



TEAM DOMINATION

AND THE FUTURE OF
CALIFORNIA REAL ESTATE



CALIFORNIA
ASSOCIATION
OF REALTORS®

TABLE OF CONTENTS

About	1
Background	2
Research Findings	4
Methodology	4
Demographics	4
Business Characteristics	5
Teams & Brokerage	5
Business Outlook	6
Are Teams Violating the Law?	6
Culture is Key	7
Work-Life Balance	7
Value Add	7
Conclusion	8
Key Takeaways from the Research	8
Next Steps	9

ABOUT

Although real estate teams (teams) have existed for more than 20 years, over the past five years the number of teams in California has more than tripled. This has made a significant impact on the traditional brokerage model by upending competition in the brokerage community and becoming a more important part of the real estate agent landscape. From a membership standpoint, it has created a need for specialized products and services that help support and enhance the team structure.

The goal of the C.A.R. Team Services Unit Initiative is to further examine the impact of the team structure on brokerages and to identify the needs of this expanding sub-set in order to provide highly specialized and customized services.

About the Authors

Steve Murray, President & Co-Founder, REAL Trends, Inc.

Steve is the president and co-founder of REAL Trends, the nation's leading trends and research organization, and president of REAL Trends Consulting Inc. He has been in the residential real estate field for 37 years.

REAL Trends is read by more than 54,000 leaders in the residential real estate industry every week, and over 500 CEOs attend REAL Trends conferences each year. REAL Trends has been a leader in industry and housing consumer research for the past 28 years. Such reports as the REAL Trends 500, the 2006 Consumer Tsunami Study, and the Wall Street Journal/REAL Trends The Thousand ranking of the nation's top sales professionals are examples of REAL Trends research.

Sara Sutachan, Vice President, Industry Relations & Strategic Initiatives, C.A.R.

Sara oversees industry relations, membership development and strategic initiatives for the CALIFORNIA ASSOCIATION OF REALTORS®. In this

role, she helps the Association establish vision and identify new and emerging opportunities and relationships, and is responsible for implementing key strategic initiatives. Sara is closely involved in the Association's strategic planning efforts and is a well-known speaker in California's real estate community. Sara has a bachelor's degree from California State University, Northridge in Business Administration with concentrations in Finance and Real Estate and a Master's degree in economics from California State University, Los Angeles.

Emily Horn, Association Services Project Manager, C.A.R.

Emily is the association services project manager for the CALIFORNIA ASSOCIATION OF REALTORS® and is responsible for managing various projects and programs for the Local Association Services and Industry Relations departments.

Emily currently oversees the NAR Core Standards certification program for the 103 local associations in California. She also administers C.A.R.'s AE Professional Development Program, including the C.A.R. AE Mentor Program, and the new AE Orientation course, and conducts AE training sessions on REALTOR® association management. Emily works in conjunction with the Industry Relations team, which includes co-hosting the Real Estate Leaders & Legends podcast with Sara Sutachan.

Emily has been in the real estate industry since 2003, with 10 years of experience as an Association Executive for two different REALTOR® associations in California. She earned her Bachelor of Science degree in journalism from California Polytechnic State University in San Luis Obispo, California. Emily also holds a REALTOR® Certified Executive (RCE) designation from the NATIONAL ASSOCIATION OF REALTORS®.

BACKGROUND

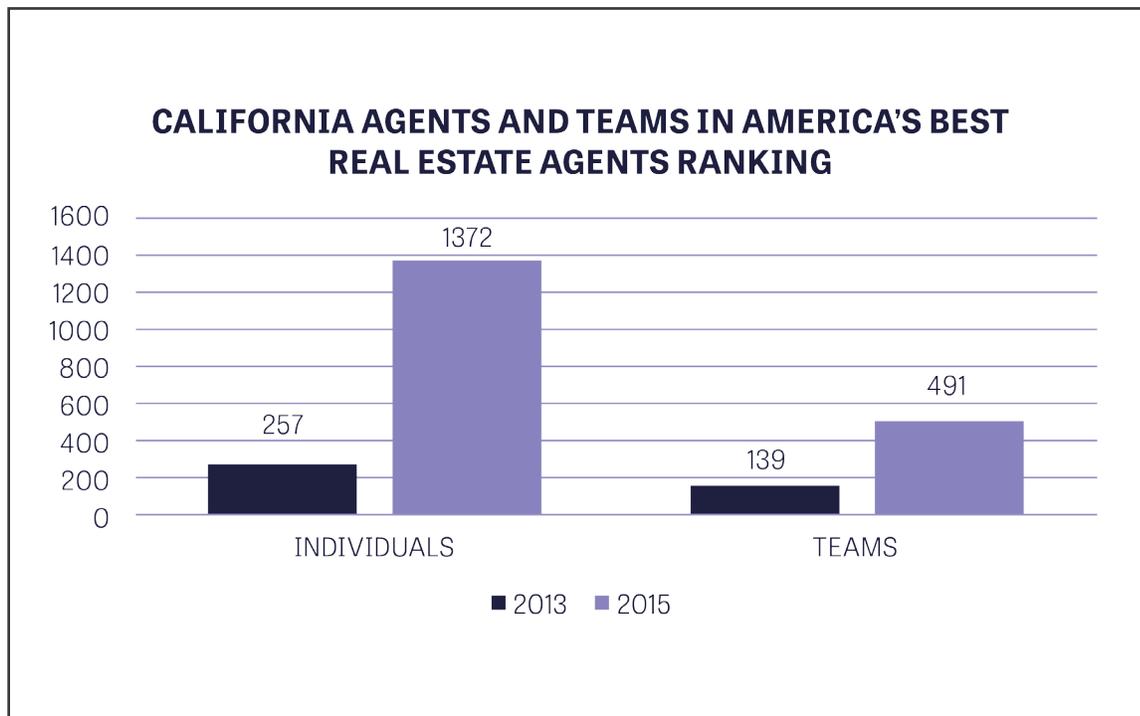
Many believe that teams were the foundation of real estate brokerage firms 50-60 years ago. Their roots were in principal brokers who formed a company and recruited agents to help them manage their referrals.

Since then, the real estate industry has become more and more competitive, which has led to innovation. In the 1990s, teams began to populate the landscape and compete with traditional individual real estate agents. As a result, today's real estate market offers a choice between working with a traditional, individual agent, or with a team.

Over the past 10 years in particular, teams have become increasingly common. The exact number of teams in the United States is unknown; however, according to the REAL Trends America's Best

rankings, the number of teams (with a minimum criterion of either 75 closed transactions or \$30 million in closed volume) has grown from 1,711 in 2013 to 4,120 in 2015 – a growth of 140.8 percent. During the same timeframe, the number of teams in California (with the same criteria) has grown at a much faster rate, from 139 teams in 2013 to 491 teams in 2015 – an increase of 253 percent.

Consequently, teams in California are becoming more visible and an important part of the real estate agent landscape. For example, in the 2015 REAL Trends America's Best Agents Ranking Report, 491 teams in California (with a minimum criterion of either 75 closed transactions or \$30 million in closed volume) averaged 127 closed transactions per year and nearly \$65 million in closed sales volume.

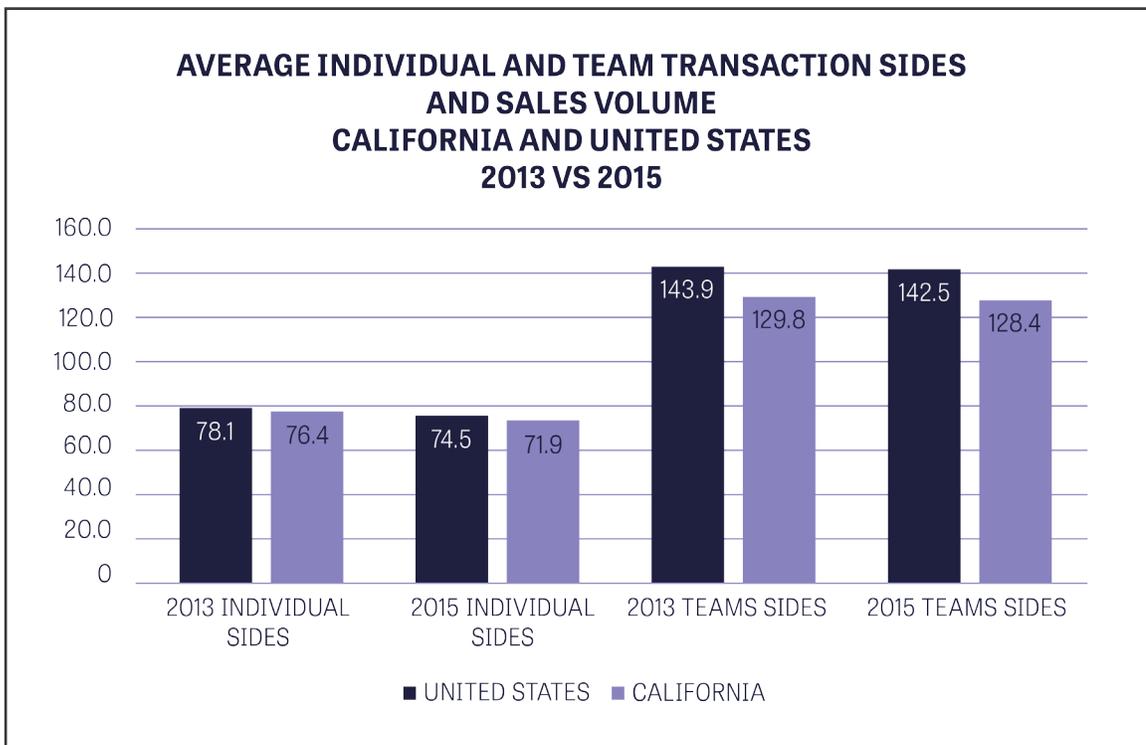


Source: REAL Trends, Inc.

BACKGROUND (cont.)

There seem to be several factors contributing to this trend. First, the general knowledge about how teams operate and the success stories about teams are spread by numerous coaching and training organizations such as the Tom Ferry, Brian Buffini, and Ninja organizations. In addition, Keller Williams Realty International has built significant training and organizational resources centered around

teams. For example, in California, the number of individual agents doing more than either 50 closed transaction sides or \$20 million in closed volume grew from 257 in 2013 to 1,372 in 2015 – a growth rate of 433 percent. More agents – whether they operate on their own or on a team – are growing their businesses faster than the market as a whole based on Real Trends data. (See chart on page 2.)



Source: REAL Trends, Inc.

successful teams, including the Mega Agent Productivity Systems and the Mega Agent Team Expansion location program. These and other national real estate and coaching companies have contributed to the general knowledge, support, and acceptance of teams.

It is important to note, however, that the number of top-producing individual agents is also growing, and at faster rates than the growth in qualifying

Teams in California do measurably more business than individual agents, which is also true for the country as a whole. In 2013, teams, on average, closed 69.8 percent more sides than their individual counterparts. In 2015, teams closed 78.5 percent more transactions than individual agents. Teams are growing their business somewhat faster than individual agents in California and the country as a whole. (See chart above.)

RESEARCH FINDINGS

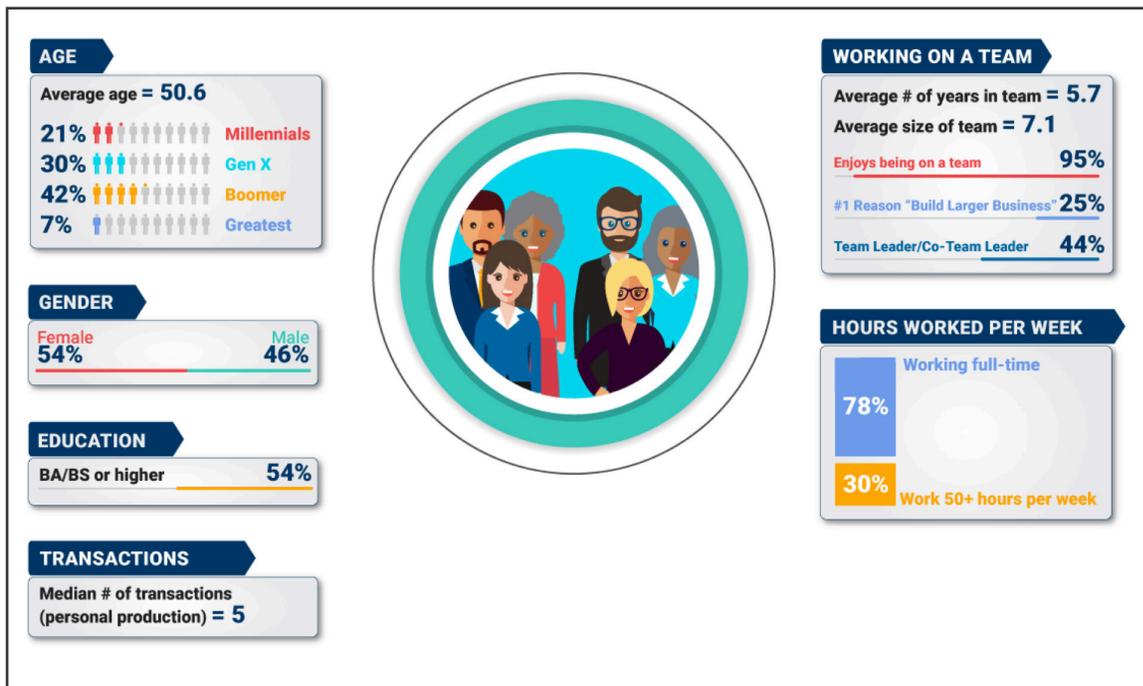
Methodology

In partnership with REAL Trends, Inc, from January 2017 to June 2017, C.A.R. collected and evaluated data via the following methodology:

- 2017 C.A.R. Membership Survey;
- 20 one-on-one telephone interviews with team leaders and members (half from California, half from other states); and
- Two focus groups, each with 15 team leaders from Southern California

Demographics

According to C.A.R.'s 2017 Membership Survey, 26 percent of REALTOR® membership is on a team, 54 percent of which is female and 46 percent male. Seventy-eight percent of those surveyed said they work full-time (40+ hours per week) and the average age of a team member is 51. Fifty-four percent earned a bachelor's degree or higher.



Source: CALIFORNIA ASSOCIATION OF REALTORS®

RESEARCH FINDINGS (cont.)

Business Characteristics

The survey also asked what roles members have in the team. At 44 percent, the most common roles in a team are team leader/co-team leader, followed by listing specialist/seller's agent, main lead generator/rainmaker, buyer's agent and transactional/logistical support person. The typical size of a team was about seven, and members of a team have been around for an average of almost six years. More than 95 percent of respondents indicated they like working on a team, with the top three reasons being the potential to increase the size of their business, to build value for the future of their business, and to share the workload of their business with others.

This data, coupled with information gathered from the one-on-one interviews and focus groups, shows that teams perceive that building a larger business leads to garnering higher personal incomes and provides the opportunity to maintain a better work-life balance, compared to working as an individual agent.

Teams & Brokerage

In the one-on-one interviews, the main takeaway was that they rely on their brokerage firm for legal support and brand name. When asked about the main benefits that teams receive from their brokerage, the top three responses were:

1. Legal and regulatory support
2. Brand name recognition
3. Lower costs and fees

These responses were consistent in the survey results, interviews and focus group discussions. Teams understand that there are considerable risks in the real estate brokerage business in California, specifically in the area of transactions and employment law. Teams also reported that a well-known local and/or national brand name was important to them in growing their business. They feel that

"I [created a team] because I wanted a better quality of life, a better work-life balance. I didn't want to be attached to my phone or accessible to my clients 24/7."

— Stephanie Younger,
The Stephanie Younger Group

although they were attempting to establish their own brand identities in their markets, having a recognizable brokerage name was helpful to them and provided them with credibility from the consumer's perspective.

In the interviews and focus groups, the services that teams said are most valuable that their brokerage is not providing today include:

- Technology services
- Marketing services
- Lower fees and costs
- Legal and regulatory support
- Mentoring and coaching

In the interviews, teams indicated a far higher desire for business coaching than in the online survey or the focus groups. This mentoring and coaching was more specifically related to business coaching as opposed to such support for transactional or marketing coaching. This is also supported by the focus group findings that building and maintaining a strong culture is a top concern and focus of those leading teams.

Business Outlook

"I don't advertise on Zillow. I'm big on basics."

– Nancy Sanborn, The Sanborn Team

Teams are highly satisfied with what they have built. They are also optimistic about the future. In the interviews, most expected to grow significantly over the next two to three years. Ninety percent of those surveyed expect to be in the business in three years.

The way in which teams generate their business varies. While online marketing through Zillow, Realtor.com and other lead-generating platforms was mentioned by many, a large portion also emphasized the importance of personal sphere marketing and direct mail or farming activities as the most important ways they generate their business. While the industry may consider that the rise of the ability to market online has been the major growth factor of teams, our research indicates that the sources of teams' business are far more varied than just the reliance and growth of the online marketplace.

Are Teams Violating the Law?

Among the focus groups, employment law and liability issues were emphasized as one of a team's biggest challenges, with a specific focus on proper employee classification (exempt versus non-exempt employees), the management of W-2 employees versus 1099 independent contractors, payroll management, having a standard contract for team members, insurance protection and other risk management needs. C.A.R. is currently exploring ways to offer significant tools or support for teams and the brokerage community in this area.

Participants in the teams focus groups noted that many teams lack written agreements establishing the rights and responsibilities of team members in relation to each other. This can be especially problematic when conflict arises like disparities

"Being in a repeat and referral business, it's the client's experience that matters."

– Joe Reichling,
Bryant Reichling Real Estate

over commission splits, rights to clients and listings, rights of team members leaving mid-transaction, and team dissolution. Contracts clarify the members' rights and obligations at the outset, instead of after problems occur. To help resolve this issue, C.A.R. has developed a standard Team Agreement form that will be available in 2018.

The issue of team name identification and how it can be used in advertising continues to be a challenge for many teams. The newly enacted laws, effective 2018, and the California Bureau of Real Estate (CalBRE) have specific guidelines for teams in terms of what can/cannot be included in the team name, as well as the way in which the responsible broker must be identified on all advertising materials. The teams focus groups indicated much confusion among teams on these rules, and as a result, the rules are consistently violated in the field. This can lead to confusion for the consumer as to who is the responsible broker for a particular team. C.A.R. has developed a Legal Q&A and Legal Tools and distributed the information by webinars and social media to help educate member teams on these rules.

RESEARCH FINDINGS (cont.)

Culture is Key

In the focus groups and the interview research, building and maintaining a culture is of far higher importance than is generally thought by brokerage firm leadership. While teams generally desire to be with a well-known brokerage firm (hence the importance placed on brand name), and they generally appreciate the assistance in the legal and regulatory arena, teams want to build their own identities and have autonomy in a management capacity. They want to create and manage a culture based on their own goals and values, run their business and hire staff and agents who fit the cultural identity of the team rather than adopt the culture of their brokerage firm. They like having the ability to establish a business structure that improves efficiencies and accountability among their team members.

Work-Life Balance

Consumers' expectations of their REALTOR® are higher than ever, with the advancement of technology over the past decade being a large contributing factor. With email, texting and social media, clients expect their agent to be available to meet their needs every hour of the day, every day of the week. For a busy agent, this can leave little time for a personal life. Many participants in our focus groups emphasized that being on a team allows them to maintain a much better work-life balance than they were able to when working independently. Team members can share the workload while still servicing the client's needs, allowing more time for a family life, vacations and personal pursuits.

Value Add

When asked how teams impact the consumer experience, most focus group participants said specialization is key. They felt that teams' "divide and conquer" approach allows agents to not only share responsibilities, but focus on putting their greatest talents to work for the client: buyers'

"Culture is the make it or break it point when it comes to a team's success."

— Barbara Betts, The Betts Team

agents can be more competitive because of their access to listings, information and established networks; selling agents bring more perspective about the marketplace and selling expertise.

Among the services that teams believe would add value were marketing and technology services. This was found in both the survey study and the personal interviews. Without having specific input from these teams as to what is meant by technology and marketing services, C.A.R. believes it is the provision of any platforms that can assist in the automation of the use of marketing and technology that is most important to teams.

CONCLUSION

Real estate teams are a growing force in the industry. Teams are upending the traditional brokerage model and posing internal disruption and competition in the brokerage community.

Teams in California are growing at roughly the same pace in terms of the number of teams and the average size of teams, as the country at large. In California, their average sales volume and average price are considerably higher than teams in the rest of the country, in most cases making them the market share leaders in their areas. As the teams model has become increasingly popular among membership, they are an important sub-set of membership. Engaging with team leaders and team members is crucial to understanding future trends in the industry.

Key Takeaways from the Research:

- Teams believe that legal and regulatory support is among the most important services provided by both their brokerage firm and C.A.R. Particularly in the focus groups, participants acknowledged openly and strongly that it is one area where they recognize their lack of knowledge and the potential for disruption of their business.
- Most teams in California affiliate with a known brokerage firm due to their belief that a well-known brand name and legal and regulatory support can be procured at reasonable costs from their brokerage.
- Teams feel they can deliver a superior customer experience compared to an individual agent due to the specialization and expertise of the team members, and are able to accommodate clients' demands in a more timely and professional manner.
- Creating and maintaining a team culture based on their own values and goals is of upmost importance to team leaders, and one of the primary motivating factors of managing a team. Maintaining a healthy work-life balance is also a strong motivator, allowing them to service their client's needs while still being able to enjoy a personal life.
- Teams are optimistic about the future of their business and their business model.

NEXT STEPS

C.A.R. seeks to enhance relationships with team leaders in order to gain insights, spot emerging trends, and provide relevant products and services for teams. Based on this research, C.A.R. is currently in the process of implementing the following next steps:

- **Team Leader Certification (TLC)** – a new offering through C.A.R. Education consisting of courses covering:
 1. Best practices
 2. Leadership Advantage (specifically configured for team leaders)
 3. Organizational structures
 4. Business planning
 5. HR for teams
 6. zipForm® for teams webinars
- **zipForm® Plus Team Edition** – allows for team members to manage transactions within the zipForm® platform. It offers the ability to create transactions for other team members as well as edit transactions on their behalf. Share created templates with the entire team to streamline the workflow. Use search and filter tools to quickly find the transactions by team member name.
- **Team Agreement in zipForm®** – The C.A.R. Team Agreement form, to be released in 2018, will address many issues that should be considered at the start of such relationships such as: Identification of team leader and team member; which types of transactions will be covered by the agreement; establishing pre-existing clients a team member brings into the relationship; compensation; expenses; use of team name; dispute resolution; the type of labor relationship being created (independent contractor or employee); and the all-important issues upon termination of the agreement.
- **Legal Tools** – C.A.R. Member Legal Department continues to create legal articles and tools specifically for teams, such as the Legal Q&A on Team Names and Advertising Rules.
- **HR Support** – C.A.R. is exploring ways to provide assistance for significant human resources and employment law issues to teams through lists or contacts with employee leasing models, payroll services, human resources organizations, employment lawyers, or other means.
- **Best Practices Manual for Teams** – C.A.R. will develop a “best practices” manual for team leaders, brokers/managers who supervise teams and team members based on data collected from a team-focused survey aimed to better identify the specialized needs and challenges of teams, including typical business structures, HR practices, supervision issues, etc.
- **Team Summit at 2019 EXPO** – C.A.R. will explore the feasibility of hosting a one-day Teams Summit during the 2019 EXPO, focused on providing team leaders with the tools, resources and knowledge necessary to lead a successful, well-run team that encourages transparency and proper oversight by brokers.
- **Educational Outreach Events** – C.A.R. will partner with local Associations to conduct six Team Educational Outreach events to provide team leaders, team members and brokers who supervise teams with the tools they need to be more competent and ultimately deliver a superior customer experience. Topics may include, but are not limited to:
 - Broker and agent liability/risk management for teams
 - HR practices
 - Internal relationship management



www.car.org