



Howard Hanna Real Estate Services Input and Comments on Competition in the Residential Real Estate Market

Howard Hanna Real Estate Services is grateful for the opportunity to provide some input to the June workshop on the competitive nature of the residential real estate market. In fact, the pro-competitive residential real estate is one of vigorous and fierce competition. The pro-competitive nature of the market, and industry, has continually grown to provide the Consumer with a significant choice of opportunities for the real estate listings, data, as well as the services that varying brokerage models can provide.

This competitive market landscape has encouraged the creation of pricing alternatives, platforms for buyers and sellers to work on their own: sellers can already list their home and have it on literally dozens of Real Estate web sites which are available to potential buyers, at a very low entry fee. The development of innovative technologies, data sharing and cooperating IDX feeds, agent development, robust representation of buyers and sellers, has further promoted a market where consumers select from self-service to full service – and everything in between. And whatever brokerage, or non-brokerage model, they choose, sellers will have full internet exposure to buyers, lenders, title and escrow services. Buyers have the opportunity for robust representation. Buyers frequently work with more than one buyer agent and from different brokerages to find their new residence. The fiduciary model continues to be strengthened as the pro-competitive marketplace grows. In short, brokers want to create customers for life, we want to ensure that in all transactions, whether buyers or sellers are represented: acting in the consumer's best interest, consistent with licensing, fiduciary duty and in both the small and large communities where we provide these services. Howard Hanna firmly believes that this is the culture of the full-service brokerage industry today.

In an industry where various types of brokerage service models are experiencing success – and consumers are having a greater ease in one of the largest transactions of their financial lives- full service brokers expend significant resources to market properties and to provide buyers with the highest level of representation. By using innovative marketing, open resources and traditional advertising, homes are being promoted world-wide and micro- marketed in our local communities for the benefit of both sellers and buyers. Since the early 1990's buyer representation has continued to be a transparent and strong consumer advocacy. Despite increased advocacy, according to a recent industry study by Real Trends, as the listing average has dropped to 1.4 listings/agent, commissions have also dropped to 5.08% on average. Quite simply, competition is further driving advocacy for the consumer, at a lower cost to the consumer.

Consumers are savvy. Consumers have access to – and are provided with - an increasing amount of real estate data and content. Technology companies even more so, presumably. They are aware of the various levels of compensation, types of representation and the market data supplied by licensed agents and brokers. Realtors are supplying more information on the real estate market than ever, through a variety of sources – all meant to bring that information to the consumer with accuracy.

When we look toward the consumer facing platforms which provide – and even simply purport to provide, real estate data, there are significant number of avenues for consumers to seek the data they want. While most real estate web sites provide verified and accurate content and data, many mislead the consumer but letting buyers and sellers believe that they will be talking to a Realtor or real estate agent who is actually aware of the house, the neighborhood, schools, and, who will represent their interests. Consumers have no idea that some sites are nothing but fee generation businesses who do nothing but repost the listed properties – which are fed through an MLS IDX – and which might be available on other sites to the consumer -and then refer them to an agent who then pays a fee to secure the buyer. It is that type of practice that is a licentious abuse of consumer trust that creates a challenge to real consumer representation with fiduciary duties. These sites have no quality control over the agents since most can buy leads as long as they pay for the service and hold, one hopes, a license. These businesses further abuse the public trust of these Realtors or agents, who believe that they are actually paying for and being provided a resource.

Consumers, and Realtors or agents, should be able to assume that the information on these sites are correct. However, since many sites simply scrape the data – data and content that is within the intellectual property of a broker - they do not always have the correct and up to date information on the listing. Some sites have offered homes for rent when the listing agent and sellers have only offered the home for sale. They have no authorization from the broker or the seller. Most listing agreements with sellers provide the listing broker with the exclusive right and responsibility for the marketing of the property. Therefore, it is inherent duty of a broker and agent to protect the accuracy of the data that is shared. While the residential real estate market provides the consumer with options and verticals to buy or sell a home on the internet - in that realm, one is protecting the consumer from misleading and incorrect information.

There are incredible levels of engagement for those in the industry, consumers and those hoping to create a new format of the real estate transaction – making the consumer experience thoughtful, transparent and beneficial. Innovations in real estate technology and choices in differing brokerage models should not be confused with the need for standards that protect the consumer in one of the largest transactions they will have. Licensing regulation are important to that end. These new brokerage models have brought an increased level of competition – among brokers, and for the actual transactions for buyers and sellers.

Multiple Listing Systems are a strong system of support of a pro-competitive model that benefits the consumer. While being both a system of cooperation among brokers and compiling competing brokers data – disseminating through syndication sources, the MLS helps to formalize and create consistency of content and data. Such consistency of cooperation and compensation provides the consumer with the result of content, which, in cooperating brokerage, assures to the

seller, that their property is being marketed – and to the buyer, that they are receiving accurate market information and the representation that they requested and expected.

When we look toward and transact for consumers, the consumer facing platforms and brokerage models which provide the competitive marketplace in the residential real estate market are working successfully. Consumers, despite being able to access all variations of brokerage and non-brokerage models, continue to choose to work with licensed real estate agents. They continue to work with Realtors and licensed agents. Consumers have access to market data and content, and that assists them with their research. Agents and Realtors are regulated. They are scrutinized by their governmental regulatory agencies, by their Realtors members at their local boards of Realtors and the NAR Code of Ethics, and with the public, who regulate their business by choosing only competent, professional agents to represent them.

We thank you for this opportunity to assert our confidence in a market where we have been doing business, and have been serving the consumer, for over 60 years.