

CONTROL: YOU CAN'T LOSE SOMETHING YOU NEVER HAD

One of the topics generating a lot of buzz – and a lot of consternation – in the real estate business these days is “control.” Everyone is worried about controlling the search process, or controlling the creation, compilation and dissemination of data, and most of all, controlling the customer.

Some in our industry are wringing their hands over the fact that the overwhelming majority of home buyers identify the home they eventually buy on the Internet, and that some of the most popular online real estate portals like realtor.com and zillow.com have wrestled control of the home search process away from us. We're worried that we've lost control of the listing data that we work so hard to produce and that others have repurposed or misused our data. And the biggest concern is that we have somehow lost control of the customer – they've turned to these national portals, or to mortgage lenders, or heaven forbid they go and do the transaction themselves!

Here's the reality: You can't lose something you never had. We have never controlled the search process for real estate, we've never controlled the data, and we certainly have never controlled the customer – and we're kidding ourselves if we think we ever did, could or should want to control any of those things.

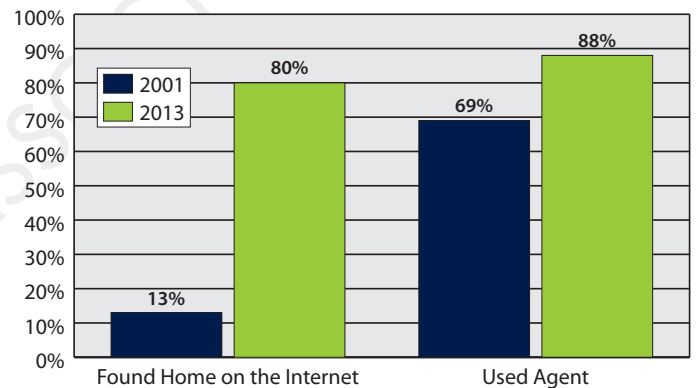
The process of searching for a home has changed significantly with the advent and pervasiveness of the Internet. In 2001, 13% of homebuyers identified the house they bought online – and today it's approaching 80%. Before technology, we relied on newspaper ads, yard signs, friends, neighbors and co-workers. In 2001, 69% of homebuyers used an agent or broker – and today, that's 88%. Surprised? You shouldn't be. Because it isn't about controlling the search process – it is and always has been about providing value to the transaction.

We don't control the data. We can and should rigorously enforce our copyrights to unique information, but our listing data is just a piece of the overall real estate portfolio – tax records, insurance info, demographic records, home plans and blueprints, mortgage loans and credit reports – so we should recognize what we have and what we don't have. And what we clearly have is **accurate data**. On a Friday afternoon in November, using zip codes where we have offices, we compared the number of all agent-listed, fully available listings in the MLS with those on our website, realtor.com and zillow.com. Out of almost 1,000 listings, our website was off by only one, realtor.com showed almost 28% too many properties and zillow.com showed 30% too few. Realtor.com simply doesn't update their data on a timely basis, and zillow.com has the same problem compounded by the fact that lots of sellers request that their homes not be listed on sites with inaccurate estimates of the market value.

Most importantly, we have never met a consumer who wants to be controlled. And there is not a lack of choices in real estate service providers. In our MLS, there are more than 4,000 real estate companies and over 40,000 agents. Sellers can sell by owner and buyers can work directly with a seller. There are discount brokers and full service brokers and everything in between.

None of us are entitled to anything – we have to earn it with every client and every transaction. If we're good enough, if we bring enough knowledge and skill to the table, then we have a chance to earn the business, create a brand and try to build long-lasting relationships. And that's exactly how it should be.

Buyer Use of the Internet vs. Real Estate Agent

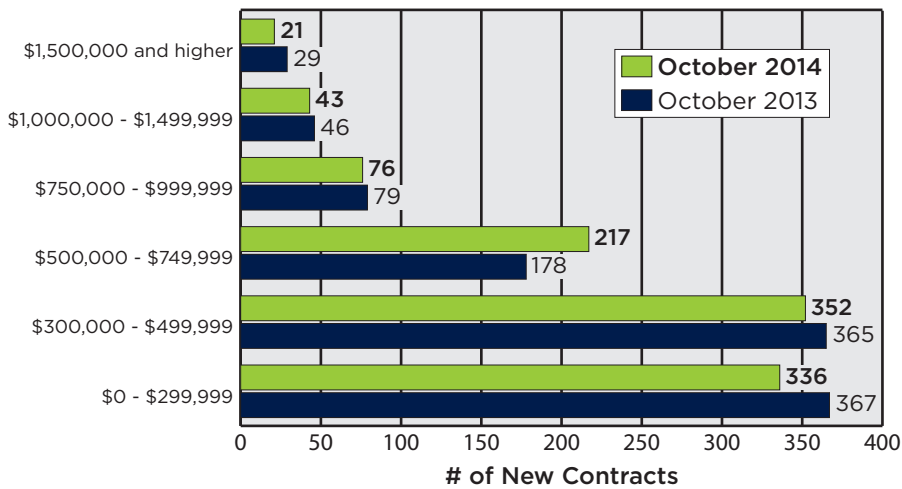


Number of Agent-listed Active Properties

Zip Code	MLS	McEneaney.com	realtor.com	zillow.com
20016 (NW DC)	93	93	127	98
20176 (Leesburg, VA)	298	299	396	258
20895 (Kensington, MD)	72	72	92	63
22101 (McLean, VA)	175	175	207	147
22207 (Arlington, VA)	121	121	152	100
22314 (Alexandria, VA)	175	175	220	164
TOTAL LISTINGS	934	935	1194	830
ERROR RATE		0.1%	27.7%	-30.5%

NEW CONTRACT ACTIVITY

Montgomery County - October 2013 vs. October 2014



NEW CONTRACT ACTIVITY

- The number of new contracts ratified in October 2014 was **down 1.8%** from the number of contracts ratified in October 2013.
- Contract activity through the first ten months of 2014 is **down 5.8%**.
- 43.3%** of all homes going under contract in October 2014 had a price reduction before going under contract.

FULLY AVAILABLE LISTINGS

Montgomery County - October 31, 2013 vs. October 31, 2014

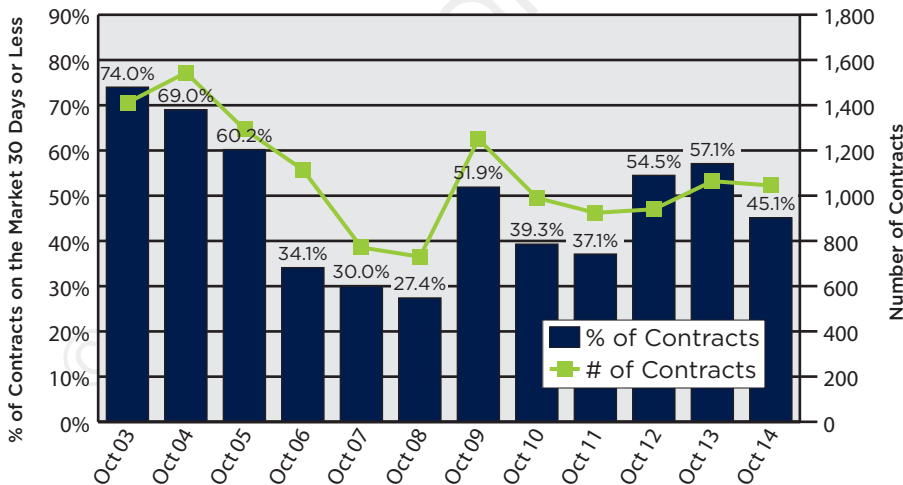


FULLY AVAILABLE LISTINGS

- The overall inventory **increased 37.6%** in October 2014 compared to last October.
- Inventory increased for all six price categories.
- 46.2%** of all homes on the market have had at least one price reduction since coming on the market. This time last year, 40.1% of all homes on the market had at least one price reduction.

URGENCY INDEX

Montgomery County - October 2003-2014



URGENCY INDEX

- During the past 12 years, the urgency index in October has been as high as 74% and as low as 27%.
- The average October urgency index in Montgomery County during the past 12 years is 48.3% - almost 7% higher than where we are today.
- Note that contract activity dropped 1.8% from last October - but the urgency index dropped from 57% to 45%.



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