



DECEMBER 2020 NEWSLETTER

CONTENTS

1 FIRST PERSON

- The Great Migration of 2020
- Are Current Changes Permanent?

7 BROKERAGE

- Finding Financial Freedom
- We Are Defined by How We React to Adversity
- Housing Discrimination: How Prevalent Is It?

12 MARKET WATCH

- October Showing Index

14 VALUATIONS, MERGERS & ACQUISITIONS

- Financial Performance Soars

16 REGULATORY

- RESPA Guidance on Gifts and Promotions

18 GLOBAL

- African Real Estate Portals



An analysis of the departure of Americans from large urban cities to the suburbs.

By Steve Murray, president

History has recorded a great migration in the United States from roughly 1840 to 1870 when an estimated 400,000 people took to the Oregon Trail and its tributaries to leave one life behind and find a new life in the American West. It was one of the largest, if not the largest, mass migration of people in recorded history. There have been other migrations in our history, such as the move from New England to the Northwest territories in the late 18th century and from the rural south to northern industrial cities in the late 19th and early 20th centuries, as well as the immigration of citizens from many European countries to the United States in the late 1800s and early 1900s. Virtually all of these migrations included a group of people seeking new opportunities in new lands. They were moving to something new and what they thought would provide more opportunities for themselves and their families.

THE RESULTS ARE IN!



CLICK HERE
TO SEE THE WINNERS!

ANOTHER GREAT MIGRATION

Now we have seen another “great migration” as hundreds of thousands of Americans depart large urban cities for the suburbs, the countryside and different parts of the country. While our data is only approximate, we can say this: According to the National Association of Realtors®, the existing-home-sales rate for 2019 was 5.34 million; the rate in February 2020 was 5.76 million, and the rate for September 2020 was 6.54 million. Taking an average of the first two months of 2020, the rate was 5.590 million existing-home sales. The average rate for July through September was 6.1 million existing-home sales. Taking the average of March through June, the data shows an average of 4.55 million. Should one assume that the 5.7-million rate for the March through June period would have held, then the last three recorded months of this year, July through October, produced more than 1.2 million more annualized housing sales than would have been expected. It may mean that 400,000 to 500,000 homeowners just moved to a new residence or bought a second home, away from an urban core area.

Now these are very imprecise calculations, as compared to one that more skilled statisticians would produce. Any way you look at it, we have just seen another of those great migrations that have characterized our nation’s past, except this is taking place in less than six months—and continues to this day. Remember, this only takes into account homeowners and home sales, not renting households.



REAL TRENDS

THE TRUSTED SOURCE

7501 Village Square Drive, Ste. 200
Castle Rock, CO 80108
Phone: 303-741-1000
Email: realtrends@realtrends.com
Web: realtrends.com

President:

Steve Murray - smurray@realtrends.com

Publisher:

Tracey Velt - tvelt@realtrends.com

REAL Trends Team:

Amy Falko - afalko@realtrends.com
Bo Frize - bfrize@realtrends.com
Brent Driggers - bdriggers@realtrends.com
Cooper Murray - cmurray@realtrends.com
Liz Smith - lsmith@realtrends.com
Peter Gilmour - pgilmour@realtrends.com
Scott Wright - swright@realtrends.com

Copyright 2020 by REAL Trends. All rights reserved. Material in this publication may not be electronically stored or reproduced in any form without written permission. Violators will be punished by a fine of up to \$100,000 per offense.

WHEN WE TAKE INTO ACCOUNT reports of rising vacancies in a number of large urban areas and softening rents in those same markets, one can believe that what has taken place may be the fastest and largest migration in our history.



BoomTown!

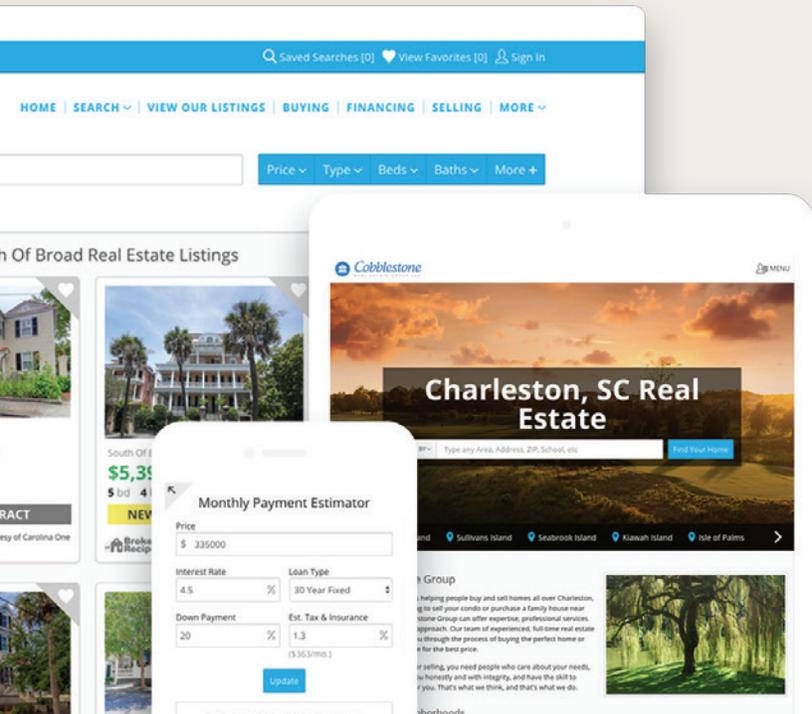
REALTRENDSETTER SPOTLIGHT

GINA & JEREMY MILLER

#49 TEAM BY
TRANSACTION SIDES

#2 TEAM IN
ALABAMA

SOLD 800+ HOMES
SINCE 2016



“

Becoming reliant upon systems that create a smooth flow behind the curtain while we maintain a high level client interface has truly elevated us.

”

The business you've always wanted is waiting, and it's built on BoomTown.
Get started at [BoomTownROI.com](https://www.BoomTownROI.com)

REASONS BEHIND THE MIGRATION

When we take into account reports of rising vacancies in a number of large urban areas and softening rents in those same markets, one can believe that what has taken place may be the fastest and largest migration in our history. From all that we've read, there are a myriad of reasons behind this migration:

1. The impact of the pandemic is clearly at the top of the list.
2. The shift from being required to live where you work to an economy and job market that allows you live outside of where you work, as employers redeploy workers away from offices and to their homes.
3. The civil unrest in a number of cities in the spring and summer.
4. Again, due to the pandemic, the closing of so many amenities that make great cities so attractive with no assurance of when or whether they may return.
5. Lastly, the rising costs of living in major urban core areas when work can now be located in less expensive areas.

All have contributed to this sudden and large migration. What makes it different from those in the past is the drivers are not to new opportunities as much as moving away from what was. This is something new in our history. We are not talking about the millions who flee coastal hurricanes or mountain forest fires. Most of those residents return to their towns, neighborhoods and homes once the natural disaster has passed.

Some, perhaps many, of those in this new migration may never return to where they once lived. Yes, some of the home purchases and rental of properties are short term or as a temporary second location. Again, there is little data to know how many of these modern-day migrants will return after COVID-19 or after the work-from-home movement has passed. From everything we read, however, and from talking to, for instance, the leaders of household goods transportation firms and others, many of these moves are permanent.

We can't know all of the long-term implications of this migration. When might our leading cities recover their former vibrancy? Will telework become the new norm for millions of office workers? Will the potential decline in rents adjust to attract people back? There are many unknowns.

What we can say is that housing markets outside some of our major urban core areas have benefitted enormously and cover virtually every region of the country. There is some expectation that this new migration will slow in the coming months. Some of this is due to the extreme inventory shortage in these markets. 2021 will be an interesting year. 🏠



THERE IS LITTLE DATA

to know how many of these modern-day migrants will return after COVID-19 or after the work-from-home movement has passed. From everything we read, however, and from talking to, for instance, the leaders of household goods transportation firms and others, many of these moves are permanent.



REALTRENDS

THE TRUSTED SOURCE

NEW VIDEO SERIES

VALUATION AND M&A TRENDS

COMING SOON



STEVE MURRAY

President
REAL Trends, Inc.



SCOTT WRIGHT

Vice President
REAL Trends, Inc.

FORWARD THINKING

ARE CURRENT CHANGES TEMPORARY OR PERMANENT?

New research shows some interesting trends in relocation.

By Steve Murray, president

Pew Research reviewed U.S. Postal Service data and found that 15.9 million people moved from February to July 2020. Some 28% said they did so because of fears of exposure to COVID-19; 20% said they moved to be closer to their families or returned home because their college campuses were closed (23%). Some 18% said they moved due to financial issues or job losses.

Other findings in the study indicated that while permanent moves were up 4%, temporary moves were up 27%—a further indication that some of the homebuying spree might be those buying second homes and moving for an indefinite period, but not making a permanent decision yet.

The data point that caught our attention was that over 110,000 people had moved out of Manhattan, a 500% increase over the prior year. Among other cities cited with similar levels of outward movement were Chicago, Los Angeles and, surprisingly, Naples, Florida.

Are these changes temporary or more permanent?
And how will this affect the economies of
the urban core housing markets and the
suburban markets over the next year?

Some industry leaders think 2021 will
be repeat of 2020 in terms
of total housing sales. The truth
is no one really knows.

DANGER IN THE RENTAL MARKET

According to the Federal Reserve Bank of Philadelphia, outstanding rent debt from deferred payments will reach \$7.2 billion before the end of 2020. Another estimate from Moody's Analytics forecasts that 12.8 million Americans would owe an average of \$5,400 for a total of nearly \$70 billion in rent debt. The article said that while the dollar value of the debt cliff is far less than the trillions of dollars of mortgage debt that exploded in 2007-2009, the numbers of people affected is far higher.

Astute observers of the overall housing market, not just homeowners, but the whole market, can only wonder how Americans are going to fix this situation without a robust economic recovery—which now seems doubtful with the re-emergence of COVID-19 cases. How will problems in the rental market affect the owned and occupied segment?

The other issue that has been overlooked is the impact on investor-owned housing, particularly the small owners or single-family residential for rent. We know from our past studies that there are an estimated 7 to 8 million single-family homes owned by investors that are being rented. Many are owned by investors that own one or two properties. Many of these have mortgage debt on their investments. What impact will this have on the small investor owner should the forbearance continue? How will this affect their cash flows and debt service? ▲

RENTAL MARKET PROJECTIONS:

Outstanding Rent Debt
from Deferred Payments:
\$7.2 Billion

Rent Debt Owed by
12.8 Million Americans:
Average \$5,400 ••• Total \$70 Billion

FINDING FINANCIAL FREEDOM

Constantly under financial stress? Here are some ways to live the life you've dreamed.

By Larry Kendall, author of "Ninja Selling"

Sales associates can't have the lives they dream about if they are under continuous financial pressure. One of our responsibilities, as leaders, is to help them achieve financial freedom.

THE BIG MYTH

Old school sales management taught us to, "Keep your sales associates broke and hungry. They will sell more." This has not been my experience. Financially pressured salespeople sell less for two reasons:

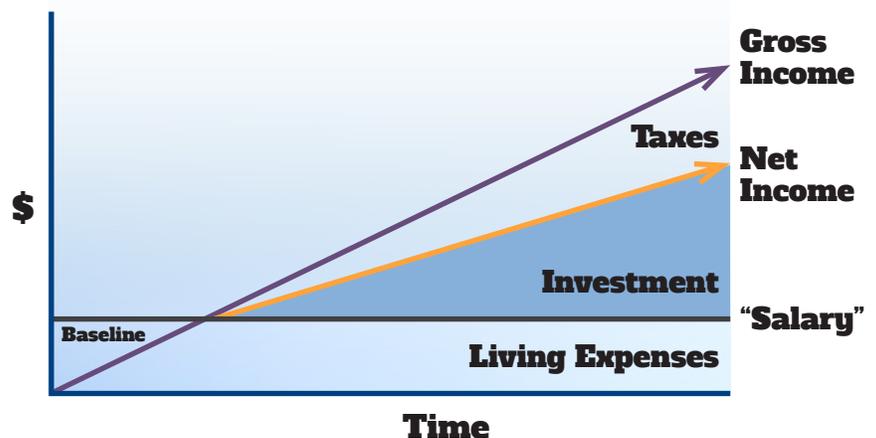
1. They're not looking out for the best interests of their client. Clients sense this "commission breath" and stop working with them. Associates under pressure sell less.
2. The financial pressure creates a scarcity (fear) mindset that impacts their relationships, their marriage and their health. It causes career burnout.

In my experience, financially secure sales associates take better care of their clients, are much more productive and are better team members. As leaders, it's in the interests of our clients, our sales associates and our company to create a system for our associates to create financial freedom.

In the garden at our office are two large stones with 33 names engraved on them. These 33 people have been with our company for 30 years or more—some for 40 years. Anyone who stays with us for 30 years goes on the rock. They are the core of our 200-associate firm.

Nearly all 33 associates are multi-millionaires. It's part of our culture. In addition, a very high percentage of our other sales associates have already achieved financial freedom as well—some are only in their 20s and early 30s. What's their wealth secret? They simply do two things: They follow our sales system (Ninja Selling) to increase their incomes, and they follow the Wealth Creation Model.

Wealth Creation Model



“We exist to help our people and our clients go from the life they have to the life they dream about.”

Astute observers of the overall housing market, not just homeowners, but the whole market, can only wonder how Americans are going to fix this situation without a robust economic recovery—which now seems doubtful with the re-emergence of COVID-19 cases. How will problems in the rental market affect the owned and occupied segment?

1. **Make it a priority.** It’s a stated goal and priority in our company to help our people find financial freedom. This discussion is part of the annual business planning process.
2. **Increase income.** Coach them on the Ninja Selling System to help them increase their income and their income per hour.
3. **Control the baseline.** Show them how to keep their baseline living expenses under control by putting themselves on salary. We encourage them to set up a business account to receive their commission checks. Then out of this business account, they write a check into their personal account each month (or twice a month) for their living expenses. They are putting themselves on salary. In addition, they can set up separate accounts for

taxes, college, retirement and investment. We have our accounting department designed to help them with this. Many of our top producers say this simple system, with our help, has made them wealthy. Some have commented, “It’s like magic! I don’t know how it happened, but it did!” Having a system is the key.

4. **Invest in real estate.** Help them invest in real estate. We have investment classes every month for our associates and our clients.
5. **Financial Intelligence.** Help them develop financial intelligence by offering classes with accountants, attorneys and financial planners. They especially need to learn how taxes work.

Is there anything more disheartening than seeing a \$500,000+ income producer lying awake at night worrying about how they will pay their bills or their taxes? As leaders, we can help them find financial freedom. Set up this simple system and make it part of your culture. Your people will be healthier, wealthier, happier, better salespeople and better team players. 🏠

Is there anything more disheartening than seeing a \$500,000+ income producer lying awake at night worrying about how they will pay their bills or their taxes?



WE ARE DEFINED BY HOW WE REACT TO ADVERSITY

By Tracey C. Velt, publisher

In his new book, “Fly Into the Wind,” Lt. Col. Dan Rooney offers advice on how to harness faith and fearlessness on your ascent to greatness. I’ve also been listening to former Navy Seal Andy Stumpf talk about resilience and leadership. With both, the message is clear: We are defined by how we react to adversity. Resilience is about facing an obstacle and coming through stronger.

In today’s world of sudden lockdowns, panic-inducing media broadcasts, politicians trying to restrict what we do in our own homes, and the uncertainty of life as we used to know it, leaders understandably are focused on getting through. Where is your focus? Or, as Lt. Col. Rooney asks, “What is your divine mission?”

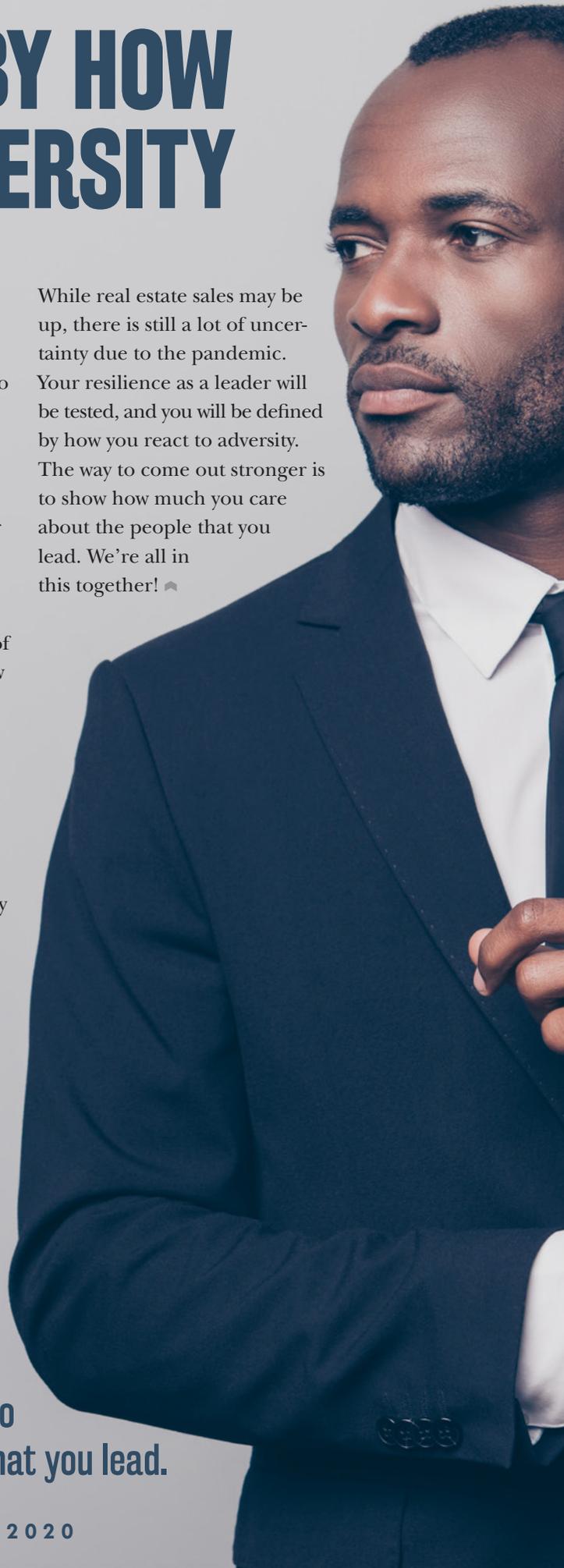
In real estate, your mission should be clear: It’s all about the people. Sure, the market is gangbusters right now and most agents are riding the high while blocking out all the uncertainty in the world. However, that high won’t last forever. The holidays will bring the usual slowdown and real

estate professionals will face the fact that inventory is low, and COVID-19 is still impacting everything from where they eat to what they do and how they conduct their businesses.

Now is the time for real estate leaders to get personal with their real estate professionals and managers. Take time each day to call them to check in. Find ways to help them manage the stress of today’s life by teaching them how to organize their business for success. Forget the Zoom meetings and get face-to-face in an environment that is comfortable for them. Too many times, leaders get wrapped up in the business of real estate—budgets, business plans, etc. They forget that their real assets are their people. And, today, people are struggling. Anything you can do to brighten their day, provide them with hope, and give them tools for success, will pay huge dividends. It’s a balance between teaching them success techniques and providing small tokens of hope and appreciation.

While real estate sales may be up, there is still a lot of uncertainty due to the pandemic. Your resilience as a leader will be tested, and you will be defined by how you react to adversity. The way to come out stronger is to show how much you care about the people that you lead. We’re all in this together! 🏠

Your resilience as a leader will be tested, and you will be defined by how you react to adversity. The way to come out stronger is to show how much you care about the people that you lead.



NEW SURVEY

HOUSING DISCRIMINATION: HOW PREVALENT IS IT?

A new Homes.com survey shows that the majority of people do not experience housing discrimination.

More than 15% of U.S. consumers have personally experienced housing discrimination as they attempted to rent or purchase a property, according to a new Homes.com survey of 2,000 adults. But, even more important for real estate agents is that 30% are unfamiliar with any of six key federal housing programs including Federal Housing Administration (FHA) loans, Section 8 housing vouchers, private mortgage insurance, the Truth in Lending Act, the Making Home Affordable program and the Quality Housing and Work Responsibility Act. More than half of the respondents unfamiliar with any of these programs have annual household incomes of less than \$100,000 a year.

That presents a huge opportunity for real estate professionals and lenders to

learn about these programs so they can point potential homeowners and renters in the right direction.

OTHER SURVEY RESULTS

Survey respondents reported encountering bias in one or more scenarios including rental applications (7%), home financing (4%), home searching with an agent (3%), home appraisals (3%) and/or other residential purchase services (3%).

Black respondents were the most likely to face housing bias (56%), followed by biracial/multiracial (45%), Latinos/Hispanics (45%), American Indians/Alaskan Natives (31%) and non-Hispanic whites (12%). The problem also spanned every income level from less than \$100,000 to more than \$500,000.

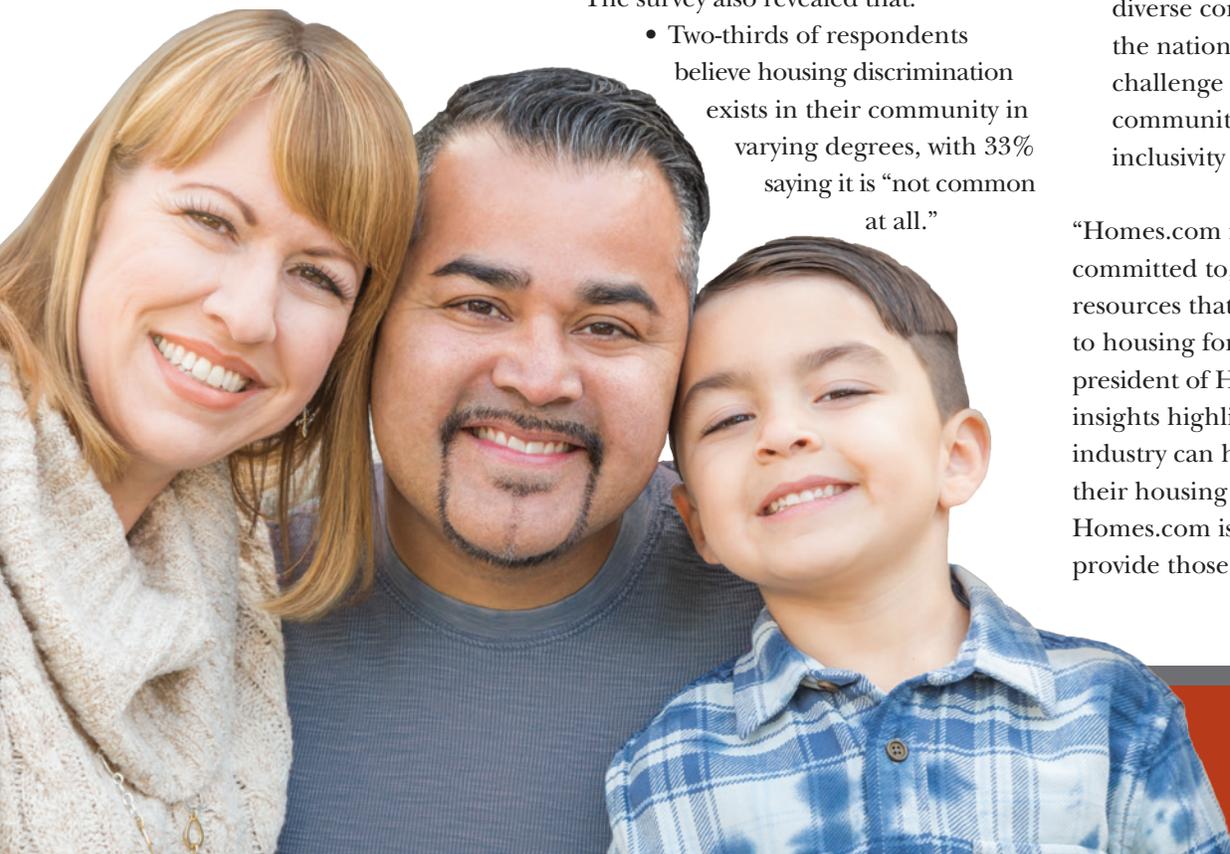
The survey also revealed that:

- Two-thirds of respondents believe housing discrimination exists in their community in varying degrees, with 33% saying it is “not common at all.”

The “not common” response was highest in the Northeast with 40% expressing that opinion.

- 60% don’t know how to report Fair Housing law violations or concerns, despite the fact that one-fifth of that group indicated they had experienced housing discrimination.
- 31% believe the No. 1 hurdle to homeownership for low-income families is insufficient affordable housing, with 38% of those respondents residing in the West. Other obstacles cited included downpayment costs (30%), lack of access to stable employment (16%), mortgage payment costs (15%) and not enough housing inventory (9%).
- 62% believe that federal housing policies should actively encourage diverse communities, highlighting the nation’s growing social desire to challenge existing remnants of community segregation in favor of inclusivity and equality.

“Homes.com is passionate about, and committed to, providing education and resources that champion equal access to housing for all,” stated Dave Mele, president of Homes.com. “These survey insights highlight how the real estate industry can help consumers achieve their housing needs, which is why Homes.com is launching a platform to provide those resources.” ▲





**THE MARKET
IS CHANGING!**

IT'S TIME TO
TALK ABOUT
**YOUR
FIRM'S
VALUE!**



REALTRENDS
THE TRUSTED SOURCE

REAL Trends has been the trusted leader in valuation services for over 32 years. Our team has performed over 3,500 valuations for brokerage firms of all sizes across the country.

3,500+
VALUATIONS

760+
MERGERS &
ACQUISITIONS

THE TRUSTED REAL TRENDS VALUATION PROCESS

- Three-year comprehensive financial analysis
- Detailed findings report
- Benchmark reporting
- Four hours of one-on-one consulting

LET'S TALK!

For more information, please call Scott Wright at 303-741-1000
or via email at swright@realtrends.com
www.realtrends.com | 303-741-1000

HEAVY BUYER DEMAND CONTINUES IN OCTOBER DESPITE ELECTION AND A SURGE IN COVID-19 CASES

More than US 25 markets tracked by ShowingTime recorded unlikely increases in showing activity in October, when fewer buyers are typically looking at homes

ShowingTime, the residential real estate industry's leading showing management and market stats technology provider, found that October's normal seasonal slowdown was upended, with year-over-year showing activity continuing to surge across the U.S. More than 25 markets, especially in the West, Northeast and the South, were indicative of these showing trends.

"Buyers looking for homes typically slow down searching at this time of year, but surprisingly, house hunting remained steady month-after-month as we head into winter, subverting all the usual trends," said ShowingTime President Michael Lane. "Seeing markets throughout the country record twice as many showings per listing compared to the same time last year suggests pent-up demand hasn't fully played out yet."

Several markets in the West including Denver-Aurora, Colorado Springs,

Reno-Sparks and Provo-Orem, recorded double-digit showings per listing, well above the current U.S. average of six showings per listing according to data from the ShowingTime Showing Index[®]. A lack of inventory continued to be a contributing factor as more buyers competed for fewer listings, with traffic up 60.9 percent year over year.

"Another unlikely pattern we spotted was showing activity increasing from September to October," added Lane. "Pensacola and Naples, Fla., along with Huntsville, AL., and Gainesville, GA were examples where more buyers visited homes in October compared to the previous month."

The Northeast Region again stood out this month, recording a year-over-year increase in buyer traffic of 65.5 percent in October, marking the fifth consecutive month the region recorded the largest gain in showing activity. Boston-

Cambridge-Quincy and Bridgeport-Stamford-Norwalk are among the locations these trends. The West increased 64.7 percent over the prior year, while the Midwest was up 55.7 percent and the South recorded a 54.7 percent increase in showings vs. October 2019.

"Due in part to continued low levels inventory and favorable interest rates," said ShowingTime Chief Analytics Officer Daniil Cherkasskiy. "Showing activity is significantly outperforming last year, a trend we expect will continue."

The ShowingTime Showing Index is compiled using data from more than six million property showings scheduled across the country each month on listings using ShowingTime products and services. The Showing Index tracks the average number of appointments received on active listings during the month.

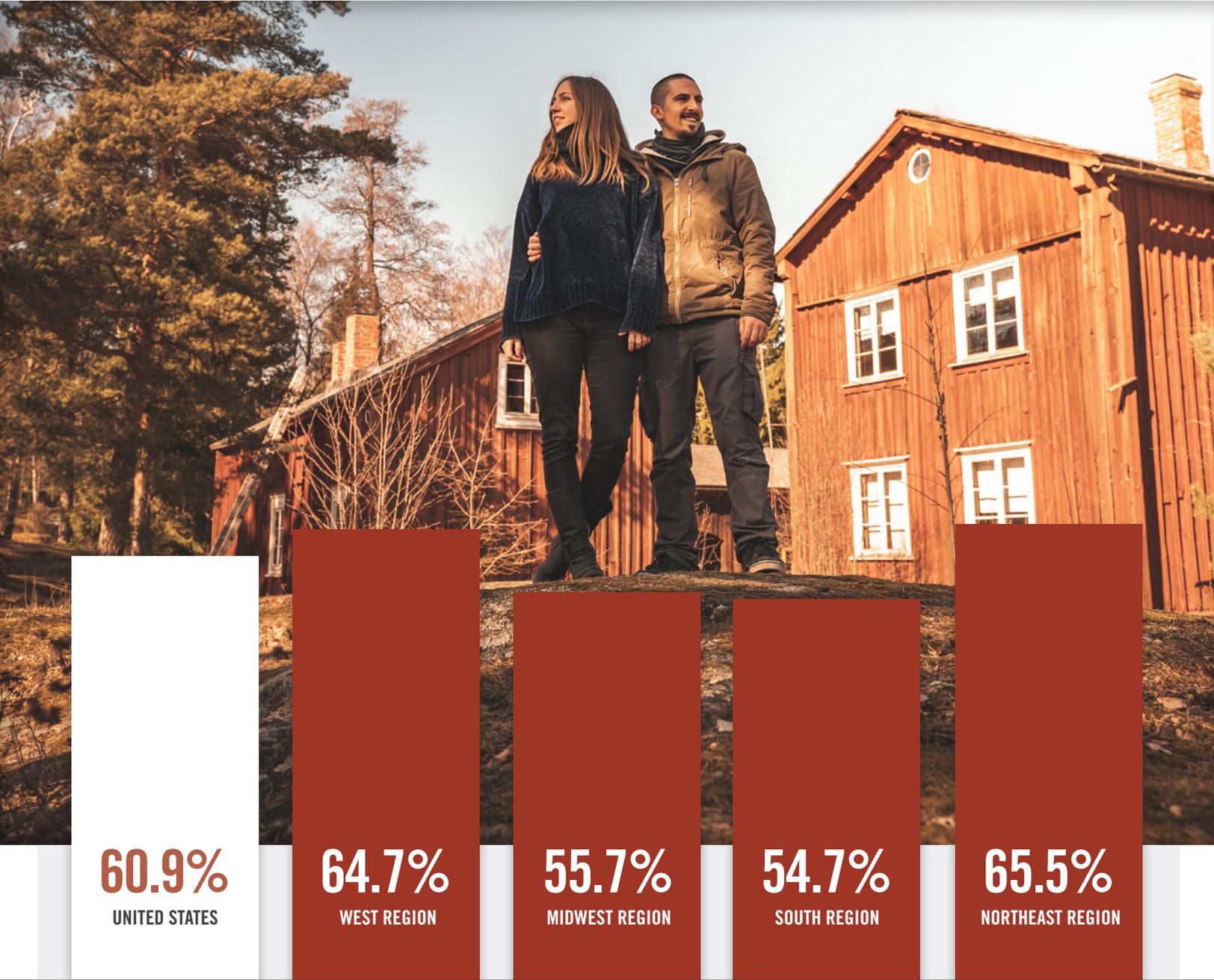


"Another unlikely pattern we spotted was showing activity increasing from September to October. Pensacola and Naples, Fla., along with Huntsville, AL., and Gainesville, GA were examples where more buyers visited homes in October compared to the previous month."

– ShowingTime President
Michael Lane

ShowingTime® Showing Index – October 2020

The ShowingTime Showing Index tracks the average number of buyer showings on active residential properties on a monthly basis, a highly reliable indicator of current and future demand trends.



Methodology: The ShowingTime Showing Index® measures showing traffic per residential property for sale by agents and brokers utilizing ShowingTime solutions for property-access management. A higher number means that an average home receives more buyer visits in a given month. All index values are scaled relative to initial index value set to 100 for January 2014.

ABOUT SHOWINGTIME

ShowingTime is the residential real estate industry’s leading showing management and market stats technology provider, with more than 1.7 million active listings subscribed to its

services. Its products are used in 370 MLSs representing one million real estate professionals across the U.S. and Canada. Contact us at research@showingtime.com 🏠

FINANCIAL PERFORMANCE SOARS

An update on the value of brokerages amid COVID-19.

By Scott Wright, vice president

The first half of 2020 was a tough pill to swallow for most brokerage firms, especially those that initiated a valuation between April and July. Since valuations in our industry are almost always based on the last 12 months of financial performance, most firms that had the pandemic shutdown at the end of their trailing 12 months took big hits to their value.

Thankfully, the world didn't come to an end, and, in just a few short months, brokerage financial performance has righted the ship—and then some! Thanks to pent-up demand and new migration surges in some markets, Q3 ended up being a record quarter for many firms. Not only was it a record quarter by volume, cost-savings measures spawned by the pandemic yielded record financial performance.

This strong Q3 performance largely made up for a weaker Q2, and a solid 12-month rolling financial performance through Q3 2020 has certainly helped the cause for stronger valuations for many firms.

Not all brokerages came out of the pandemic unscathed, but those that used this period of wild uncertainty to shore up expenses and stay present in their markets thrived on the other side.

With an inside track on brokerage financial performance, we're seeing Q4 lining up to be quite strong for many of these firms. For some, 2020 will be a record year on the top and bottom lines.

Despite this resurgent strength for many firms, we're still being cautious as we price for valuations. Some of the following factors that affect marketability could have major adverse effects on brokerage financial performance over the next several years:

- Inventory issues still abound in many markets. What are things going to look like in 2021 and beyond after the pent-up pandemic supply/demand flows through the system?
- Will there be a secondary or tertiary wave of shutdowns due to ongoing pandemic concerns?
- How will the policies of the incoming Democratic regime affect the housing market? Interestingly, in our Q4 Broker Sentiment Survey only 1% of the respondents believed that a Biden presidency would be good for real estate. Read between the lines of what the other 99% are thinking!
- Economic uncertainty is real. According to an update to the Economic Outlook from the Congressional Budget Office (CBO), it will be at least a decade

before we see the unemployment rate near pre-pandemic levels.

The CBO also projects real GDP to be 3.4% lower, on average, than pre-pandemic levels through 2030.

- Margin compression. It's real!

These factors and more are what we need to consider as we apply multiples to our valuations. Thankfully, among the heaviest weighted factors is buyer interest. Buyers remain interested and active in today's market.

As a result, valuation multiples have only softened slightly. The biggest hit to sellers is not necessarily on price, but rather transaction terms. Buyers, rightly so, are keen to the uncertainty and are being cautious as they seek to protect themselves from extreme volatility or a precipitous decline in the housing market. Terms for upfront/guaranteed capital and the carry portion of the deal have become more buyer friendly.

The bottom line is that brokerage financial performance has come back strong in the second half of 2020. This positions firms for stronger valuations relatively speaking. We are being prudent in how we price given the uncertain road ahead. Contact us today at 303-741-1000 if a valuation is something you see in your near future. The first call is always free! ▲

Those that used this period of wild uncertainty to shore up expenses and stay present in their markets thrived on the other side.



REALTRENDS
THE TRUSTED SOURCE

LESSONS LEARNED: A ROUNDUP OF ADVICE FOR BROKERAGE LEADERS

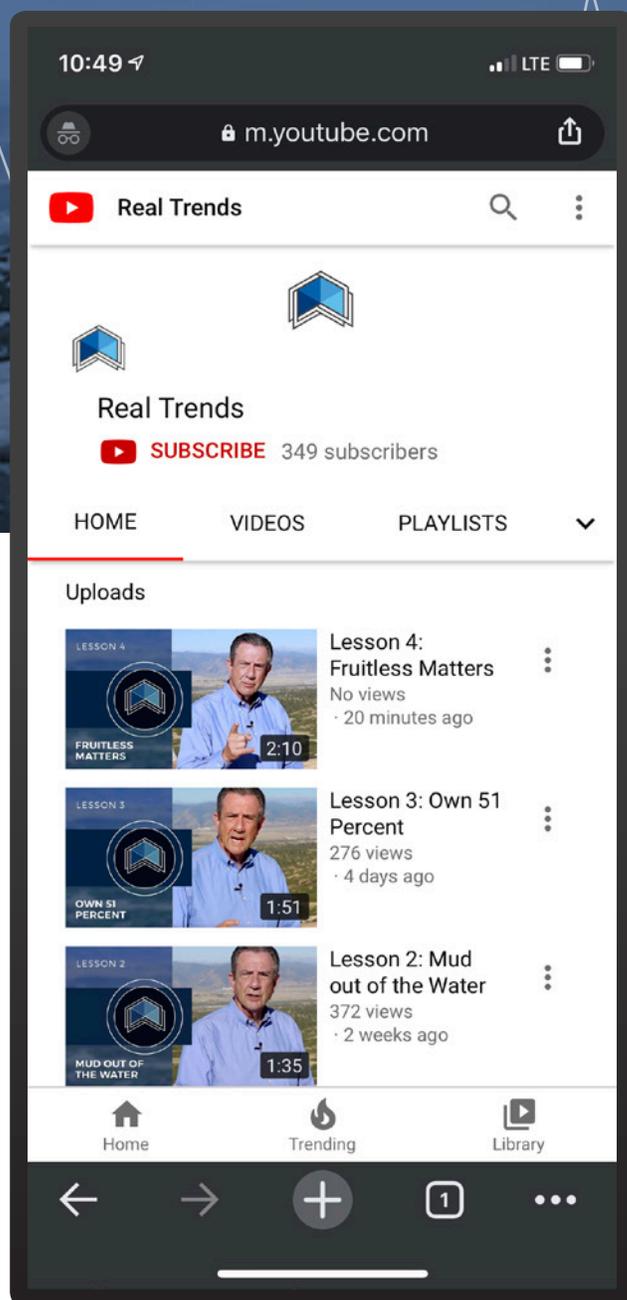
Steve Murray, president of REAL Trends, shares his top lessons learned from coaches, brokerage leaders and more in this series. You'll find great nuggets of information and takeaways to implement in your own business.

WATCH NOW

NEVER MISS ANOTHER VIDEO!

Subscribe to the REAL Trends YouTube channel to keep up with the latest real estate industry trends and information.

Subscribe Today!



RESPA GUIDANCE ON GIFTS AND PROMOTIONS

The Consumer Finance Protection Bureau details the rules on gifts and promotions so you can avoid violations.

By Sue Johnson, strategic alliance consultant

Are gifts and promotions allowed under Section 8 of RESPA? It depends, said the Consumer Financial Protection Bureau (CFPB) in the Real Estate Settlement Providers Act (RESPA) Frequently Asked Questions (FAQs) published on October 7.

The FAQs were released in the same CFPB blog post that rescinded its controversial 2015 Marketing Services Agreement (MSA) Bulletin for not providing the regulatory clarity needed on how to comply with RESPA. They address Section 8 of RESPA, MSAs, and gifts and promotional arrangements.

Part I of this series, published in the November REAL Trends Newsletter, summarized the MSA guidance provided in the CFPB's new RESPA FAQs. Part II, below, summarizes the FAQs related to gifts and promotional activities involving "referral sources," such as real estate agents or loan officers.

A GENERAL PROHIBITION

The FAQs say that Section 8(a) of RESPA generally prohibits gifts and promotions if they are given or accepted as part of an agreement or understanding for the referral of settlement service business.

They emphasize that no exception to this rule exists for gifts or promotions below a certain value, such as tickets to sporting events, restaurant meals or the opportunity to win prizes in a drawing or contest. The agreement or understanding need not be written or oral and can be established by a practice, pattern or course of conduct.

NORMAL PROMOTIONAL OR EDUCATIONAL ACTIVITIES: ALLOWED WITH CONDITIONS

There is one notable exception from this general prohibition for *normal promotional and educational activities*, which are allowed under two conditions:



1. The activities are not conditioned on the referral of business. To determine whether this first condition is met, the CFPB will look to:

- Whether the gift or activity (such as a real estate seminar) is targeted narrowly towards prior, ongoing or future referral sources or whether it is provided to a broader set of recipients, such as the general public or all referral sources offering similar services in a given locality.
- Whether the referral source is routinely and frequently provided with the item or included in an activity—and if that referral source is provided with the item or included in the activity more than other persons.

2. The activity does not involve defraying expenses that otherwise would be incurred by the referral source. For example, if a settlement

service provider pays for a real estate agent's office supplies branded with the real estate agent's name, contact information or logo, the payment would likely be considered to defray the real estate agent's expenses—but, if the office supplies feature the settlement service provider's name, contact information or logo, the payment would less likely be considered to defray expenses since it is unlikely that the real estate agent would use their own funds to purchase office supplies featuring the name and information of another entity.

The FAQs emphasize that whether an activity is a *normal promotional and educational activity* depends on the particular facts and circumstances. They provide examples of how an activity such as a prize drawing or the offering of a seminar to real estate agents can be a compliant *normal promotional or educational activity* under one set of fact patterns, and a

prohibited activity under a slightly different set of facts.

SUMMARY

While the FAQs don't cover all possible scenarios involving gifts and promotions, it's encouraging that the CFPB has, for the first time, attempted to provide RESPA guidance that is consistent with longstanding HUD interpretations. As always, anyone who routinely provides (or receives) gifts and promotions or is developing promotional programs should consult with reputable RESPA counsel and be aware of state laws that may have their own restrictions.

Sue Johnson is the former executive director of RESPRO, the Real Estate Services Providers Council Inc. She retired in 2015 and is now a strategic alliance consultant. ♡



Anyone who routinely provides (or receives) gifts and promotions or is developing promotional programs should consult with reputable RESPA counsel and be aware of state laws that may have their own restrictions.

GROWTH HELPS POST COVID-19 MARKET RECOVERY

Property portals have assisted greatly in the emerging market environment in many African countries.

By Peter Gilmour, chief foreign correspondent

The real estate markets in Africa vary widely from structured, fairly sophisticated markets in Egypt, South Africa, Kenya and Ghana to less-developed markets in some of the smaller West African countries. Property portals provide a positive contribution to the real estate industry bringing accurate property listings, consumer information and insightful market analysis and have assisted greatly in the emerging market environment found in many African countries.

DOMINANT PROPERTY PORTALS

Unlike countries like the United States, Britain and Australia where there is a big gap in dominance between the No. 1 and No. 2 portals, many African countries have multiple portals competing closely for dominance. In Egypt, two prominent property portals are Property Finder and Aqarmap, the former also has portals in countries such as the UAE, Bahrain, Saudi Arabia and Turkey and the latter also operating in Saudi Arabia and the UAE. Property Finder raised over \$120 million in private equity funds in 2018 and claims to attract over 16 million page views per month.

South Africa has Property24 as the dominant portal and Private Property as the No. 2. Property24 has over 250,000 listings and also has portals in Botswana, Kenya, Zimbabwe and Mozambique. It was reported by Property Portal Watch that Property24 had over 8 million sessions in June 2020—more than twice that of Private Property.

MORE PLATFORMS

Although only three years old, the African Property Group, part of the EVC group, is currently servicing more than 10 platforms across Africa from their headquarters in Sydney, Australia. These include Namibia, Zimbabwe, Ethiopia, Botswana, Seychelles, Malawi, Rwanda, Lesotho and Swaziland. Many of these have small real estate markets but would like to develop a strong real estate infrastructure. Mubawab is the biggest portal in Morocco and Tunisia and is owned by property portal giants EMPG, based in the UAE, and claim to have more than 125,000 listings and over 2 million visits monthly. Frontier Digital Ventures, headquartered in Kuala Lumpur in Malaysia, is focused on creating online marketplaces in

emerging markets, has large portals in Nigeria (Property Pro) and Ghana (Meqasa) and is also represented in Central America with Encuentra24.com. BuyRentKenya together with Property24 are the leaders in Kenya. The former was founded in 2012 and is owned by the ROAM Group, Africa's largest online classifieds company. They also own MaMaison—the largest property portal in Senegal and Qefira, Ethiopia, and the horizontal site ZOOM in Tanzania.

Many smaller African countries have generalist classified sites such as Jumia, which is the place consumers go to look for real estate.

In Africa, as in the rest of the world, the decline in property listings over the last six months has been related to the severity of the COVID-19 lockdowns. As lockdowns ease, most countries are seeing listing volumes return due to pent-up supply during lockdown.

Peter Gilmour is REAL Trends chief foreign correspondent and Chairman Emeritus and co-founder of RE/MAX of Southern Africa. 🏠



Cityscape of Accra, Ghana.