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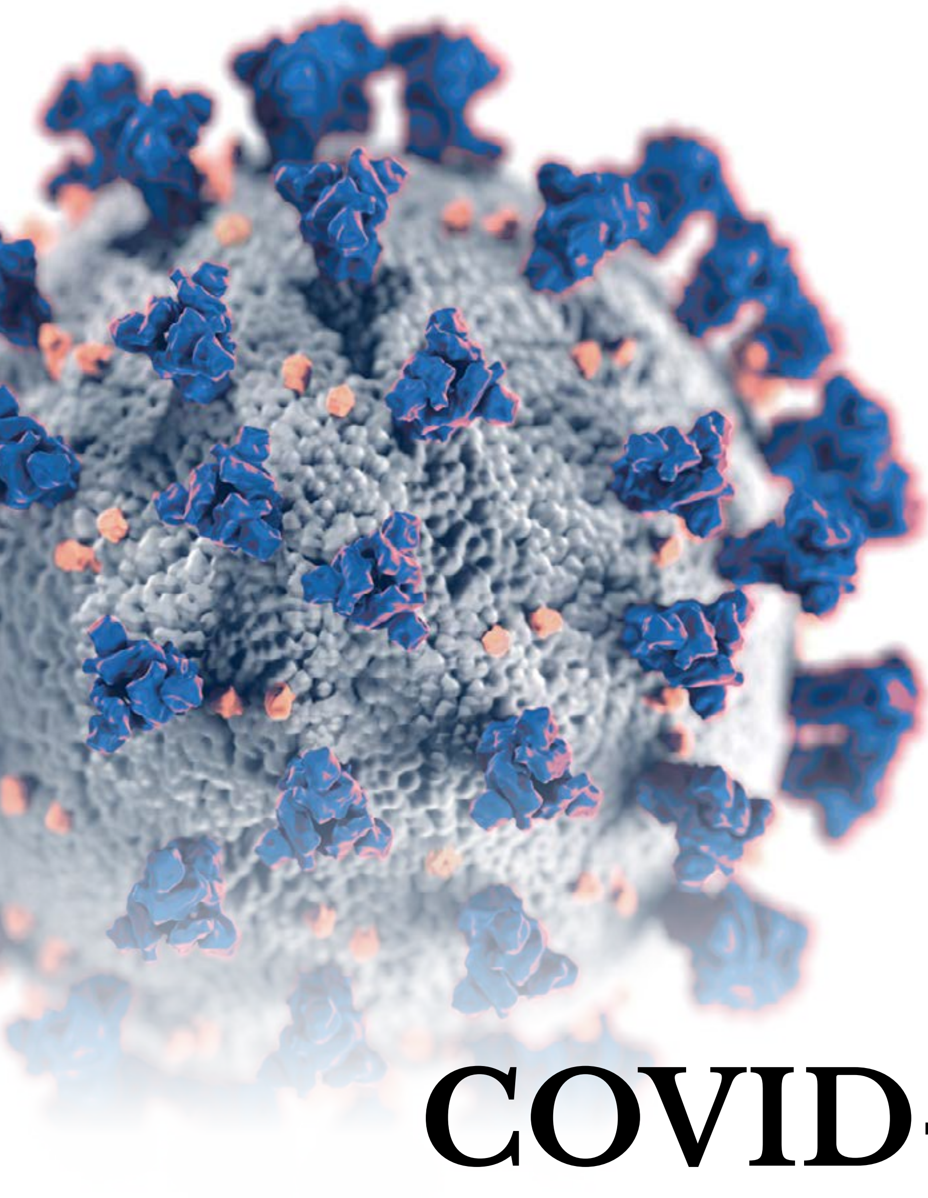

COVID-19 & Real Estate

Insights from Top Agents, Team Leaders, and Brokers

April 2020

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Introduction

To understand how the real estate industry has reacted to the COVID crisis, and how things would change in the months and years ahead, we spoke to top producing agents, team leaders, and broker-owners who are independent-minded and straight shooters. We know many of those people within our collective networks, and with our experience in real estate industry, we knew what questions to ask.

This special report is the result of interviews with 16 of these people from across the country. The conversations were frank, open and remarkably honest.

While we include some data gathered from those we interviewed, this is not a data study. This is a focus group getting first-hand accounts of what time-tested, top producing agents and brokers are seeing and experiencing. Layer on the insights gathered from this report to what the data – as it becomes available – tells us, and we think you should be able to get as close to the truth as possible in this imperfect world of ours.

We thank all of the participants in our study, and hope to check back in with them in a month or two to see how the disrupted Spring market has proceeded.

Robert Hahn
April 2020

Key Takeaways

With the caveat that this is still very early in the disruption, and so much is as yet unknown, the following are our key takeaways.

Significant Negative Impact

While each local market is different, we believe that most metro markets in the U.S. will see significant declines in April and May.

Showings are down in most markets. Deals are falling apart due to buyers losing jobs and hits to the stock market. Buyers are staying on the sidelines, and sellers are opting to withdraw their homes from the market due to the economic uncertainty.

Lead Quality is Up

What surprised us was that while lead quantity was lower in most markets, lead quality was up, way up. Multiple agents and brokers who have been using online lead platforms like Zillow Premier Agent or Realtor.com or OpCity related that the quality of leads they were receiving from online sources was up significantly.

A team leader in DC Metro said he has not seen a drop off in the number of leads, and that lead quality may be higher:

> *We're actually seeing the quality of leads increase.*
>
> *So, if I measure top-of-funnel, right, I'm going to measure the top-of-funnel that Zillow sends. I can see the total lead count that we're looking at. So that top of the funnel has remained pretty steady but what is happening is the number of leads that we're getting through, of those, the quality has increased because their intent is much more serious.*

He is not seeing any change in conversion rates, especially since few people want to or even can go out and tour houses, but "the quality of [the potential buyer's] conversations to form relationship with our agents has increased a lot."

In contrast, the team leader in Phoenix told us that he's actually seeing lead volumes rise from Zillow Flex, but lead quality go down:

> *Well, I mean when [the leads] come in, the people are like, yeah, I know I'm interested in the house, but I'm just going to hold off a minute. Let's just, let's just wait to see what happens.*
>
> *It's harder to set the appointment and to win that client. In the super competitive world of real estate where they know [another agent], we need urgency. And that urgency has been paused.*

He thought that his team would ultimately convert those leads, but thought the time to convert would be increased: 14 days instead of 3, was the number he threw out.

A team leader in Atlanta echoed the Phoenix sentiments:

> *People have more time to dream, or on the other side of dreaming worry, about real estate. So there are more real intent, qualified, possible leads that when they get into it and they're like, yeah, but I don't really want to go see that house in person. Oh really? I'm not ready to do that. Let me wait and see. And so you know, the top fills up. It's that next step where the roadblock is across the industry in my opinion. It's that click to the showing step – that's not happening.*

However, he admitted that he would rate the quality of leads from Flex was a 6 out of 10 before COVID, and the quality of Flex leads remains at a 6 out of 10 after COVID. And he thought anybody he has in the showing phase, if he could get them to go out and see houses, he would convert at a higher rate: "It's a good time to buy. Rates are amazing, sellers are more flexible, they're going to win."

The implication, of course, is that once COVID is dealt with, those buyers who were stuck between the click to the showing step will go see houses, and conversion will be higher. Buyer demand remains as strong as ever. Unknown this early is buyer ability to purchase.

Listening to all of the team leaders and brokers talk about leads, problems with showings, and the market before COVID, we think that on the whole, lead quality is going up because, as one agent put it, anybody who is still interested in houses in these times is a very serious buyer.

This bodes well for agents, teams and brokerages who have kept investing in online leads. It goes without saying that this bodes well for Zillow in particular and Redfin as well to a certain extent.

Rise of the Agent Team

There will be fewer brokerages and fewer agents as a result of this shock to the ecosystem. Please see Appendix B for more discussion on traditional brokerages.

The well-operated agent team will dominate the real estate landscape. This is a trend that has been developing for a while, but the COVID crisis will accelerate the trend.

There are three reasons why.

1. Most brokers and agents are not well capitalized.
2. Teams have major advantages over individual agents.
3. Teams have major advantages over recruit-and-retain brokerages.

One enormous takeaway is that everyone we spoke to talked about returning to relationships. We have heard this before in 2007-2011 timeframe, during the collapse of the Housing Bubble. We are hearing it again today.

Teams are fundamentally more able than brokerages and individual agents to nurture and maintain those relationships. Unlike brokerages, teams control their agents. Unlike individual agents, teams have staff and resources that help in crafting messaging, maintaining relationships (something as simple as keeping the database up to date is easier for a team with an admin), and building on them.

This is a trend that has been slowly developing for years now, but COVID significantly accelerates the timeline for domination by teams.

However, we note that not all teams are created equal. There is a clear distinction to be drawn between even large teams headed by a top producing agent, and a super team that has operational and management excellence. Please see below when we discuss Zillow Flex for a much more in-depth discussion.

He That Hath, Gets

A related outcome is that companies and teams that survive the purge will gain market share.

Team leaders and brokerage owners who have said they are getting opportunistically aggressive outnumber those who are retrenching. This may be because we focused our research on top producers and top team owners, as well as brokerage owners who are financially healthy, but it reflects the reality of the current situation.

We heard the Warren Buffett saying, “When the tide goes out, we get to see who’s been swimming without trunks” over and over again in our interviews. The people we spoke with are among the best in the industry, and they were upbeat, positive, and feeling aggressive – with a couple of exceptions from particularly hard-hit markets, like Las Vegas and Houston.

They spoke about gaining market share through these disrupted times. They talked about recruiting that agent who was difficult to get earlier, or buying out a competitor who is likely to fold up shop, or investing in marketing and advertising when others can’t afford to do so.

We believe that we are about to see a wave of consolidation – whether through M&A activity, or through simple attrition – hit the real estate industry.

Inflection Point for Zillow Flex

We believe that this crisis represents an inflection point for Zillow Flex. All but one of the subjects interviewed said Zillow Flex was the obvious choice if it were available today, because of the cash crunch.

We can also confirm from our conversations that multiple agents and brokers were going to cancel their Zillow spend, until Zillow proactively discounted prices by 50%.

For example, a team owner from Las Vegas said he had called Zillow to cancel some of his zip codes because of how hard Las Vegas was hit. but upon learning of the 50% discount, he kept them.[1]

Our Atlanta and Phoenix brokers and agents, where Flex was rolled out late last year, confirmed that having Flex in place really helped them when the crisis hit. In fact, the Phoenix team said they chose to stop spending on paid search on Google because of Zillow Flex.

We also have a far greater understanding of why Zillow has had such a difficult time in implementing Flex, why they are continuously testing it, and what the major challenges are.

COVID presents an opportunity for Zillow to accelerate the rollout of Flex. It is far from perfect, and one could argue that it is not yet ready for primetime. But as we noted above, resistance to Flex has gone by the wayside as agents and brokers realized writing big checks is not helpful to their cash flow.

So on the whole, Zillow Flex is going to get a much warmer reception from the industry than it did before.

Having said that, one of our conversations led to so much insight that we must drill into it.

The Atlanta Conversation

Atlanta is one of the two large metros where Zillow has rolled out Flex. As of now, all Premier Agents are on Flex in Atlanta. As a result, the broker we spoke with had a good deal of insight into the program.

1. He did point out a detail that may be relevant, however, which is that his arrangement is for his lender to pay half of the Zillow fees in a co-marketing arrangement. But Zillow's discount did not take the lender's payment into account. He felt that was an oversight that would soon be corrected, but given how common these co-marketing arrangements are, and given that we do not have any clarity into what mortgage lenders, title companies and others might do in response to COVID, this detail is something to watch going forward.

What he pointed out is that Zillow's pivot to top producing agents and teams is part of the reason why Zillow has had so much trouble rolling out Flex. To put it plainly, top producers are the wrong people for Flex leads.

He said:

> *Zillow built an infrastructure that feeds to a top producing agent. The problem with a top producing agent is, 90% of them, the reason why they're top producers is because they have a mature book of business. They have a significantly different source of business that is so much more important than your source of business that they would never sacrifice that book of business for you. No matter what you do, they're never going to sacrifice.*
>
> *So what they do is they build these teams and they say, Hey, Loan Officer, I want you to pay ten grand a month to Zillow and I'm going to go to Zillow's little conferences and Greg's gonna love me. And all these things are great, because all the money comes from the LO, right? And the LO gets fed business from the agent.*
>
> *And then the [top producer] hires on agents and says, Hey, I'll give you Zillow leads. And they give them Zillow leads. They don't even give a shit if any of them close. It becomes a recruiting strategy.*

It turns out, the current crop of Zillow Premier Agents are actually the worst agents for Zillow in terms of converting leads into closed transactions because they only use them to recruit other agents and would never sacrifice their existing base of referral business to work online leads.

As he put it:

> *What Zillow is dealing with right now is they have the wrong group of agents and they're learning that they have to find the middle of the road agents that are good at doing servicing business. And [those agents] are not nurturers; they're order takers.*
>
> *And [Zillow is] building the guardrails around these agents. [Zillow] is realizing oh, we don't need an agent that can do everything. We actually need systems that pare an agent down to do three things: pick up the phone, show up at an appointment and write the contract. And then get out of our way.*

> *The other edge of that guardrail is like, we'll talk to the consumer all the way up until they're ready to set-up an appointment.*

We agree with this broker in Atlanta. However, we believe that our fundamental prediction about agent teams remains valid.

Who Manages these Order-Takers?

What our broker from Atlanta laid out – mid-level agents who are order-takers, who are good at servicing, and not overly ambitious – sounds exactly like Redfin's model.

Zillow does not want to become Redfin; Rich Barton has made that very clear. Zillow does not want to be hiring agents and managing them.

But someone has to manage the order-takers. Someone has to make sure that these mid-level agents do the three things necessary: pick up the phone, show up at the appointment, and write the contract.

The only possibility for Zillow is the agent team leader (or a strong enough broker not on a recruit-and-retain model).

That team leader must have a business model that is based around closing transactions, rather than on recruiting new agents. That explains some of the splits we are seeing from some of these top teams: 35/65 splits are not uncommon, and we know of one top team who is on a 20/80 split, a complete inversion of the traditional brokerage with its 80/20 split.

That team must have the ability to manage the agents to ensure that they are staying within the guardrails and doing what they have to do to monetize Zillow leads. That means the kind of tight systems, operational skill and management discipline that are almost wholly lacking in the real estate industry, even amongst top teams.

We got confirmation of that trend from a team owner in Austin, where Zillow may be testing Flex in the coming months:

> *Well, to be completely honest, like we're going to have to refine our financial model.*
>
> *So I may have to look at, for example, if people are working Flex leads, then they have to work at it. I may have to look at having like employee-based agents in order to dial in a financial model, but maybe not.*
>
> *I mean, we have certain circumstances where agents take drastically less from a commission perspective and we've created so much leverage for the agent. Like for example, my listing agents – they get paid on average 15% per deal. But I've got, you know, multiple listing agents and they're all selling between 80 and 120 homes each. So they're just very highly productive because of the leverage we create through administrative staff. So we're going to have to make similar tweaks on the buyer's side in order to make the numbers work with Flex.*

This business model reengineering is not easy to do, nor is it easy to put in new systems, processes, and management. Most teams in real estate cannot make the transition.

Most of Zillow's existing Premier Agents, even top teams, would prefer to pay up front, use those leads to recruit agents onto the team, and remain relatively indifferent to whether they close or not. That explains the resistance to Flex.

Top producers are top producers because they are fantastic salespeople, not because they're great managers. The combination of sales talent and management skills is exceedingly rare in real estate.

The Inflection

What we see is that resistance to Flex is either gone completely or weakened significantly as team leaders realize the importance of cash flow.

Moving forward, a team has a major incentive to migrate to a Flex model to save on upfront cash expenditures. However, Zillow may not welcome them moving to that model.

We have, obviously, not spoken to Zillow about any of this. Our thesis is that Zillow has learned from its tests that they need not just a top producing team, but a particular type of a top producing team. Most of the teams out there today do not fit Zillow's requirement.

They will either have to come up to Zillow's standards for management, operations and systems… or be left out of the Flex program.

If the cash crunch is severe enough, many of them will get on board with the new world order and get on Flex. Others will not, but then find that the very best leads go to the Flex teams who have demonstrated the ability to convert and close those leads.

This inflection was always coming, but COVID accelerates the timeframe for its arrival.

iBuyers Will Make Major Gains

The news that major iBuyers like Opendoor and Zillow are suspending operations has been greeted with a lot of "I told you so" from the industry.

Nonetheless, in speaking with some of the top producers in the industry, it became evident that the better agents and brokers see the truth:
the iBuyers will have an enormous advantage in the aftermath of this crisis.

Our broker in the Denver area, who has a great deal of experience with iBuyers and keeps track of their activity, reported that prior to COVID and the disruption it caused, iBuyer inquiries in his market in January and February were up threefold year over year. The recently announced suspension of iBuying activity made the future harder to gauge, but he thought they would come back and come back strong.

As he put it:

> *My prediction is, the iBuyers are really going to help the market recover because they provide -- and not on an individual consumer basis, but on a market wide*

> *basis -- they're going to provide liquidity, certainty and speed. And that's what markets need to recover.*

As a result, this broker thought COVID represents an inflection point that would accelerate the collaboration between iBuyers and brokerages by a year or two.

He said:

> *I think this is probably going to be the first time we have a market recovery with the iBuyers as players in the market. And I totally dismiss anybody who says, Oh, see, iBuyers are going to go away in a downturn. Yeah, did you know they're sitting on a billion in cash? I think they're okay. I think they're in a better position than our brokerages, frankly.*

The Atlanta broker made similar points about Opendoor and Zillow having billions in the bank, and that they're not laying off staff, while brokerages are. He was not laying off any staff.

His view is that it is difficult it is to get operations back to full speed if he lays off experienced, already-trained staff, not to mention the hit on morale.

When things do get back to normal – or start to recover towards normalcy – those companies who did not layoff staff will be able to ramp back up to full operations much quicker than those who did.

The larger iBuyers will be ready to ramp right back up to where they left off, while brokerages, teams, and startups who let people go will take weeks or months to get back to where they were prior to the disruption.

Two other factors suggest why iBuyers will benefit from COVID:

First, in the short and medium term, sellers will have greater urgency to sell when the market reopens.

Denver broker:

> *I think consumers, when you take it down to the consumer level, a lot of them are going to need liquidity unfortunately because they're going to be in dire financial*

> *straits. A lot of them are going to need speed. Agents are also going to need speed. If they haven't closed a deal in 60 or 90 days, there's a big difference between closing in 10 days and closing in two months.*

Second, and more long-term, the psychological impact of COVID will not entirely fade away until and unless a simple, over-the-counter cure being not only introduced, but proven.

The selling process was already inconvenient, uncertain and time-consuming. If the seller has to worry about strangers walking into his house and whether they are infectious, and the showing process now has to involve booties, masks, disinfectants, and the like… the incentive to simply sell to an iBuyer increases significantly.

We believe that the iBuyer model, so misunderstood and so maligned, is about to become far more mainstream in the aftermath of this crisis. What no one knows is the depth of the negative impact and duration. Depending on the market, you will get wildly varying answers. We believe we should see consensus emerge over the next couple of months, especially as we enter May and June.

Expected Impact on the Industry

This crisis, brought on by the virus and the government response to it, does not bring new problems and new opportunities. Rather, it accelerates trends that have been happening for a long time.

Given the above, we believe that the longer-term impact on the real estate industry will be a fundamental reshaping of how things work. Because we are still in the early stages of the crisis, with no timeline for when things get back to "normal," it is impossible to estimate the extent of the reshaping.

However, it is clear that certain trends are being accelerated, and we can make out a rough estimate of what the likely impact will be.

Agent and Agent Teams

As we discussed above, we believe that a fairly significant number of real estate agents will exit the business entirely. Most of the team leaders and brokers we spoke to estimate between 20% and 30% of the agents will no longer be in the industry by this time next year.

Our broker in Nashville thought that most of the people exiting the business will come from the lower 1/3 of the “fat middle”: full-time agents who do enough transactions to make a living, but have not yet broken through to becoming a top producer with an established base of referrals. That’s what he saw back in 2008-2011 timeframe when the real estate Bubble burst, and it is what he expects to see with COVID.

Importantly, many of the newer agents in the industry have never gone through the last downturn. They have only known a decade of constant expansion where the biggest problem was lack of inventory. Many of them are simply unprepared to survive the cliff-like stoppage in real estate, to be followed by what may be a slower market with new rules.

Conversely, as pointed out above, well-operated agent teams will come to dominate the market in the aftermath for all of the reasons listed above. Please review the Key Takeaway on Agent Teams.

Brokerages

Through our sister company, 7DS Associates, a strategy consultancy in the real estate space, we have been privy to the financials of a number of brokerages and teams over the years. With the COVID crisis, we have looked at even more financials of brokerages large and small.

We obviously cannot disclose any of that privileged information, but we can say based on what we know to date that we believe most small and mid-sized (under 1,000 agents) brokerages in North America are in deep trouble.

Our internal stress test suggests that **40% of brokerages in the U.S. cannot survive 3 months if revenues drop by 30%.** With drastic cost cutting measures, they might survive another month or two at most, and be left as a shell of itself with little staff support, little technology, no marketing, and precious little in the way of a value proposition.

Many of these brokerages will fold up shop, and become agent teams under another brokerage. The experienced real estate professionals who own and operate these brokerages will not exit the industry, but they will cease being a brokerage with all of the attendant expenses.

The larger companies with stronger balance sheets can withstand drops in revenue for six months or more, especially with cost-cutting measures. But even they will be significantly challenged to maintain operations and agent support at 2019 levels.

Their problems are compounded if 20-30% of the individual real estate agents either leave the business altogether, or join a stronger local agent team. That is especially the case if those agents come from the fat middle of producers who aren't quite there yet, as those are the ones who pay a higher split to the brokerage while still doing transactions.

Last, but not least, traditional split-based brokerage models lose revenue when home values drop. It remains to be seen whether the U.S. economy avoids a recession (two consecutive quarters of negative GDP) but few people are predicting that the economy returns to pre-COVID levels by the end of Q2. Which likely means housing prices drop, putting even more revenue pressure on brokerages.

We have been saying for years that traditional brokerage is in trouble because of the trend towards higher and higher agent splits and the emergence of lower and lower cost brokerages. COVID-19 has accelerated things in dramatic fashion.

Franchises

Even the largest franchises in real estate will be hurt by COVID.

As noted above, we have significant reason to believe that many if not most of the brokerages will face a serious cash crunch because of COVID. But those brokerages who are franchisees have an additional problem: franchise fees are among the top expense line items in their budgets. The financials we have analyzed over the years typically put franchise fees as the third or fourth largest expense item for franchised brokerages, after payroll, rent, and sometimes advertising/marketing.

In response, the large franchises are rolling out relief programs for their franchisees. For example, in a recent 8-K filed with the SEC, Realogy revealed that it was:

> *accelerating franchisee rebates scheduled for payment on April 15 to April 1; retaining franchisee rebate tiers at 2019 levels for 2020; waiving domestic U.S. Brand Marketing Fund fees and applicable domestic U.S. monthly minimum royalty fees due in Q2.*

We do not know what the financial impact to Realogy will be from these steps, but we do feel that waiving these fees just for Q2 will not be enough for some of the franchisees. Notably, Realogy did not waive the royalty fees entirely, and as of this writing, there are no provisions for deferring those payments either.

RE/MAX had earlier announced that it was allowing franchisees to defer certain fees. Last week, it updated that announcement to cover April and or May as well. From Inman News:

> *Franchisees can opt to defer 100 percent of the continuing franchise fees and advertising fees for their April, May or both, with zero interest. They would still pay their broker fee at the regular time with an additional 1 percent on top of the normal 1 percent broker fee. If the franchisee defers both months, the broker fee would increase to 3 percent, until the deferred fees are repaid.*

Franchisees can also opt, instead, to pay just 50 percent of their continuing franchise and advertising fees for April and May, with the rest being totally waived. The broker fee is not changed in this scenario.

The deferment helps with cash flow, but it is not yet clear how franchisees will regard what is the third or fourth largest line item expense going forward. If there is enough value provided from the franchising relationship, we assume the franchisees will continue; if there is not… all bets are off.

Furthermore, we know that franchisees often receive low-cost loans from the franchisor; Realogy in particular has been fairly active in the past in offering such development or growth loans. As franchisees face hard times from a cash standpoint, it remains to be seen how many of them will be forced to defer payment or ask for restructuring – both of which hurt Realogy.

As our Atlanta broker mentioned:

> *I don't have any debt. I don't carry any debt. I'm not servicing a $12 million loan that I borrowed from Realogy and a lot of these companies are. So they borrowed a lot of money to, you know, go out and find another deal.*

With the cash flow crisis going on, it is difficult to imagine that many franchisees will be eager to pay back those loans or in some cases, even be able to pay them back. Most will seek deferment; others will seek to restructure. Whatever happens, none of that is good news for franchises.

The MLS

What about the Multiple Listing Service?

At this time, we do not see a *significant* disruption for most MLSs in North America for the remainder of the year.

First, many, if not most, MLSs follow the REALTOR Association schedule for dues, which are collected annually at the beginning of the year. Consequently, most MLSs have already collected their revenues for the year. While some will face pressure from their brokers and agents to issue refunds and the like, at least they won't be suffering the kind of cash flow problems that their members are and will be.

Second, the MLS is among the last expenses that brokers and agents will eliminate. They recognize that the MLS is absolutely essential to stay in business in a way that few other technology tools or business services are. Plus, since most have already paid up for the year, there is no reason to cancel the service in 2020.

Third, many an MLS has significant reserves for a rainy day fund. The larger MLSs in particular have millions or even tens of millions in cash and cash equivalents. Some of it is attributable to conservative financial management, as real estate brokers (who mostly control the Boards of Directors of these MLSs) tend to be conservative, especially when it comes to managing money they feel belongs fundamentally to the members. More is attributable to the collapse of the real estate Bubble back in 2008; the MLS learned a painful lesson during those years and many have saved significant amounts for the next downturn. That next downturn is here.

But over the longer term, the MLS faces real challenges – all of which accelerate longstanding trends in the MLS. These challenges are:

1. Flaws in governance: the representative governance models that most MLSs operate under are showing their weakness, which is a lack of speed, lack of nimbleness, and a lack of adaptability. Crisis challenges that type of governance. In a real way, many an MLS turns out not to have a CEO because the "CEO" does not have the power to make decisions.

2. Technology debt: Most MLSs are still operating with technology from the 00's or worse, because of the peculiarities of the MLS sub-industry and its vendors. The particular challenges of COVID reveal that many an MLS are simply unprepared and unable to deploy technology solutions, such as 3D virtual tours, control over who can enter a house and when, and data reporting.

3. Local Geographic Monopolies vs. Online Business World: One issue that will become far more relevant after we emerge from lockdowns is the central value proposition of many an MLS: being local. Many an MLS, particularly smaller organizations, have survived disruption by stressing local customer and tech support. For example, many a small MLS maintains that its continued existence is necessary so that members can drop by the office and have a familiar smiling face help them in person with login issues. MLSs have emphasized, and in some cases mandated, things like in-person training to reinforce the idea that the local MLS is necessary.

The weeks and weeks of forced social distancing are changing that culture. Brokers and agents are conducting business online, and getting their training and support over Zoom. It turns out that a smiling face is still smiling over videoconferencing.

We see that the longer trend towards consolidation and increased regionalization of the MLS will accelerate as a result of COVID. More broker and agents will become more comfortable with a tech support staff that is 50 or 500 miles away, providing support over Zoom, and discount the value of having one person 5 miles away. The technology debt was a mere annoyance when real estate was done person-to-person at the street level; it becomes more significant when real estate itself becomes far more virtual and more technological. And the flaws in governance will force the MLS to reconsider who does what and when in much the same way that the collapse of the Bubble in 2008 forced the MLS to think about rainy day funds.

There will ultimately be fewer MLSs, who are larger, better capitalized, with better technology operating across larger non-contiguous geographic areas. Whether most of the 600+ MLSs in North America can adapt to that reality or not remains to be seen.

The REALTOR Association

In most cases, the REALTOR Association will face no real disruption, as it is closely tied to the local MLS. Most have large rainy day funds, and most have already collected their dues for the year.

There are positives and negatives from COVID for the REALTOR Association.

The positives are a renewed awareness on the part of REALTORS on the ground of the importance of political power. REALTOR Associations have done yeoman's work in many states in getting real estate brokerage classified as an essential service, resulting in many real estate brokers and agents being able to continue to work. They have also done enormous work in making sure that real estate agents (who are 1099 independent contractors) can secure government relief funding. They have done quite a bit behind the scenes to ensure that real estate transactions can continue during the lockdowns, from urging changes to rules around mortgages (drive-by appraisals, for example), keeping recording offices open, and so on. REALTORS flexed their collective political muscle, albeit in hidden ways. But those in the know recognize the value of that power.

As we come out of this crisis, there will be even more opportunities for the REALTOR Associations to prove the value of political influence to the membership at large.

That is a real positive, and as long as the Associations are savvy about messaging, it should carry forward into the near and midterm future.

The negatives are simple mathematics: some percentage (we think 20-30%) of REALTORS will soon cease being REALTORS, which means loss of revenues. More importantly, many brokers and agents have come to pay far greater attention to expenses and cash flows. The MLS is a required essential utility to conduct business; the REALTOR Association is not. They might have seen the value of the political power of the Association, but that does not mean that they see the value of paying for things other than political advocacy.

NAR and the State Associations do the most work in political advocacy; the local Association does the least. Yet, it is the local Association that owns and controls the MLS.

Over longer time horizons, this dichotomy between Association value and fiscal need has to be resolved.

In an effort to try to discern which direction things might head, I have spoken to a large number of brokers, managers, and individual REALTORS as well as Association staff about this. I have received private emails as well from people who wished anonymity. Based on that, I see three possible outcomes at a high level.

Outcome 1: Status Quo, or Association is Made Stronger

The first possible outcome is basically a maintenance of the status quo, but with the REALTOR Association reforming where they spend their money.

This is the view held by the majority of those REALTORS who have very longstanding involvement with the Association, local, state and national. They believe that the REALTOR Association has proven its value with how it has stepped up during the Coronavirus crisis, shown its value with the political influence it wielded, and has increased engagement with the rank and file membership through its virtual education programs and virtual networking events. They believe that while the Association will lose membership as the nonproductive REALTORS simply leave the business, the members who remain will realize just how valuable the REALTOR Association is and will become even more involved.

As one broker, who is a past president of his/her local Association said, “This emergency made people realize how much they want and need the Association when crisis happens.”

However, most of those who believed that the status quo will be maintained more or less, or even that the Association will be strengthened by this crisis, did think that we would see reforms and changes in where and how the

Association spends its money. An obvious example is travel and conference budgets: just about everyone thought they would see that eliminated or decreased. Another obvious example might be things like rent for Association offices, or the budget for live training. Even the proponents of the status quo thought that Boards of Directors might question that kind of spending in the aftermath of COVID.

Outcome 2: Outright Rebellion

On the opposite side of the opinion spectrum are those who believe that the REALTOR Association will face outright rebellion from its broker and agent members.

Most of these individuals – all of whom were and are very involved with the Association world at local, state, and/or national levels – thought that rank and file members saw no value whatsoever from one or more levels of the REALTOR Association through the crisis other than political power. More than a few thought that those who saw the value of political advocacy might choose to donate to RPAC instead of paying for the staff, overhead, and activities of the Associations that do not directly generate an ROI for them. But a substantial minority thought that many brokers and agents would question the need for a local REALTOR Association at all.

The thinking there appears to be centered around the Value of the Association issue, that has been present in the industry for many years. The REALTOR Association has (broadly speaking) five main Value Propositions:

1. The MLS
2. Political Advocacy
3. Professionalism
4. Education & Training
5. Networking & Events

Those who predicted outright rebellion point out that the COVID crisis showed that #4 and #5 can be done online, virtually, over videoconferencing. One REALTOR told me that she already does all of her required continuing education training over video anyhow, and saw no reason whatsoever to keep paying for her local REALTOR Association to offer that training in an in-person environment, especially after COVID.

#3 has been a perennial problem with the Association, and those in the rebellion camp believe that nothing that a REALTOR Association has done throughout the COVID crisis contributed even one iota to upholding or enforcing professionalism. “Education is not professionalism; enforcement is,” said one broker. “And they’ve done nothing to enforce professionalism during all this.”

#2 Political Advocacy is of value, these individuals admitted, but said that all of that was done by the state and national Associations, not by their locals who do not even have a GAD (Government Affairs Director, basically an in-house lobbyist). They thought rank and file members who are watching every penny in their budgets would rebel at paying the hundreds of dollars in dues to “useless” local Associations.

One broker of a very large company I spoke with said that while he belongs to multiple local REALTOR Associations today, he plans to consolidate all of his agents into a single bloc and shop around between the locals for the best possible discount on dues. But it doesn’t stop there. The ultimate goal is to organize his fellow brokerages to move towards a broker-owned MLS, so that they can eliminate all REALTOR Associations for good.

So we come to #1: the MLS.

Outcome 3: Divorce of the MLS and the Association

A substantial number of people thought we would see the COVID crisis lead to a separation of the MLS and the REALTOR Association. It might not happen immediately, they said, but it is far more likely today than it was before COVID.

Here’s an excerpt from an email from a broker I interviewed to his Association CEO (who also runs the MLS):

> *Curious — Have you all considered suspending fees through the crisis period? You have reserves that most brokers do not, and could weather this better than most. You’re going to have a lot of hurting members soon.*

He thought that the renewed focus on expenses will in fact lead to a number of brokers (at least those who come through this) to question why they and their agents are paying for Association services that do not generate a return. He has no problems paying for the MLS, but in his mind, the Association does not add that kind of value.

Another broker in a different market flat out told me that she thought the REALTOR Associations provided no value other than through the PAC (Political Action Committee). She thought the education programs were subpar ("useless" was the actual word she used), and the social events were completely worthless. "I have no interest in going to some award banquet where we sit around in cocktail dresses patting ourselves on the back." She would be happy to continue contributing to RPAC, but wants the MLS and Association separated.

We tend to lean towards the side of separation. We have had an amazing run for over ten years. Brokers and agents might have grumbled, but they weren't too worried about the expense of Association dues when times were good. That has changed. The increased scrutiny of expenses by brokers and agents naturally leads to questioning the value of what they pay for, and COVID created a new incentive for them to eliminate expenses.

That new incentive creates additional momentum behind separating the business utility (the MLS) from the trade association (the REALTOR Association).

On the other hand, I must note that quite a few of the respondents flat out said that the MLS and the Association are one, cannot be separated, and they need each other more than ever. Since those respondents often sit on Board of Directors of MLSs and REALTOR Associations, it is possible that the divorce scenario does not come to pass and if it does, it is slow-played.

Likely Outcome

At time of writing, we believe that the most likely outcome is the first one: maintaining the status quo. Change is hard, and real estate is among the most conservative and resistant-to-change industries in North America.

However, we also believe that the seeds for the second and third outcomes will be planted and potentially come to fruition in years to come.

The change will be led, we think, by California and Georgia. Because they are two of the larger "Thompson States" where by law, Association membership cannot be linked to the MLS. In those states, a broker or an agent can choose to join the MLS without joining the REALTOR Association. As such, they are the ideal starting point for newly expense-conscious brokers and agents to question and push down the cost of REALTOR Associations (or skip them altogether) while keeping what they truly value: the MLS. Certain other markets have similar dynamics due to private broker-owned MLS systems: Seattle and Boston come to mind.

In those markets, the REALTOR Association will need to transform in order to not only provide but also demonstrate the value of membership. Perhaps the COVID crisis points the way forward for those Associations: political advocacy as the value proposition. By reforming where and how they spend their money, and strengthening advocacy, those Associations might transform and attract more members even in financially lean times: more political power, fewer award banquets.

However, those extra efforts will run into the reality of cash flows and expenses. Individual agents will take a newly-sharpened interest in what they are spending. But brokerages have to take a very close look at their expenses, and how those expenses position them competitively. They have already cut all of their "nice to have" expenses, and more and more have a real incentive to consider the REALTOR Association dues to be one of those "nice to have" expenses in the time of pandemics.

Technology Companies

We are already seeing major disruption amongst technology vendors in residential real estate; that disruption will continue into the future.

We have spoken to a number of technology vendors who report that new sales of their products have fallen off a cliff, and existing customers are calling to ask for deferments, cancel their contracts, or to ask for reduction in price.

And over the course of this research, we have spoken to numerous brokers and agents who have flat out said they are cutting spending on tech products that do not have clear ROI. For that matter, they are cutting tech products that do have a ROI, but can be replaced by labor: they are choosing to keep their staff employed and doing more things manually than to spend on technology. For example, one team leader we interviewed canceled an automated response system because his admin staff volunteered to manually respond to each and every inquiry.

The impact of COVID and the resulting government actions is that technology companies who do not have a proven product are in trouble. Even those companies who do have a proven product may be on shaky ground.

At the same time, the larger tech companies who have a core product that is necessary to how the industry operates will benefit enormously, as long as they have the balance sheets to survive the cash crunch. In some cases, they will be able to make acquisitions at fire sale prices. An example might be someone like Zillow making acquisitions in the real estate data analytics space.

He that hath, gets.

Brief Summary of Each Market, Before & After

Here is a market-by-market overview of what our interview subjects said.

Every interviewee said that 2020 had been shaping up to be the best year ever. Buyer demand was up sharply, rates were low, the economy was humming, and inventory was low (and severely problematic in many markets). Then the coronavirus hit, first with warnings and voluntary social distancing guidelines, and then (in most markets) with emergency mandatory lockdowns.

Here is a market-by-market overview of what our interview subjects said. We provide data where they provide it to us; much of the data is on their own team or company's production and what they see.

Because of time constraints, as well as general shock throughout the industry, we were unable to collect all of the data we would like to gather. In follow-up reports in April and May, we will standardize our data collection.

Atlanta

Broker 1:

BEFORE: Extremely strong January and February, up 22% and 25% respectively YOY.

AFTER: Bindings (contracts) went from an average of 50 to 17 on Monday, then to 9 on Tuesday.

SHOWINGS: Down 40%, and heading downward with new stay-at-home rules in place now.

WITHDRAWN LISTINGS: Est. 40% of his clients have pulled listings off the market.

CANCELED DEALS: "Speckled throughout," but expects it to get bad next week.

FUTURE EXPECTATIONS: April and May will be "a hole in 2020." June will be roaring, and July and August even hotter.

Note: Broker 2 was at 4.5% conversion with Zillow leads pre-Flex; he is now at 1% conversion leads with Flex but post COVID. The top of the funnel remains strong, but the next step – showings – is not happening due to COVID.

Broker 2:

BEFORE: All time high in January and February, up 20.5%.

AFTER: No change for March, yet. Expect it to be strong.

SHOWINGS: No new showings; buyers unwilling to physically go out.

WITHDRAWN LISTINGS: No information.

CANCELED DEALS: No information.

FUTURE EXPECTATIONS: "It's gonna be brutal."

Austin

Broker:

BEFORE: Extremely strong January and February, $20m in volume in both.

AFTER: March was on track: $35-40m.

SHOWINGS: Dropped 75% last weekend.

WITHDRAWN LISTINGS: None yet, but expecting them.

CANCELED DEALS: None yet, but expecting them.

FUTURE EXPECTATIONS: Next four months will be "horrible."

Additional color:

I'm forecasting... we should have had about $40 million in closed sales [in April]. But it's probably going to go down to $25 million for the month of April. And May is looking horrendous. Our showing started dropping about 75% last weekend. And so I'm expecting us to do like maybe.... God... maybe $10 million in sales, and we should have done $30 to $40 million.

I'm expecting May, June and July to be 50 to 75% below where we normally are.

Charlotte

Broker/Team Leader:

BEFORE: Very hot; never stopped for winter. "It's just been nuts."

AFTER: Things have slowed down due to government action.

SHOWINGS: Stay-at-home order is in place, so can't show houses.

WITHDRAWN LISTINGS: 67 withdrawn, vs. 29 the week before.

NEW LISTINGS: 150 on Wednesday, 186 the week before.

CANCELED DEALS: No information.

FUTURE EXPECTATIONS: This is a short-term bump in the road. Expecting a recovery in six months.

Additional color:

I'm not going to listen to agents that make $50,000 a year and walk around scared and tell me what to do in my business when I sold thousands of REOs in 2008 through 2010 in Baltimore. That's like worst place on earth. I met more pimps, prostitutes, drug pushers, drug users, than anybody in this market has ever met.

And this is just a little speed bump compared to that. You know, that was a four year recovery and this is going to be a six month recovery. Our market's very strong. Charlotte is a wonderful place to live economically. We have so many wonderful things here and opportunities for people to live and you know, our housing prices are so low compared to the average salary in Charlotte. People here are spending like 15% of their income on their mortgages. This is a ridiculously affordable, friendly, beautiful place to live with four seasons.

Dallas-Fort Worth

Broker/TeamLeader:

BEFORE: Best quarter ever; DFW prices up 12% in January.

AFTER: No changes in March, numbers look "basically the same" YOY. Expects Q1 to e up 50% YOY.

CONTRACTS: Seeing drops of 35% week-over-week since going work-from-home two weeks ago.

SHOWINGS: "Fallen off a cliff". Last week, 5% above January showing volumes, now 20% under January volume.

WITHDRAWN LISTINGS: Pulled all of his clients' listings off market; targeting June for re-listing.

CANCELED DEALS: None yet.

FUTURE EXPECTATIONS: 50-75% drop in April, 90% drop in May. North Texas is tracking towards that.

Additional color:

We suspended all variable compensation on Monday and we're prepared to slash all salaries across the board by 40% if we don't see some material changes, which I'm not really expecting. We're trying to batten down the hatches as quickly as possible because I think that May is going to be closer to zero revenues than not. I think it's a little funny when you see agents posting like, "Oh, just do virtual showings, that'll fix it." I just don't – I don't think anything fixes a 90% drop.

Denver

BROKER/TEAMLEADER

BEFORE: Very strong January up 17% in sides, up 38% in volume YOY. February up 8% in sides, 17% in volume YOY. Above plan both months.

AFTER: Cautiously optimisic. 60 closings last week, 74 new under contract. Projecting March transactions up 2% YOY, and volume up 3% YOY.

NEW LISTINGS: Up 16% week-over-week

PENDINGS: Down 13% week-over-week

SHOWINGS: No information.

WITHDRAWN LISTINGS: Up 111% week-over-week

CANCELED DEALS: No information.

FUTURE EXPECTATIONS: Expecting April to be down 10-15% YOY, but modeling 50% decline for business planning.

Additional color:

Flex is such a sensitive issue... I mean in the short term, obviously it eliminates the spend. I can do the math on our conversion rates and the referral fee, ultimately it would be more expensive based on how we convert. That's just, that's just the numbers. I'm not giving you my religious opinion about that.

And this is no mystery. I don't think I'm saying anything that if [Zillow executive] was sitting right in front of me, I wouldn't say. The concern is the big picture. I just want clarity around whose client is it? And if I start on Flex, and they started having rules [like] I can't bring [the client] into my loan officer, then that changes the equation completely. And not just the economics. I know my loan officers are really good. I mean they get deals closed.

Greenville

TEAMLEADER:

BEFORE: Super-hot market. January Solds up 27.8% YOY; February up 14% YOY.

AFTER: Closings not disrupted. Contracts are down due to low inventory, and a hot sell-off in January and February. New buyer and seller representation is problem – down 50% of February numbers on current trend.

PRICE REDUCTIONS: 64 out of 3,400 listings

NEW LISTINGS: 110 in last 24 hours

CANCELED DEALS: Two cancellations on his team; will put back on market and sell with no problem (price point is below median).

FUTURE EXPECTATIONS: Buyers and sellers who are not urgent are in holding pattern. If COVID is a short-disruption, then market comes back hot. But expects 2020 to be more or less the same as 2019.

Additional color:

We've put 14 [houses] under contract in the last two weeks. And we're seeing plenty of activity in the market. You know, this is South Carolina. We're a pretty, uh, independent minded population.

You know, governor McMaster has not really laid down the law, although yesterday he said more than three people gathered it could get, you know, law enforcement. But I'm not sure what they're going to do. They just let people out of jail recently because of [coronavirus]. Are they going to put people in jail? Why are you in? Well, there were four of us at Kroger's. Right.

Houston

Team Leader:

BEFORE: Good January and February, due to ramping up with new brokerage. Was on track for $36-40 million vs. $26 million last year.

AFTER: Consumer confidence really isn't there. Luxury market has completely dried up.

WITHDRAWN LISTINGS: Pulled one large listing due to COVID. Occupied homes are leaning more and more towards pulling listings off.

NEW LISTINGS: Last 7 days – 2,498

PRICE REDUCTIONS: Last 7 days – 2,081

UNDER CONTRACT: Last 7 days – 1,268

TERMINATIONS: Last 7 days - 683

CANCELED DEALS: No information.

FUTURE EXPECTATIONS: Expecting Q2 and Q3 to be really tough. Projecting 25-30% declines for 2020.

Note: Houston is a bit of a unique situation, as the OPEC-Russia oil price war impacted oil & gas prices in early March. COVID came on top of what was already a bad local economic situation with massive layoffs at major energy companies.

Las Vegas

Team Leader 1:

BEFORE: Extremely hot market, starting at end of 2019. Every week was stronger than the week before, stronger, stronger.

AFTER: Last week, online inquiries, showing requests, all “hit the floor.”

SHOWINGS: Nonexistent. *“How do you want me to quantify that? Like going from having multiple showings every day to no showings at all overnight?”*

WITHDRAWN LISTINGS: A lot of withdrawn inventory.

CANCELED DEALS: Last Friday, 169 properties back on the market on a single day.

FUTURE EXPECTATIONS: Las Vegas will take a long time to come back. Not expecting a tremendous drop; will see some, but not like 2007. More controlled descent.

Team Leader 2:

BEFORE:
First two months were great..

AFTER: The bottom fell out.

SHOWINGS: Nonexistent, with Las Vegas under stay-at-home orders.

NEW LISTINGS:
Last 7 days, 1,026 new on market

UNDER CONTRACT:
Last 7 days, 750

SOLD: Last 7 days, 836

CANCELED DEALS: Last 7 days, 690 properties back on the market

PRICE REDUCTIONS:
Last 7 days, 663

CANCELED DEALS:
His team lost 11 deals in one week -- $3.5 million in sales.

FUTURE EXPECTATIONS:
Optimistic. This crisis is different from 2007; nobody’s moving, nobody’s outside, but things were great before and this is a short-term interruption.

First time in a while there are more listings than solds in Las Vegas. The price reductions are not abnormally high.

Nashville

Broker:

BEFORE: Good January and February, due to ramping up with new brokerage. Was on track for $36-40 million vs. $26 million last year.

AFTER: Consumer confidence really isn't there. Luxury market has completely dried up.

WITHDRAWN LISTINGS: Pulled one large listing due to COVID. Occupied homes are leaning more and more towards pulling listings off.

NEW LISTINGS: Last 7 days – 2,498

PRICE REDUCTIONS: Last 7 days – 2,081

UNDER CONTRACT: Last 7 days – 1,268

TERMINATIONS: Last 7 days - 683

CANCELED DEALS: No information.

FUTURE EXPECTATIONS: Expecting Q2 and Q3 to be really tough. Projecting 25-30% declines for 2020.

Additional color:

"Have we seen anybody say, I'm not going to buy this house because of the crisis, because of COVID, because of the disease? We've had three of those, who would say we're scared disease. We've had about a dozen that had fallen out because their financial condition has changed due to the stock market okay. And that, that's a bigger impact to us than the disease itself. I think that's the boogeyman. That's the 900 pound gorilla in the corner that nobody wants to talk about."

Phoenix

Team Leader:

BEFORE: Extremely strong January and February, up very significantly.

AFTER: No changes in March, numbers look "basically the same" YOY. Expects Q1 to e up 50% YOY.

Available inventory in Phoenix coming into 2020 was 11,000; after coronavirus, inventory is 12,000. But 9,000 homes will be sold in March.

SHOWINGS: No change.

WITHDRAWN LISTINGS: Very few, for strategic reasons.

CANCELED DEALS: None.

FUTURE EXPECTATIONS: The real problem is lack of inventory. Expects one month of disruption, then back to normal. Expect to see some more listings withdrawn, a few deals fall apart, and showings dip for a bit over the next 3-6 weeks, then back to normal.

Additional Color:

I mean our economy is driven by real estate. Because it's a second home [market], because you know, 50% of our business is empty nesters moving. Well, guess what? Empty nesters aren't impacted because they're in investments that are [safe and long-term].

So we have people that are being opportunistic and, you know, we had a guy that came in and made a cash offer for this third house and you know, he was buying right in the heart of the worst news because I think logical people see that this is not going to be as impactful as the media is making it out to be.

Note: Arizona had not declared any mandatory stay-at-home policies at the time of the interview.

San Diego

Team Leader:

BEFORE: Up tremendously, multiple offers on almost every house. 15 leads on January 2nd alone. "January, February, we were taking more listings, selling more houses – lots and lots of activity."

AFTER: No changes in March. Didn't feel any impact.

AVAILABLE inventory in Phoenix coming into 2020 was 11,000; after coronavirus, inventory is 12,000. But 9,000 homes will be sold in March.

SHOWINGS: Can't show houses in California.

WITHDRAWN Listings: Only one, in secondary market.

CANCELED Deals: Last 2 weeks - None.

PRICE Reductions: Last 2 weeks - two

NEW Listings: Last 2 weeks - 15

NEW Escrow: Last 2 weeks - 22

FUTURE Expectations: No impact in San Diego. The only impact may be from higher interest rates, not from COVID.

Note: The team leader in San Diego is simply not seeing any impact from COVID. Inventory is extremely low: only 12 days of inventory in local market.

Washington DC

Team Leader:

BEFORE: The greater DC Metro market was on fire.

AFTER: March is up 34% in transactions and 27% in volume over a hot February. Last 5 days, team has $4 million in ratified contracts, and taken 2 new listings.

SHOWINGS: No information, but thinks it's down due to COVID.

WITHDRAWN LISTINGS: No information.

PRICE REDUCTIONS: No information.

CANCELED DEALS: No information.

FUTURE EXPECTATIONS: Expecting a slight dropoff in April and May. "I think we're gonna go gangbusters here going into Q3/Q4."

Additional Color:

We are no longer in the numbers and conversion game. We are in the service of humanity game, and I think that's why we're winning and that's why these relationships are being solidified. So again, I think that that even though we're seeing an increase in March, I do believe we see a drop off in April-May, but the relationships that we're forming now with the people that are coming in, I think June, July, August, we probably have a record quarter.

About Us

7DS Capital is the brand new sister company of 7DS Associates, a boutique strategy consulting firm in residential real estate. 7DS Capital was created to serve clients and customers in the investment space with unique industry research and advisory services.

To learn more, please visit us on the web at **7DScapital.com**

Appendix

For Additional Detail

It is near-impossible to report on all of the interesting details from our interviews with 16 people, at least if we want to provide you with a report, rather than a book.

If you would like additional detail about what we learned over 16 hours of interviews, please contact us to arrange for a telephone or video conference. All of us have become quite expert on Zoom these days.

APPENDIX : METHODOLOGY

Markets and Who

We interviewed 16 top agents, team leaders and selected broker-owners from the following metro markets:

Atlanta
Phoenix
Austin
Dallas-Fort Worth
Denver
Greenville
Las Vegas
San Diego
Houston
Charlotte
Nashville
Washington DC

We chose those markets as they are the ones of greatest interest to investors, as these are the top iBuyer markets as well as the two major markets where Zillow Flex has been introduced.

The average interview subject is a team leader or a broker-owner with 21 years of experience, 30 people on the team, over $200 million in sales volume and 400+ transaction sides in 2019. These are the cream of the crop in American residential real estate, the top 1% of the 1% of the 1.4 million REALTORS.

We focused our efforts on speaking to top producing agents, team owners, and brokers small and large whom we knew were straight shooters not inclined to spin. Our guarantee of anonymity, as well as our reputation in the industry, reassured many of the interviewees that they can speak their minds.

Survey Areas/Questions

The above represent our takeaways. They are based partly on what we already know, but mostly based on what we have heard from our interviews.

We would like to present some of the key insights from the interviews on major topics. The major topics we wanted to find out from our interviews, and the questions we asked, are these:

Before COVID

- Team/Company structure, size, volume
- Local market conditions in Jan/Feb
- Were you doing significant online lead generation before all this happened?

After COVID

- "Given the recent events around Coronavirus (COVID-19), have you or your team experienced any disruption to your business? If so, please explain."
- Could you share any local market disruption stats with us?

Business Response:

- What have you already done or are planning to do in response?
- If you are cutting expenses, what are you cutting in your business?

Online Lead Generation

- "Have you made any decisions to delay or cancel advertising spend?"
    - If interviewee was a Premier Agent/Broker, we focus on Zillow.
    - If interviewee was more involved with others (Realtor.com, Redfin, etc.), we still ask about Zillow but focus the conversation on those other sources.
- "Did Zillow's recent move to reduce prices by 50% have any impact on your plans or spend with Zillow? Please explain."

- For agents and brokers who are not in Zillow Flex markets:
  - With the disruption that just happened, if Zillow were to reach out to you about Zillow Flex, would you be open to participating in the program?
- For agents and brokers in Zillow Flex markets:
  - How would you rate the quality of leads you receive through Zillow Flex before COVID? After?
  - What was your conversion rate on Zillow Premier Agent (pre-Flex) historically?
  - What was your conversion rate with the Flex leads before COVID? What is it today?
- We repeat these questions for OpCity, Redfin Partner, other programs if the agent or broker indicates they participate in those programs.

Virtual Real Estate

- "This could be an inflection point in how real estate brokerage is conducted in the future. How prepared are you?"
  - Consumer
    - Virtual or video showings?
    - Do they already own any equipment or gear, such as MatterPort cameras, to do virtual real estate?
    - Any software to do virtual real estate?
    - Staff that are dedicated or can be dedicated to virtual real estate?
    - Do you already have workflow / processes to do virtual real estate?
- "Do you feel like you're ahead of the competition in regards to virtual real estate?"

Attitude:

- "Are you planning to pump the brakes or push the gas to get market share right now (in the coming months)?