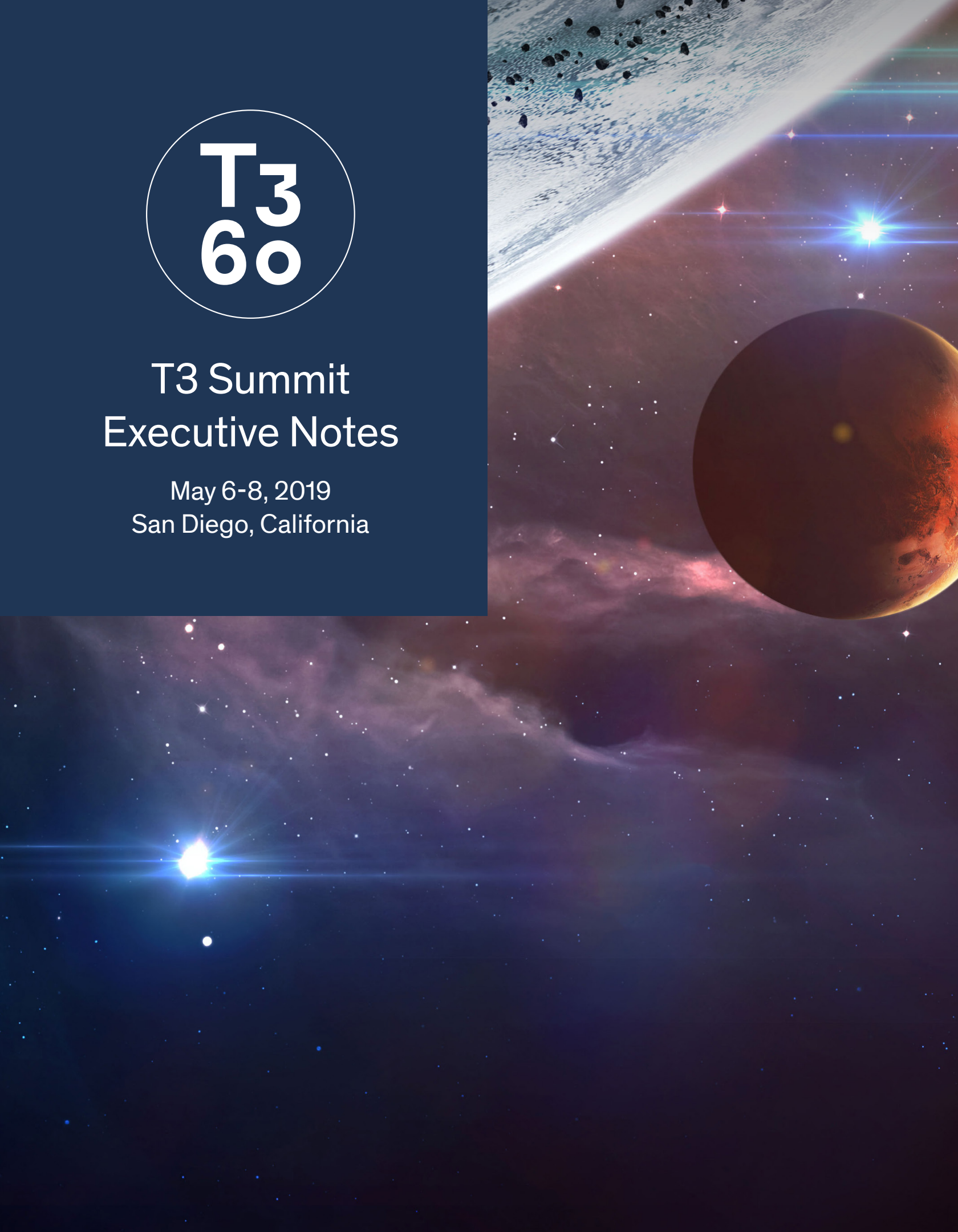




# T3 Summit Executive Notes

May 6-8, 2019  
San Diego, California



## Theme of the Summit: Beyond

Real estate brokerage industry leaders convened at the seventh T3 Summit, May 6-8, in San Diego to think, discuss and strategize the industry's future as they face some of the biggest changes the industry has ever faced. These are our Notes from that meeting. These notes were compiled within 72 hours of the T3 Summit and distributed within seven days.

Our hope is that these executive notes will inform you and compel you to:

1. More clearly see the industry's current massive shift.
2. Strategically craft your roadmap to successfully respond to the change.
3. Improve, innovate or adapt so you can thrive in the industry's rapidly approaching next era.

Stefan Swanepoel  
Chairman and CEO, T3 Sixty  
Host of the T3 Summit

## Introduction

What happens after “What Happens Next?” That is perhaps the smartest question we can ask ourselves right now. The residential real estate brokerage industry has seen transformative change before, but the shifts happening now are more significant and fundamental than any we have seen.

New players (and new players make a big splash in every industry stage) are profoundly disrupting the status and forcing the leaders of the industry's existing structure to adopt new ways of doing business. They are also causing them to deeply reevaluate their core business models and the underlying principles that have brought them and the industry success for decades.

**95 percent of leaders think they have the ability to self-disrupt and innovate but less than 15 percent actually do.**

Harvard Business Review

For current leaders to remain competitive in the industry's next era, they will have to disrupt themselves, a monumental effort that often fails as many existing companies are usually unwilling, unable or simply resistant to effect change quickly, smartly or substantially enough.

Change and new business models are nothing new, certainly not in residential real estate.

In the seventies, franchising shook the industry, led by Century 21 and ERA Real Estate; Re/Max and Realty Executives changed the industry by introducing the 100 percent commission model in that same decade. In the eighties, corporate America took its bite of the industry as Sears and Prudential became big players. A wave of consolidations took center stage in the nineties with Realogy (HFS at the time) and HomeServices of America leading the way. In the 2000s, Zillow and Trulia led a strong technology surge. In this decade, outside capital and new business models, as seen with players such as Redfin, Opendoor, Compass and eXp Realty, are the major forces reshaping the industry.

Each stage sees the emergence of new dominant players who compete with or dislodge the existing leaders. Some incumbents respond and adapt and innovate themselves, and the onslaught of the new is slowed and ultimately absorbed. Casualties exist on both sides – new and existing. And a new normal sets in (at least until the next industry stage occurs).

We gathered at the T3 Summit this May to grapple with the momentous changes the industry faces now and heard from perhaps the most powerful room in real estate ever assembled. What follows is a digest of these leaders' thoughts, feelings and plans for the future and T3 Sixty's assessments. Take advantage of them.

T3 Sixty Recommendations: Leaders need to practice five simple, difficult qualities to successfully disrupt themselves:

- A willingness to discard some of the existing.
- The talent to identify what is around the next corner.
- The ability to move quickly, and then accelerate into what works.
- The fortitude to act with confidence.
- The ability to inspire those that follow you.

You have been given a great gift: life on the cusp of colossal change. Seize the boundless opportunities.

Stefan Swanepoel

## Key Themes

Seven of the residential real estate brokerage industry's finest leaders, who head up the nation's largest and some of the most innovative companies sat down with Stefan Swanepoel for a one-on-one fireside chat about the future of our beloved industry at the T3 Summit. What follows are our notes on their insights.

### Leaders Interviewed

Rich Barton, Co-Founder and CEO, Zillow Group

Ron Peltier, Chairman, HomeServices of America

Robert Reffkin, Co-Founder and CEO, Compass

John Peyton, CEO, Realogy Franchise Group

Gary Keller, Co-Founder and CEO, Keller Williams Realty

Glenn Sanford, Co-Founder and Chairman, eXp Realty

Glenn Kelman, CEO, Redfin

## Rich Barton Co-Founder and CEO, Zillow Group

Rich Barton co-founded travel site Expedia within Microsoft before spinning it out as a separate company in 1999. He also co-founded the talent and hiring company Glassdoor. After running the company behind the scenes as executive chairman, Barton returned to CEO early 2019. In 2002, he was named one of the top 100 innovators under 35 by MIT Technology Review and in 2014 he was named to Barack Obama's Presidential Ambassadors for Global Entrepreneurship. He also serves on the board of Netflix.

### Insights from Barton

- It is finally happening ... the long-anticipated, tech-catalyzed industrial revolution of the real estate industry. Things are or are about to dramatically change. "That's why I came back." It is at last time for Real Estate 2.0.
- This change will be driven by a super empowered consumer who wants everything now, on-demand, smartly anticipated. This new homebuyer will get on-demand services: keyless entry, anytime of day, schedule house visits on the fly, have AirPods guiding her while she is in constant touch with her on-demand real estate agent.
- Zillow Group is going to move from search and find, to buy, sell and rent, and to own and operate homes.
- There is something unique happening with iBuyers. The consumer's need to eliminate the hassle from selling a house is very strong. Consumers want more than just the highest price in the shortest time, they also want certainty of sale and to eliminate a home invasion. We do that today with a fair price, immediate sales with no intrusions and then Zillow Group will do the renovations and cleaning. The uncomfortable pieces of the sale go away and consumers can focus on the good stuff: moving forward into their new home.

Startup is a state of mind. We should all be there. Elephants can dance, they just have to hear the music. I am trying to bring that startup mentality back to a 14-year-old Zillow.

Richard Barton

- Hundreds of thousands of consumers' hands have gone up so far. The signal is strong; a certain and meaningful chunk of the market wants this. These liquidity injections will make transactions easier and quicker and subsequently more people will sell and move.
- There are 5.5 million sales per year; we see 150 million home shoppers on Zillow Group sites each month; that delta suggests there are a lot more people who want to move but do not.
- The iBuyer business model will funnel many new consumers into the traditional business model as

most people that raise their hands to use the iBuyer method do not end up using it for various reasons. Half of them go on to buy or sell the traditional way.

- Data is vital to real estate 2.0, serving as the red blood cells of technology.

### **T3 Sixty Commentary**

You must become an insistent collector and astute analyzer of data. Increasingly, the real estate industry will thrive because of data. Gather all information. Absorb it. Analyze it. Build data models. Really know consumers and what stages of their shelter lifecycle they fall in. Identify the trends, know your market, comprehend your competitors, understand the different business models.

Many future battles will be won or lost on your knowledge and ability to comprehend and manage data, and the advantages it brings. As technology makes the consumer experience of buying and selling a home better and more efficient, more people will move more frequently, gradually expanding the real estate pie.

## **Ron Peltier** **Chairman, HomeServices of America**

Ron Peltier, a 40-year veteran of the industry was the mastermind in the formation of HomeServices of America (a Berkshire Hathaway company) and building it into one the industry's most respected companies. HomeServices of America is also only the second brokerage to surpass \$100 billion in annual sales. In 2018, HomeServices of America participated in more transaction sides than any other brokerage company.

### **Insights from Peltier**

- The Topic of the day is data and search. Keep your eye on data. Our industry has some of the significant data on consumers and we do not really know how to use it.
- The big war in real estate right now is the race to own the customer. All of us need to focus on what consumers want more and better than ever before. They want simple, professional and integrity. Help the consumer, manage their homeownership experience pre- and post-closing. You want them for life.
- Housing represents almost 20 percent of the nation's gross domestic product and triggers a lot of financial activity. Many companies want to find a way into our business and take a piece of it. Accept it and deal with it.
- The industry has over 80,000 brokers. There are too many brokers. Maybe we only need 20,000 brokers, or 10,000 brokers, 8,000 brokers.
- Real estate companies are capital-starved. It is very difficult to invest in tech, and to stay above the black line. Buy, build or partner, but do it.
- Think about this – 5.5 million homes sold each year – that is 11 million transactions. HomeServices of



# Most people do not know how to manage their home and left the consumer at the closing. Agents, as the experts, should focus on helping homeowners with their homes—for life.

Ron Peltier

America, as a brokerage company, sells more homes than any brokerage. We still are only at 4 percent of the national market. This is a big space and there is room for all of us but remember most new companies are still wet behind the ears and will not be around before their ears dry.

- We remain a disjointed industry battling each other, the lead gen companies and the MLS. Everyone wants our data to sell it. I do not think the brokers will sit back and continue to pay.
- Do not underestimate the resilience and resolve of brokers. Take a deep breath and do not panic. Brokers are a tough group.

## T3 Sixty Commentary

Some of traditional companies have been giving the consumer superior service and using technology for decades. They did not trumpet from the mountain tops and now some new models announce it as the savior of the industry. They have done a great job at grabbing mindshare, but many things marketed as new are not new, but repositioned or reformatted. Even if they are new, no one has the exclusivity on an idea or concept.

Take the best practices from yesterday and the most innovations from today and create an awesome offering for tomorrow.

## Robert Reffkin Co-Founder and CEO, Compass

Founded in 2012, Compass has attracted investment capital from impressive funding sources including SoftBank, Fidelity and Goldman Sachs. Recent acquisitions have helped Compass grow quickly into the nation's third largest residential real estate brokerage, according to the 2019 Mega 1000. Reffkin has previous stints with McKinsey, Lazard, Goldman Sachs and the White House.

## Insights from Reffkin

- Shifts in the industry are happening. Retained dollar split is going up. Agents need brokerages less and less every year. We must find better ways to work together.
- Agents are loyal to their manager and to the simplicity, ease, support and marketing brokerages provide them. But more than that, they are loyal to their family and entrepreneurial passion. I do not believe in

loyalty to brand above all. Entrepreneurs should do what is in best interest of their family and hearts.

- We still have the bulk of the \$1.2 billion firms have invested in us. We are going to invest in ideas agents want. They include basic things such as marketing, digital newsletters. The No. 1 thing they want: an email that welcomes their clients. They want one login. They want harmony and simplicity. They want one-stop shopping for consumers.

The future of real estate is in the hands of the agent. The best thing we did was to create a button on our site for feedback. Agents click on a category and vote ideas up or down.

Robert Reffkin

- We'll continue with acquisitions but I am not sure how aggressive. Merging cultures is very hard.
- Regarding the enormous venture capital investment in Compass: Some people believe we can create a place that everyone loves for their real estate experience. It will be software-based. All the nation's top 10 companies are tech or tech-enabled. It will be so in every sector, including real estate. Real estate is the largest segment in the world at \$217 trillion. It defines where we work and live. Whoever creates that smooth real estate experience dream will win. Real estate is big enough to deserve an Amazon or an Apple.
- Brokerage firms need to be smart. We read the Swanepoel Trends Report. It is a great resource for brokers.
- Brokerage firms need to adapt. Either you are the platform or your competing against a platform. You do not want to compete against one.
- Brokerage firms need to partner. You cannot do everything so figure out who you want partner with.
- Brokerages need to understand the discount model. It is a powerful message to consumers. Redfin is the first national real estate super team.

### **T3 Sixty Commentary**

Brokerage companies need to be smarter, more willing to partner and even more willing to change. It all seems so obvious. Many will state that they have been doing it for decades. But very few have done it to the level and scale the new companies are willing to do.

New companies are outplaying many traditional brokerages because of their stubbornness — or lack of vision — to accept or adapt. Read more, analyze more, adapt faster, partner more extensively, and message your company and services better.

Your survival and future success has become exponentially more uncertain and more challenging during the last five years. Your next move is one of the most important you will make in your business career.

## John Peyton CEO, Realogy Franchise Group

John Peyton came to the industry just over two years ago from Starwood Hotels. He serves as CEO of Realogy's significant portfolio of franchise brands, including Coldwell Banker, Century 21, ERA Real Estate, Sotheby's International Realty, Better homes and Gardens Real Estate, Corcoran Group and ClimbRE. Collectively, these brands have over 16,300 franchised offices and approximately 300,000 brokers and agents. Before coming to Realogy, he served for 17 years as a senior executive with Starwood Hotels & Resorts Worldwide Inc.

### Insights from Peyton

- Realogy is a legacy company and we constantly ask ourselves: How do we stay relevant? We have to look into our core and determine what distinguishes us.
- Human nature is about loyalty. Family and finances drive loyalty. But brands matter, too. For real estate agents and brokers—belonging to a tribe, with a common language and vision is important. For consumers, brands instill trust.
- Realogy's market share has been flat the last four years. We think the big hairy audacious goal for Realogy is to grow our existing franchisees and company-owned stores. We are now working on exciting investments in end-to-end tech for agents and brokers, and for consumers, sellers. We are building a comprehensive, open and flexible platform that will keep the agent at the center of the transaction. For two decades NRT grew through acquisitions. We decided it was equally as important to get back to basics and ensure that owned offices are also more productive. We paused acquisitions to ensure that growth is not masking performance.
- At a C-Level meeting during a hotel conference seven or eight years ago, execs were asked about Airbnb, then just two years old. They said it was not a threat. Not on our radar; no service, no security. Recently the same CEOs were asked about Airbnb and they said, "We missed it. We did not understand the consumer insight."

Realogy embraces technology and is setting up incubation tanks within the company around big data, tech and analytics, voice-activated tools and more.

John Peyton

- iBuying is the Airbnb of real estate. Realogy is in it because we believe iBuying is a trend and not a fad.
- We are exploring innovative ways to address agent splits. We are focused on helping brokers with succession planning. We are developing ancillary revenue. We are building out tech. Agents represent our brands and we must empower them.



## T3 Sixty Commentary

Realogy, like many traditional companies, is at a crossroad. As the nation's largest real estate holding company, Realogy has the most to lose if it cannot reinvent itself. Fortunately, the company is very aware of this and has a lot of resources. It says its current focus is innovation, technology and productivity.

Ask yourself: What are you – whether broker, team leader, MLS or Realtor association exec – working on? This is not the time for business-as-usual. This is a great window of opportunity to make meaningful and substantial moves to grab new mindshare and market share. Expect others to do so in spades.

### Gary Keller Co-Founder and CEO, Keller Williams Realty

Gary Keller literally wrote the book on modern real estate, “The Millionaire Real Estate Agent,” and then led his company to 100,000 agents worldwide in 2014 before, in 2017, becoming the single largest residential real estate brand in the U.S. by annual sales volume, transaction sides and agent count, according to the Mega 1000. After jumping back into the CEO chair in 2019, he is now looking to chart the agent of the future with a company focus on developing in-house technology.

#### Insights from Keller

- Five or six years ago, brokerages lost their relationship with their agents as agents started turning to tech companies en masse to help them streamline their businesses. The result is dozens of disparate platforms and tenuous relationships and value propositions. This relationship erosion happened in front of all of us.
- Keller Williams Realty estimates that its agents spent between \$700 million to \$1 billion on non-Keller Williams Realty tech in 2018. Great companies build great technology. Rich Barton did not buy tech, he built it. Same with Apple, Amazon and Google. Most companies we admire build their own tech. There are very important strategic reasons for that. Three years ago, Keller Williams Realty started to build its own technology. Today it is no longer a vision. It is basically done. The industry will never be the same. Consumers want and will get an individualized, customized, real-time experience.

**At the moment, only one thing really matters: Technology.  
Delivering better on that than anyone else changes the game.**

Gary Keller

- Big data is the foundation. AI sits on top of it and powers countless applications that utilize the data in different ways. The AI, big data platform becomes an innovation engine upon which countless additional future applications can be built. It is not end to end, it is never-ending.
- I have had conversations with Eric Wu, CEO of Opendoor. The iBuyer margins are horrible. It is a bad

business. But consumers want it. IBuyers are forcing the hand of every real estate company to adopt the model. There is going to be massive confusion. We launch ours in Dallas in June. Most big brokers are going to go that way and this could be 5 to 15 percent of the total market.

- The consumer changes occurring in the real estate mirror the changes the banking industry underwent. At one point, all banks had free checking, Starbucks coffee and gave away toasters and microwaves. They had the consumer relationship and the branches. Then someone invented mobile banking. Game changed forever. The same thing is happening in real estate.
- By the first quarter 2020, 170,000 Keller Williams Realty agents will have big data, or access to it, and an AI platform that reads contracts, the MLS and more. All voice-activated.

### **T3 Sixty Commentary**

To appreciate the importance of data and powerful tech we going to use an analogy used in the conversation on stage. Say you have a spider bite on your hand. Everyone can review a photo of the bite but your local doctor or local hospital will not have the artificial intelligence empowered data to evaluate the bite and determine exactly what it is. Only big pharma and national insurance companies with millions of medical records can afford the formidable tech to analyze and determine that that red bump on your hand is say a brown recluse spider bite. Same logic applies to real estate. Brokers and agents are going to need massive amounts of data and powerful tech to deliver a what consumers are increasingly demanding and expecting. The race is on.

### **Glenn Sanford Co-Founder and Chairman, eXp Realty**

Reacting to the housing crash in 2008, Glenn Sanford started building a cloud-based brokerage from the ground up. The firm was not just focused on having virtual capabilities but a cloud-based environment that allowed agents and staff to connect online with avatars and without offices, not even for the executives. A decade later, eXp World Holdings is a NASDAQ public company valued between \$600 million and \$1 billion and the nation's sixth largest real estate brokerage, according to the 2019 Mega 1000.

### **Insights from Sanford**

- Brokers and agents are addicted to bricks and mortar. Why are real estate professionals stuck on this when no offices, or less offices, has serious financial advantages and puts more money in their pocket?
- All brokerages must rethink how to engage with consumers. Real estate brokerages must embrace instant showings, qualify consumers virtually, etc. Think about the next level of consumer engagement that you can do online that you are not yet doing.
- Web-based businesses are often even better at building virtual customer relationships because, out of necessity, they must collaborate and build community in the online world. All brokers can learn from this. Figure out ways to create your communities, interconnected electronically. Find ways to connect as well to the agent across the nation as you do to the agent next door. Build community so connec-

tions occur outside of an hierarchical structure. Top-down structures pre-date the internet. Technology provides a new paradigm; there should be little distance between the CEO and newest agent.

- The percentage of agent-mediated real estate transactions may drop from the 90 percent range today to perhaps a 60 percent range in the tech-mediated future; real estate agents remain the best positioned to continue as the essential component of the real estate transaction. Commissions may compress but agents will likely remain key parts of most future real estate deals.
- Data is so important and there is so much low-hanging fruit around capturing it and utilizing it. Real estate brokerages should turn themselves into platform businesses and use data better.

**With modern technology giving us all the ability to work with anyone, anywhere at any time, any real estate brokerage can today be completely virtual. Few are.**

Glenn Sanford

### **T3 Sixty Commentary**

It is always fascinating when a new business model concept – such as the iBuyer or virtual brokerage model – emerges and existing constituents not only brush it aside but ridicule it. This often allows innovators to grow quickly and enjoy disproportionate media coverage and mindshare. Then, when it becomes self-evident that the new models have value, many claim they were already doing it or saw it but did not care for it. Both iBuyers and cloud-based brokerages can easily be emulated by traditional brokerages or duplicated by entrepreneurs. Yet the industry has moved slowly to respond, and today eXp Realty still stands pretty much alone as the only national cloud-based brokerage.

### **Glenn Kelman CEO, Redfin**

Mission-minded Glenn Kelman has become a passionate advocate for brokerages and in fostering diversity and equality. Fourteen years at the helm of Redfin, Kelman has led Redfin into the nation's fifth largest brokerage by annual sales volume, according to the 2019 Mega 1000. On the back of best-in-class consumer technology, employee agents and a consistent drive toward innovation, the NASDAQ-listed company has soared to a nearly \$2 billion market cap.

### **Insights from Kelman**

- Outside the U.S., buyer's agents have always been less common and now U.S. buyer's agents. are coming under pressure.
- Consumers are expecting faster service. We must get on the right side of the consumer. There is an opportunity to market homes directly to a certain type of consumers, led by self-service tours and offers from smartphones.

- Real estate closings today are painful. This must change. Digital closings are a real possibility, and soon. Redfin did its first one in third quarter 2018 and it is clear customers really love it. It is not earth-shattering, but much better than the current offering. So many lenders and title companies still require wet ink and are holding progress back so this may still take another two years to really take off. If a mortgage is digital, you can fund it faster, securitize it faster and sell more of them.
- If you have a homeseller evaluating whether to sell and they have envelopes with cash offers in front of them, they will not consider a normal offer until they check the envelopes. The iBuyer market may eventually be less than 10 percent of the total real estate market but it is still very real.

**Real estate closings today are painful. This must change.  
Digital closings are a real possibility, and soon.**

Glenn Kelman

- The MLS creates a level playing field for all, little and big so we can participate in the market. MLS is the last bastion of competition.
- The shift we are in is the big one. It is all up for grabs. I know I say that every year but the money being invested into our industry feels apocalyptic. \$30 million was invested in real estate companies in 2012. In 2018, it was \$4.5 billion.
- Sometimes I worry that we're all spending and investing too much. Sometimes we wish others could back off so we could back off and that we can all focus more on making money and profitability.

### **T3 Sixty Commentary**

Many industry leaders are zealous about their vision, their team and the services they offer. Many in our world – the residential real estate brokerage industry – share that characteristic. Often that passion, that drive, that energy sets winners apart from the rest of the pack. We take action because we believe we can do something to improve the future. This requires absolute commitment and a willingness to do whatever it takes. If you truly want to be successful, you have to redefine the rules. You have to own the game.

## Additional Notes From Broker Panels

Helen Hanna Casey, CEO, Howard Hanna Real Estate Services

Joan Docktor, President, Berkshire Hathaway HomeServices Fox & Roach Realtors

James Dwiggins, CEO, NextHome

Anthony Hitt, CEO, Engel & Völkers

Pamela Liebman, CEO, Corcoran Group

Sharry Schmid, President, Edina Realty

### Panel Insights

- Brokers must think even farther down the homeownership line as agents will certainly not be the only ones touching real estate consumers in the future.
- It is time to gain control over client data and stop agents from being so afraid to share it. Its only together in larger pools that brokerages can effectively compete with outsiders and tech companies.
- Agent accountability must increase. To increase lead conversion and consumer service, brokers should have a policy on company-generated leads. Brokerages seldom fix the problem of people who do not do a good job. We need to start holding ourselves and our agents more accountable.
- Many brokerages will have to hire a whole new breed of agent to work online leads as most existing agents are horrible at managing and servicing online leads. The current agent population is too slow to adopt new tools and relies too heavily on assistants. In the end, most will be left behind.
- Tech companies are moving further into real estate transaction and online search is no longer controlled by real estate brokerages.
- Industries will get disrupted because they do not follow the consumer. If we do not listen to buyers and sellers, they will go somewhere else.
- Innovative people generally do not want to work for real estate companies so it is very hard to build the best tech in-house.
- There is concern about a race to bottom on commission splits. These days everyone has a hand in the brokerage company's pocket. Brokers must make a profit to stay in business and it is becoming increasingly difficult to do so.
- Most brokers' mindsets do not match their actions. Time to sync them up.





## About T3 Sixty

Exclusively serving the residential real estate brokerage industry, T3 Sixty provides real estate CEOs, business leaders, association and MLS executives, brokers and high-performance teams the knowledge, best practices and support to grow their businesses. The company does this through management consulting, training and in-depth research and quality publications, such as its hallmark Swanepoel Trends Report, an annual analysis of the top trends shaping the industry for the next 18 to 24 months, and the Mega 1000, the leading industry analysis and ranking of the top brokerage companies, franchisors, real estate holding companies, state and local Realtor associations and MLS organizations. The firm's consulting divisions include brokerage, technology, mergers and acquisitions, and associations and MLSs. Find out more [here](#).

## Disclaimer

Our clients include large real estate brokerage companies, the world's largest real estate franchises, high-growth teams, Realtor associations on national, state and local levels, the largest MLS organizations, and technology vendors covering every service level in the industry. Many of these companies have either attended a T3 event, purchased one or more of our reports in the past and some are currently, or have been, clients of our management consulting division. Furthermore, T3 Sixty has, and continues to make, investments in an array of companies in our industry. These are passive long-term investments and we do not speculate. Our research, reports and other writings are not influenced by any of the aforesaid and T3 Sixty goes to great lengths to remain objective in its studies, rankings and events. Whether clients are defending their market share or wishing to enter a new marketplace, clients trust our experience and rely on our unbiased approach.