

# REAL ESTATE BROKER'S INSIDER

Management and sales tools for the residential real estate broker

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## Agency Marketing

### Brokers in hard-hit markets pursue foreign investors

Three or four times a year, Brad Cozza flies from Florida to Israel to give presentations to investors looking for bargains in depressed housing markets.

Cozza pitches duplexes and single-family homes in Southwest Florida, one of the nation's most battered housing markets, and he's finding plenty of takers in Israel.

"It's been astonishing the results we've gotten," says Cozza. "They feel that now is the time to invest in real estate

in the United States."

As Cozza's experience shows, investors can be a lucrative market for brokers looking to move properties. Investors played a role in inflating the housing bubble of 2005, and they might help rescue the housing market now.

"This is exactly the medicine we needed," says Cozza, who runs the 10-agent Cozza Realty Group in Fort Myers, FL.

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## Business Strategies

### After change in franchise affiliation, brokers battle for agents

In one conference room at a hotel in Tucson, AZ, broker Anthony Azar told his agents about the superior services they'd enjoy as a result of his switch from Realty Executives to Keller Williams Realty.

In the hallway outside stood officials from Realty Executives, who told agents they could stay with the company if they

wished. The Realty Executives representatives even directed agents to another conference room at the same hotel.

Rarely do brokers fight for agents in such a dramatic way. But the deep downturn in Arizona's real estate market set the stage for the bad blood that emerged between Realty

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### Coldwell Banker offers own stimulus

Buoyed by the success of the federal tax credit for homebuyers, Coldwell Banker Real Estate launched a private version of the popular stimulus package.

Dubbed the Buyer Bonus Sales Event, the offer began May 1 and is available to buyers who sign a contract by July 31. Through the program, participating home sellers offer a credit of 3 percent of the home's purchase price, up to \$8,000.

Unlike the tax rebate, there's no deadline for a closing date, and no income limits.

Homes of sellers who participate in the program will be promoted by Buyer Bonus Sales Event yard sign riders and tagged as a Buyer Bonus home on [www.coldwelibanker.com](http://www.coldwelibanker.com).

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for newcomers, in the business for two years or less, to 23 percent for veterans, with at least 16 years of experience.

- Some 24 percent of Realtors held at least one of six certifications in specialized training, up from 16 percent in 2009. The fastest-growing designation is the Short Sales and Foreclosures Resource Certification, or SFR.

- The typical NAR member is 54 years old and works 40 hours a week; 57 percent are women. Women account for 51 percent of brokers and 63 percent of sales agents. Four percent of all Realtors are under 30 years old while another 5 percent are 30 to 34 years old; 17 percent are 65 or over.

- Seventy percent of Realtors are compensated through a split commission arrangement, 18 percent receive all of the commission, and 3 percent receive a commission plus a share of profits. Some 81 percent of members work as independent contractors for their firms. Seventy-three percent receive no fringe benefits; however, 11 percent are covered by errors and omissions insurance and only

6 percent receive health insurance.

- The median number of transaction sides Realtors handled in 2009 was seven, unchanged from 2008.

- More than six in 10 NAR members have a personal website. Seven out of 10 Realtors have a home office.


- Fifty-four percent of members are affiliated with an independent, non-franchised firm; 32 percent are with an independent franchised company, 9 percent with a franchised subsidiary of a national or regional corporation, and 4 percent with a non-franchised subsidiary of a national or regional corporation.

- The median-sized firm has 29 licensees and one office.

The *2010 National Association of Realtors Member Profile* was based on a survey of 58,022 members that generated 6,830 usable responses.

To order a copy of the study, call 800-874-6500 or visit [www.realtor.org](http://www.realtor.org).

The profile is free for NAR members but costs \$125 for nonmembers.

Contact: National Association of Realtors, [www.realtor.org](http://www.realtor.org). 

## Brokers in hard-hit markets pursue foreign investors

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During his trips to Tel Aviv, Cozza focuses on some eye-popping numbers that appeal to value-minded investors. In the Lee County communities of Lehigh Acres and Cape Coral, homes are trading for 50 percent of replacement cost.

And capitalization rates, a common measure investors use to determine a property's yield, are above 10 percent. The higher the "cap" rate, the more generous the return.

During the boom, cap rates were less than 5 percent, and often negative.

### Bargains for bottom feeders?

Five years ago, brokers pitched speculators on sky's-the-limit profits. Today's numbers are much smaller. Three examples:

- **5 percent:** The typical return Greg Swann thinks a Phoenix investor can make by buying a bargain, fixing it up, then quickly flipping it.
- **10 percent:** The capitalization rate Brad Cozza tells investors they can achieve on properties in Fort Myers and Lehigh Acres, FL.
- **50 percent:** The discount from replacement value for existing homes in Southwest Florida.



"It's the perfect storm for the international investor," Cozza says. "This is a once-in-a-lifetime opportunity."

For homes priced under \$100,000 in his market, about half of buyers are investors, Cozza says. And there's only two to three months of inventory at this affordable end of the market, an indication that demand is healthy.

While Israel has proven Cozza's most fertile ground for investors, he also has sold Florida homes to investors from Germany and Spain.

Indeed, the cheapest properties are being snapped up, and Cozza says he'll soon turn his attention to higher-priced properties.

Cozza acknowledges that Lee County's economy isn't exactly rosy. The Cape Coral-Fort Myers area had the third-highest foreclosure rate in the nation, with one in 35 homes receiving a fore-

closure filing in the first quarter, according to RealtyTrac.

Meanwhile, Lee County's unemployment rate was 13.5 percent in March, well above the national average.

"We're not out of the woods yet," Cozza says.

But, he adds, that sort of uncertainty is exactly what's creating opportunity for investors.

Phoenix is another market with plenty of opportunity, and Greg Swann of Bloodhound Realty has been pitching the city to investors. Canadians, buoyed by a strong exchange rate, have flocked to Phoenix to buy investment property, although unlike Cozza, Swann says he hasn't specifically targeted Canadians.

Swann has been marketing his services to investors, in general, and he learned by accident that Canadians are interested in Arizona. While Cozza is

urging investors to buy and hold for a few years, Swann is targeting quick flips.

His approach: Buy a cheap house, renovate it thoroughly, then quickly sell it for a 5 percent profit. That's not a big payday, he acknowledges, but do six sales a year, and you've locked in a 30 percent annual return.

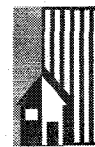
"Houses that will flip profitably are still not common, but we're to the point where they're one among hundreds, rather than one among thousands," Swann says.

Phoenix has no shortage of distressed properties. RealtyTrac ranked the city seventh nationally among U.S. metro areas with one in 38 homes

## Where the opportunities are

Investors are showing the most interest in cities with high foreclosure rates, and the least interest in metro areas with low foreclosure rates. The top five and bottom five in RealtyTrac's ranking of U.S. metro areas for the first quarter:

Rank	City	Rate of households with foreclosure filings
1.	Las Vegas, NV	1 in 28
2.	Modesto, CA	1 in 34
3.	Cape Coral-Fort Myers, FL	1 in 35
4.	Riverside-San Bernardino-Ontario, CA	1 in 36
5.	Stockton, CA	1 in 36
<b>National average: 1 in 138</b>		
202.	Fayetteville, NC	1 in 2,222
203.	Syracuse, NY	1 in 2,254
204.	Burlington, VT	1 in 6,864
205.	Charleston, WV	1 in 8,087
206.	Utica-Rome, NY	1 in 12,369



receiving a foreclosure filing in the first quarter.

While most Realtors lamented the end of the tax credit for first-time homebuyers on April 30, Swann couldn't wait for the stimulus to go away. His reason? The credit was boosting demand for moderately priced homes, making it tougher for investors to find good deals.

Unlike the go-go days of 2005, when investors could expect six-figure payouts, today's investors have more realistic expectations.

"There is no appreciation in sight, of course, but positive cash flow is easy from the first tenant," Swann says.

While the tough market helps brokers like Cozza and Swann sell to investors, it hasn't been much help for those in markets where the downturn was milder.

Sandra Nickel, a broker in Montgomery, AL, spent the boom pitching homes in her city to investors from overheated markets like California and Florida. In 2004, 140 of her 360 sales were to investors.

Now, though, investors aren't snapping up properties in Montgomery, and Nickel has moved on to other types of business. Indeed, the foreclosure crisis has struck only a glancing blow in Montgomery, which ranked 108th in RealtyTrac's list. Only one in 214 homes in Montgomery is in default.

"I don't anticipate an awful lot of investor interest," Nickel says.

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**"It's the perfect storm for the international investor. This is a once-in-a-lifetime opportunity."**

## After change in franchise affiliation, brokers battle for agents *(Continued from page 1)*

Executives and a former franchisee.

Azar says he had little choice but to leave Realty Executives, which has about 15,000 agents, for the larger Keller Williams, which has 77,000 agents.

"Keller Williams on an order of magnitude is something like 100 times more supportive than my other franchise," Azar says.

Keller Williams ranked 60th on *Entrepreneur* magazine's latest Franchise 500 list. Realty Executives ranked No. 179 in 2009 but was not on the list this year.

But Realty Executives Chief Executive Officer Glenn Melton says Azar's brokerage struggled because Azar churned through agents, not because of any flaw in Realty Executives' business

model.

"I feel that he lost track of the fact that as a broker, you're in a service industry for agents," Melton says. "You're not running a McDonald's."

It was a bitter end to an eight-year relationship between Phoenix-based Realty Executives and Azar, who took over Realty Executives of Southern Arizona in 2002. After the break-up, neither Azar nor Melton are shy about bashing the other.

"The bottom line was, although Realty Executives is comprised of good people, their system and brand is in a rapid and long-term decline," Azar told the *Arizona Daily Star*.

In contrast, Azar says, Keller Williams is growing and sharing profits