Episode 15: DANGER Report: Looking Back & Moving Forward

Let's be honest – REALTORS® face an ever-changing industry. With emerging tech, growing trends, and a booming market, it's vital to keep up. Join me, Gilbert Gonzalez, CEO for the San Antonio Board of REALTORS®, as I get real with experts on what REALTORS® need to know in this industry. It's time to Get Real.

GG (00:23):

A few years ago, NAR commissioned a report from real estate consultant, Stefan Swanepoel, which details 50 threats, risks, and challenges that real estate industry is facing today or could face in the near future. T3 Sixty is an advisory and management consultancy offering real estate consulting, trends research and analysis in residential real estate. With us today is Clint Skutchan, VP of Organized Real Estate with T3 Sixty. So, thank you for joining us, Clint.

CS (00:49):

Oh my pleasure. Thanks for having me.

GG (00:51):

Even though the initial report came out in 2015, it uncovered a lot of threats and opportunities in the industry that were still very relevant today and is interesting to see how things have progressed over the years. We're six years into it, and what predictions may have been fulfilled, which is what we want to talk about today. So, I wanted to start with some basics around the report. DANGER stands for Definitive Analysis of Negative Game-changers Emerging in Real Estate. And its goal was to help every brokerage, MLS and association think through some fundamental threats and changes that may be coming to the real estate industry. And yesterday, when I was still reviewing some of my notes, I thought about it. This is a SWAT analysis with everything with only the threats, no strengths, no weaknesses, no opportunities. We're just focusing on threats, right?

CS (01:39):

Yeah, largely I think, although I would say there's some, you know, some positive and opportunities there as well, but yeah, you may have to dig a little further into those. I think it was titled DANGER for a reason at the time. I, I, you know, I think there was a want to really awaken folks to the need to start planning for the future. And sadly, I think we're, we're more motivated by the negative and the, the potential of you know damage that can be done rather than the opportunities at times. And so, I think it was well constructed at the time and, you know, they had the, the strategic advisory group at NAR that helped to commission this. And I think that was a lot of their thinking at the time for those who are around and remember they did some futuristic kind of strategic planning and strategic thinking. And so, this report, I think it was fueled by that kind of mentality at the time. And the uniqueness of it, I do think though, is that, and I saw one of the NAR leaders going back and reviewing this thing, you know, the report itself is kind of capturing past, present and then looking forward. And so, it does have a lot of where, where the state of the industry was coming from at that time, as well as looking forward.

GG (02:46):

You know, and when it came out, it was focused on and I feel like it was around the same time that I heard the lion coming over the hill was this phrase that kept on being repeated at conferences over and over and over again. How do you think that, that it was received when it did come out? Was there a lot of debate back then?

CS (03:06):

Yeah, I mean, for some, I think it was not well received at all. You know, it was, I think there were some hard truths in there that, you know, when, when you're doing things, you know, whether it be in a paid capacity as association executives are paid to do, or, or the volunteers who have a passion for, for the organization it’s hard to look upon your, some of your fallacies and, and to really assess where you're at and then, you know, going back and looking at them, you know, some of these truths still ring true today, which is why, why I think it was being brought forward then, so that you can start to reshape address and, and move away from some of those harsh truths. And so I think that's where it was really a struggle for most Gilbert. It’s just that reality of getting smacked in the face with some of your, your faults. And that's never easy to hear, right?

GG (03:55):

Absolutely not, but it's what you need to hear in order to make sure you're heading in the right direction, heading towards growth. It did provide insights with the wide range from agents, brokers, NAR, local associations and MLSs. So, everyone was on the table, I would say, except for external influences. They often talk about out, you know, technology being an external influence in all, all of its possible threats. So, let's, let's dive into the impacts on agents. One of the primary, one of the first one was the masses of marginal agents destroying reputation. That was the number one threat to agents. And I think it talks about the idea that the profession, the threshold for entering into the profession is a lot different than other professions. I think in the report, it talks about 70 hours in order to get an in with some States allowing you to be a real estate agent after 15 hours. What was the thought back then and how do you think it's playing out now?

CS (04:55):

Well, I think this is always, you know a concern, but it, it, you know, when you're speaking to and, and report that's pinned with an association perspective, I mean, it's a big tent, right? Like that's the premise of an association. And, you know, I think at that time we were really starting to see the market's return from what had been, you know, a downturn in the latter part of the 2000’s in the early 20 teens. And so it was just starting to return to a robust market where we're seeing that initial re-entry of agents, the numbers for NAR were going up and, and, you know, in the markets that had fully recovered, they were starting to see more newer agents. That's still playing out today as you know, Gilbert, because we've done survey work with you and your membership, when you ask the members, what's the greatest challenge.

CS (05:43):

And, and a lot of it is new entrance, and more people. And, and the concern about that eroding the general sense of professionalism in the industry. And I think that when you look at it some of that is probably more heavily understood internally when we ask our own members. So, you know, we see it. And what I know from our work is, you know, when we say professionalism, it's not necessarily ethics or poor service to even the clients. A lot of times the echo chamber internally is just professional courtesy and a lack thereof. So, this is an interesting one, you know, whether or not more dilutes the, the overall value is I think an easy thing to say, but then when you start to dive in, there are just as many who are experienced and have been around for a long time that they, you know, fall into trappings of just being over busy right now. I mean, you know, this market is crazy out there. You know, you're seeing the margins that we have the lack of inventory, and it does bring out some elements in all of us, regardless of our expertise. That probably isn't really great, but I, I think most of us get housed internally. I don't know if I've seen it externally amongst the consumers saying, Oh, these ,these real estate agents are progressively worse when there's more, but I think inside of baseball, we see that. And we, we think about it.

GG (07:00):

You know, and I think NAR did try to try to take this on the C2EX program is something that, you know, was an increase in professionalism. And if you go through the program, it talks about making sure you're using technology and making sure you're a great resource, how you interact with other members. Do you think that that was in response to this criticism back then?

CS (07:20):

Yeah, I think it was an outcropping of it, you know C2EX, cause it was, you know, kudos to Brian Copeland and some of the other champions that kept that thing alive through the NAR governance, because, you know, I've sat in rooms where people were banging the table about how this was a terrible idea and you know, you shouldn't do this unless you're going to mandate it. And there are all these different, you know, aspects to it that it didn't just, you know, show up and it was easily accepted as adopted. But when you look at it and practice them, you could say, well, how would we ever not encourage something like that, where it's kind of a next level experience-based you know, expertise. And so, I think it's an outcropping of some of that, but also, you know, it's a recognition that if we're not constantly working to improve regardless of your new experience or otherwise, that we all can fall back into levels of comfort and have lapses in service level.

CS (08:11):

So, I, I think it was partially a recognition of that, but also, you know, trying to build on one of the strong brands of the REALTOR® organization, which is education and education beyond entry, right? Which is where a lot of local associations struggle. They do great for those new members. But then what we see in our survey work is they get to 7, 10, 11, 15 years, and they've lost value in terms of the educational offerings provided by the association. I think C2EX is a response to that too, of finding a value prop for those who have been established in the industry and keeping them engaged in the continuous education improvement cycle.

GG (08:49):

Now, one of the double-edged swords about it is there is this ease of entry into the industry, but that's also one of the values that makes it the largest trade association in the world. I mean, there's a benefit to the fact that the association is so large and I feel like the report talks about it. It's like, yeah, you want professionalism, and you want to improve. And you're, you're, you're criticized how it's so easy to get in, but one of the things that makes the association so valuable is the fact that it's over a million people strong.

CS (09:22):

Yeah. From a lobbying standpoint, obviously NAR’s voice carries much further and more swiftly when they have, you know, over a million folks behind them. But even beyond that, let's, let's go beyond that Gilbert though, but let's just talk about, you know, I, I'm a former association executive, so I loved being a part of the association because we were a part of something bigger than ourselves. And it was always for me, you know, that idea of advocating for housing and the consumer and, and, and, but also the opportunity for, for folks to be entrepreneurs. And, and if, yes, it is a low barrier of entry, but it's also a low barrier of entry so, there's so much opportunity. There's so many people that come to real estate and find wealth. And so, I, you know, we can get caught up in all the negatives, but one of the positives, this is one of the places look at our economy over the last year and how many people were positioned better to take care of themselves, their local economies, all those things because of real estate and putting people in houses.

CS (10:16):

And so to me, it is a double-edged sword because we talk about, you know, how it could dilute the pool, but it adds to the voice of NAR. And it also just to kind of the cool thing about this industry that we're in, right? Like anybody can come here and succeed, and there's not this huge gap. I mean, you know, we've got issues with diversity in real estate right now. And T3 Sixty just launched this last week, a new real estate apprentice program, or, you know, we're gonna go after this and tackle the entry barriers that are still there for some of our minority members. But honestly, you know, if there's still that opportunity to get in the game and to, to gain wealth and, and accumulate you know you know, a business asset that you maybe don't have elsewhere. So yeah, I guess I I'm, I'm one of those that, yeah, it's a double-edged sword, but I, I think it's really cool. And it's part of the passion of why I love being in this industry.

GG (11:07):

No, I agree with you a hundred percent. It's the double-edged sword, but it's so easy to get into the business, which makes it an awesome opportunity for someone who wants to be an entrepreneur. They want to open up a restaurant you know, you gotta think about staff, you gotta think about product you've got to think about location, rent. You, you don't want to open up a store you know, you have inventory, you have overhead. Here, you are your own business. And it provides this opportunity for people to explore their entrepreneurial spirit. And I agree, I think that's fantastic. One of the things that has made it successful as well, and I think one of the things that have allowed them to train is teams, but that was also criticized, or I should say, was considered a threat, not high up on the list, but it was this idea that teams were going to threaten the survival of brokerages because as the stronger the team is, it starts to compete with the broker's identity. Oh, well, no, one's really going to XYZ brokerage. They're going to XYZ team instead. Teams it seems like it's just a normal part of the playing field that it's not much of a threat anymore. Do you think that this one, maybe, wasn't as big of a threat as we thought?

CS (12:17):

I don't know. I think some of it to some degree, this one is one of those. As I looked back, there were several of these that I think, you know, and what's great about the report. Is it, you know, it kind of rates the different threats, you know, in terms of immediacy impact those types of things. And so this is one of those that I think is more of a gradual building, but, you know, even in our trends reports over the last couple of years, we've highlighted the impact that, that you know, teams are having on the industry and, and on brokerage models themselves and the margins that are out there for, for the brokerages are getting tighter and tighter. And these team aspects are, are eating into that. Or, you know, there's elements in here that talk about, you know, the, the lack of brick-and-mortar type of you know, business models that are emerging.

CS (13:00):

We'll look at EFC, right? Like that's the primary, like, you know, shining example of what a non bricks-and-mortar, but rather a, you know, online world, the campus looks like. It incorporates that team aspect too. And then, you know, this year’s trends report that we just released we talk about all the ancillary services, you know, where brokerages, you know, larger scale brokerages where the ones that were typically the ones who are able to offer these ancillary services, you know, title, mortgage, all those things, but now teams are getting to the scale where they're able to negotiate some of these things. So, what that erodes against some of the profit margin and opportunities for brokers. So, I still think, I would say that, you know, our folks that specialize in brokerage more than myself at T3 Sixty would say that those teams are still really building and building and building, and it is reshaping the brokerage model. And whether the brokerage has embraced that or manage that, I do think that's it's not a threat, it's just a shift. Right. And, and that's what so many of these were, you know, they were framed as threats, but they're really shifts that large-scale trends and shifts. And it's how we adapt to them that matters most.

GG (14:09):

Now, one of the, this I skipped right over the second one commission spiraling downward.

CS (14:16):

Right.

GG (14:16):

I mean, I know there's a lot of talks about commissions and we don't want to get into the litigation that's going on, but commissions have stayed the same.

CS (14:27):

Yeah. Yeah. They have that's right. That kind of at the crest of some of the swirling litigation stuff, but what we talked about at the report at the time was, you know, the impact of some of these low commission structures, business models and how they might eat away and erode at this. Maybe it's not as overt, but I mean, think about it, rack suits kind of down in your neighborhood, right. In the Texas neighborhood, and making a lot of noise about the inequities of the way the commission structures are today that that's, that's kind of you know, an offshoot of it's an indirect kind of impact on the commissions rather than direct in the marketplace, but they're leveraging marketing communications or leveraging political relationships, regulatory opportunities. And so I think that one may have underestimated the impact because I think it was just speaking to the impact in a direct, competitive way for the transaction. But I think in terms of the large-scale conversation that we're having this country right now, the litigation that's out there, these underpinnings of whether or not, you know, MLS, is going to rely on this idea of compensation as one of its core values, moving forward is very much on the table. And again, it all locates and gets back to this idea of lower commissions structure. So that was an interesting one to look back on with a different lens today than what we could have even possibly had back in 2015.

GG (15:53):

And one of the things that you highlighted back then that is used as part of these current conversations, is how it works in other countries in comparison to other countries, which I didn't really know until you do some research, commissions are a lot lower for agents, real estate agents in other parts of the world.

CS (16:12):

Yeah, it is. You know, we are usually the Wild, Wild West in America for a variety of reasons, I suppose, these days. But yeah, no, when you look at some of the other structures, they have far less of a system around it. And I think, you know, there's, a lot of folks always come back to that. Our system is probably the best in the world and for a lot of different reasons. And so that's where this challenge to commission structure I think is, is, is hard to swallow because there, there may be some of this throwing the baby out with the bath water on some of this litigation that's happening right now, because the structure that we do have has protected in some instances you know, not only those who are selling that, those who are buying the structure, the integrity of it all I think has been protected. So all of this is, is I would be curious as to, you know, step on the, who, who is the primary you know one in the research doing all this, I would be curious as to, you know, his, his kind of take on this one then versus now.

GG (17:11):

So you mentioned earlier though that the MLS proposition of the value of the unilateral offer of compensation, do you think that that's changing that that value statement for MLS is, is, is something that needs to be reassessed?

CS (17:26):

100%? I think, you know, counting on it being there would just be naive. It, it will be eroded at a minimum, right? Just to, through all of this, there, there will be some degree of impact. And so to me, yeah, I think there, there's a real sense that out there, and, you know for those that are into the MLS world, Sam Debord from RESO, Scott theories of five different articles he's releasing now through NAR REALTOR magazine. And he discusses that, you know, we really got to look at, you know, is that our core competency moving forward? And when it's a core competency, even if there's an adjustment to it, you have to be thinking about it ahead of time being proactive about it rather than being reactive, because those who are, are reactive to this may find themselves in a very difficult situation. You know, especially considering some of the other aspects that are in this DANGER report specific to MLS, right? There are a lot of challenges ongoing. And so if you can't show up your core competency, begin to move forward, adapt ahead of what changes are coming. You're really going to put yourself in a bad position. So I'd encourage MLS leaders to be thinking about this. Now,

GG (18:36):

Switching over to the section regarding MLS, one of the number one DANGER was going to be the entry by a new player. And the one example that you used in the book was Google. Google hasn't come to the real estate industry, but there was a point there where everyone thought Amazon was when it entered into a partnership briefly. What are you thinking about this threat six years down the road now?

CS (19:03):

Yeah, I think it's that piece of it somewhat diminished, although, you know while it may not be a new player clearly there are changes happening within the portal realm and the inner loping between MLS and, and, you know, certain portal providers I think are becoming prominent. You know, I don't know about that one, you know, as Stefan has put together a, a history of real estate and, you know, throughout that history, there have been a number of efforts of really large scale, whether it was, you know, the eighties, the GE and others, you know, that we're well positioned financially to jump into this game. And none of them have really ever stuck. And, you know, honestly you know, because our brokerage division and our technology division does work with, you know, Facebook and Google and give them advice on their real estate interests. I think they've all understood that there's, you're not going to disintermediate the agent. And so short of that, is there really a play here to be a primary versus ancillary provider. And so, you know, I, I guess you can always be surprised by this, but history tells us that there hasn't been a lot of success at these quote unquote you know, new entrance that are well-established elsewhere having success.

GG (20:22):

You know, I think they talk about Home Depot wanting to come into the market and what would happen if they did it, but then they also talk about Berkshire Hathaway who was very successful. And I mean, would you consider compass, even though it's not an external brand already created, it is a newer brand with a different model that's coming in and, you know, play a new player in the industry.

CS (20:47):

Yeah. And I mean, I, what I would say again here is not necessarily the new players, but the new focus of established players who know, right. Like, so again, the shift was Zillow, what Compass is doing, how Redfin has been able to establish it. So, you know, as a kind of a leading portal, a source for data, you know, they, they brought on data scientists. And here's what I would say is, is that the real concern for me in terms of entry of a new player or established player and how it arose to the long-term value of the MLS is if we don't get hold of the data sets that we have within the MLS and find better ways to utilize that and integrate it with additional datasets that holds significant socioeconomic value, we might miss that train. And to me, that's a train that if you miss it, you're stuck to this headcount model.

CS (21:33):

And that's a dangerous model. Long-Term, It's worked to this point, but at a minimum, we're probably looking at a plateau and, and agents if not a regression at some point. And so, to me, you know, where I would say this has shifted and become an, and it talked a little bit about, you know, this need of you know, bring datasets together in the DANGER report. I think that has been exacerbated. And if I was going to put number one threat or an opportunity for MLS, it's about not only collection and facilitation around real estate data, but the utilization and integration with other things you've mentioned Home Depot, why aren't, why aren't MLS’s integrating Home Depot style, you know, statistics, or, you know United movers and a lot of moving companies right now, everybody's really interested in migration patterns. Why aren't we integrating those types of data, that to couple with our home sales, so that we can really start to holistically understand movement in our country. And with those types of data sets, there's a real intrinsic value that could help MLS as to sustain revenue stream while not competing or hampering transactions, but rather helping those because we'd be bringing greater information to our members, those that we serve as well as consumer. So, sorry to go off on a tangent there, but I think this is the big thing for MLS thinkers right now, to be thinking about the utilization of data long-term

GG (22:55):

And, you know, one of the things that as, as, when you talk about thinking about the big picture and thinking about the future opportunities it's hard when there are so many MLSs and it's been talked about, and it's listed as a threat is consolidation, decentralized infrastructure becomes obsolete. You know, this idea of how many players are there. Do you think, since then there has been a lot of consolidation though. Do you think the consolidation is going to continue?

CS (23:25):

Yeah, I think it's continuing there. The question is whether or not it continues at rapid enough of a pace that we don't open ourselves up to you know, significant, large scale MLS providers deciding to step outside of the established association, MLS NAR kind of triangulation in terms of ownership, structure and all those things. So, you know, if there's growing frustrations with some of the largest and the lessons in the country, I know this is because there are that there's growing frustration because we've worked with these folks. If we can't find a way to consolidate again, I go back to the data and some of the services and resources to start to save money for the subscribers, streamline create better data, sets, all those types of things. I do think, you know, much like we just talked about, it may not be an outside player, but it may be some of the largest, most sophisticated and well-positioned players within the MLS industry that will not sit around and wait for the consolidation to happen, but rather declare the United States as their service area. Right. And they are allowed, MLS is to declare their service areas. Whether it's a city, a town, a County, a state, a set of States, a region, the entire us that it's primed for someone to, I think come forward with new ideas. If the consolidation of data doesn't happen fast enough,

GG (24:51):

What do you think stops people from saying the United States is now my service area?

CS (24:56):

That's never been done, right? Or the Western United States is my service area. But think about this, I mean, California, we were all reading the headlines about the, the amount of outflow from California. If you're on the East coast, the amount of outflow from Illinois and New York and the inflow into Texas, right? And the inflow into Florida, the largest MLS entities are in all of these states. And so if there's either inflow or outflow, and now their markets, their natural occurring market areas, aren't, you know, stuck in a, in a geographic region, but rather now you know, kind of a coastal area or whatever it is, why wouldn't you declare that as your service area and capture outgoing traffic as low as incoming traffic, especially when you're hemorrhaging, right? Like if you're one of the largest entities and now you're losing significant numbers of subscribers, sales, whatever it might be, people are going out and you know, that they're going to primarily two or three locations. Why wouldn't you say we're going to service both in.

GG (26:01):

You know, and when I, it's interesting because these are complicated decisions, they're, you know, big decisions that the associations talk about, but you, part of the DANGER report talks about the decision-making process at the association level. What have you experienced? Cause you work with associations at the local level and you help them through the decision-making process. I mean, how has this come to fruition, this danger of the decision-making process

CS (26:31):

The comfort of an association making environment versus the competition and business acumen that has to be applied to MLS in particular. So, you know, like yourself, do you have an association and MLS, and I know we're working to kind of further delineate, you know, what the roles are, what the responsibilities are the, the structures, all those things. And I think, you know, it talks about again here, the association though, and MLS, and whether, again, we can see a day where that's not the case. So decision makers who come in and they're so insular and they have kind of more of a focus on an association style of decision-making for all decisions, whether it be affiliation or MLS are definitely going to be hampered. I mean, just think about the thing that I shared with you, that there might be large scale organizations out there thinking about increasing their service area by a magnitude of 10 X.

CS (27:24):

They're thinking about that. Cause they're, they're positioned that way. They have outside board members, you know that aren't just seeing it from one space where we're all kind of insular. We know our, our space, we, we know our markets and that's great. And those, those are obviously resources that you and other staff members need to be able to make sure you're representing and serving those that you serve through the eyes of both of those cohorts. But man, you can't be slow. You can't be indecisive. You can't be afraid to fail forward. And, and frankly, the, you know, I measure it anytime I work with someone at strategic planning, I ask them, how comfortable are you with failing? And the vast majority of them they're not. And for right reasons, because they're trying to be fiduciary responsible. You know, they want to spend other money. They don't want to make, make big mistakes. But a lot of times when you make big decisions, you make some mistakes along the way. It's how quickly you recover and you know, how much you've limited the impact of that. And, and we just don't have that as a mindset employee. It's a real inhibitor of Gilbert and it's something I try to coach folks out of, but at the same time, you know, I don't want them to lose the characteristics that make, you know, associations powerful, which again is a part of being something because you,

GG (28:38):

You know, and, and I think that's listed as one of the dangers for NAR, which is the decision-making structure becomes a hindrance, you know, it's, they have 800 plus board of directors as also a part of that. There's a, there's talking about the quality versus the quantity challenge that do they make the decision for the, you know, you mentioned earlier that people who've been in the business 20 years or do they make the decision for all the members, which includes people with 20 years, people at one year, people that, you know, just entering. Have you seen a change in the way people are making those decisions? And I think the report kind of hints at this idea of you, you need to start operating like a business. Have you seen that when you've been going around the country visiting with people?

CS (29:25):

Well, yeah, let's, let's touch on NPR. Cause I think that's a really interesting one, right? Like, you know, it's talking about specifically how NAR five structure and decision-making is really going to be impediment for them. And, and it's really interesting because if you look at the last year how would they, well look how quickly acted, how Swift they were. But as you and I were talking about it ahead of this call, you know, a lot of that Swift action comes from those things that are set up within the organizational structure at NAR to be Swift, which is responsive to the litigation, responsive to legislative or regulatory concerns. Those are really largely in the staff hands, but I will say, you know, kudos to Bob Goldberg because I think he has empowered, especially as sea level is higher level executive staff to act more swiftly, make independent decisions based on the volunteer input.

CS (30:14):

So as much as you want to celebrate that, then you look at NAR, they've had a PAG, the Presidential Advisory Group. So make a recommendation on restructuring the governance that takes three years and what 1,832 committee meetings to come up with a recommendation that's going to be approved by the 800 member decision-making bodies that many of them like their free trips or, you know, feeling in the know that that may go away. And so on one hand, yes, there's streamlining and, and there there's been a good job done at that national level of empowering certain staff members, executive staff members to do their job. But then there's still this volunteer governance structure that has its groundings into kind of the old school. And it takes you nine years to know whether you're going to be in line for the president of NAR, which, you know, no millennial or for that matter the next, or I don't got time for that. And I'm not playing it for nine years now that I can be in a volunteer position where I'm spending hundreds of dollars for little to no reward. I'm not doing that.

GG (31:16):

You know, and you talk about it and that because of their unwillingness to do that, it's all the same people who continue to make the decisions. Right?

CS (31:25):

Yup, yup. Yeah. Yeah. You mean similar structures, established structures, typically reward those who are most entrenched, right? It doesn't invite new, new newcomers. Although I'll say again, I think to give any kudos. I mean, I came in in the early years of, of YPN and if you look at the advancement of some of those key leadership members and how much they've had an influence on NAR without necessarily having to be the president, I mean, they're, they're running, you know, presidential advisory groups. They're, they're running work groups that are tackling specific things. Brian Copeland. I mentioned him earlier. He was critical in bringing C2EX to the forefront. He was, he was in a room with 10 people, you know, 15 years ago at NPR talking about YPN was going to do this and that. And now he's, he's a huge influence at the NAR level. So there is an influx of new blood, not maybe through the primary leadership line, always. So I mean, as much as I want to criticize in, I do think I've seen the energy and the cream rise to the top of some of the younger and new entrants when, when they have a passion for it.

GG (32:29):

So one of the threats is a three tier structure liability is the state, the national and the local all duplicating services. And it feels like NAR has taken a larger lead in making that that's not happening, that there isn't duplication of services. Do you still think that that three tier structure is a hindrance?

CS (32:48):

Yeah. I think that's one where I'd probably need to put down some day and talk with Stefan about that. I disagree with that. I don't think the three tier structure is a hindrance at all. I know, you know, up in Canada, they dissolved that and there was a lot of issues there. And I will say most of that emanated from the way that they're structured with their problems and their cities and their size and scope, or, you know, in most instances, you know, there were like large places like Toronto ever, essentially the problem. And so there was like a big push and pull there. We have a few States in the U S where that's the case where you have a really predominant large association that there's some power struggles, but in terms of the three-way structure, I think it's the strength of NAR.

CS (33:29):

I worked with the doctors' associations. They were so fragmented that they couldn't keep a consistent message. They couldn't deliver consistent services. And so by, by doing that, they diluted all levels. And so while there may be some frustration at times of, you know top down approaches, you know, course core standards, whatever it might be, you know, national policies that bleed over into, and don't reflect maybe not state or even local feeling the fact that there's alignment and delivery of service in large part, that's consistent if the strength of the organization, in my opinion, and the fact that at each of the three levels, when advocacy is looked to, they all are able to establish themselves as the lead voice. You know, whether it's at a city council meeting, you all go in as a local and you own that space. You know, when it comes to the Texas legislature, TSR is crushing it, you know, and then you've got NAR that was able to affect the things that they've affected over the last year, as things were changing swiftly. And so to me, I, I I'd argue without on that with Stefan on that. And I think that's the strength of the organization. Although at times I think some probably don't see it and may take it for granted.

GG (34:40):

Yeah. And you know, the next threat for NAR was listening to us out, positioned as an industry spokesperson that NAR has the honor of being the voice of real estate. Will it be overtaken by other industry individuals? And I think the last year has shown that it's actually maintained its strength, if not shown its strength more about the important of real estate, the, the, the ability for it to advocate. It's done a fantastic job as an industry spokesperson. I'm not sure if that one is a danger as much. I mean, I think it's something that always should be aware of and conscientious of, but is it really a danger of losing that voice?

CS (35:20):

I think it depends on how you parse it out, honestly, in some ways I would say that, that, you know, the National Association of REALTORS® has advocated its voice with the consumer. I think Zillow has a huge space there and, you know NAR has done a lot to show that up, I think over the last couple of years through some of their marketing campaign, but I guess the question ultimately is, do they have to be the leading voice for consumers, or do they need to be the lady leading voice for their members? And in that case, when it comes to an advocacy voice, I mean, I think that's a large part of why Zillow wants to get in underneath the umbrella. And so, I think Zillow does acknowledge and understand the influence, the impact that NAR has, the established ability to influence regulatory and legislative and litigation.

CS (36:04):

I think NAR's voice there absolutely. It went up 10 fold over the last that last 10 or last 10 months, you know? And so I would agree there. I think you have to parse it out. And I guess the question is, do you, do you really, it's funny because even members will question when you do, you know, support a REALTOR® at local levels and they're like, well, you're eroding my brokerage. I don't want it to, you know, the REALTOR® to be (*indistinguishable)* with my brokerage at the local level, but then they want NAR to be the voice for, you know, the national level and consumers, but as long as NAR is the most influential voice in terms of legislative and regulatory matters for the industry, I think they're winning and the consumers are an add-on.

GG (36:45):

Got it. So I want to talk a little bit about we have two more sections left brokers and associations local. We've talked a little bit about associations, but the number one regular danger for brokers was this regulatory tsunami. And it cites the CFPB and all the rules that were going to come. The CFPB did change a lot over the last four years from when it first started. I don't know if you've seen a large influx of regulatory rules that have impacted brokerages.

CS (37:17):

Well, I think that one's a PVD and this was one of those that maybe that they missed. They, again, there's a scale in the report that talks about, you know, the probability of this happening, the impact may have missed the timing a little bit on this one, because I think if you look at the regulatory tsunami that building right now, if you watched what took place in New York following, you know, the reports about discriminatory behaviors the Senate hearings that were held by the York state Senate last year, and the poor reflection on the industry, I think there's some regulatory measures that are building, coming out of New York and finding its way to, to Washington DC. And, you know, there were some real pundants that, you know, are looking at the Biden administration and how they're gonna tackle housing and how they're going to integrate the DEI related initiatives and concerns.

CS (38:06):

You've couple that with again, this, this advocation at a national scale for changes to the commission structure, you know, the recent DOJ ruling that's, that's moving the way in which some MLS services are administered. I think this tsunami may have just been, you know, one of those waves off of the beach that we keep looking at think, thinking it's just another way. And the, the inherent nature of this tsunami is that it overwhelms you all at once. And so maybe this wave was predicted to arrive on land earlier than it has, but I, I think this one of all of them is the one to me that if, if, and I think there's, there's interest in redoing this DANGER report and engaging T3 Sixty again, through NAR to do this whether it's a review of what, what kind of, what we've done here today, or another forward look, I think this one is going to be right towards the top in terms of assessment, in terms of its importance for regulatory nature of this industry is huge. And with the building nature of this, not just being about commission structures, but about fairness to all and the DEI wave that comes behind is there's some real things that we all need to be keeping an eye on as members of the industry.

GG (39:15):

It's funny that that's the number one danger slash threat, but it's also a fantastic opportunity for NAR to show its value with that tsunami coming to be able to, and maybe that's what has happened. They've done a really good job of not making it a tsunami, but parsing it out and taking on the battles one by one and making it manageable for the industry, which is better, right, then a tsunami, obviously. The next one is a paper brokerage causes disruption, and you mentioned one earlier. Do you think that the disruption has happened to this new type of brokerage and when we call paper brokerage, what does that mean? Is that the same thing as just not bricks and mortar or all virtual?

CS (39:56):

Yeah, I think it's a combination of that is to say that, you know, there's more of a structure than there is a, from, from the way it's set up. Then there is a structure that you go to on a day in and day out basis you have at the bricks and mortar compensation. And I think that one's real, right. Like if that has been exacerbated, you know, one of the things that Stefan who travels the country and talks about, you know, trends and, and aspects of real estate, you know, what I've heard him say repeatedly over this last year is, and I've heard it elsewhere is that all this, this technology acceleration has been building what's happened over the last 10 months was just, it moved it up by three to five years. And I think this is another example. I mean, if you look at it at, you know, the shift in terms of who really needs to go into an office brokerage setting, I think that's changing.

CS (40:43):

And if there was a hint of that changing before it's been punctuated now, because people have gotten acclimated to working from home and doing more remote and, you know, not going into an office necessarily every day. So yeah, I think this is a real interesting one. I mean, you know, Zillow's basically said they're not going back. Google's not going back. We're hearing more about MLS is, you know, that are looking at fully remote. And so I can't see where this doesn't trickle down into the broker space and, you know, everybody's fairly well adapted, you know, EXP we talked about them earlier, they've got their virtual world and all of these different things that are set up for that to support that model. But everybody pivoted towards that direction of being more remote, less oriented towards, you know, the bricks and mortar. So it'll be interesting to see who kind of leverages that, but you know, the different business models that are, emerging are enlisting and they're going to continue to challenge.

CS (41:35):

Are they going to disintermediate the agent and do away with the agents? Absolutely not. I don't think that's the case. If it were, I think, you know, the Zillows and open doors of the world would have really taken a chunk of the agent population out of the last five years since this report was commissioned. And as we know today, there are more REALTORS® in 2021 than there were in 2015. And we're just wrapping up our data sets for the number of members with NAR local associations this year versus last year. I think we're going to end up pretty break even if not up year over year and who would've thought that back in March. So if a global pandemic isn't getting, doing away with a real estate agent, I don't think any one entity is going to anywhere in the near future.

GG (42:19):

Global. It was funny too, because the introductory of the DANGER report says we have not contemplated any natural disasters or global pandemic. So clearly you did not foresee Corona.

CS (42:31):

I'll be sure to give Stefan a hard time for not factoring that in.

GG (42:36):

You know, but you mentioned everybody working from home. I just find real estate is such a social business from the way you farm for clients, from the way you, you know, you interact with your clients, they interact. Do you really think that there will be, it'll be that type of industry where everyone is always working remotely?

CS (42:53):

Not everyone. I won't say that, but I think

GG (42:57):

I shouldn't say everyone either. I just don't think that they'll switch like Zillow or these tech companies that are all deciding, you know, we don't need our buildings anymore. We'll just do it all virtual.

CS (43:06):

I don't know. You know, honestly, I want to say that it won't because I'm like you, I come from I'm a gen X or that come from that, you know, I, I think I bring equal parts of my grandparents, the greatest generation and, and you know, an admiration for, for the millennials and blend it all together. But at the end of my day, I still am a people person. I like being around the energy, but our world is being so reshaped. You know, my daughter's a senior this year in high school and, you know, managing her expectations and her experience over the last year is really hard you know, cause I'm trying to keep her upbeat and positive. And the other day she was going back to school and she's telling me, she's already worried about it being canceled and, you know, and being going immediately back into a remote environment.

CS (43:46):

And I, you know, I, my words to her were, I think that's the way it's going to be in our world moving forward to the idea of constantly having to change, go back to remote, you know, remove ourselves from all this interaction. I, I think this is going to be a part of the norm, not just for the next year or two, but this is reshaping how we do business. So whether we like it or not, it may be thrust upon us because of the nature of the world around us. And so we have to just be in the moment that we're in create those experiences and those levels of engagement that we can. But I, I don't, I don't think anyone can predict with certainty that, that we're going to return back to norm.

GG (44:25):

You're talking about being able to be flexible and changing. And one of the threats for local associations or associations is leaders, not in unison with the fast-paced world. It's been six years now. Do you think that the associations have, have sped up to keep up with this fast paced world?

CS (44:46):

No. If I'm being honest, no, not, not at math level. I think there are those segments of, of progressive minders, you know, leaders out there that are, are creating systems and business oriented approaches while leveraging the strength of the association. But I think we've got a long way to go because it is that that change doesn't happen overnight. That's a shift in culture, right? And as you know, from, from our work together, I believe culture is a, a stage process that in most instances takes three to five years to, to establish shift or change. And it, you know, you have to have a strategic focus that's taking you in the right direction. So, so even if folks are getting there today, because they've been compelled by the last 12 months, that to be more oriented towards that, the strategic focus is just the start.

CS (45:34):

Then you've got to come up with those processes behind it to start to actuate it, make it an every day. This is how we do business. And then you've got to get to the point where you're getting to these consistent outcomes that show that the new systems are working, that then compels people to take even bigger steps. And then even further from there is, you know, getting to this idea of you know, shared and a mutual passion. How do you build that? That doesn't happen overnight. It comes around. Successes comes about, you know, through some of your failures is strengthening and getting to an identity that's shared. And so, you know, I think a shift in culture at a minimum is a three to five-year process. And so every day that we delay here needs another year down the road. And so I think we've got a lot of challenges there. And I think our volunteer leaders, you know, are well-intentioned, many of them are thoughtful, but I think when they come in, they've got to be more engaged and oriented towards progressing the organization, not protecting their own reality. That's tough. That's not an easy thing to do by the way. I'm not saying, Oh, just snap your fingers. And that's what happened.

GG (46:38):

That's definitely not something that happens quick changing. They always compare it to a big ship and trying to change the ship is always been hard. I know that's the example I've always heard since we got into this industry, since I got into this industry. Now, you said you've written, you're reviewing it a lot or the report. It was there anything you were surprised was not in here? Was there any new dangers that you were like, Hey, we didn't see that one coming.

CS (47:02):

I think there were elements of it again. I mentioned it earlier. I'm just right now, I'm very passionate about this, you know collection utilization and moving away from, you know, this head count model that we've been so dependent on the main association and then the last space. And that's where I spend most of my time. So I'm oriented more towards that. We've got some brokerage folks that T3 Sixty, they'd probably tell you all sorts of things that, you know, are, are either, you know shifting or, or that are becoming more important on that side of the ledger. But for me, I really do come back to delineation of association and MLS, separating those two of the association and finding its own legs by understanding what its true value proposition is and its fiscal responsibilities, what those are being left, relying on MLS revenue, you know, subsidizing association activities with MLS revenue has to stop.

CS (47:52):

And that's alluded to in this report. But I, I would, probably, be a little more pronounced about that and I would be more focused on how do we integrate different sets of data and how do we then bring the data sets together that we do have? I think those are the big ones for me in association and MLS capacity. And again, not just thinking about those data sets as immediacy or tertiary marketplaces, but rather as I would entitle them hyper regional marketplaces, where again, we see, you know, San Antonio and Austin and their connection now to Texas and Oregon and Colorado and Idaho and all of these inner connectivity pieces at a hyper regional scale. I think those are not necessarily threats unless we don't do something about it because it's an opportunity for someone else that's not taken advantage of as an opportunity for ourselves as association that MLS leaders.

CS (48:46):

And, and I would say one of the other things is there's a, there was a real building momentum around and questioning of whether or not NAR should be the policy maker and the oversight provider for MLS. Because the way it's structured now, you know, 8.0 clearly cooperation policy did draw a line in the sand. And that relates back to this report. Maybe that was another one of those delays things about off-market listings and how factual they were, that, that one drew a line in the sand for a lot of folks. And they're really starting to question, okay, NAR is effectively putting forward policies that we believe in, but now it's the implementation. It's the compliance with that. That becomes a really big thing. Once you start getting down to that level of dictation with your policies. And so I think there's another pending narrows and a real question about whether or not MLS is an association owned an association covered entity moving forward, or whether that becomes more like what we're seeing in trend in terms of brokerage, which is publicly traded and, and privately owned. And, and that's not to say you, It's saying those who are established shifting towards more of those models. That to me is an opportunity and a challenge if we're not, you know, watching it closely.

GG (50:04):

So you've given us a little bit of opportunities and that's what I was going to finish this up with. I joked earlier about this being a SWAT analysis, without only focusing on the threats, what are the, what are the opportunities you take away from this DANGER report is as critical as it is, or as insightful as it is of what could happen or what at least back then what do you think remain the opportunities for all of these groups, brokers, agents, associations, NAR?

CS (50:33):

I think, the opportunity is, and what we started with Gilbert, the opportunity is an acknowledging and hearing the things that are hardest to hear about ourselves and then doing something about it. I think, that's a real opportunity because, you know, I don't know about you, but the things that have changed me, molded me, made me the person I am today have, generally been the largest challenges. The biggest difficulties that I had to face head long, those are the things that advanced me, that grew me beyond what my capabilities were by not addressing those. And so, I would say that's the biggest opportunity just to continue to go back, read this, embrace some of the challenges and some of the criticism that's here and do something about it. Don't wait for the realities of not doing something to emerge. So, the opportunity means being proactive, being thoughtful and growing through the difficulty of knowing that we will work. We've got a lot of growth to do still as an industry, we've done a lot of great things. We do a lot of great things as an industry to help people get into houses and support economies and all those things, but, but we can't rest on our laurels. And if we can't look our shortcomings square in the eye and do something about it, then our shortcomings become who we are.

GG (51:39):

Clint, I want to thank you for taking some time to be with us and helping us look into the mirror and find the flaws and give us those opportunities to work on stuff. So I think it'll be great.

GG (51:54):

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