purchases, the information available via the internet and other mediums all have contributed to heightened consumer awareness and expectations. With increased costs associated with providing the services expected by consumers, several statistics and facts are relevant in the discussion on competition in the industry.

- The average listing commission percentage continues to decline. In our market the average commission charged to a seller (at least in our company) is well under 6%. I suspect that nationally this is the case as well.
- In our market, the average price of a home is about \$140,000 with typical value increases ranging from 0% to 5% in any one year.
- Our average revenue per transaction remains relatively constant at \$4,100.00. Competition in the industry results in ongoing lower costs to the consumer and house price appreciation basically offsets the ongoing reduction in average fees charged to our clients.
- There are more agents in our local board of Realtors (approximately 3300 total) than there ever has been. There are more real estate companies than previous years. More people providing services mean increased competition.



- The same can be said for ancillary businesses important to home owners, specifically mortgage companies. Competition has increased which benefits consumers.
- More and more companies outside our market are attempting to get a share of the market. They do not typically provide services that are “new or unique” that benefit the client, but they are able to capture a client and then, through a referral fee, sell them back to us. In reality these outside companies do not provide anything we do not provide, but they do increase the competition and compete on price. This ongoing situation continues to put downside pressure on the prices that consumers pay for real estate services in the Dayton, Ohio market, a market that is pretty representative of a typical middle America market.

In summation, in my 28 years of experience in the real estate business, I have never seen a period of time where competition has been more intense. The good news is that this focuses all real estate companies, if they want to survive to; improve the services they provide, improve their pricing to the consumer, to train their agents and employees to higher standards, to invest in technology, to provide mortgage and other required services, to develop client concierge programs, to invest in first time homebuyer seminars, to spend millions on advertising, and invest high amounts of capital on a wide variety of programs and services that allow us to compete with both local and national companies.

I respectfully state that the competition in our business is as robust as ever, and the American home sellers and home buyers are benefiting greatly from the competition in our industry. This will continue forever just like it has continued for my 28 years in the business and even years prior to then. Homeownership continues to be a foundation of our economy and part of our American dream. We will, as a company, and as an industry, continue to develop and provide the services consumers require at a fair price. This is being accomplished in one of the most competitive industries in our country during the most competitive time that I can ever remember.

Sincerely,

Steven W. Earman  
Owner