

TOP 10 TRENDSETTERS OF 2007

Trendsetters are defined as those companies that during the previous calendar year (2007) set forth actions that were different and memorable and could potentially have a far reaching impact on the real estate industry in the years to come.



This is an extract from the 2008 Swanepoel TRENDS Report
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1. Realogy

Cendant, with a share price still struggling to reach the same heights as prior to the CUC International Inc. merger, made an attempt to regain former “golden boy” status by breaking up the company into three focused operating units with Realogy becoming the new parent for the real estate activities: Coldwell Banker, Century 21, ERA, NRT and Sotheby's. In a transaction valued at \$7.75 billion, Realogy was created and sold to an affiliate of Apollo Management, L.P., a leading private equity and capital markets investor. Led by Richard Smith (Chairman) and Alex Perriello (CEO), Realogy has become the real estate industry's largest franchisor with more than 15,000 employees and 315,000 affiliated real estate brokers and sales associates worldwide. In September 2007, capitalizing on the success of their 2004 licensing of Sotheby's as a new brand, Realogy licensed Better Homes and Gardens as a new real estate brand. This “bunch” of different franchises has certainly been combined into a formidable and major “Fortune 500” company.

2. Dominion

Dominion Enterprises was created in 2006 when Landmark Communications and Cox Enterprises of Atlanta, Georgia divided Trader Publishing's assets, with Landmark launching Dominion Enterprises to house its share of Trader operations. In short succession Dominion acquired Advanced Access, a real estate Web design, hosting and marketing company; Pullan Communications, a real estate marketing company that offers website development and email marketing services; Resite Information Technology, an Internet marketing and software business that serves the apartment management industry; and eNeighborhoods, a real estate data, technology and marketing company. This was added to their existing portfolio that already included: Print publications Harmon Homes, For Rent, New Homes & Living, Home Solutions and Distinctive Homes; websites such as Homes.com and ForRent.com; real estate marketing company Best Image Marketing/Number1Expert; and real estate website and lead management company Katabat. Dominion Enterprises is a privately held company that is wholly owned by Landmark Communications, a media company that owns several newspapers and television stations including The Weather Channel Networks and Weather.com.

3. Zillow

In early 2006 former Microsoft employee Rich Barton and Lloyd Frink, fresh from the success of Expedia.com, jumped into real estate and launched Zillow.com. Their initial publicity was based on their “Zestimates” – a type of house valuation. Early Zestimates, while based on a wide range of publicly available information, including sales of comparable houses in a neighborhood, resulted in accuracy that varied dramatically from area to area. The National Community Reinvestment Coalition even filed a complaint in with the Federal Trade Commission, but in the end it all just seemed to fuel their growing profile. On February 19, 2007, Fortune published an 8-page article titled *What's Your House Really Worth*, and dedicated the entire front cover to the company. This helped push newcomer Zillow to house-hold name status - a feat last attained in the real estate industry by Realtor.com a decade ago. Currently, Zillow has information on 70 million homes, 250,000 active listings and more than 4 million Web visitors per month. In September 2007 Zillow completed its third round of funding with an additional \$30 million in financing, raising the total to \$87 million and obtaining almost certain longevity in the industry.

4. RE/MAX

As listing information became more ubiquitous and everyone scrambled to embrace sharing it and adding it to their website, RE/MAX again took the lead by offering over 90% of all listings on their website via various IDX agreements. Remax.com also became the most visited website of any national real estate company. Dave

Liniger's relentless commentary against lead generation companies may have placed the first nail in their collective coffin when RE/MAX launched its new web-based application, LeadStreet – generating a record 3 million leads for its agents. Also launched was RE/MAX University offering 24/7 Internet courses over the RE/MAX Satellite Network (RSN). At the same time the company became an aggressive buyer of regional franchise owners in California, Hawaii, Florida and the Carolinas. The year was topped off with the completion of construction of a 14-story new international headquarters building in Denver's high-powered Tech Center. All in all it was great year for RE/MAX, both domestically and internationally.

5. ActiveRain

MySpace and Facebook (especially after the Microsoft purchased 1.6% of Facebook for \$240 million in October 2007) have elevated social networking to "idol" status. ActiveRain launched its real estate social network in June 2006 and by January 2007 had surpassed 10,000 members. At the time of going to print they were boasting 60,000 members and laying claim to the title of the largest social network in the real estate industry. Failed talks with Move, Inc. led to the filing of a \$33 million lawsuit for damages by ActiveRain alleging that Move stole the "secret sauce." The suit is based on breach of contract, unjust enrichment, promissory-equitable estoppel, unfair competition, fraud-deceit and violation of the Washington Unfair Business Practices Act.

6. Trulia

According to data released by Hitwise in September 2007, Trulia was one the 3rd largest traffic contributors to 12 of the largest residential real estate franchisors and brokerages nationwide. Trulia was behind Google and Yahoo but outpaced HomeGain, Realtor.com and Zillow. Earlier in the year Trulia announced that it had secured a \$10 million round of funding led by Sequoia Capital, adding to the \$7.7 million raised previously. Often in Zillow's shadow, founders Pete Flint and Sami Inkinen cleverly positioned Trulia as the "broker's friend" and with it being perceived as the "Google of real estate" it has become the darling of the industry's new business models.

7. Federal Reserve

Analysts label it as the worst housing slump in 16 years and Toll Brothers says it could even be the worst in the last 40 years. The collapse of the subprime market, followed by a drying up of the so-called jumbo mortgages, rapidly brought a hot real estate market to its knees. Bowing to economic and political pressure, Federal Reserve Chairman Ben Bernanke made minor rate cuts in the forth quarter leaving the door open for more possible cuts if it was needed to foster price stability and sustainable economic growth. This is by far the biggest challenge Bernanke has faced in his 19 months at the Fed's helm and only time will tell how long it will take to consolidate the downturn.

8. RealEstate.com

RealEstate.com started as a third party online lead generation company but during the last 12-18 months it shifted a part of the company's business model with the opening of "brick and mortar" locations in four test sites: Seattle, Portland, Salt Lake City and Denver. In mid 2007 the company decided to phase-out its subscription based lead-generation business for agents (adding no new members but continuing to service existing members) and to expand its local brokerage operations by adding offices in Tucson, Phoenix, San Diego, Las Vegas, Boston, Charlotte, Sierra Vista and New York. These operations are all local, full-service brokerage offices making RealEstate.com the first "dotcom" company to actually turn the tables and go the

other way. Also, using sister company LendingTree's broker-based lead service is helping the company to become not only an interesting but formidable new paradigm business model.

9. EXIT Realty

EXIT Realty is based on a system that pays out residuals, which basically redistributes the commission pie in a different way than the industry's more commonly used arrangements. Similar to the commission innovation by RE/MAX three decades earlier, both of these companies benefited from a changing real estate agent population. EXIT Realty's announcements of 1,200 sold franchises and 40,000 salespeople recruited in little more than a decade vaulted the company to one of the 10 largest national franchises in the country.

10. Bank of America

Bank of America (B of A), the largest retail banking operation in the country, has been keen to expand its mortgage operations for a long time. Ill-fated and cash-starved Countrywide afforded that opportunity in 2007. As reported in the Los Angeles Times, on September 3, 2007, BofA invested \$2 billion into Countrywide providing them preferred stock paying 7.5% per year that can be converted into Countrywide common stock at \$18 per share, about 8% lower than market price at the time of the transaction. One day when the stock is converted Bank of America will own 16% of Countrywide.