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the real estate opportunity report

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Editor-in-Chief

Stefan Swanepoel (Executive Chairman)

T3 Sixty Contributors
Jack Miller (President & CEO)
Nick Bailey (Chief Real Estate Officer)
Dean Cottrill (EVP: Brokerage & Teams)
Paul Hagey (EVP: Research & Publications)
Clint Skutchan (SVP: Organized Real Estate)
Stephanie Reid-Simons (SVP: Real Estate News)
Michael Phelan (SVP: Technology)

Design
Tinus Swanepoel (COO)

Published by T3 Sixty
999 Corporate Drive, Suite 170
Ladera Ranch, CA 92694
(707) T3 SIXTY
(707) 837-4989

t360.com

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Preface

In the ever-evolving landscape of residential real estate, strategic foresight is essential. Anticipating shifts, embracing emerging trends, and adopting new technologies provide significant competitive advantages. As frustrations over ongoing lawsuits, the National Association of Realtors' settlement, and required changes to commissions and buyer brokerage have mounted, it has clearly become evident that the industry stands at a pivotal juncture.

With three decades of research and nearly 60 books, reports, and studies to our credit, it is clear to us that 2024 and 2025 will be transformative years for the industry. A follow-up to the acclaimed 2015 D.A.N.G.E.R Report was suggested in 2019, but it was delayed due to the pandemic. At the T3 Leadership Summit this past May, the idea of a 10-year anniversary edition for 2025 resurfaced.

T3 Sixty's leadership, however, felt that the industry could not close 2024 discouraged, or in a state of uncertainty. As a result, a new forward-thinking report identifying the opportunities was considered both necessary and timely. Insights that encourage stakeholders, brokers, and agents to explore progressive strategies and bold initiatives for addressing the future.

The Opportunity Report was swiftly developed and prioritized for immediate distribution. While it is not a scientific study supported by empirical data, it provides valuable insights drawn from interviews with 50 of the most innovative and forward-thinking leaders in residential real estate.

Stefan Swanepoel
Executive Chairman

Industry stakeholders face a rare, unparalleled opportunity to reshape the real estate landscape and transform the home buying and selling experience. Although reengineering the process into a more efficient, digital, and transparent model centered on the consumer may take a decade or longer, the long-term benefits will far outweigh the effort.

You are in a fortunate position to be part of this pivotal moment in the industry, and this report presents numerous opportunities designed to inspire transformative action.

Stefan Swanepoel
Executive Chairman, T3 Sixty

Foreword

The 2015 D.A.N.G.E.R Report was a sage piece of work that accurately foretold many of the challenges the residential real estate industry would face in the future. Today, we stand again at a crossroads in our industry. Damaging plaintiff lawsuits, an aggressive antitrust environment, reputational damage to the industry, disruptive technologies like AI, the rise of agent teams, two harmful portals trying to Uberize agents, pressure on brokerage margins, and a housing affordability crisis all present challenges that will guarantee more change. Yet this will remain a growing $50 trillion industry that will continue to generate hundreds of billions in fees annually. Change should be viewed by the best, brightest, and agile for the tremendous opportunity it is.

Andy Florance
Founder & Chief Executive

Stefan Swanepoel and the team at T3 Sixty have again gathered dozens of industry experts, interviewed them, and amalgamated their insights into an invaluable assessment of the industry's near future. Homes.com welcomed the opportunity to support this Opportunity Report because this is a very relevant and invaluable sequel to the D.A.N.G.E.R. Report. My hope is that our clients and industry friends will leverage the insights herein to thrive regardless of the changes and challenges ahead.

Several insights resonated with me as a leader at one of the top homebuying portals, and I am confident that each of you will find your own unique resonance within the Report.

Clearly new business models will emerge from necessity, whether you are an agent, a team, a brokerage, a MLS, an association, or a portal. I believe that a great North Star in the evolving market is keeping the customer in the forefront. Being clear about who all these customers are and what they want is important.

For Homes.com we see real opportunity in refocusing on who a portal's customer should be and what they expect and need. We want to avoid the trap other portals fell into: the belief that their shareholders or a tiny subset of buyer agents were their most important customers.

Our customers are the home seller, the home buyer, the buyer agent, the seller agent, and the brokerage. Based upon that understanding we have built a new

unique business model on the principle of "Your Listing, Your Lead." We are the only portal with this principle and the only portal that is in harmony with all the important constituencies we serve. We all know that there are exceptional agents and brands out there who sellers can trust to sell their homes. The sellers and their listing agents want the leads to come to the listing agent. Those leads are the best source for selling the home and creating future business for the listing agent. While 90% of buyers rely on buyer agents, they also always shop on portals directly and want to have the ability to reach out to listing agents with questions especially early in their buyer journey. The best and most experienced buyer agents want to connect with their buyers because of their skills, not because they had to give up half their commission to a portal. Experience matters and buyers and sellers value it.

My son, like my father before, is studying to become an architect. He will need to study for 10,000 hours before he practices on his own and designs his first house. Yet, today an agent with 40 hours of experience can buy a lead from a portal and sell the house. My mother eventually had 20,000 hours of experience as a real estate agent, and she knew how to sell a home. Consumers prefer agents with experience.

I trust you will find your own valuable insights in this T3 Sixty Opportunity Report that help you find your success in the years to come.

Andy Florance
Founder & Chief Executive, CoStar Group

The Opportunity Report

In today's rapidly changing real estate industry, proactive planning is essential for sustained success. Adapting to new trends, anticipating shifts, and embracing emerging technologies offer brokers and agents a competitive advantage. However, in 2024, these actions are more critical than ever as the residential real estate industry undergoes one of its most significant transformations.

The pandemic spurred the adoption of new business models, accelerated technological advancements, and led to rising interest rates. Over the past year, these challenges have only intensified. The largest lawsuit in the National Association of Realtors' 116-year history, has affected nearly every real estate brokerage, buyer agency agreement, and MLS organization, pushing them to comply with new regulatory requirements. The industry is grappling with an atmosphere of confusion and uncertainty, with leaders working tirelessly to navigate these tumultuous times and prepare for 2025.

Leadership is needed now more than ever, yet it remains scarce. Some leaders are actively steering their companies through the storm, while others are still struggling to understand the full scope of the changes and their implications. Many, fearing additional lawsuits, have chosen to withdraw or remain silent.

Amid the legal challenges, regulatory shifts, the rise of artificial intelligence, and increasing government scrutiny, it is clear that the residential real estate industry stands at a pivotal moment. This moment presents a rare opportunity to reshape the industry, transforming the home-buying process into a more transparent, modern, and digital experience, led by skilled professionals.

T3 Sixty is committed to producing an objective, balanced, and in-depth report to serve as a guide for brokers, agents, associations, MLS organizations, and other industry stakeholders. Our goal is to address critical issues and help the industry navigate the evolving landscape by identifying and seizing new opportunities.

D.A.N.G.E.R. Report

The D.A.N.G.E.R. Report was researched in 2014 and published in 2015. It is the most far-reaching and introspective study ever done on the residential real estate brokerage industry. The comprehensive research and interviews that formed the basis for the study were undertaken by Stefan Swanepoel, and published by the National Association of Realtors and T3 Sixty.

The Report focused on the threats, black swans, and potential disruptors facing the industry. By highlighting the risks, the D.A.N.G.E.R. Report provided warning to industry stakeholders to take precautionary steps against the threats outlined.

Unfortunately, many stakeholders, especially NAR, were hesitant and slow to embrace change, and over the past decade, several of the predicted dangers materialized. (Copies of the D.A.N.G.E.R. Report can be downloaded for free at DangerReport.com).

Evaluating the D.A.N.G.E.R. Report 10 Years Later

One of the leaders interviewed generated the below copy with the assistance from OpenAI's ChatGPT and shared it with us. We provide it below as it offers a good summary and interesting evaluation.

"The predictions made in the D.A.N.G.E.R. Report regarding the future of the real estate industry have proven remarkably prescient, particularly considering the recent developments stemming from the National Association of Realtors (NAR) settlement. Here's a breakdown of the key predictions, their real-world manifestations, and an evaluation of their accuracy.

1. Masses of Marginal Agents Destroy Reputation

- *Prediction: The industry is at risk from an abundance of underqualified agents, which could harm its reputation.*
- *Real-World Evidence: The recent NAR settlement, which emphasizes transparency and raises standards for agent compensation and behavior, indirectly acknowledges this issue. By making commissions more transparent and negotiable, it attempts to filter out less competent agents who rely on non-transparent practices.*
- *Accuracy Score:* ***85%*** *- The settlement indirectly validates the concern by addressing the need for higher standards and transparency in agent conduct.*

2. Commissions Spiral Downward

- *Prediction: Commissions will face downward pressure, potentially destabilizing the traditional compensation model.*
- *Real-World Evidence: The NAR settlement has made it clear that commissions are negotiable and has removed the requirement for listing agents to offer compensation through MLS listings. This has already led to a decrease in commissions in various markets, confirming the report's prediction.*
- *Accuracy Score:* ***95%*** *- This prediction has largely come true, with visible impacts on commission structures following the settlement.*

3. Agent Teams Threaten the Survival of Brokerages

- *Prediction: The rise of agent teams could challenge the traditional brokerage model.*
- *Real-World Evidence: While the NAR settlement doesn't directly address agent teams, the emphasis on transparency and individual accountability may push more agents to form teams that can offer more personalized, competitive services, thereby putting pressure on traditional brokerages.*
- *Accuracy Score:* ***75%*** *- Indirect impact, but the trend towards teams is likely to be accelerated by the settlement.*

4. The Decline in the Relevancy of Agents

- *Prediction: Agents risk becoming less relevant if they fail to adapt to consumer demands.*
- *Real-World Evidence: The settlement requires buyers and agents to sign agreements upfront, which makes the role of the agent more transparent but also places more responsibility on agents to prove their value. If agents cannot justify their costs, they may become less relevant.*
- *Accuracy Score:* ***90%*** *- The settlement forces agents to adapt or risk irrelevance, directly supporting this prediction.*

5. Commissions Concentrate into Fewer Hands

- *Prediction: A small number of highly efficient agents will dominate the market.*
- *Real-World Evidence: With the new transparency rules, only those agents who can clearly demonstrate their value will thrive, likely leading to a concentration of commissions among top-performing agents.*
- *Accuracy Score:* ***85%*** *- The trend toward commission concentration is likely to continue, supported by the new regulations.*

6. Technology Becomes a Runaway Train

- *Prediction: Technology will outpace the ability of traditional brokers to compete.*
- *Real-World Evidence: The NAR settlement has introduced complexities that could be better managed with advanced technology platforms, potentially sidelining traditional brokers who lack such resources.*
- *Accuracy Score:* ***80%*** *- Technology's role in handling new regulatory requirements supports this prediction.*

7. FSBO Develops into a Do-It-Yourself Model

- *Prediction: FSBO (For Sale By Owner) could grow into a more formalized model, reducing the need for agents.*
- *Real-World Evidence: The settlement has made it easier for sellers to avoid paying buyer agent commissions, which could encourage more FSBO transactions, aligning with the prediction.*
- *Accuracy Score:* ***75%*** *- While not yet dominant, the potential for FSBO growth is evident.*

8. Regulatory Tsunami Hits

- *Prediction: Increasing regulation could raise costs and create barriers for traditional brokers.*
- *Real-World Evidence: The NAR settlement is a prime example of the regulatory pressures now facing the industry, validating the report's concerns.*
- *Accuracy Score:* ***100%*** *- The settlement is a direct result of regulatory pressures, confirming this prediction completely.*

9. New Business Models Go Mainstream

- *Prediction: Innovative business models will disrupt traditional brokerage operations.*
- *Real-World Evidence: The settlement has paved the way for new models that emphasize transparency and consumer choice, which could accelerate the adoption of alternative business structures.*
- *Accuracy Score:* ***90%*** *- The industry is already seeing the emergence of new models that align with the report's predictions.*

10. The Agent is Removed from the Transaction

- *Prediction: Technology could eventually eliminate the need for agents in real estate transactions.*
- *Real-World Evidence: While agents are not yet obsolete, the NAR settlement's focus on transparency and consumer control could empower technology-driven alternatives.*
- *Accuracy Score:* ***60%*** *- This is a longer-term prediction, but the settlement sets the stage for its eventual realization.*

Overall Accuracy Evaluation

- *Average Accuracy Score: 83 percent - According to ChatGPT 4.0 the DANGER Report has proven highly accurate in predicting the challenges and shifts in the real estate industry, and the analysis shows that the DANGER Report effectively anticipated many of the changes and challenges now being addressed in real estate, underscoring the report's value as a strategic tool for industry professionals."*

Whether the accuracy is 83 percent or different percentage, the D.A.N.G.E.R Report reliably captured potential future threats.

While the future is inherently unpredictable, it also frequently unfolds in recognizable patterns, and it is our respective responsibility to make decisions that ensure a stronger, more prosperous industry for the generations to come.

Leadership is needed now more than ever, yet it remains scarce. Some leaders are actively steering their companies through the storm, while others are still struggling to understand the full scope of the changes and their implications.

We encourage you to approach this report not only as a source of information, but as a call to actively engage in shaping the future success of residential real estate.

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Section A

Real Estate Agents and Brokers

A1

Decouple Buyer and Seller Agent's Compensation

The National Association of Realtors lawsuit settlement makes buyers separately responsible for compensating the real estate agent that helps them buy a house. Buyer agent compensation can no longer be paid through a unilateral offer of compensation through the MLS.

In Context

Previously, real estate commissions for both the listing agent and the buyer's agent were bundled into a single fee in the listing agreement. When a property was posted on the MLS, a portion of that fee was allocated to the buyer's agent, commonly splitting the total commission 50-50. However, this practice has now ended, and MLS listings may no longer reference the buyer's agent commission.

This change stems from class-action lawsuits—primarily Sitzer/Burnett v. National Association of Realtors and Moehrl v. National Association of Realtors—which accused the plaintiffs (NAR and several major brokerages) that requiring, offering and posting commissions on the MLS allowed brokers to fix the fee by consciously coordinating their conduct. The Sitzer/Burnett case led to a 2024 settlement that imposed significant changes on how commissions are disclosed and handled, including removing buyer agent commissions from MLS listings. As a result, buyers must now negotiate compensation directly with their agents instead of relying on a pre-established split in the listing.

A commission is usually regarded as a success fee, paid only upon the completion of a sale, while compensation encompasses a broader range of payment structures, including hourly, retainer fees, flat fees and so on.

The Opportunity

The opportunity with the decoupling of fees is the creation of a new market, which is the market for buyer agent services. Now is the time for brokers and their agents to establish a value proposition of buyer agent services in their company. For many buyer's agents, the industry practice of simply accepting whatever was offered in the MLS led to a decrease in income for the same work. For skilled buyer agents who offer great value to their clients, including the negotiation skills that save their clients' money, it is quite possible that this change leads to them effectively giving themselves a raise. For the consumer, the market-based approach to the buyer fees can lead to a variety of options that give them both choice and the opportunity for savings.

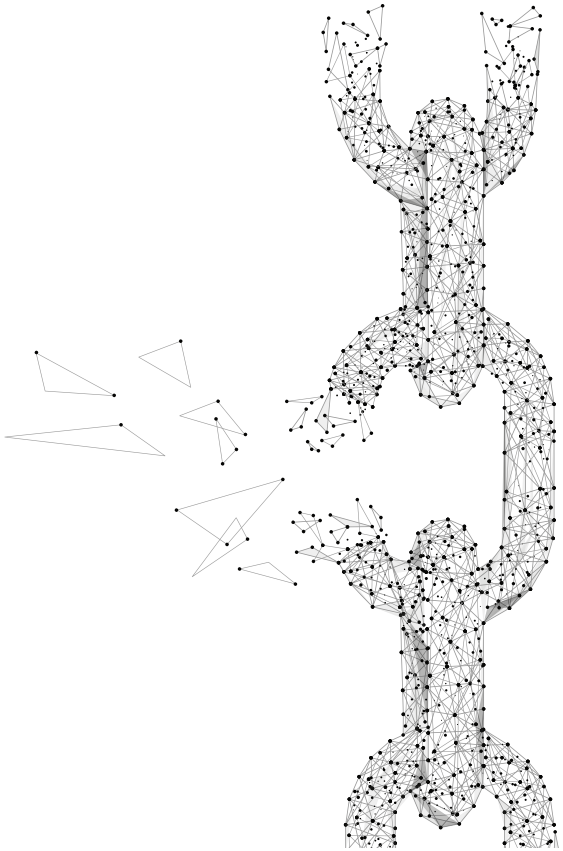
> "This is a Darwinian moment for real estate—many of the weaker players won't survive the next few years, and those that remain will be stronger and more professional."

Savvy brokerages may also see this as an opportunity to create premium services to further differentiate themselves from other companies. The North American consumer has shown that they are willing to pay for services that generally make their lives easier and more hassle-free, and this new free market for services on the buyer side presents a creative space for brokers and agents to compete.

Perspective

While these changes aim to empower buyers in negotiating with their agents and enhance transparency in fees and costs, some argue this shift may be a step backward. The American real estate system, with its cooperative structure and bundled compensation model, was seen as more efficient than other markets worldwide where buyer and seller compensation are separate.

That said, the U.S. real estate industry will adapt, and though the long-term effects of these changes remain uncertain, forward-thinking professionals will see this as a significant opportunity to innovate. Agents must embrace the decoupling of the previous fee structure and position themselves for future success.



Explore Related Opportunities

- A2 - Establish Best Practices for Buyer Services
- B1 - Drive Market Transparency: The Clear Cooperation Path Forward

A2

Establish Best Practices for Buyer Services

The practice change in the NAR settlement that requires MLS participants to obtain buyer agreements before showing a house may cause some consumers to forgo buyer representation and a loss of services for consumers.

In Context

The newly required practice changes may lead to some buyers deciding to work directly with listing agents, in the form of dual agency, or as a buyer customer (vs. client) of the brokerage.

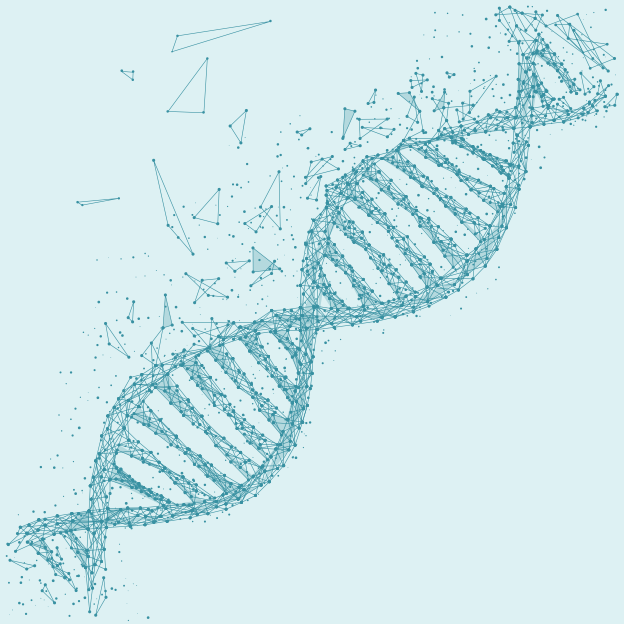
Dual agency in real estate has a long history, dating back to the early development of modern real estate practices in the U.S. However, it became more formalized in the 1980s as the real estate industry evolved with real estate agents primarily representing sellers. Under this arrangement sub-agents, including cooperating agents, represented the seller, even when working with buyers. This form of representation created conflicts of interest, as buyers were often unaware that the agent assisting them was legally obligated to represent the seller's interests.

As buyer agency gained favor in the late 1980s and early 1990s—driven by the rise of buyer agency agreements and the efforts of organizations like the Real Estate Buyer's Agency Council (REBAC)—disclosure requirements for dual and designated agency were introduced in many states. Approximately 18 states require such disclosures, including cooperative compensation; many of these structures have existed for years, predating recent lawsuits.

Dual Agency

Depending on state law: (1) dual agency may not be allowed; (2) dual agency happens if one brokerage firm represents both buyer and seller (regardless of which agents serve which party); or (3) only happens if it's the same agent.

The last are "designated" agency states (though some use other terms), where the broker appoints one agent to rep buyer and one to rep seller, but each agent has full agency duties to their own client.



The Opportunity

The settlement encourages competition for agent services, and brokerages must avoid unintentionally undermining these efforts by continuing outdated practices, such as dual agency, and working to preserve the valuable benefit of buyer representation for the consumer. It is essential to avoid using pre-settlement forms, contracts, or association agreements that perpetuate legacy models or procedures, as well as implementing quick workarounds. Such actions could trigger future lawsuits.

Brokerages should embrace the new system by establishing best practices for handling unrepresented buyers, and for buyer representation, as this is the clearest way to provide transparency and clarity of the agent's role for both sellers and buyers. Helping the consumer understand their rights—and the broker and agent obligations—in the transaction, can elevate the value of the services and the professionalism of the real estate agent.

Perspective

Many states treat listing brokers working with buyers directly as "facilitators" or the like. States handle it a wide variety of ways, one of the reasons the settlement is hard to implement across the whole country. That default relationship normally would not require an agreement to create it. In other states, the listing broker has the option to be the seller's facilitator and not agent.

> "The industry's biggest challenge is maintaining quality amid rapid change."

The point is that the opportunities for a broker vary quite a lot depending on which state(s) the broker operates in. For some greater use of facilitator roles may be useful. Others may wish to lobby legislatures to permit designated agency (if it's not already permitted). And given that buyers are on the hook for buyer broker compensation now, experienced buyers may just say they don't want to receive services from a broker. Any collective action aimed at requiring buyers to use (and pay for) a broker would meet antitrust scrutiny.

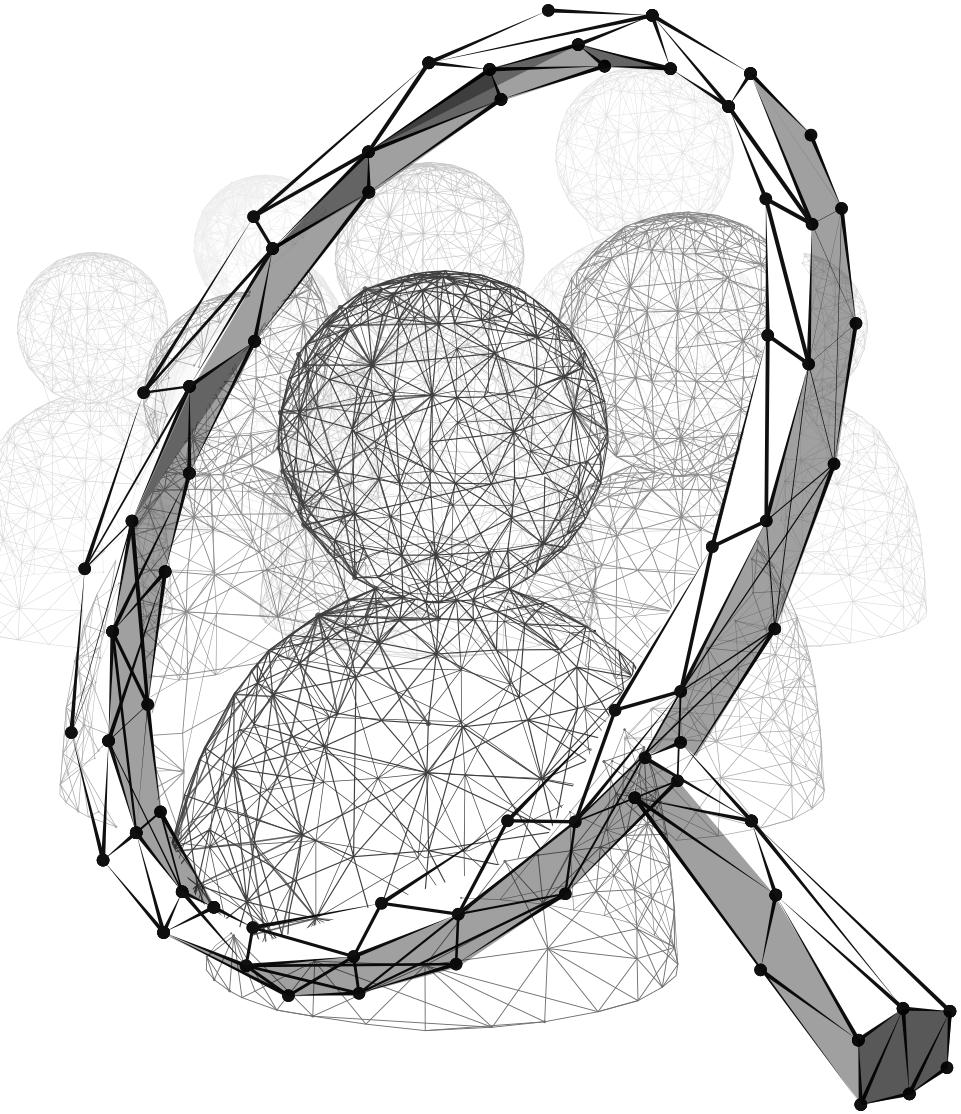
Explore Related Opportunities

- A1 - Decouple Buyer and Seller Agent's Compensation
- B1 - Drive Market Transparency: The Clear Cooperation Path Forward
- D - Make Homeownership an Affordable Dream Again

A3

Enhance Credibility with the Consumer

The reputation of real estate agents has suffered due to recent lawsuits; threatening the long-term stability and value of real estate professionals and underscoring the urgent need to rebuild credibility and restore trust.



In Context

Public trust is hard-earned and elusive. Professionals such as politicians, advertising executives, telemarketers, lawyers, and sales professionals—including insurance and real estate agents—often face distrust and skepticism from consumers regarding their intentions.

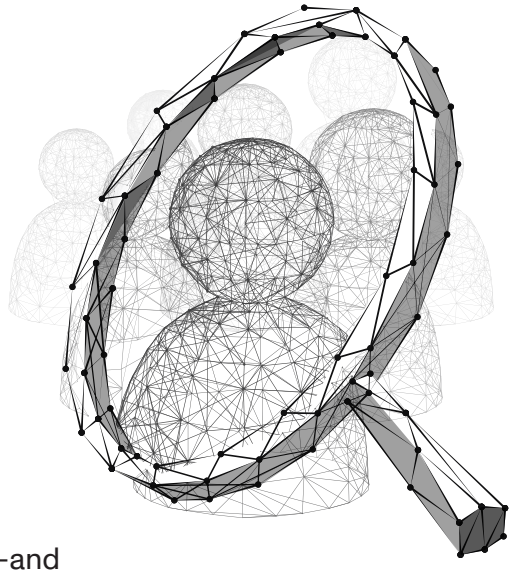
Recent high-profile class-action lawsuits have further tarnished the real estate industry's reputation. These lawsuits accused the industry of colluding to inflate commission rates, limit competition, and undermine transparency. The accusations, accepted by a jury and amplified by national media, have significantly altered the consumers' perception of real estate agents. Additionally, rule changes driven by these lawsuits—such as decoupling commissions between seller's agents and buyer's agents—have increased confusion and, according to many, reduced transparency.

The Opportunity

It is essential that consumers clearly understand the value of using a real estate professional and are fully informed about the services they are paying for. To regain consumer confidence, the real estate industry must shift from an agent-centric approach and place the consumer at the forefront. Transparency, particularly in how buyer agents are compensated, must be prioritized. Demonstrating ethical practices and embracing reforms that enhance accountability are critical steps in rebuilding credibility.

A public awareness campaign, like the "Got Milk?" campaign, could help. Just as it reminded consumers of milk's importance in everyday life; the real estate industry could benefit from a "Got Representation?" campaign. This would highlight the value of professional representation in buying or selling a home. Consumers need to understand the roughly 180 tasks involved in an average real estate transaction and the financial and legal pitfalls they face without expert guidance.

> "Rebuilding consumer trust starts with transparency and a commitment to real service."



Perspective

Brokers and agents should actively educate consumers, especially first-time homebuyers, on affordability, the homebuying process, and the benefits of homeownership. Brokerages can also leverage this opportunity to create clear, client-focused buyer representation agreements. With everyone focusing on transparency, integrity, ethical practices, and exceptional representation, the perception of real estate professionals—and the value they offer—will improve.

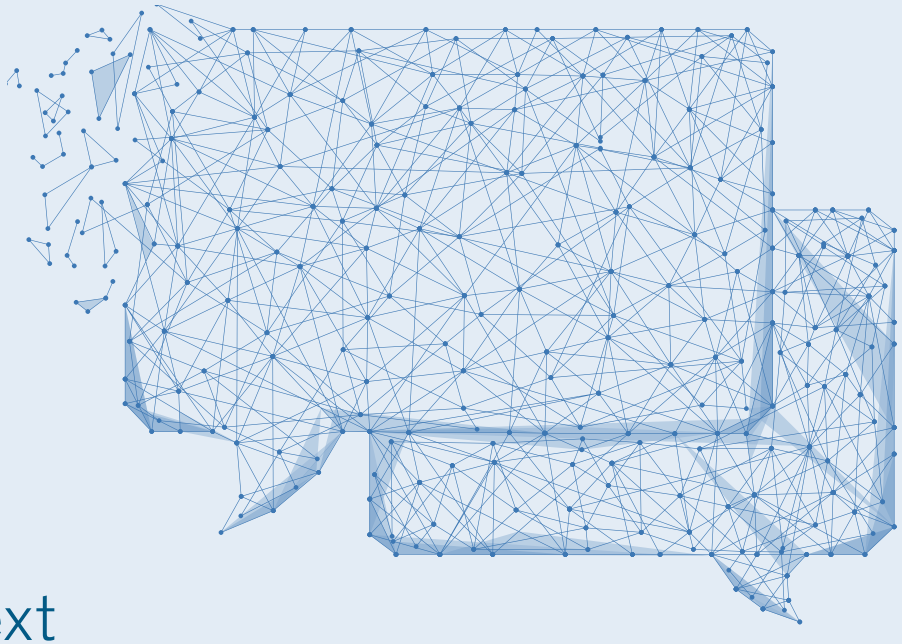
Explore Related Opportunities

- B3 - Cultivate the Future of Real Estate with a Modern New Professional
- C - Elevate Professionalism Through Enhanced Licensing Standards

A4

Elevate Agents: A New Perspective on their Role

The industry has a unique “second chance” to redefine the role and value of real estate agents, positioning them as professional advisors rather than licensees or salespersons.



In Context

Real estate agents handle approximately 180 tasks throughout a home buying or selling transaction. These include managing listings, coordinating marketing efforts, navigating communications with potential buyers, addressing challenges, gathering necessary approvals, negotiating offers, handling document management, and overseeing inspections; all while coordinating multiple parties involved in the closing process and ensuring legal compliance with strict deadlines.

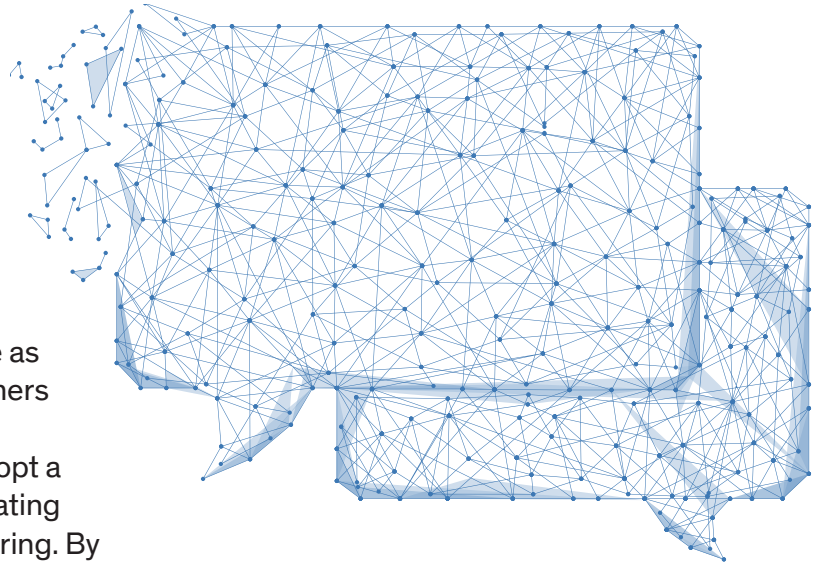
This complexity underscores the importance of professional assistance. While some individuals may complete such transactions independently, most homebuyers and sellers do not fully grasp the complexities and risks involved.

The Transition:
From a mostly part-time, salesperson/agent focused industry to a more mature, mostly full-time agent populated industry that is viewed as trusted advisors in the real estate transaction.

The Opportunity

Engaging a licensed real estate professional when buying or selling a home offers clear advantages, including expertise in local markets, negotiation skills, and knowledge of financial and legal challenges. Agents provide critical pricing guidance based on current market data, ensuring homes are competitively priced for sellers and that buyers understand market value. Their negotiation expertise helps secure favorable terms for clients while reducing compliance risks and streamlining the process. Furthermore, agents offer marketing support, including access to the MLS and other channels, maximizing property exposure.

In real estate sales, unsuccessful transactions are common, and under the current compensation model, agents typically go unpaid for their efforts when a sale does not occur. And as consumers may seek lower commissions, agents may transition from a sales role to an advisory one—charging hourly fees to cover costs when a sale does not materialize. Brokerages have an opportunity to enhance their value by helping agents demonstrate the clear benefits they provide to consumers, benefiting all parties involved.



Perspective

The future of agents will be defined by their ability to provide consultative value. As such, they must be as informed as the data available to consumers and focus on making transactions more efficient. Brokers and agents need to adopt a proactive approach in clearly communicating the value that real estate professionals bring. By explaining the comprehensive services, they offer, and the various steps involved in a transaction, consumers will be better equipped to make well-informed, confident decisions.

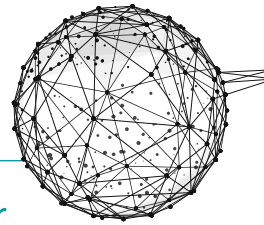
Additionally, helping consumers understand the range of brokerage models—whether à la carte, flat-fee, concierge, or full-service—ensures they can select the option that best meets their unique needs and expectations.

Explore Related Opportunities

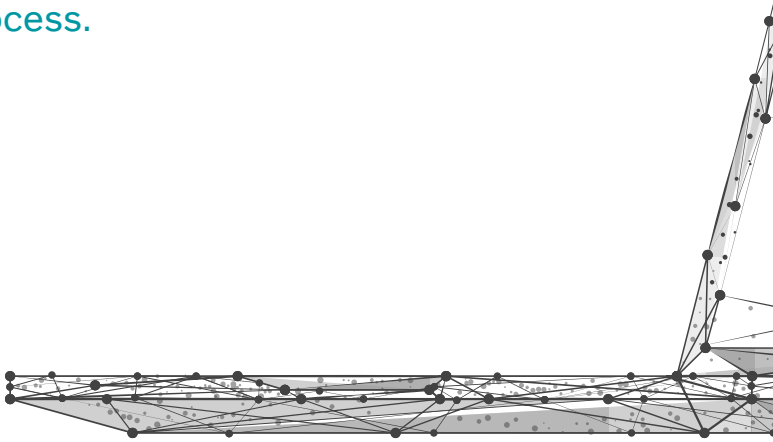
- A6 - Thrive Amid Commission Compression
- A7 - Reinvent the Brokerage Model for a New Era

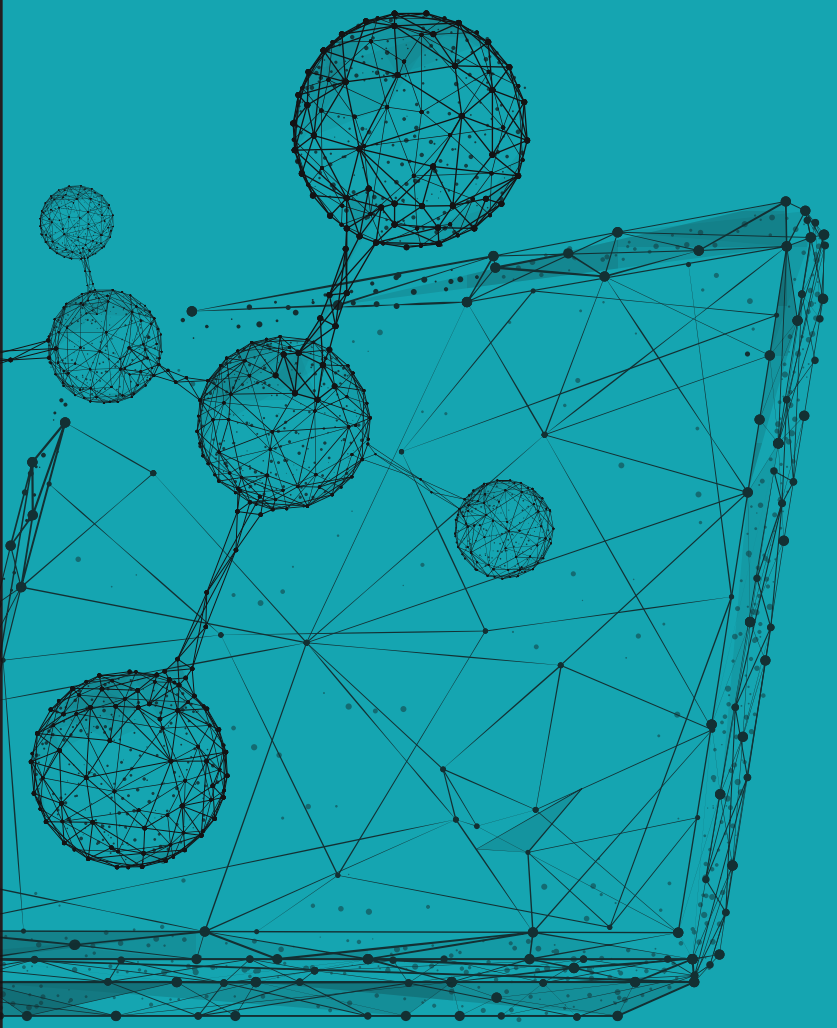
A5

Digitize the Real Estate Transaction with AI



Artificial Intelligence is among the most transformative technologies ever introduced to residential real estate, potentially serving as the catalyst to fully digitize the real estate transaction process.





In Context

A digital end-to-end real estate transaction has been in development for decades. But while the internet promised such advancements in the late 1990s, the industry and technology were not yet ready. Early attempts at transaction management systems, digital filing, and online signatures struggled to gain traction. The E-Sign Act (2000) established a legal framework for electronic signatures and records, giving them the same legal status as traditional, on-paper signatures.

By the early 2000s, a few forward-thinking real estate agents began using platforms like DocuSign to streamline their transactions. Over the following two decades property search, lead generation, and scheduling have become highly automated, while the negotiation and offer management and the contract-to-close process has remained multiple disconnected systems for appraisals, loans, and inspections.

The Opportunity

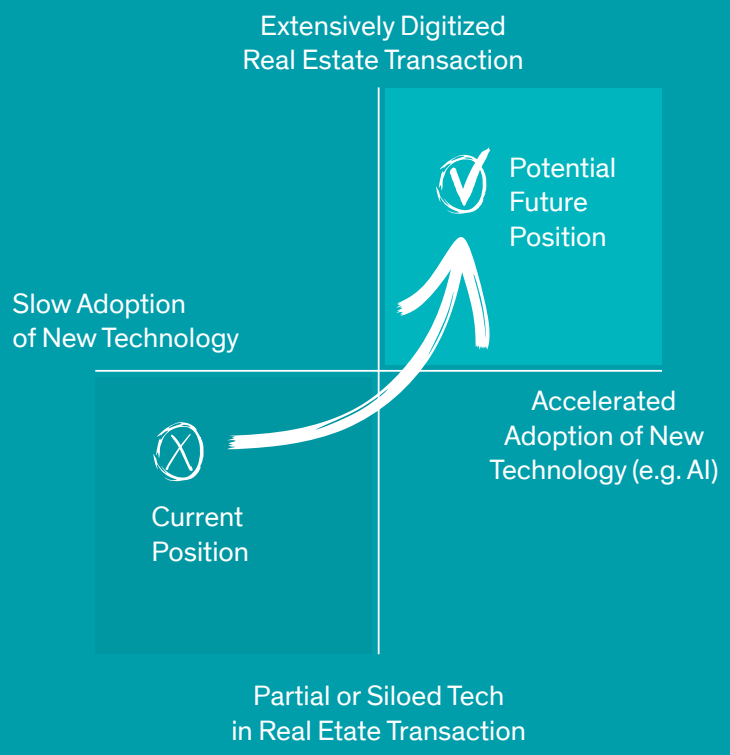
AI already processes at a rapid rate analyzing enormous datasets from various sources—such as economic indicators, demographic trends, and satellite imagery—to provide more accurate and granular market forecasts. It also analyzes social media, news, and online reviews to gauge public sentiment concerning neighborhoods or property types, offering valuable insights into emerging market trends.

This presents an unparalleled opportunity to transform the home buying and selling process, which has remained relatively unchanged for decades. Key near-term opportunities include:

- **AI-Enhanced Home Searches:** AI could enable real-time, voice-activated interactions and offer interactive ways to explore and present data.
- **Improved Customer Communication:** AI could enhance interaction and transparency between agents and clients.
- **AI as a Personal Assistant:** AI could organize information, streamline decision-making, and personalize services, boosting agent performance.
- **Shortened Transaction Times:** AI has the potential to accelerate transactions, enabling faster closings.
- **Automated Tasks:** AI could handle buyer underwriting, enhancing market preparedness and negotiation power.
- **Strengthened Client Relationships:** AI could assist agents in maintaining long-term relationships with clients.

AI can, and most likely will, dramatically shape the future of real estate, creating more intelligent, leaner brokerages, teams, and agents. However, fragmentation continues to slow technology adoption in the real estate industry in almost every aspect.

The Transition:
From a slow adoptive industry that is operating with partial/siloed technology in the real estate transaction to an industry that extensively adopts new technology. .



Perspective

The speed at which real estate agents adopt AI is uncertain. In the past, agents were slow to embrace new technology, but the situation may be different now. A recent study shows that more than half of Americans use AI daily, indicating that people are becoming accustomed to AI much faster than with previous technologies. There is hope that real estate professionals will seize the opportunity to address gaps and benefit from transformation. However, it is essential that these professionals exercise prudence and ensure AI is used ethically, avoiding unintended consequences such as bias and discrimination.

Explore Related Opportunities

- A7 - Reinvent the Brokerage Model for a New Era
- B2 - Separate MLS Organizations from Realtor Associations

A6

Thrive Amid Commission Compression

With changing consumer behavior, emerging business models, and a declining perceived value putting significant downward pressure on commissions, it is critical to strategize now to mitigate the impact.

In Context

Real estate commissions have faced pressure for decades, due to evolving market conditions, increased competition, and shifts in consumer expectations. The widely used 5-6 percent commission range is now increasingly questioned as technology and online platforms make property information more accessible. Discount brokerages and flat-fee services have emerged, offering alternatives that continue to apply downward pressure on commissions.

Tools like Zillow, Homes.com and Redfin have empowered consumers to take a more active role in the home-buying process, reducing their reliance on agents and prompting demands for more competitive commission rates.

Recent high-profile lawsuits challenging commission structures have further amplified this pressure. As new business models, like online and virtual brokerages, gain traction, traditional brokerages are grappling with rising operational costs and shrinking margins.

> “I love a good, healthy shakeup; it’s good for everybody.”

The Opportunity

As commissions continue to face pressure from lawsuits, technological advancements, and industry consolidation, brokerages must become leaner and diversify their revenue streams. This may involve reducing headcount, lowering facility costs, revising compensation models, and deploying technology to streamline operations. The shift toward cloud-based and AI-driven business models is already taking place.

Alternative models—like salaried agents, fixed or flat fees, or hourly billing—may also warrant reconsideration. Additionally, the decoupling of commissions could allow brokers to offer concierge and à la carte services, while expanding into ancillary offerings like title, mortgage, and insurance in a more integrated and efficient manner.

Perspective

It will take time to determine whether recent lawsuits will truly save consumers billions or simply cause significant disruptions to the real estate industry, with attorneys reaping fees without delivering substantial consumer savings. However, these lawsuits could act as a catalyst for industry-wide change—prompting a re-engineering of the business model, improving efficiency, raising standards, increasing transparency, and adopting new best practices. This is a critical moment for transformation.

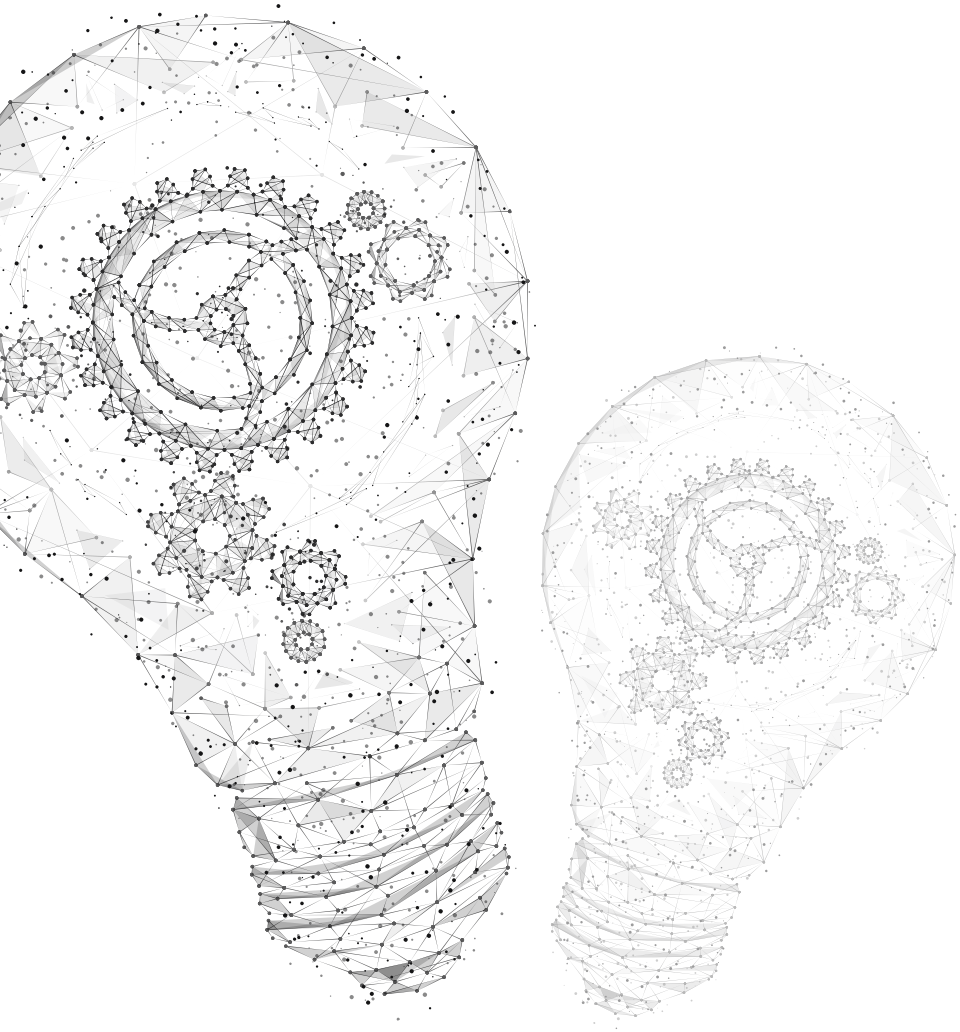
Explore Related Opportunities

- A4 - Elevate Agents: A New Perspective on Their Role
- A7 - Reinvent the Brokerage Model for a New Era

A7

Reinvent the Brokerage Model for a New Era

The recent upheaval caused by lawsuits, combined with ongoing downward pressure on brokerage margins, has created an environment ripe for implementing new business models that were previously considered unviable.



In Context

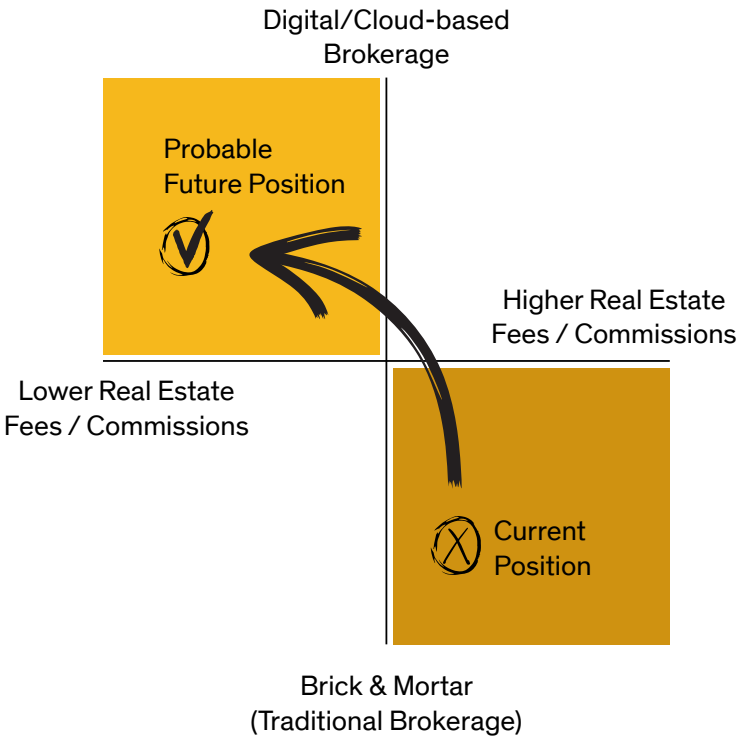
Razor-thin margins, driven by high overhead costs—particularly for office space and staff—and high agent turnover, are placing significant pressure on traditional brick-and-mortar brokerages. Fixed expenses are compelling many firms to focus more heavily on recruitment and retention to increase market presence, transaction volume, and profitability.

While cloud-based models alleviate many of these cost challenges, maintaining a strong culture and sense of community online remains difficult. The rise of real estate teams and consumer-facing portals has further blurred the lines between brokerages and other industry players, complicating differentiation. Established firms, with their brand recognition and financial strength, still offer advantages, but the rapidly changing market dynamics and regulatory shifts make adaptability crucial.

The Opportunity

Brokerages can enhance the consumer experience and improve long-term client relationships by providing a one-stop-shop for services. Clarifying their value proposition in a competitive landscape is critical, particularly as alternative business models gain traction. Key opportunities for brokerages include:

- **Reaffirm Value:** Set appropriate agent fees while avoiding service devaluation.
- **Drive Innovation:** Optimize workflows, improve transaction management, and equip agents with essential tools.
- **Leverage Settlements:** Capitalize on settlements to develop new buy-side tools and services.
- **Expand Services:** Diversify into ancillary services such as mortgage, title, and property management.
- **Lean into Premium Offerings:** Introduce concierge-level services with comprehensive, high-end packages for clients seeking superior service.
- **Revamp Compensation Models:** Explore flexible commission structures.
- **Embrace AI:** Use artificial intelligence to build efficiencies, drive revenue, and enhance customer experiences.
- **Consider Tiered Services:** Offer tiered service levels—high-touch, mid-touch, and low-touch—to meet varying consumer needs.



The Transition:
From higher real estate fees and commissions in a traditional brick & mortar brokerage to a digital/cloud-based brokerage driven by lower real estate fees and commissions. .

Perspective

This pivotal moment offers a clear opportunity for brokerages to reaffirm their value to both agents and consumers. Doing so will require strategic thinking, bold vision, and decisive action. But many brokerages still rely on outdated models that struggle to compete in today's rapidly evolving business and technology landscape. Failure to proactively disrupt their own models may result in significant external disruption between 2025 and 2030.

Explore Related Opportunities

- A4 - Elevate Agents: A New Perspective on Their Role
- A6 - Thrive Amid Commission Compression
- D - Make Homeownership an Affordable Dream Again

A8

Harness the Power of Mergers

Consolidation can reduce redundancies, widen thin margins, enable better use of technologies, and provide a viable exit strategy for business owners.

In Context

With approximately 106,000 real estate brokerages and approximately 3 million active real estate licensees in the U.S., the industry remains highly fragmented. While most consumers are unaware or indifferent to this number, it highlights the wide variance in professionalism and service quality across the market. Many consumers do not conduct sufficient research when choosing a brokerage or agent, making them vulnerable to inconsistent service experiences. In an industry with low barriers to entry, less discerning clients may unknowingly select agents or brokerages that lack the skills and experience, allowing subpar brokers or agents to go unnoticed.

Although some predict a decline in the number of brokerages, no compelling driver of consolidation has emerged, and with a steady influx of new entrepreneurial ventures—typically small, independent, and home-based—the fragmented industry continues.

> "If you don't disrupt yourself, someone else will do it for you."

The Opportunity

The market situation, changes in rules, and commission compression pressures create an ideal opportunity to leverage M&A to grow and develop brokerage businesses. Some brokers lack the capacity to handle the volume of change, and would prefer to go back into production themselves vs. handle the obligations and costs of running a brokerage. Other brokers fear more lawsuits and lack the desire or financial capacity to respond to more legal hassles. Further, demographically many firms are led by owners that are at or very near retirement age. These various factors, taken together, create a unique time for companies with the capacity to acquire.

There is also a significant opportunity for large brands and brokerages to enhance their onboarding process for agents from acquired firms. But many currently lack the necessary staffing and infrastructure to efficiently manage acquisitions. The challenge extends beyond completing the transaction; it includes successfully onboarding new agents, transitioning their businesses smoothly, and ensuring their successful integration into the new company culture..

Perspective

The current wave of consolidation in the residential real estate sector is being driven by mounting economic pressures that compel companies to merge and optimize operations for greater efficiency. As the industry faces tightening margins, evolving market conditions, and increasing competition, consolidation is becoming an inevitable and essential phase in its lifecycle.

The largest brokerages and franchises, many of which are publicly traded and well-capitalized, are in the best position to thrive in this shifting landscape. This will not only enhance their market share but also bolster their long-term stability.

Explore Related Opportunities

- A7 - Reinvent the Brokerage Model for a New Era
- A9 - Maximize the Strength of Teams

A9

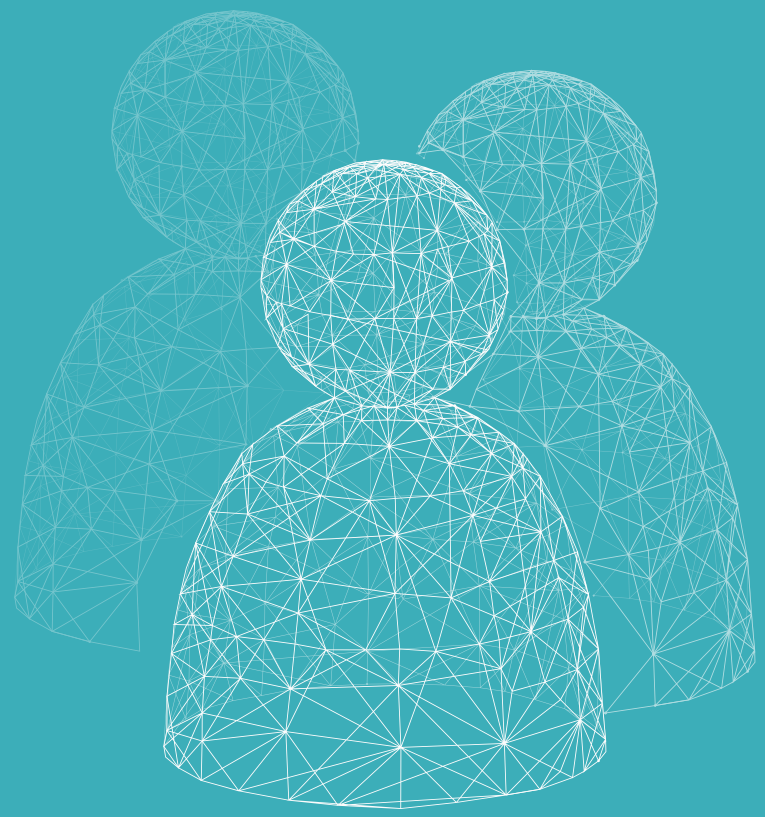
Maximize the Strength of Teams

Teams bring together diverse skills, perspectives, and experiences that enable them to tackle challenges the traditional real estate brokerage model has not effectively addressed.

In Context

Over the past decade, effective teams have put considerable pressure on brokerage margins, particularly the traditional brick-and-mortar business models. Teams have emerged as a significant source of training and accountability for agents, filling a gap left by brokerages that have reduced investment in agent development.

Teams foster specialization, allowing agents to focus on their strengths. But this innovation also poses challenges in agent career development and creating well-rounded agents. Much like the division of labor in other industries, teams offer agents more focused roles, enabling them to excel in specific areas of the transaction process.



The Opportunity

Teams are becoming increasingly crucial in today's real estate business model, yet they often lack the tools and support required to sustain the size and scale their success. But this presents a significant opportunity for brokerages. By developing tailored systems and tools specifically designed for teams—such as efficient tracking and business management solutions—brokerages can help teams scale even further. Additionally, offering comprehensive training and back-office services, including accounting, compliance, and administrative support, will strengthen the relationship between brokerages and teams.

> "This is the time for leading agents and teams to aggressively differentiate themselves and explain the risks of hiring underqualified agents."

Known for their strengths in lead generation and conversion, teams can greatly benefit from these resources, enhancing their competitiveness in an evolving market. Many technology platforms, including MLSs, still lack robust functionality for teams, particularly in areas like sales tracking and accountability, revealing further untapped potential. Brokerages can also learn from teams' success by adopting more efficient systems and focusing more intently on business generation. Together, these efforts can foster a symbiotic relationship that will drive long-term growth and adaptability.

Perspective

In real estate, the growing success of teams highlights their ability to harness collective expertise and remain adaptable in an ever-changing market. While the composition and definition of teams vary widely, when led by experienced practitioners with a penchant for business and the ability to build culture, some teams can outperform the largest brokerage operations. Large brokerages would do well to perform a SWOT (strengths, weaknesses, opportunities, threats) analysis of the top teams to reverse engineer their success and, where possible, use their economies of scale to build competitive advantages based on price, efficiency, and retained company dollar.

Explore Related Opportunities

- A4 - Elevate Agents: A New Perspective on Their Role
- A7 - Reinvent the Brokerage Model for a New Era

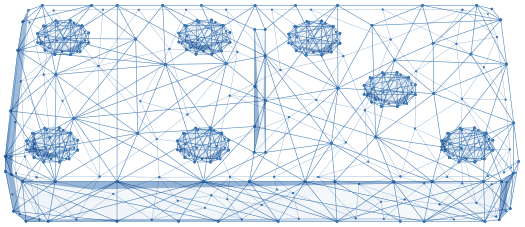
Section B

Organized Real Estate

B1

Drive Market Transparency: The Clear Cooperation Path Forward

The industry is split on the Clear Cooperation Policy (CCP). NAR needs to take a decision on what Clear Cooperation should be, and work to unite the industry behind this vision.



In Context

NAR implemented the CCP in November 2019 (effective May 1, 2020) in response to concerns that off-MLS listings were disadvantaging buyers and sellers. The policy has since faced legal challenges and criticism, while drawing attention from federal regulators who—after overseeing the removal of compensation from the MLS—now appear to question requiring submission of publicly marked listings to the MLS.

The CCP mandates that brokers, and by extension sellers, must enter listings into the MLS under specific conditions or face penalties. Listing on the MLS provides sellers with broader exposure to potential buyers through other agents, though commissions from double-sided in-house transactions are typically lower than those involving separate listing and selling agents. Additionally, the MLS displays price drops and days on market, which gives buyers valuable insights that helps them identify slower-moving listings and make competitive offers. Critics argue that this transparency can hurt sellers by highlighting the property's time on the market.

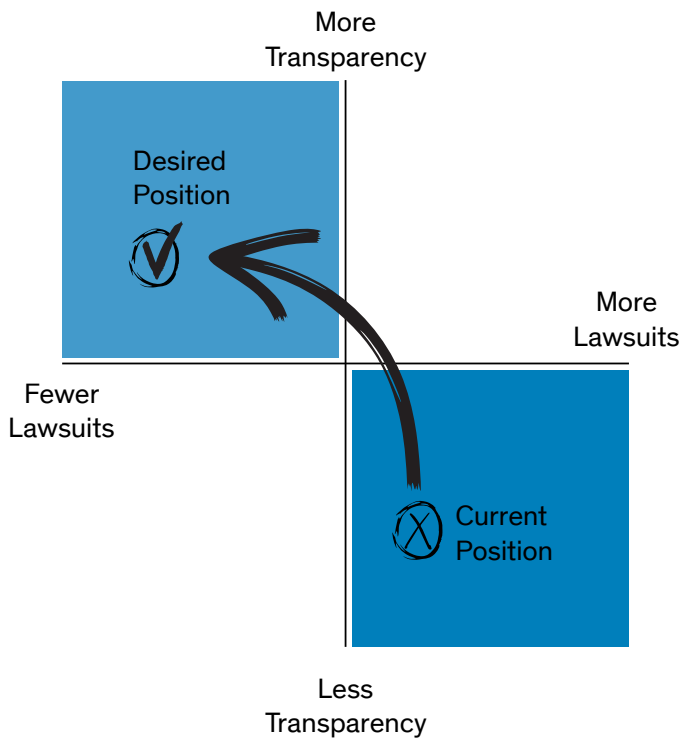
Opportunity: Keeping CCP

The CCP garners support from small and some large brokers for promoting fair housing and limiting brokers from serving both buyers and sellers in the same transaction. It curtails larger brokerages dominating both sides of a transaction by preventing them from withholding properties from the MLS to increase the chances of double-ending transactions. If the policy is rescinded, smaller firms could be disadvantaged due to reduced access to listings. Aggregators and paper brokerages, which have built consumer portals reliant on MLS data to generate leads and referrals, also defend the CCP, as they benefit from comprehensive listing access.

Opportunity: Removing CCP

Larger brokers argue that the CCP is "anti-homeowner" because it forces sellers to display "negative insights," such as days on market, which can put them at a disadvantage during negotiations. These brokers contend that the MLS exists to provide listings on behalf of homeowners, and sellers should have the freedom to choose how to market their property. While most sellers use the MLS for its ability to generate broad exposure, given shrinking margins that some larger brokers prefer to retain as many in-house transactions as possible to increase market share.

An updated guideline from NAR is needed soon.



The Transition:
From an industry that has more lawsuits and is less transparent to an industry that has more transparency and fewer lawsuits.

Perspective

The term "consumer" is often used broadly to imply that if something benefits consumers, it must be the right course of action. However, consumers have diverse needs and perspectives; one size does not fit all. Supporters of the CCP typically focus on homebuyers, while those advocating for its removal emphasize the interests of home sellers. The larger opportunity for the industry lies in uniting to ensure that consumers, brokers, and agents continue to have access to transparent real estate marketplaces, which underpins the dynamic U.S. real estate industry and is envied worldwide.

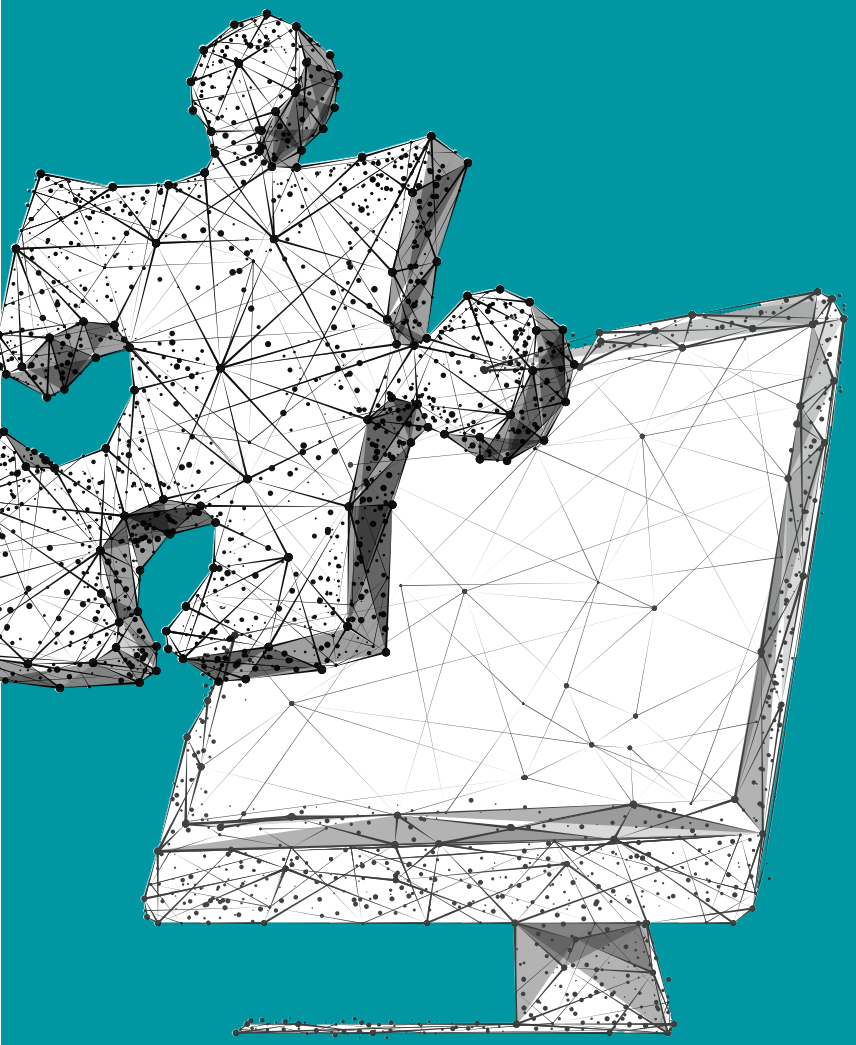
Explore Related Opportunities

- A1 - Decouple Buyer and Seller Agent's Compensation
- A2 - Establish Best Practices for Buyer Services
- A3 - Enhance Credibility with the Consumer

B2

Separate MLS Organizations from Realtor Associations

Make multiple listing services more competitive by eliminating the governance restrictions that result from being owned by Realtor associations.



In Context

Approximately 65 percent of MLSs require membership in a Realtor association as a condition to gain access to the MLS. There have been various lawsuits successful in challenging this requirement in California and the 11th Circuit (30 years ago and more). More recent suits in Washington, Wisconsin, and elsewhere, upheld the Realtor membership requirement. But most of those cases are more than a decade old, and new cases are likely brewing on this issue.

Furthermore, the settlement bans the offer of buyer broker compensation through the MLS. The problem in the settlement suits was that MLSs subject to NAR policy (including Realtor MLSs that allow non-Realtor participants) required brokers to share compensation. So, with the removal of buyer broker compensation, one of the two cornerstones of the MLS is eliminated, it leaves cooperation as the last remaining foundational pillar.

The Opportunity

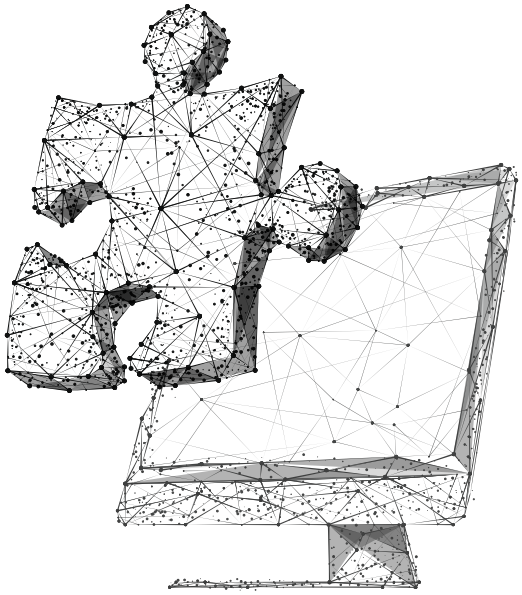
Decoupling MLSs from Realtor associations is seen as the most effective path forward, allowing MLSs to operate without the constraints of association politics. Associations should focus on their core missions—ethics, political advocacy, and education—while MLSs should concentrate on providing extensive, data-driven value to brokers and agents.

To stay relevant, MLS organizations should be fully enabled to develop strategies that address shifting market demands and competitive innovation. MLSs should expand their role, becoming curators of comprehensive property data and equipping agents with consumer-friendly tools that effectively communicate property value. By functioning as independent, self-governing entities, MLS organizations can better serve brokers and agents by offering more innovative, market-driven technology and services. This independence will allow MLSs to adapt more rapidly to market changes, providing brokers and agents with the tools needed to stay ahead of the competition and meet the evolving needs of consumers. This shift will ultimately enhance the efficiency and competitiveness of the entire real estate transaction process.

> “If we don’t separate MLS and associations, the FTC or DOJ might do it for us.”

Perspective

To be competitive in today's real estate landscape, MLS organizations must operate independently, free from the limitations and political influence imposed by Realtor associations. This transformation would meet current market demands and position MLSs as indispensable resources in the industry. Furthermore, as many regulators may not fully comprehend the implications of the recent settlement agreements, MLSs should focus on ensuring that consumer protection and transparency are fully recognized and understood.



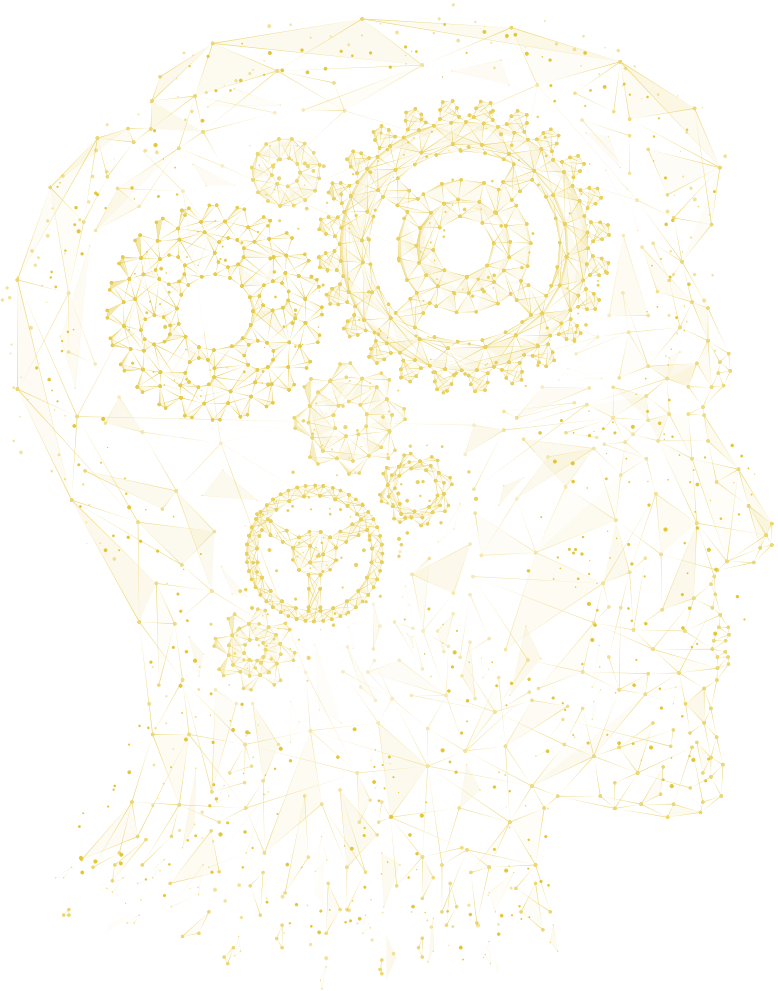
Explore Related Opportunities

- A8 - Harness the Power of Mergers
- B4 - Maximizing Value Through Consolidated MLSs

B3

Cultivate the Future of Real Estate with a New Modern Professional

Realtor associations must take the lead in recruiting, educating, and developing a new generation of trusted advisors and real estate professionals.



In Context

Following World War II and the baby boom, the real estate industry experienced an influx of new talent and innovation which laid the foundation for many major brands and brokerages. That generation largely shaped the real estate landscape we have today. Now, more than 75 years later, the industry stands at a crossroads, with dated models and processes, ready for revitalization.

The combination of ongoing lawsuits and unprecedented turmoil within NAR has, at least in the opinion of industry leaders, stained the reputation of brokers and agents. At the same time many agents are experiencing burnout, and brokerages are struggling with small margins. Low licensing standards, often seen as inadequate, have resulted in hundreds of thousands of part-time agents, many of whom lack the necessary skills to excel in the profession.

The Opportunity

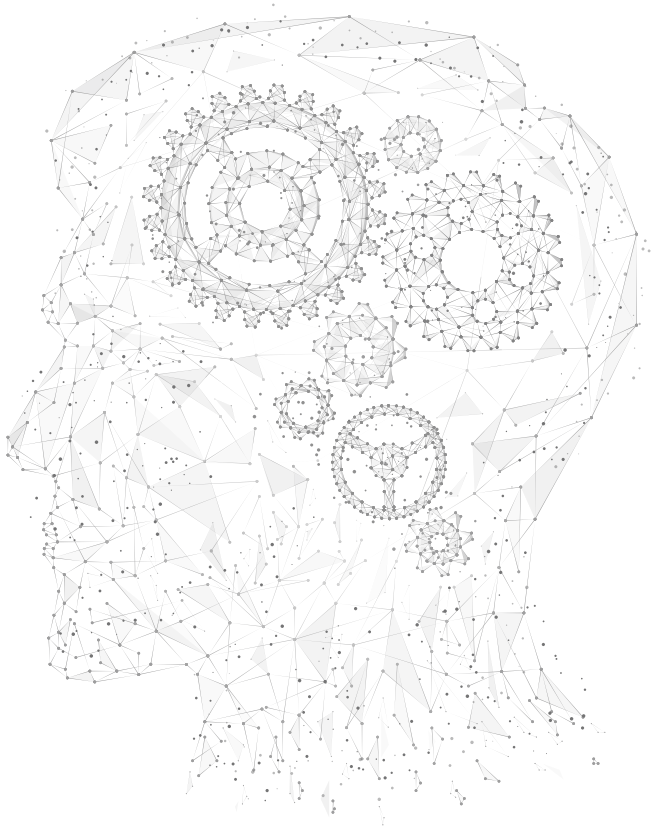
Fresh perspectives, energy, and talent are essential to building a stronger future for all stakeholders—brokerages, teams, and agents alike. The industry will be stronger if we can attract a new generation of professionals who can raise standards.

This transformation can be achieved by offering career opportunities such as sponsored licensing pathways, apprenticeship programs, and clear roadmaps for starting brokerages or advancing in management. In doing so, the industry can shift from being viewed as a second-choice job to a first-choice career. By making meaningful investments in recruitment and development, associations and brokerages can set higher standards and cultivate a more balanced and diverse workforce.

> “We’re going to see a separation of the herd—people who adapt to the new rules will thrive, while those who can’t let go of the past, will struggle.”

Perspective

The industry is crowded with second career and part-time agents who often adopt a short-term, transactional approach, with limited consideration to long-term growth and innovation. The real estate industry must recruit more full-time, dedicated talent at scale, deliberately shifting toward a new workforce composed of fewer, but more career-focused agents and brokers. It is time to evolve past the current salesperson mentality to that of professional advisor. This focus will not only attract higher-caliber individuals, it will help eliminate many of the inefficiencies and the operational waste currently plaguing the industry.



Explore Related Opportunities

- A3 - Enhance Credibility with the Consumer
- C - Enhance Professionalism with Strong Licensing Requirements

B4

Maximizing Value Through Consolidated MLSs

MLS organizations should merge, allowing brokers and agents to provide consumers with enhanced information and service, unrestricted by geographic limitations.

In Context

Across the U.S., the number of MLS organizations in each state ranges from one to more than thirty. This fragmentation forces brokerages to navigate different formats and structures to deliver and retrieve listing information. These localized “fiefdoms” are relics of pre-internet systems and are often maintained by state and local Realtor associations that own many of these MLSs. Although some consolidation has occurred over the past two decades, the pace has been too slow. A concerted effort to consolidate is essential for lowering transaction costs, eliminating redundancy, and streamlining operations.

The inconsistency in data type, quality, and format increases the cost of accessing property information, indirectly raising costs for homebuyers and sellers. Many smaller MLSs lack the capital and resources to provide top-tier services to real estate professionals. Maintaining this fragmented structure today is both impractical and unsustainable.

The Opportunity

Industry leaders are advocating for a significant reduction in the number of MLS organizations—by as much as 90 percent. While many brokers express frustration over the number of MLSs and associations, their continued financial support of these entities undermines consolidation efforts. The responsibility for consolidation does however not lie solely with associations. MLSs and brokers must take an active role in driving consolidation.

Brokers must also recognize the long-term impact of not having control over their listing data. To remain relevant and competitive, MLSs need to evolve beyond simply managing listing data and collaborate with brokers to ensure an open flow of information to consumers through brokers and agents.

> "The future of the real estate industry lies with the MLS, and now is the time to lead."

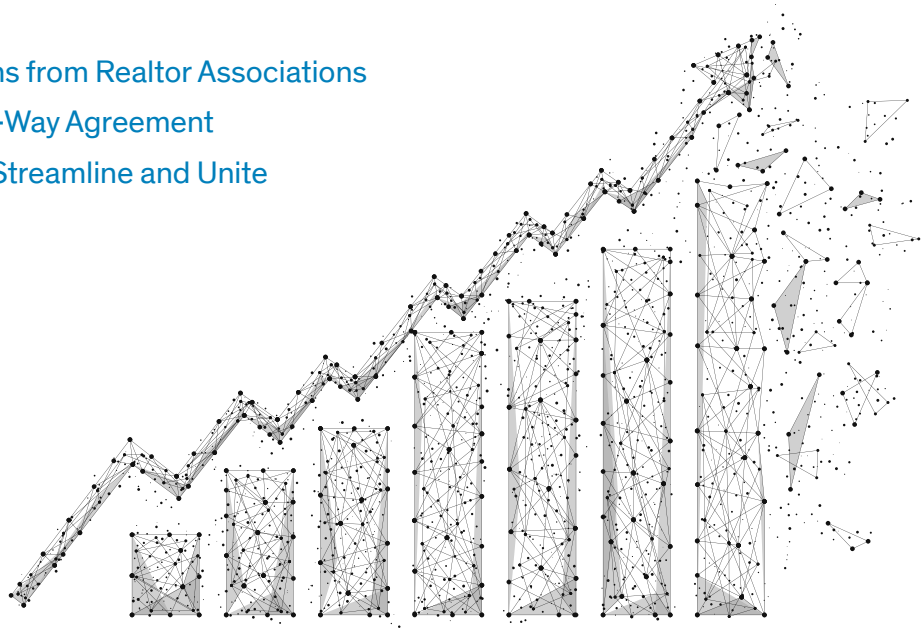
MLSs could begin to deliver broader datasets—such as migration patterns, property histories, property conditions, and market insights—while modernizing their offerings to help brokers communicate the insights to consumers in a meaningful way. After monetizing the high-value data contributed by agents and brokers, MLS organizations could offer financial incentives to brokers, encouraging better data input. This would create a more sustainable model for MLSs while generating a revenue stream for brokerages.

Perspective

Consumers are largely unaware, and do not care about the geographical boundaries or the large number of MLS organizations. Therefore, the current upheaval in the industry is an ideal time to consolidate the MLS landscape. MLSs must seize this pivotal moment to innovate, creating a more advanced and transparent real estate data ecosystem. This transformation will also provide brokers and agents with the incentive needed to elevate their profession, enhancing the efficiency, transparency, and overall satisfaction of consumers.

Explore Related Opportunities

- B2 - Separate MLS Organizations from Realtor Associations
- B6 - Evolving Beyond the Three-Way Agreement
- B7 - Realtor Associations Must Streamline and Unite



B5

Rebuilding Trust: A Strategy to Re-engage NAR Members

To reclaim its leadership role and restore trust within the industry, NAR must openly acknowledge the concerns of its members and demonstrate a genuine commitment to addressing them.

In Context

Founded in 1908, NAR was established to standardize and professionalize the real estate industry, achieving several notable milestones throughout its history. Over time, NAR has grown to represent over 1.5 million members, but its focus has gradually shifted from serving its membership to solidifying its position as the most powerful trade association in the U.S. Mandatory membership has contributed to a growing disconnect, leaving many members uncertain of NAR's value and purpose.

Increased scrutiny of NAR's practices has diminished its perceived moral authority, resulting in widespread reexamination of industry norms. Its large size, two corporate towers, and complex governance structures—along with numerous and bloated committees—are seen as reflective of a bygone era. This shift in perspective has led to a critical reassessment of long-held assumptions about NAR's infallibility. Industry professionals are now more aware of the potential risks of assuming its actions are always in the best interest of the industry and profession. This awakening highlights the need for independent thought and critical analysis to shape future industry practices and policies.

The Opportunity

To restore confidence and reclaim its leadership role within the real estate industry, NAR must embrace this "second chance" by enacting key strategic changes:

- **Refocus Membership:** Streamline and engage a more qualified membership base to improve representation, participation, and effectiveness.
- **Elevate Industry Standards:** Address perceptions that brokers' interests are neglected and enforce higher standards to enhance professionalism.
- **Strengthen Advocacy:** Refocus on core advocacy efforts at the national level, reestablishing NAR's influential voice and eliminating decades of mission drift.
- **Streamline Operations:** Reduce the number of national committees and administrative staff, while recruiting experienced leaders to drive progress.
- **Rebuild Trust:** Increase transparency and provide realistic insights into market conditions, moving away from overly simplistic messaging like "it's always a good time to buy."
- **Foster New Talent:** Launch large-scale apprenticeship and scholarship programs to cultivate the next generation of skilled real estate professionals.
- **Uphold Accountability:** Strengthen regulatory enforcement to ensure high professional standards, restoring consumer trust and credibility within the industry.

These steps will sharpen NAR's purpose and position it for renewed relevance and success.

Perspective

Tensions and frustration are high, many are considering leaving the Realtor family, and a lawsuit by members against NAR is likely. However, there is also a significant number who still recognize its value and believe that NAR is critical to the success of the industry going forward. For NAR to succeed, it must acknowledge its shortcomings, offer a sincere public apology, and commit to real, meaningful change. This transformation must extend beyond rhetoric and involve a fundamental overhaul of its governance structure, as well as a reduction in size to better align with a redefined mission.

Explore Related Opportunities

- B8 - Reimagine What Realtor Association Leadership Means
- D - Make Homeownership an Affordable Dream Again

B6

Evolving Beyond the Three-Way Agreement

The three-way agreement that helped NAR grow has also imposed a three-tier membership structure that may no longer serve members' best interests. Sunsetting this agreement would allow associations at all three levels to tailor their value propositions to better meet member needs.

In Context

NAR operates under a three-way agreement with state and local Realtor associations, creating a structured relationship that mandates membership across all three levels. This structure is now considered outdated and is often criticized for several reasons. Agents are required to join all three tiers, even if they find little value in one or more levels. This requirement leads to additional membership fees, as agents must pay dues to all three levels, which can be burdensome for smaller brokerages or individual agents.

The Opportunity

Mandated membership needs to end, and support of the Realtor association, on any of the three levels, must be earned. Sunsetting the three-way agreement would allow brokers and agents to independently decide whether they wish to join a state, local, or national association—or all three. This shift would necessitate associations selling their value to constituents, much like agents must demonstrate their value to clients. Allowing professionals to choose their affiliations offers several key benefits:

- **Freedom of Choice:** Professionals can align their membership with associations that reflect their values, needs, and goals.
- **Accountability and Quality:** Optional membership compels associations to continually demonstrate value, enhance services, develop better programs, raise standards, and foster greater innovation.
- **Cost Efficiency:** With optional membership, professionals can manage expenses more effectively by joining only those associations that directly benefit their business.
- **Encouraging Competition:** Voluntary membership encourages competition between associations, leading to improved offerings, more focused services, and a wider range of choices for professionals.

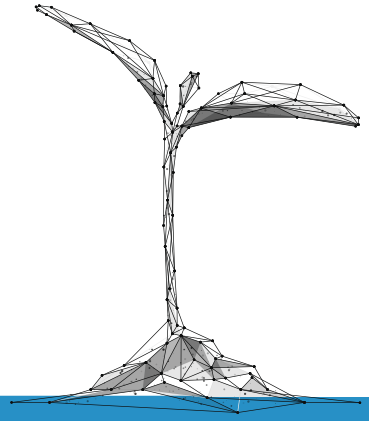
Perspective

Optional membership across all association levels will create a healthier, more committed, and transparent environment, where associations become more relevant and responsive to their members. This marks a significant shift in association thinking, which has traditionally focused on headcount. It will require a reconfiguration of the Realtor structure, value proposition, and operational model.

The Realtor ecosystem plays a critical role in a thriving industry, and by streamlining and focusing the responsibilities of each layer, consumers, brokers, and agents will benefit from more agile and dynamic services.

Explore Related Opportunities

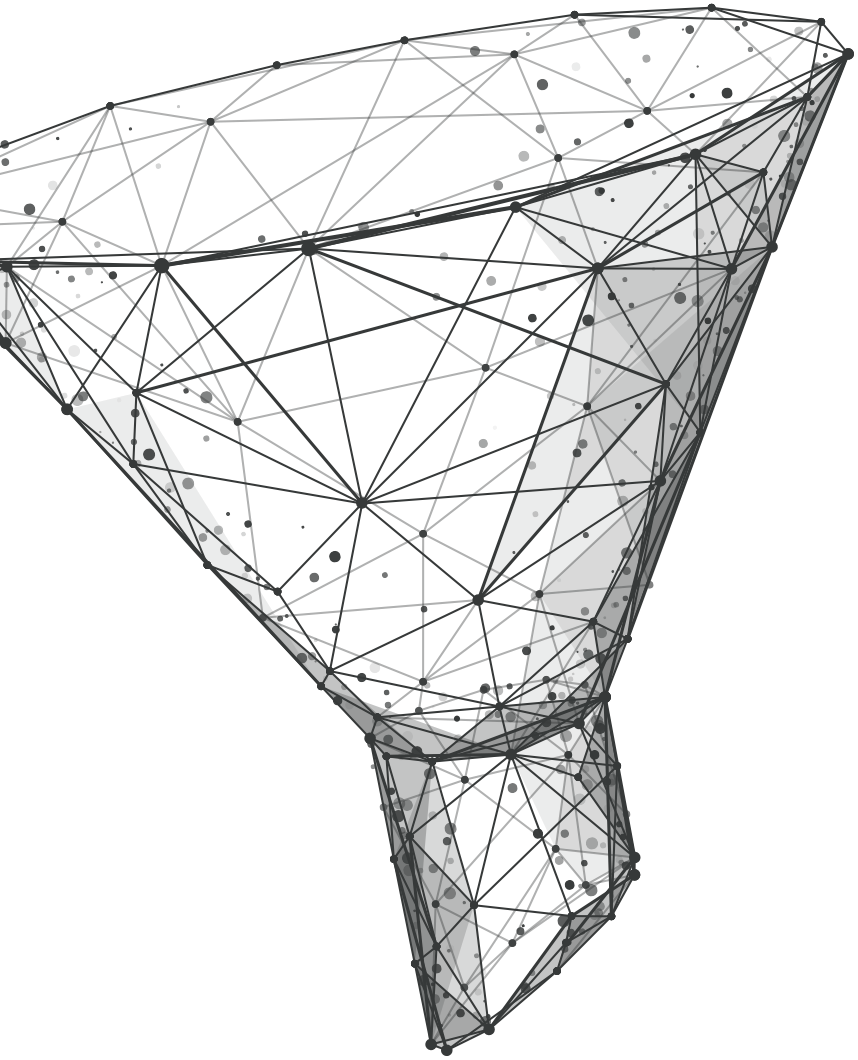
- B2 - Separate MLS Organizations from Realtor Associations
- B4 - Maximizing Value Through Consolidated MLSs
- B7 - Realtor Associations Must Streamline and Unite



B7

Realtor Associations Must Streamline and Unite

Larger, economically sustainable associations with experienced management are significantly better positioned to serve real estate professionals with the high standards they expect and deserve.



In Context

Approximately 35 percent of local Realtor associations have fewer than 200 members, with some micro-associations consisting of as few as 10 members. Many of these small associations fiercely defend their independence, fearing absorption by larger neighboring associations and the potential loss of their uniqueness.

The minimum core standards set by NAR to encourage consolidation were often bypassed by small associations outsourcing certain requirements to others, undermining the intent of the policy. Associations that cannot meet these core or new minimum standards should not be approved. All associations should be held to a consistent level of service, just as we expect in other industries or companies.

The Opportunity

By merging resources, associations can reduce redundant processes, streamline administrative functions, and optimize budgets. They can also introduce new services that were previously unavailable to local members, such as advanced technology platforms and expanded professional development opportunities.

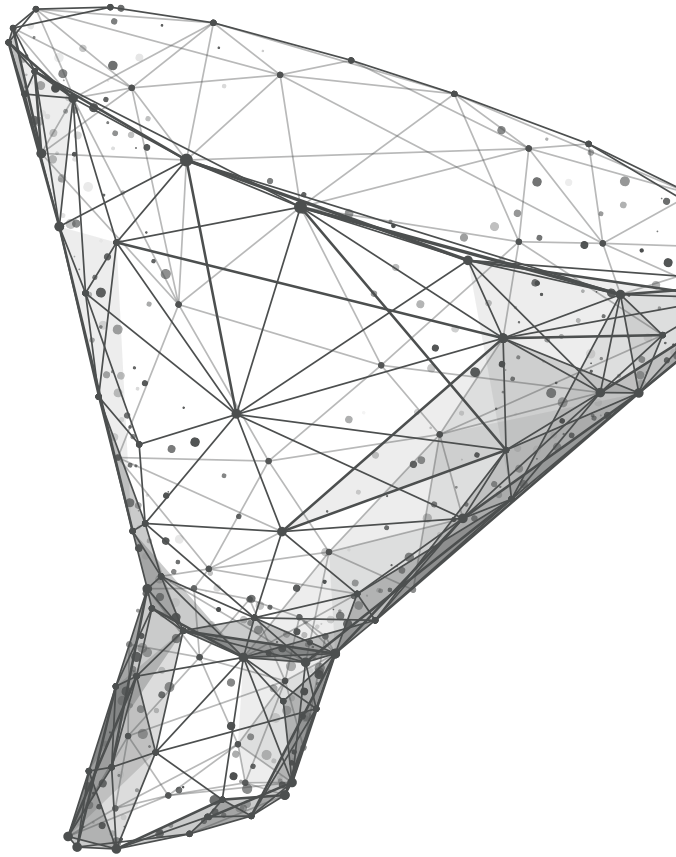
Larger associations are better positioned to drive important initiatives, shape policy, and respond to market changes. They can offer higher-quality programs across broader geographic areas and have a stronger voice when negotiating with vendors and engaging with regulators.

> “Brokers must take ownership in reducing the number of associations and MLSs.”

Small, micro-associations should be integrated into larger, more effective local associations. Any specific “special” needs or unique local characteristics can be accommodated through chapters within the larger organization.

Perspective

Without consolidation, Realtor associations risk stagnation and continuing their outdated ways. Most smaller associations lack the resources necessary to effectively deliver essential services in today's modern real estate environment. Merging with larger neighboring associations will provide access to improved operational efficiency and enhanced services. Consolidation is not just beneficial; it is a necessary step to ensure the long-term success of organized real estate.



Explore Related Opportunities

- B2 - Separate MLS Organizations from Realtor Associations
- B3 - Cultivate the Future of Real Estate with a Modern New Professional
- B4 - Maximizing Value Through Consolidated MLSs

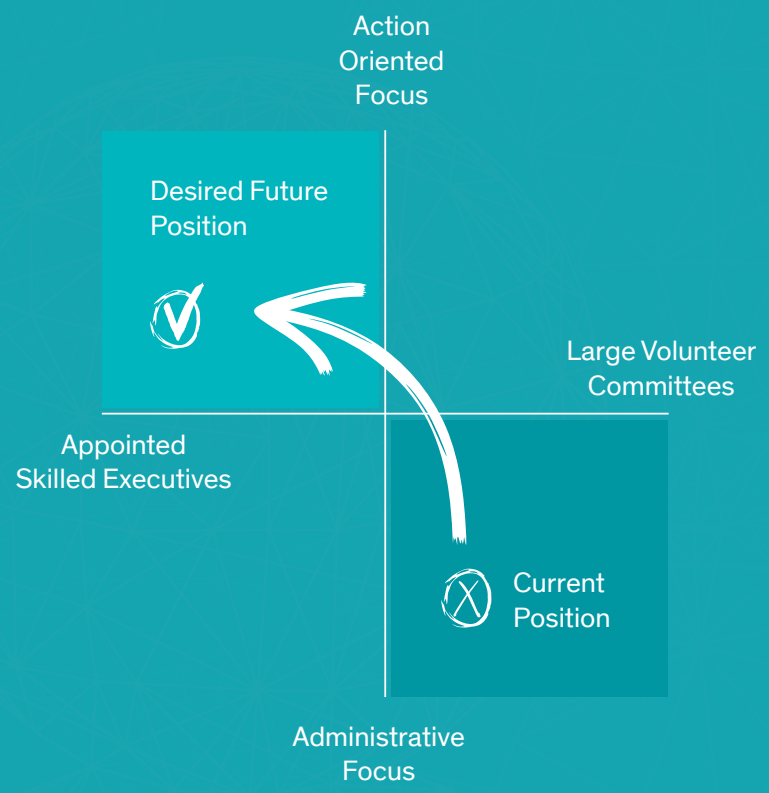
B8

Reimagine What Realtor Association Leadership Estate Means

The current committee structure together with elected and rotating leadership must be reorganized. NAR should reimagine a more streamlined and effective decision-making format for governance.

In Context

With over 90 national committees that involve thousands of members, NAR often struggles with bureaucracy. To represent everyone, NAR's focus becomes diluted, with individual concerns taking precedence over the organization's broader goals. Decisions are frequently delayed and entangled with unsubstantiated perspectives and speculative opinions. The current 1,000-member Board of Directors also exemplifies a legacy structure that is sluggish in response, fosters inefficiency, and as a group lacks the ability to ensure that NAR stays relevant, provides value, and operates efficiently.



The Transition:
From a structure designed around large committees and administrative staff to a structure focused around a small, highly talented management team.

The Opportunity

To enhance its operational efficiency and reclaim its leadership role, NAR should streamline its organizational structure by eliminating many of its committees. Here are key steps to consider for this transformation:

1. **Request a Full Board Resignation:** Though largely symbolic, this bold step would signal a commitment to redesigning NAR. Bylaw changes would be necessary to facilitate the simultaneous resignation of all Board members, which would need approval from Realtor associations at both local and state levels.

2. **Form a New, Focused Board of Directors:** Transition the current leadership team (less that 10 members) to a more streamlined and more efficient Board of Directors. In the first year, rotate out half the members, and replace the remaining half in the second year. Prioritize the selection of industry experts and external business leaders over geographical representation or state elections.

3. **Evaluate Leadership:** After one year, evaluate the performance of the newly appointed CEO. If the CEO is effective, grant her full decision-making authority. If not, pursue leadership that is capable of driving momentous change.

4. **Redefine Departments and Roles:** Clarify the vision, responsibilities, and goals of each staff-run department, ensuring they are led by skilled experts empowered to enact tangible progress.

5. **Eliminate Excess Committees:** Within two years, reduce the approximately 90 committees to zero transferring their responsibilities to staff-led department executives. This should be a small, agile group of empowered capable of achieving significantly more than the thousands of part-time committee members.

Several national associations serve as models of strong leadership, member engagement, and operational excellence. NAR can draw valuable lessons from these organizations:

- **National Association of Home Builders (NAHB):** Known for its effective advocacy, NAHB represents home builders and related industries, successfully lobbying for legislative changes and providing valuable resources to its members.
- **American Medical Association (AMA):** AMA excels in advocacy, shaping health policy at both federal and state levels. Its governance structure incorporates diverse stakeholder input, enabling it to address complex healthcare issues effectively.
- **National Retail Federation (NRF):** A leading voice in the retail industry, NRF excels in advocacy, public relations, and providing members with resources. Its ability to adapt to industry challenges, such as e-commerce, demonstrates its strong governance.
- **National Association of Manufacturers (NAM):** NAM advocates for manufacturing businesses with a focus on policy influence, industry collaboration, and economic impact, helping members navigate complex regulatory environments.
- **AARP:** AARP is recognized for its vast member base and focus on delivering value through advocacy, education, and comprehensive member benefits. Its long-term engagement strategies can serve as a model for NAR.

Perspective

NAR President Kevin Sears deserves recognition for his commendable efforts in bringing a level of transparency that has been uncommon among recent NAR leaders. However, transparency alone is insufficient. What NAR truly needs is transformative leadership that is visionary, decisive and action-oriented.

To secure its future and maintain industry leadership, NAR needs a team of leaders who can rebuild trust within the organization and inspire the industry through bold ideas and a genuine commitment to meaningful change. This may be the most critical step NAR can take to ensure its long-term relevance and effectiveness.

Explore Related Opportunities

- B5 - Rebuilding Trust: A Strategy to Reengage NAR Members

B9

Prioritize Advocacy as NAR's Central Mission

NAR should expand on its existing efforts, articulate its advocacy achievements, and take a leading role in championing the interests of real estate professionals.

Key Industry Achievements

NAR has a strong record of accomplishments in housing and real estate; key highlights include:

1. **Homeownership Initiatives:** NAR has consistently advocated for policies promoting homeownership, such as mortgage interest tax deductions and homebuyer tax credits.

2. **Fair Housing:** NAR was instrumental in passing the Fair Housing Act of 1968 and remains committed to combating housing discrimination through education, advocacy, and policy initiatives.

3. **Real Estate Settlement Procedures Act (RESPA) 1974:** NAR played a pivotal role in passing RESPA, ensuring transparency and fairness in real estate transactions by regulating the disclosure of fees and services to homebuyers.

4. **Tax Reform Advocacy:** NAR has fought to protect tax benefits tied to homeownership, including defending mortgage interest deductions, and advocating for capital gains exclusions on home sales.

5. **Dodd-Frank Act (2010):** In the wake of the financial crisis, NAR successfully lobbied for provisions in the Dodd-Frank Act to safeguard real estate professionals and consumers from burdensome financial regulations that could hinder homeownership.

6. **National Flood Insurance Program (NFIP):** NAR led efforts to secure long-term reauthorization of the NFIP, ensuring affordable flood insurance for homeowners in flood-prone areas, while advocating for necessary reforms to sustain the program.

7. **Technology and Data Privacy:** NAR has supported legislation that protects both real estate professionals and consumers from cybersecurity threats and ensures privacy in real estate transactions.

8. **Healthcare for Realtors:** Recognizing the independent contractor status of many real estate agents, NAR has advocated for more accessible and affordable health insurance options for its members.

9. **Housing Finance Reform:** NAR has been a key voice in advocating for housing finance reform, ensuring that changes to Fannie Mae and Freddie Mac continue to support a robust and accessible secondary mortgage market.

10. **Workforce Housing and Affordability:** NAR has consistently championed policies addressing housing affordability, including increased funding for workforce and affordable housing initiatives nationwide.

In Context

NAR is the largest trade association in the U.S., with approximately 1.5 million members. The association plays a crucial role in shaping the housing industry through its efforts in legislative advocacy, professional standards, and industry-wide education.

NAR has provided resources that empower real estate professionals, and their influence has impacted consumers and the broader housing economy, reflecting Key Industry Achievements.

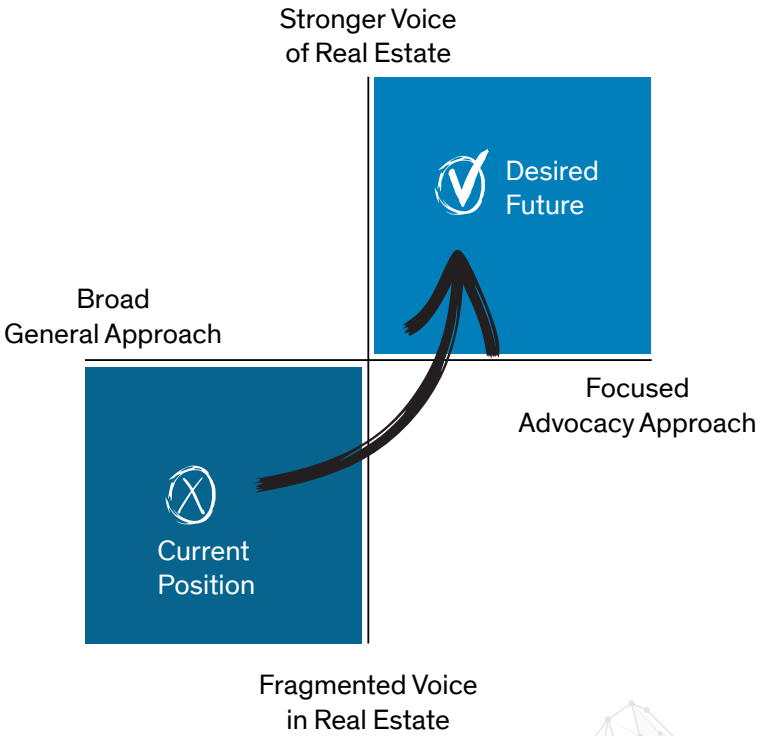
> "NAR needs to strip itself down to about half of what it is today and triple down on advocacy."

The Opportunity

Recent lawsuits and settlements have exposed vulnerabilities within NAR, leading many members to question its relevance and purpose. If asked today, many members might struggle to clearly define its role—a concerning reality that requires immediate attention.

Once recognized as "The Voice of Real Estate," NAR now faces an urgent need to reclaim this role as members grow increasingly vulnerable to legislative threats, legal challenges, and public misconceptions. Now, more than ever, a strong voice is needed. NAR must refocus, reinforce its leadership, and confront critical issues directly to safeguard its members. The organization's future—and the trust of the entire industry—hinge on these efforts.

The Transition:
From an industry with a fragmented voice and advocacy approach to an industry with a stronger, more focused voice and approach to advocay.



Perspective

Many say that NAR has tended to focus on more manageable, winnable battles, rather than confronting the all the complex challenges facing the real estate and housing industry.

Whether or not this perception is entirely accurate, one thing is certain: change is essential. NAR must take a proactive approach to addressing every issue that affects real estate professionals. With rising regulatory uncertainty, the organization has a pivotal opportunity to prioritize advocacy and reaffirm its core value to its members.

By doing so, NAR can provide the critical support needed to help its members navigate the complexities of today's real estate landscape.

Explore Related Opportunities

- A4 - Elevate Agents: A New Perspective on Their Role
- C - Enhance Professionalism with Strong Licensing Requirements

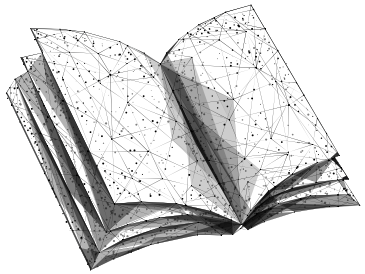
Section C

State Regulatory Agencies

C

Enhance Professionalism with Strong Licensing Requirements

It is time to stop thinking of agents as salespersons and start identifying them as advisors. To achieve this, there must be stricter licensing requirements that align with the responsibilities of professionals.



In Context

The 2015 *D.A.N.G.E.R. Report* identified one of the biggest threats to the industry as the "Masses of Marginal Agents Destroy Reputation." Nearly a decade later, this issue persists. Many organizations still prioritize quantity over quality, and while many agents are skilled and dedicated, the growing presence of underqualified agents continues to erode the industry's reputation.

Here is a look at some professions with minimal licensing requirements

1. **Bartender**
   4 to 20 hours (Alcohol Server Certification)
2. **Security Guard**
   8 to 40 hours (depending on the level and state)
3. **Life Insurance Agent**
   20 to 40 hours
4. **Pest Control Technician**
   20 to 80 hours
5. **Real Estate Agent**
   40 to 180 hours (average ~75 hours)
6. **Tax Preparer**
   60 to 80 hours
7. **Home Inspector**
   60 to 140 hours

8. **Certified Nursing Assistant**
   75 to 180 hours
9. **Pharmacy Technician**
   120 to 600 hours (varies by certification)
10. **Nail Technician**
    200 to 600 hours (varies by state)

It is alarming to see real estate agents categorized alongside bartenders and security guards, considering the complexity and responsibility involved in real estate transactions.

Several professions demand significantly more advanced training and education, often extending to post-graduate levels. Here are some examples:

1. **Doctors (Medical License)**
   Medical school (~6,000–7,000 hours over 4 years), plus 3 to 7 years of residency (thousands of additional hours).
2. **Pilots (Airline Transport Pilot License)**
   At least 1,500 flight hours, plus ground school and other training.
3. **Lawyers (Bar License)**
   7 years of education, totaling around 15,000–20,000 hours, including study and practical legal training.
4. **Architects**
   5-year degree, ~3,700 internship hours, and passing multiple licensing exams (~10,000+ hours).
5. **Dentists**
   4 years of dental school (~7,000 hours), plus additional years for specialties.
6. **Veterinarians**
   4-year veterinary degree (~7,000 hours), plus prerequisites.
7. **Electricians**
   4,000 to 8,000 hours of apprenticeship, followed by a licensing exam.
8. **Physician Assistants**
   Degree, ~2,000 hours of clinical rotations, followed by an exam.
9. **Pharmacists**
   4 years of professional school (~5,000–6,000 hours), plus internship/clinical hours.
10. **Registered Nurses**
    ~1,800 hours of clinical training, plus coursework.

Although the professions mentioned above are not comparable to real estate brokers and agents, the disparity in training and licensing requirements is very significant. Recent class-action lawsuits may not have directly targeted licensing requirements, but they underscore an underlying shortcoming.

In today's increasingly litigious landscape, inadequate standards could very easily open the door for future lawsuits. Therefore, strengthening licensing requirements is crucial to mitigate these risks and elevate consumer protection even more.

The Opportunity

The need for higher licensing standards in real estate is urgent. State legislators must take the lead in raising and enforcing these standards for both brokers and agents. This is not just about tougher entry requirements—it is about ensuring that licensed real estate professionals are equipped to handle complex, high-stakes real estate transactions.

Although some believe that rising costs and decreasing commissions will naturally weed out unqualified agents, history demonstrates that this approach is ineffective. It is also essential to strengthen the role of brokers, as they establish the standards for the agents they supervise. Brokers must adhere to more rigorous requirements to ensure the quality of service. This is a crucial opportunity to reshape the industry and empower agents to deliver exceptional service to consumers.

T3 60 Perspective

Over the past few decades, the role of the agent has shifted from that of a salesperson to a trusted advisor, requiring expertise and deep market knowledge rather than a simple show-and-tell approach. Allowing unqualified individuals into the industry simply because entry requirements are too lenient is unacceptable. Forty hours of training is grossly insufficient for preparing real estate agents to manage an approximately 180-task, multi-party, time-sensitive, high-value transaction. This is a pivotal moment for change, and the solution lies with state legislators to establish and state regulators to enforce stricter licensing standards. State and local Realtor associations must advocate for higher professional standards and work to streamline the home-buying process, while brokers must hold their agents to greater levels of accountability. The responsibility rests with many different stakeholders and that is probably why very little change has occurred.

Explore Related Opportunities

- A3 - Enhance Credibility with Consumer
- B7 - Realtor Associations Must Streamline and Unite

Section D

Key Stakeholders

D

Make Homeownership an Affordable Dream Again

Homeownership is a critical path to long-term financial stability and generational wealth. However, rising costs and a housing shortage have triggered an affordability crisis, putting this dream out of reach for many.

In Context

Approximately 6 million of the 146 million housing units in the U.S. change hands each year, representing about $2.4 trillion of the estimated $53 trillion value of residential real estate. Freddie Mac estimates that there is a shortage of 3.8 million housing units. According to NAR, the median existing home price in August 2024 was $416,700. Affordable housing is generally defined as housing costing no more than 30 percent of a household's gross income, which translates to an affordable range of $250,000 to $300,000. Depending on the local market, this means that only 15 to 25 percent of homes may be considered affordable.

The affordability crisis has worsened as home prices have far outpaced wage growth. Over the past five years, median home prices have increased by more than 40 percent, while wages have grown by only 14 percent. This growing gap makes it increasingly difficult for many buyers, especially first-time buyers, to afford homes. A 2020 Federal Reserve report shows that the median net worth of a homeowner is $255,000, compared to just $6,300 for renters—highlighting the critical role homeownership plays in building financial security.

The Opportunity

Expanding access to affordable housing reduces inequality, promotes social mobility, and strengthens communities. Each year, an estimated $150 to $200 billion in fees are generated by stakeholders in real estate transactions, including agents, mortgage loan officers, title insurance providers, appraisers, home inspectors, escrow officers, moving companies, and attorneys. It is clear that the real estate industry can be a powerful force in this effort, positioning itself as a trusted partner in helping Americans achieve homeownership.

The following are key opportunities to improve affordability

1. **Advocate for Policy Changes**
   Support policies that promote affordable housing, such as zoning reforms, streamlined permitting processes, and tax incentives for developers.
2. **Partner with Developers**
   Work with developers to ensure that a portion of new housing is affordable for low- and middle-income buyers.
3. **Expand Financial Education**
   Provide workshops and resources on budgeting, mortgage options, and first-time homebuyer programs to empower better financial decisions.
4. **Innovate with Financing Solutions**
   Collaborate with financial institutions to develop down payment assistance programs, shared equity models, and low-interest loan products.
5. **Bundle Services to Reduce Costs**
   Offer bundled services—such as mortgage, title, and insurance—to reduce the overall cost of purchasing a home.
6. **Invest in Affordable Housing Initiatives**
   Support community land trusts and nonprofit housing organizations to preserve and expand affordable housing stock.
7. **Promote New Construction Technologies**
   Encourage the use of modular, prefabricated, and 3D-printed homes to lower construction costs and improve quality.

8. **Support Workforce Housing Programs**
   Partner with local governments and employers to develop affordable housing for essential workers.

9. **Leverage Data to Identify Opportunities**
   Use data analytics to target efforts in areas where affordable housing is most needed and can make the biggest impact.

10. **Advocate for Down Payment Assistance**
    Promote expanded down payment assistance programs and tax incentives for first-time homebuyers.

Increasing housing affordability offers widespread societal benefits. Homeownership is deeply embedded in the national identity, fostering stronger, more engaged communities, and encouraging economic productivity. Beyond these advantages, making homeownership more accessible strengthens the housing market by expanding the pool of potential buyers, driving market activity, and promoting long-term economic growth.

Perspective

Improving homeownership affordability is not only a moral obligation, it is a crucial strategy for promoting financial stability, reducing inequality, encouraging social mobility, and strengthening our communities. The real estate industry has a tremendous opportunity to champion this cause and lead the way in creating more affordable pathways to homeownership. Those committed to making a meaningful impact could offer discounted or pro bono services to low-income individuals, veterans, and minorities struggling to afford representation.

Section E

Overall Impact on Stakeholders

Executive Summary

The following outlines positive and negative impacts on key stakeholders:

1. Consumers
2. Real Estate Agents
3. Real Estate Brokers
4. Realtor Associations
5. MLS Organizations
6. Regulatory Agencies
7. Technology Providers

Consumers

Positive impacts:

- Increased transparency in transactions and fee structures.
- Potential for lower costs due to commission compression and heightened competition.
- Greater access to comprehensive property data and market insights.

Negative impacts:

- Potential short-term confusion as the industry adjusts to new models.
- Possible increase in upfront costs when buyer agent fees are decoupled from seller commissions.
- Negative effects on sellers, particularly in slower market cycles with lower demand.

Real Estate Agents

Positive impacts:

- Higher professional standards can improve the overall reputation of agents.
- Greater transparency will lead to increased trust from consumers.
- Integration of new technologies and AI can enhance efficiency and productivity.

Negative impacts:

- Stricter licensing requirements may make it more challenging to enter the profession.
- Commission compression could reduce income for some agents.
- Agents will need to negotiate fees more actively and clearly demonstrate their value to clients due to the decoupling of commissions.

Real Estate Brokers

Positive impacts:

- Consolidation may lead to more efficient operations.
- Reimagined business models could unlock new revenue streams and operational improvements.
- Enhanced data access and analytics can improve decision-making and operational efficiency.

Negative impacts:

- Costs and pressures related to adopting new technologies and business models.
- Potential loss of control over listing data as MLSs evolve.
- Significant investments required for agent training and development.

Realtor Associations

Positive impacts:

- Opportunity to refocus on advocacy as a core objective.
- More efficient operations through consolidation.

Negative impacts:

- Potential loss of control over MLS organizations.
- Need to rebuild trust and demonstrate value to members.

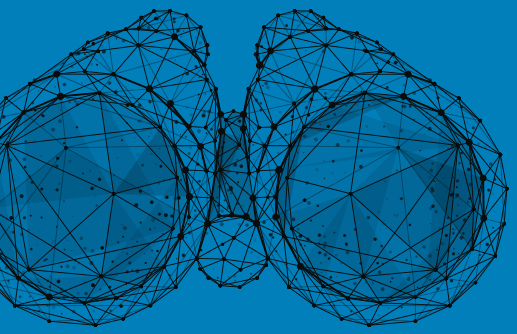
MLS Organziations

Positive impacts:

- Opportunity to evolve into comprehensive data firms.
- Potential for new revenue streams through expanded services.

Negative impacts:

- Pressure to consolidate and reduce the number of MLSs.
- Necessity to separate from Realtor associations and redefine their role.



Regulatory Agencies

Positive impacts:

- Opportunity to strengthen industry standards and improve oversight.
- Potential for more efficient and streamlined regulatory processes.

Negative impacts:

- Need to adapt regulations to new business models and technologies.
- Increased scrutiny and pressure to ensure fair practices in a rapidly evolving landscape.

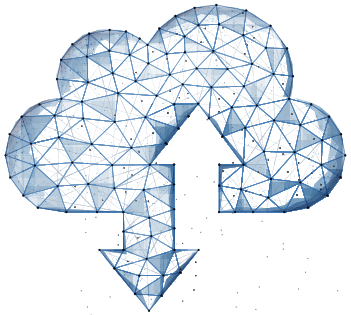
Technology Providers

Positive impacts:

- Increased demand for AI and data analytics solutions.
- Opportunities to develop new tools for a changing industry landscape.

Negative impacts:

- Pressure to integrate with evolving MLS and brokerage systems.
- Need to adapt to changing regulatory requirements.



Appendix

Industry Leaders Interviewed

This section lists the real estate leaders interviewed for their insights. It includes founders, CEOs, and high-ranking executives from various sectors such as real estate brokerage, franchising, MLS organizations, and technology companies. These individuals lead some of the most powerful forces shaping the real estate landscape. Their collective expertise underscores the diversity of viewpoints from different corners of the real estate ecosystem.

- **Gary Acosta**
  Co-founder and CEO
  National Association of Hispanic Real Estate Professionals (NAHREP)
- **Gino Blefari**
  President and CEO
  Home Services of America
- **Paul Boomsma**
  President and CEO
  Leading Real Estate Companies of the World
- **Brian Boero**
  Chief Executive Officer
  1000Watt
- **W. Erik Carlson**
  President and CEO
  RE/MAX Holdings (NYSE: RMAX)
- **Art Carter**
  Chief Executive Officer
  California Regional MLS (CRMLS)
- **David Charron**
  Former CEO
  MRIS
- **Craig Cheatham**
  Chief Executive Officer
  The Realty Alliance
- **Emily Chenevert**
  Chief Executive Officer
  Austin Board of Realtors (ABOR)
- **Russ Cofano**
  Chief Executive Officer
  Collabra Technology
- **Matthew Consalvo**
  Chief Executive Officer
  Arizona Regional Multiple Listing Service (ARMLS)
- **Lacey Conway**
  Chief Executive Officer
  Latter & Blum Companies
- **Kipp Cooper**
  Chief Executive Officer
  Kansas City Regional Association of Realtors & Heartland MLS
- **Merri Jo Cowen**
  Chief Executive Officer
  Stellar MLS
- **AnneMarie DeCatsye**
  Chief Executive Officer
  Canopy Realtor Association & Canopy MLS
- **Brian Donnellan**
  President and CEO
  Bright MLS
- **Dan Duffy**
  President and CEO
  United Real Estate Holdings
- **James Dwiggins**
  Co-Founder and CEO
  NextHome

- **Damian Eales**
  Chief Executive Officer
  Move, Inc.
- **Denee Evans**
  Chief Executive Officer
  Council of Multiple Listing Services (CMLS)
- **Tom Ferry**
  Founder and CEO
  Ferry International
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