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Amy Chorew



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# MICHIGANREALTOR®

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# 03.19

{ MARCH | TWO THOUSAND & NINETEEN | VOLUME EIGHTEEN | NUMBER TWO }



## 2019 is off to a great start

As we advance to the second quarter of 2019, it is a great time to see just how much we have accomplished in a few short weeks of this new year.

Once again, the RPAC Fundraising Forum & AE Meeting in Lansing was a huge success. With over 100 attendees, we gathered to discuss, learn, strategize and raise funds for critical work in our industry. 2019 RPAC Trustee Chair, Barb Hampton, hosted the event. 2019 Realtor® Party Involvement Liaison, Kevin Sears, gave real life examples of how his decision to volunteer has led him to amazing opportunities and experiences within our industry. Thank you to all members and local association executives who make it a priority to attend and participate.

Achieve in Grand Rapids was sensational itself, with plenty of learning and laughter in a world-class venue (the JW) – a true leadership event with top-notch presenters. A variety of knowledge sessions got us empowered and ready to tackle our old issues with fresh strategies while networking opportunities had us making new connections. I met many of you at Achieve this year, and I am looking forward to running into each of you again throughout the year.

So many of you attended my President's Reception at the Amway Grand Plaza Hotel, and for that I am humbled and grateful. I am looking forward to great success this year as I lead alongside President-Elect, Maureen Francis; Treasurer, E'toile L. Libbett; and CEO, Rob Campau.

Looking ahead, there's no time like the present to make sure that you are registered for the upcoming Broker Summit. Commit to yourself and to your own personal and professional development by registering today. This year's event will be held at The Westin Detroit Metropolitan Airport, with a lineup of speakers and sessions that are truly not to be missed. Specifically designed for both Brokers and Realtors® from around the state, the Broker Summit will address the current state of the real estate industry in Michigan and give some powerful insight into what will propel your business this year. How can you afford to miss this?

Among the notable highlights at the Broker Summit will be our keynote speaker, Terry Watson. Terry is a Customer Behavior Expert. That's right – he is an expert in how customers behave. What does this mean? Terry

teaches businesses how to create raving fans and obscene profits – exactly what every one of us aims for! He has a fabulous presentation to offer, and with over 18 years of public speaking experience, you can be sure that you will be well entertained and informed. Make 2019 a year of no regrets – get that registration in now and confirm your attendance at the Broker Summit. NAR's Nobu Hata will also be speaking on the Brokerage of Tomorrow, Today.

### **BROKER SUMMIT**

**April 24, 2019**

**The Westin**

**Detroit Metropolitan Airport**

**Register: [www.mirealtors.com](http://www.mirealtors.com)**

Last, I want to make sure you know about a terrific legal resource available just for our members. *Law.MIrealtors.com* provides exclusive legal education and resources that you will find very useful. Among the resources, *Law.MIrealtors.com* includes:

- *Law Library*
- *Letter of the Law Videos and Transcripts*
- *From the Mailbag Videos and Transcripts*
- *Legal Hotline Q&A*
- *Commercial Q&A*
- *Forms*

Be sure to bookmark *Law.MIrealtors.com* in your browser for quick reference. This is one resource you will want to keep handy.

As we quickly move into the busy spring season, I want to remind you that whether you are a new member or have been enjoying the benefits of membership for a while, each and every one of you is a critical member of our profession and an important part of Michigan Realtors®. Stay engaged. Stay interested. Make 2019 the year you work towards achieving your personal and professional goals. See you at the Broker Summit. ●

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## COMING EVENTS

**April 24, 2019**

Broker Summit

The Westin Detroit Metropolitan Airport

**October 2-4, 2019**

The Convention

Detroit Marriott at the Renaissance Center, Detroit

**September 2019**

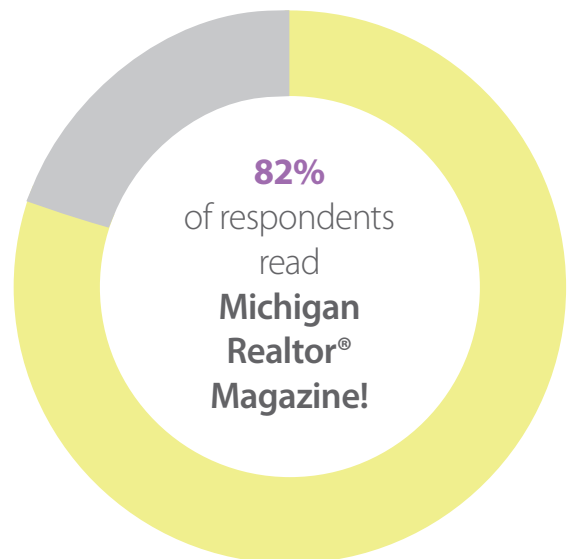
Professional Development Series

Details to follow

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According to a recent membership survey (Winter 2018)



Source: American Strategies Survey conducted November 13 – December 2, 2018



## The Fate of Ducks and Tying Up Loose Ends

As promised in the January edition, here is part two of this Capitol Report, wrapping up all of the policy issues from 2018. By the time 2018 ended along with session and Governor Snyder's final term, we scored some significant victories, fended off some harmful legislation, and laid the groundwork for some significant legislation to move in early 2019.

First, let us deal with the biggest let down of the 2018 lame duck session, the veto of the Michigan First Time homebuyer Savings Account (FHSA) legislation. A top priority of ours last year, Senate Bills 511-512 passed the legislature with overwhelming support from both sides of the aisle. The bills were vetoed by Governor Snyder despite amendments made along the way to try and address his concerns. In his veto message, Governor Snyder explained that despite seeing some benefit to helping retain Michigan talent, he came into office not wanting to incentivize behavior through the tax code. His philosophy was one of providing a low rate for all tax payers and not picking winners through incentives and credits. Sadly, because the FHSA is a tax-incentivized vehicle, it did not meet this philosophy.

I'm happy to report that work has already begun on this same legislation in 2019. Senators Peter MacGregor (R- Rockford) and Ken Horn (R- Frankenmuth) will be reintroducing the bills early this session. The FHSA legislation was a main focus of candidate interviews throughout the campaign season so education of the new legislators began earlier. Similarly, Governor Gretchen Whitmer expressed her support for the concept when she met with the RPAC Trustees back in June. Anticipate reading about movement of these bills in the near future.

Turning to some of the other issues on the 2018 lame duck docket:

**Good Title:** SB 671, sponsored by Senator Rick Jones (R-Grand Ledge), modernized and clarified the Marketable Title Act. What was primarily a technical fix, the change both simplifies and provides certainty to land titles. Many areas of the state find land development blocked by ancient restrictions on the use of the property. These ancient restrictions often conflict with current zoning ordinances and frustrate their intent. The technical change proposed in this legislation is a simple fix that would carry out the original intent of the legislature by further "simplifying and facilitating land transactions" and by providing certainty to land titles. (Enacted as PA 572 of 2018).

**Reasonable Regulation and Good Science:** SB's 652-654, from lead sponsor Senator Tom Casperson (R-Escanaba),

bolstered the interests of businesses and Michigan citizens in their dealings with the Department of Environmental Quality (DEQ). This law change will promote transparency in the rule-making and permitting process, providing greater certainty for businesses and property owners, while highlighting science-based applications within the process. (Enacted as PA 267-269 of 2018).

Unfortunately, this has become the first political issue between our new Democrat governor and the Republican Legislature. As one of her first handful of official acts, Governor Whitmer issued an executive order eliminating these private sector oversight boards. The legislature is taking exception to her eliminating a legislatively created board through executive power.

**Wetland Regulation Reform:** SB 1211, also sponsored by Senator Tom Casperson (R-Escanaba), provides greater transparency for property owners in wetland areas. The new law requires DEQ to provide a property owner, in writing, a list of each specific provision of statute, rule, or permit that the person was alleged to have violated and a statement of the facts constituting the violation. Also, if the person agreed to meet with the department, it could not initiate a civil enforcement action until after the meeting was held, unless the meeting was not held within a reasonable time of not less than 60 days. As a response to growing claims of subjective field rulings by DEQ staff, this new law provides greater certainty for property owners. It will also require the DEQ to consider costs, existing technology and logistics when evaluating alternative options for permitted processes. (Enacted as PA 564 of 2018)

**Assessor Reform:** HB 6049, sponsored by Representative James Lower (R-Cedar Lake), represents important reform in the assessment of property in Michigan. The new law will provide baseline compliance standards for how assessment should be done, while implementing a rolling audit to ensure that assessment districts are meeting the needs of their respective constituency. While the impact of the law may be a few years down the road, the bar for assessment practices in Michigan has been raised. (Enacted as PA 660 of 2018).

### A Good Defense

Michigan Realtors® was also instrumental in thwarting problematic legislation this past year. For continued reading of this Capitol Report and the story on those bills please visit <https://www.mirealtors.com/Advocacy-Initiatives/Legislative-News>. ●

# 2018 RPAC Major Investor Tribute INVESTORS AS OF 12.31.18

Michigan Realtors® would like to close out 2018 by recognizing the following RPAC Major Investors that were not included at the time of publication in the January issue of the Michigan Realtor® Magazine. We would like to take this opportunity to thank them for their continued support.

## GOLDEN R



**Paula Arndt**  
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**Ted Edginton**  
Greater Metropolitan



**Stu Elsea**  
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**Yoshiko Fujimori**  
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**Marianne McCreary**  
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**Jacob Meeseman**  
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**Rob Moen**  
East Central



**Greg Morris**  
Northeastern Michigan



**Alexander Pandoff**  
Monroe Down River



**Ann Peterson**  
North Oakland County



**Beth Pressler**  
Grosse Pointe



**Mary Rettig**  
North Oakland County



**Laura Schlecte**  
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**15** MINUTES



# Your Most Important 15 Minutes: Don't Let Distraction Take Over

Stop living a life of distraction by following this simple formula.

BY LARRY KENDALL

“Most Americans are living in a continuous state of partial attention,” according to behavioral psychologists. International business coach, Robin Sharma, observes, “The enemy of mastery is not mediocrity. It is distractions. The addiction to distraction is ruining many potentially awesome lives.”

Why are we so distracted and what can we do about it? A common trait of the most successful people is their ability to focus on the most important tasks and not get distracted. How do they stay on track?

First, recognize that we live in three circles. These were defined by Dr. Stephen R. Covey in his famous book, *The 7 Habits of Highly Effective People*.

Today, the media (and social media) bombard us with a continuous stream of information that causes us concern. We have no control over most of this information. Unsuccessful people tend to live their lives in this circle of concern, living a life of continuous distraction and anxiety. They worry about things over which they have no control. Their distraction keeps them from achieving their goals, and they are often frustrated because they are not making progress.

In contrast, the most successful people are aware of their concerns but tend to focus their energy on the circles of control and influence. They control their daily activities, and they influence their children, co-workers and clients. They are making a difference and achieving their goals.

How can you stay focused on your goals and your circles of control and influence? Starting your day with the right habits is the key. The following morning routine only takes 15 minutes and is your most important 15 minutes of the day.

## YOUR MORNING ROUTINE (YOUR FIRST 15 MINUTES OF THE DAY)

### 01 START WITH GRATITUDE.

Bring into your mind the things for which you are grateful. This will put you in a positive energy state. If you're writing affirmations, this is the time to do them as well.

### 02 TIME BLOCK YOUR AGENDA FOR THE DAY/WEEK.

Time blocking has been proven to improve your effectiveness. Do not open your email! The minute you do, you are on everyone else's agenda. The email can wait 15 minutes. Either you run your day, or your day runs you.

### 03 WRITE TWO PERSONAL NOTES.

These are the most powerful items that you can send to another human being. Plus, it puts you in a good mood when you write them.

### 04 FOCUS ON YOUR HOT LIST.

If you are in sales, this is your list of people who want to buy or sell in the next 90 days. If you are a manager, it's your list of tasks to be completed today. Make sure you've time blocked when to finish them.

### 05 FOCUS ON YOUR WARM LIST.

If you're in sales, this is your list of people who may want to buy or sell in the next year. If you're a manager, it's your list of tasks to be completed by the end of the week. Again, make sure you time block your warm list.

I recently moderated a panel of top-producing sales associates. Their annual production ranged from \$20 million to \$40 million. When I asked them, “What is the one thing that most drives your success?” They were unanimous in saying, “My morning routine. When I get started with the right habits, my day goes great. It's my most important 15 minutes of the day!” ●

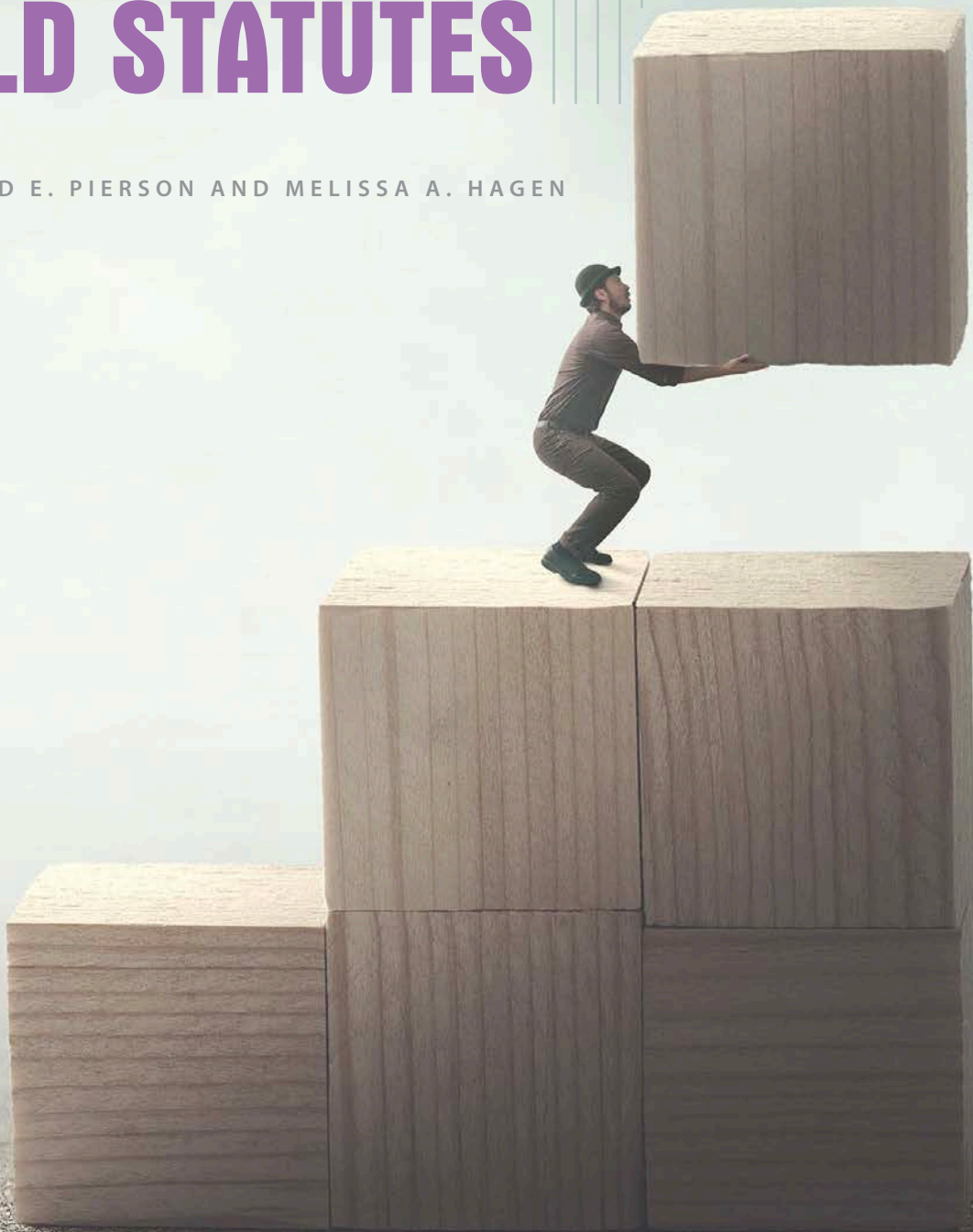


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# NEW RULES *under some* OLD STATUTES

BY DAVID E. PIERSON AND MELISSA A. HAGEN



As many Michigan Realtors® are aware, the end of 2018 brought a flurry of activity in the Michigan Legislature. A number of new laws were enacted, many of which were extensively covered by the news media. There were several amendments to existing statutes that, while they did not catch the attention of the news media, are viewed as significant by real estate attorneys, developers and other members of the real estate industry. This article will discuss these changes in the law.

### CHANGES TO THE CONSTRUCTION LIEN ACT

A construction lien is a lien against real estate, given under the Construction Lien Act (“Lien Act”) to a person who has improved the real estate but who has not been paid. In late 2018, the Lien Act was amended for the benefit of architects, engineers and surveyors. It had always been the case that these professionals could record construction liens under the Lien Act. Unfortunately, those liens often turned out to be worthless.

The problem for architects, engineers and surveyors was one of timing. Typically, much of the work done by these professionals is done prior to the start of construction. Under the Lien Act, the effective date of all liens is established as of the date of the first “actual physical improvement” to the property. “Actual physical improvement” under the Lien Act means an actual physical change to real property, something that is readily visible

such that it would alert someone that the property is being improved. The Lien Act expressly provides that actual physical improvement does not include work done in preparation for construction such as preparing plans or drawings of any kind. Accordingly, prior to the new legislation, architects, engineers and surveyors could record construction liens. But the effective date of those liens was not the date upon which they first performed work, but rather, the often much later date of the first actual physical improvement.

So, what happened if an architect, engineer or surveyor recorded a construction lien but the project never got off the ground? Prior to the 2018 legislation, the architect, engineer or surveyor was likely out of luck in terms of foreclosing on its lien. Since there was no construction, there was no “actual physical improvement” and thus, no lien to foreclose. Instead, the architect, engineer or surveyor was left with a breach of contract lawsuit against an often-insolvent owner/developer.

The new legislation attempts to solve this problem by allowing architects, engineers and surveyors (defined as “Design Professionals”) to record construction liens and foreclose those liens even if there is never any actual physical improvement made to the property. The new legislation inserts an extra step in the construction lien process for Design Professionals. Now, prior to recording a construction lien, a Design Professional must first record a “Notice of Professional Services Contract” with the appropriate register of deeds. The “Notice” can be recorded at any time after the written contract between the owner and the Design Professional is signed, but not later than 90 days after the Design Professional’s last work. (To have a lien claim, the Design Professional’s contract must be with the owner. A Design Professional’s subcontractor must be approved in writing by the owner to have a claim.) The new law provides a form of “Notice” as follows:

## NOTICE OF PROFESSIONAL SERVICES CONTRACT

Under a written contract dated \_\_\_\_\_ between \_\_\_\_\_, owner; and \_\_\_\_\_, design professional, the design professional is to furnish or has furnished professional services relating to the proposed or actual erection, alteration, repair, or removal of a structure on or other improvement to real property described as follows:

[Insert description of services]

The legal description of the real property is as follows:

[Insert legal description]

After the Notice is filed, the Design Professional must comply with the long-established requirements of the Lien Act for creating and enforcing a construction lien. That is, he or she must record a lien within 90 days of the last date of his/her work and file a lawsuit to foreclose within 1 year after recording the lien.

Under the new law, in the ordinary course where a project is developed and physical improvements to the property occur, a Design Professional's lien will have equal priority with all other liens as of the date of the first actual physical improvement. However, if no actual physical improvement is made, the Design Professional's lien will be given priority as of the date the "Notice" is recorded, and the lien may be enforced and foreclosed. In this manner, Design Professionals have lien rights for work done on projects that never get built.

## CHANGES TO MARKETABLE RECORD TITLE ACT

For over 80 years, Michigan has had a statute in place that invalidates certain interests in real property after a sufficient amount of time has passed. The purpose of the act was to make it possible to determine whether an owner has marketable title to property

by searching back in the land records for a limited period of time – 20 years for mineral interests and 40 years for other interests. After this period of time, if the real property interest has not been mentioned in a subsequent recorded instrument, the claim is lost. (There are a number of exceptions to this statute, including certain easements that will run in perpetuity.)

The statute is perhaps easiest to understand through an example. Suppose that a 1975 deed contained a restriction providing that title to the property would revert back to the seller if the property is ever used for the sale of alcohol. Assume further that the property was conveyed three or four times over the next 40 years. If none of those subsequent deeds referenced the alcohol prohibition, then under the Marketable Record Title Act, the restriction is no longer enforceable. However, if any of the subsequent deeds contained language stating that the conveyance was subject to



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the restriction contained in the 1975 deed, then the restriction is preserved.

As Realtors® are aware, most deeds provide that the conveyance is “subject to easements and restrictions of record.” For many years, real estate attorneys have argued over whether this language is sufficient notice so as to preserve an otherwise stale claim under the Marketable Record Title Act. The 2018 amendments to the Marketable Record Title Act are intended to make clear that such a general reference is not sufficient. In order to preserve a claim, a subsequent recorded instrument must specifically refer to the prior instrument from which the claim arises by Liber and Page (or other specific recording information). A person claiming rights to property through an old instrument may preserve his/her claim by filing a “Notice of Claim” before the 40-year period expires, and the new legislation describes in detail how this is done.

An issue that was not directly addressed by this legislation is how it affects use restrictions for the mutual benefit of a number of different parcels of land. The Marketable Record Title Act is typically discussed in the context of claims against a single parcel that may result in a person being deprived of his or her property. But many attorneys argue that the statute also applies to use restrictions such as subdivision restrictions. In fact, the Senate Fiscal Agency’s analysis of the 2018 amendments includes the following statement:

... if a member of a neighborhood association wanted to sell his or her home subject to a restriction that use of the property was limited to residential purposes, he or she would have to include in the deed or other instrument conveying title reference to the document that created the land use restriction.

It is not at all clear what incentive a typical seller would have to make certain that the home he is selling will continue to be governed by the subdivision restrictions. Likewise, the buyer may well prefer to leave out any such reference. Typically, it is not the parties to this transaction, but the neighboring property owners,

who have an interest in making certain that the lot remains subject to the subdivision restrictions.

If, in fact, the Marketable Record Title Act can be used to eliminate subdivision restrictions, then the new legislation raises many new questions. Are 41-year old subdivision restrictions only enforceable against those lots whose chains of title include a specific reference to the restrictions within the last 40 years? Can subdivision restrictions be enforceable against some, but not all, lots within a subdivision? If the subdivision restrictions are to be preserved against the entire subdivision, who has the authority to file the appropriate Notice of Claim? May any lot owner file a Notice of Claim, or is action by the homeowners association required? If the homeowners association must act, is a vote of the members of the homeowners association required? Homeowners associations, particularly those who have been in existence for many years, will need to work through these issues with their attorneys if they wish to be sure to preserve the enforceability of their subdivision restrictions.

## CHANGES TO THE WETLAND PROTECTION STATUTE

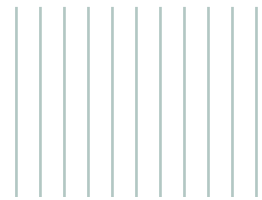
One piece of legislation that did get extensive coverage did not come out at all as first reported. Many in the real estate industry are under the impression that the Legislature enacted dramatic changes to Michigan wetland regulation. That did not happen.

The Michigan wetland protection statute requires a property owner or developer to obtain a permit from the Department of Environmental Quality (“DEQ”) before altering property that falls within the statutory definition of a “wetland.” The bill that was introduced in late November would have amended the 1979 wetland law to require that a wetland be at least 10 acres in size (up from 5 acres) or have direct physical connection to a lake or stream before it would be subject to regulation. The effect of that change would have removed an estimated half-million acres from regulation.

The legislation that eventually passed and that Governor Snyder signed into law, however, was a shadow of its former self.

As enacted, the amendments made several fairly technical changes to the definitions that determine whether land is a wetland and, if it is, whether it is regulated. The amendments left the 5-acre minimum in place, but now require that in order to be considered a “wetland,” there must be hydric soils and a predominance of wetland vegetation or aquatic life. The amendments also removed the provision allowing the DEQ to protect a wetland that is not otherwise regulated by simply declaring that it was “essential to preserving the natural resources of the state,” thereby eliminating a determination that had been criticized as too subjective. Also, although wetlands within 500 feet of a lake or stream or within 1,000 feet of one of the Great Lakes are presumed to be “contiguous” and therefore regulated, a provision has been added to permit a landowner to submit proof that a wetland within those limits is, in fact, not connected and, therefore, not regulated.

Other amendments were made in an effort to improve the process for landowners and permit applicants. The ability of the DEQ to enter property without a warrant is limited to “waters of the United States” or cases of an imminent threat to the public health or environment. If a wetland permit is denied, the DEQ must specify the sections of the law that justify the denial and make suggestions for changes to the project that would allow for the permit to be approved. A specific process now exists for challenging the DEQ’s classification of property as a wetland. If the DEQ’s determination that land is a wetland is overturned, the landowner is entitled to reimbursement for expert witness fees. While the changes to the wetland statute were not nearly as extensive as anticipated, as landowners work through the effect of the more minor changes to the definition of a regulated wetland, they will have the benefit of these changes to the permitting process. ●



# Modern-day Disruptors

A history of disruption in the real estate industry.

BY STEVE MURRAY

Every news report you see includes the buzzword disruptor. The truth is that innovators entrepreneurs have continually disrupted industry. Let's take a walk down memory lane:

Merrill Lynch, then the most powerful firm on Wall Street, announces to a private gathering of 50+ of the top independent brokerage firms that it's entering the residential brokerage business to offer full, one-stop shopping to American consumers. It announces it will do so by acquiring the same residential brokerage firms sitting in the room. Panic ensues.

This is the year that Intercommunity Relocation, one of the nation's largest networks of independent residential brokerage firms, was acquired by Equitable Relocation Management, then one of the nation's largest relocation management firms. They formed Equitable Realty Network. The network (and relocation business) was sold again in 1987 to Travelers Insurance, which shortly after that traded these assets to General Electric (GE). GE sold the network back to many of the same independent brokerage firms that had sold it to Equitable just eight or nine years before.

After spinning off its residential brokerage arm, Merrill Lynch Realty, to a separate entity, Merrill Lynch sells the entity to Prudential to help Pru's franchise arm achieve its growth plans in residential brokerage, which it could not achieve organically.

October  
1977

1983

August  
1989

Fall  
1981

August  
1985

1993

Sears announced that it would purchase the 80+ percent of shares of Coldwell Banker that it did not already own. Sears says it would also offer one-stop shopping of housing-related financial services to consumers. It opens Coldwell Banker offices in many Sears stores. Sears also later acquires a retail stock brokerage business to complete its consumer financial services. Panic again ensues for residential brokerage firms across the country.

Metropolitan Life Insurance announced that it would extend its consumer financial services reach by acquiring Century 21 Real Estate.

Sears announced it would sell Coldwell Banker Residential Real Estate to investment firm Fremont Group and a group of top executives. Fremont would go on to sell Coldwell Banker to HFS (today's Realogy) for nearly triple what it had paid Sears just three years before.

Metropolitan  
Life sold  
Century 21 to  
HFS (today's  
Realty).

1995

Think today's froth of new entries is incredible to watch? Think that the brokerage industry is under attack from outsiders with substantial capital and that's something new? As these historical events show, this is not the first time it's happened. And, it won't be the last.

### Today's Well-capitalized Entries

Are today's new well-capitalized entries different? Yes, to some extent, but today's new competitors have the same goals as those listed above. The goal was the consolidation a fragmented, under-capitalized industry, to improve the customer experience in buying and selling homes, and to cross-sell related services to American homebuyers and sellers. Oh, and to improve the profitability of the brokerage business in doing so.

Now, substitute Zillow, iBuyers, Compass, eXp, and others for Merrill Lynch, Sears, Metropolitan Life, Realty and Berkshire Hathaway HomeServices. Improve the consumer experience in buying and selling homes. Consolidate market share among participants. Raise the profit margins for business enterprise. Sounds familiar, doesn't it?

We don't say that today's entrants are the same as those in the past, or that they will end up in the same position as some of these giants did in the past. Their approaches are different, and these are different times. Clearly, the Internet has changed almost everything. But we note again, which we have in these pages before, that the underlying relationships between housing consumer and agent, and the agent and their brokerage, and the brokerage and the consumer have not changed all that much—yet.

Disruption is not new, and sometimes it works out for the disruptor, and sometimes it doesn't.



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# The Competition is Fierce

More options mean more competition for brokers. How should brokerage leaders view these challenges?

BY STEVE MURRAY

The competition for top agents has never been as fierce as it is now, and it will continue through 2019 and likely beyond. There are more, lower-cost options available to top-producing agents than ever before. Large individual producers and teams have become more numerous and produce more sales volume than in years past. As we've noted previously, in calendar 2017, the top-producing agents and teams closed nearly 22 percent of all the sales volume in the country, yet they account for less than 2 percent of all real estate agents.

## How Should Brokerage Leaders View These Challenges?

In 2006, REAL Trends did research into why top-producing agents affiliated with certain brokerage firms and why they stayed with them when there were lower-cost options available. For the study, we selected 16 top brokerage firms that led their competitors in growth in agents, productivity growth and other metrics. We interviewed 169 of them to ascertain why they affiliated with one of these firms. That work was outlined in a booklet called *People Still Matter*.

In the booklet, we reported that these agents named qualities such as vision, communication, trust and a sense of community as the most important reasons they associated with their brokerage. Little did they mention marketing, technology or facilities. They stated that they believed that such features of a brokerage were widely available and not defining reasons why they stayed where they were.

## Have Agents Changed?

In our opinion, agents (and teams) have not changed that much in the last 12 years. Certainly, some have. They are older, and their financial needs might direct them to lower their costs by joining a low-cost brokerage or be tempted by upfront cash to join another firm. Secondly, as we said above, there are more significant numbers of very, high-performing agents whose need for the services provided by most brokerage firms are not as high as they were years ago.

But we also note in our rankings of nearly 14,000 top agents and teams that most of them are affiliated with nationally branded brokerage firms or well-known, local, independent firms. Additionally, in our 2017 study of teams, they named affiliation with a well-known brokerage as highly relevant. It seems apparent to us that the sky is not falling.

## Relationships and Leadership Still Matter

While some agents are lured away by low costs or upfront incentives, most are not. The most aggressive brokerages, including eXp, Compass, HomeSmart and Realty One Group, together have less than 50,000 agents out of a total population of 1.4 million. Some of these firms have lower per-person productivity than the national average, so it's not that they are capturing only top producers. Each of these firms, and others like them, tout their technology as a critical reason for joining them, but there is not yet proof that their technology is improving the productivity of those who join them. Are they new and exciting? Very much so. Are they telling a compelling story? Again, in many cases, yes.

Yet, most of the top-producing agents and teams remain with well-known, established brokerage firms. While most of these established firms have lost some people to these aggressive new competitors; they have survived the initial onslaught.

We think it has to do with relationships and leadership. Principal owners and leaders find a way to build relationships with their people that supersede the monetary reasons for most agents. In the areas where firms like eXp and Compass are most aggressive, large, traditional brokerage firms not only appear to be surviving but prospering. In the cases we've scrutinized, the leadership is intimately involved with the business lives (sometimes personal as well) of their agents and teams. There are numerous ways this is expressed, but one indicator among the firms we've examined is, when agents have the owner-leaders personal cell numbers and firmly believe they can call or text them at any time—even though they don't use this access routinely.

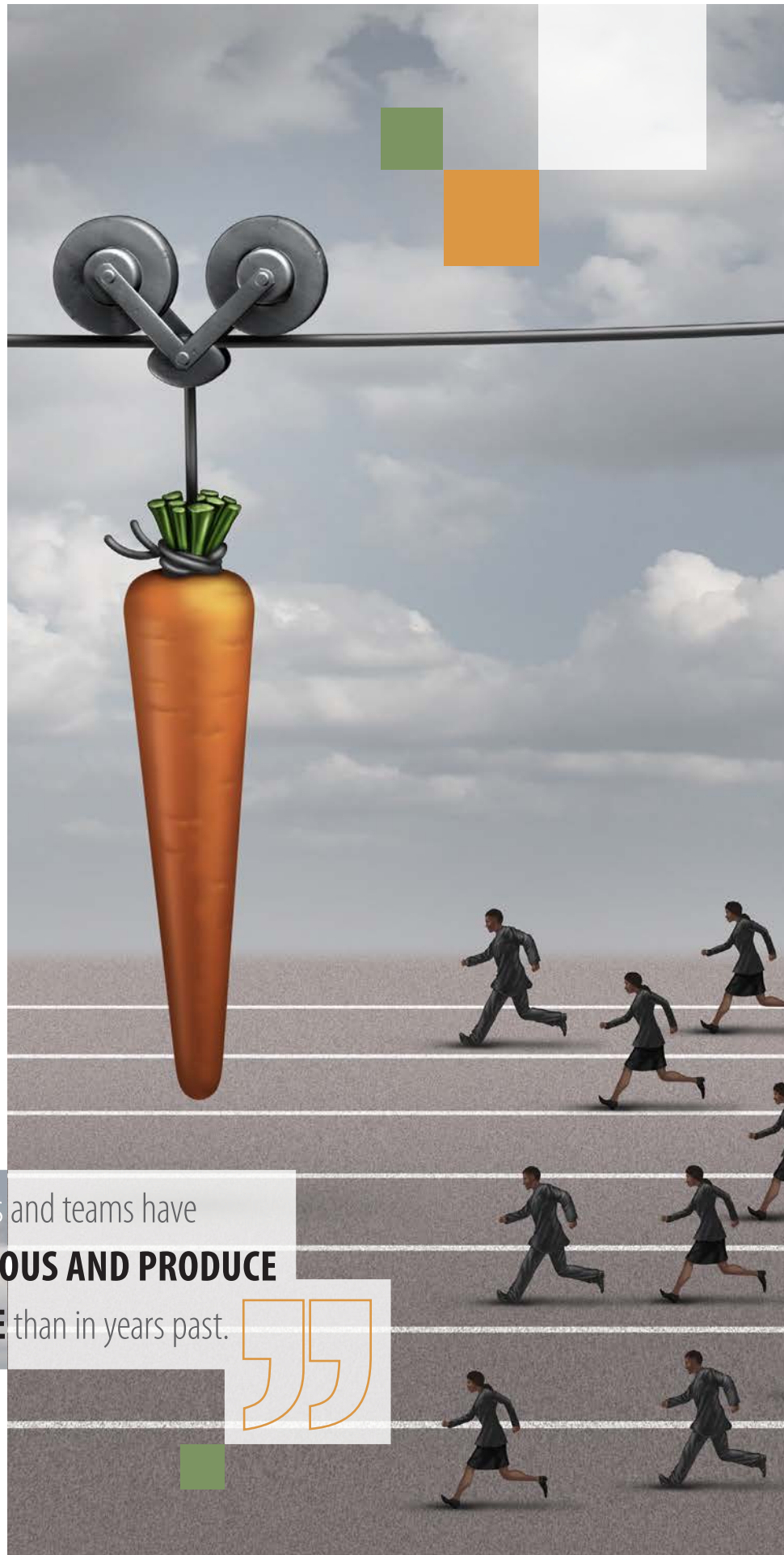
### The Question to Ask

Leaders of all brokerage firms need to ask a simple question. How much of your time is spent in having meaningful dialogue with your top agents? What systematic approaches do you use to get close and stay close to your top people, or all of your people for that matter? In our work doing onsite assessments of leading brokerage firms both privately and in our CEO groups, agents will without hesitation say that they wish they could interact more with their owner-leader.

Yes, you are likely to lose some of your people to these new competitors. But you can limit those losses by paying attention to how you lead your company and how strong your relationships are with your agents, managers, and staff. ●



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