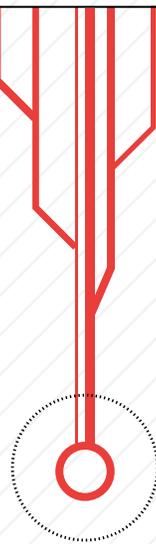
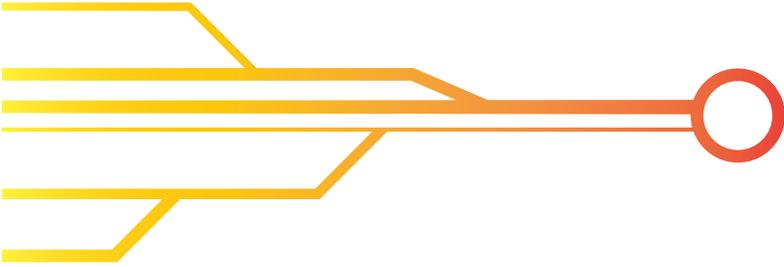


DATA-SHARING DILEMMAS: OWNERSHIP OF REAL ESTATE'S FUTURE



CENTER FOR CALIFORNIA REAL ESTATE
EXECUTIVE REPORT





PREFACE

This executive report presents analysis from a panel of experts convened by the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) concerning data management issues, and the incongruity between advancements in technology and the industry’s outdated and restrictive infrastructure. The impetus for action – in order to stay competitive – and calls for the industry to take ownership over its fate coincided with a newsworthy announcement from the National Association of REALTORS®, which will fund a joint project between NAR subsidiary Realtors Property Resource® and a broker-backed initiative called Upstream.

This announcement provided an important backdrop to the roundtable’s discourse. Joining Joel Singer, chief executive officer of C.A.R., were Ann Bailey, founder and president of the consulting firm Pranix, Inc.; Robert Bailey, owner/broker of Bailey Properties, Inc.; David Charron, chief executive officer of the Metropolitan Regional Information Systems, Inc.; and Dale Ross, chief executive officer of Realtors Property Resource®, LLC. The NAR announcement came just several days before the participants gathered for this session. Panelists discussed the implications of this news, and also engaged in substantive analysis of what ails the industry and the appropriate course of action for addressing real estate’s data-sharing dilemmas.

• PARTICIPANTS

• JOEL SINGER



Chief Executive Officer, CALIFORNIA ASSOCIATION OF REALTORS®

Joel Singer is Chief Executive Officer of the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.), a statewide trade organization with 175,000 members dedicated to the advancement of professionalism in real estate. He also is President and Chief Executive Officer of zipLogix™, whose software is used by more than 600,000 REALTORS® in 48 states.

Singer has held the Association's top staff position since November 1989. He previously served as C.A.R.'s Chief Economist and headed the Association's Public Affairs Department. He also has been directly involved in the development of key business technologies and significant housing legislation in California.

Before joining C.A.R., Singer spent several years as a Chancellor's Intern Fellow at UCLA and a Fulbright Fellow in West Germany.

• ANN BAILEY



Owner/President, Pranix, Inc.

Ann Bailey has led thousands of real estate executives in assessing their organizations, re-engineering their businesses, and creating vision with direction, thereby resulting in efficient and profitable changes. Her career includes more than 20 years of consulting for leading brokerage firms, information systems companies, real estate associations, and Multiple Listing Services (MLSs).

Bailey's consultancy has expertise in such areas as strategic planning, business development opportunities, organizational assessments, and seminars. From working one-on-one with top CEOs to leading strategy sessions with entire companies, she delivers insightful answers to critical issues facing businesses today. Bailey has been an executive with a large Internet company and is founder and president of Pranix, Inc.

• ROBERT BAILEY



Owner/Broker, Bailey Properties, Inc.

Robert J. Bailey, CRB, began his real estate career in 1974. He is co-founder of Bailey Properties, Inc., Bailey Property Management, and Bailey Relocation. Bailey Properties has five offices and 120 agents and is the market leader in Santa Cruz County. He was the 2002 President of the CALIFORNIA ASSOCIATION OF REALTORS®, and has served on many National Association of REALTOR® committees, testified before Congress, and remains active on several committees.

He is a past chair of zipLogix™, the nation's largest supplier of real estate electronic forms and forms technology. He also is former Chair of Real Estate Business Services (REBS), a subsidiary of C.A.R. He has served as board chairman at MLSListings, Inc. and has chaired NAR's MLS Technology and Emerging Issues Advisory Board.

- **DAVID CHARRON**



Chief Executive Officer, Metropolitan Regional Information Systems, Inc.

David Charron oversees one of the nation's largest MLSs both in number of customers and regional coverage. When Charron joined MRIS in January 2001, he brought a wealth of leadership and strategic industry experience, combining an extensive background in real estate, information systems, and Internet business solutions.

Prior to joining MRIS, he was the President of Net Input, an Internet-based business consulting practice serving Fortune 500 clients in apparel, media, sports, and real estate. From 1980 to 1997, he managed several organizations that successfully defined, marketed, and delivered information systems to real estate professionals. Charron currently serves as Chairman of the MRIS Investment Committee.

- **DALE ROSS**



Chief Executive Officer, Realtors Property Resource®, LLC

Dale Ross is Chief Executive Officer of NAR's wholly owned subsidiary Realtors Property Resource® (RPR®), the largest single data repository for listing content in the nation. In serving as a real estate consultant and broker to various companies, Ross has been involved with asset management, renovations, and sales disposition of commercial and residential ground, hotels, multi-family apartment buildings, shopping centers, and office buildings. He has been in the real estate business for 35 years. In 1994, he co-founded the Metropolitan Regional Information Systems, Inc. (MRIS) and served as its President and Chief Executive Officer for seven years.

In 1985, Ross served as President of the Montgomery County Association of REALTORS® (Maryland). Four years later, he became the youngest member to be elected President of the Maryland Association of REALTORS®, which served more than 30,000 REALTOR® members in the state of Maryland.

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BACKGROUND

The Center for California Real Estate (CCRE) is an institute founded by the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) dedicated to intellectual engagement in the field of real estate. Its mission is to advance industry knowledge and innovation with an emphasis on convening key experts and influence-makers. CCRE reflects C.A.R.'s increasing role in shaping the future of the industry by advancing innovative policy solutions and active dialogue with experts and industry stakeholders. The Association works in conjunction with 120 local associations of REALTORS® throughout the state, as well as with the National Association of REALTORS®. Serving nearly 175,000 members statewide, C.A.R. provides a wide array of products and services to meet its diverse member needs. Additional background on CCRE and C.A.R. can be found at centerforcaliforniarealestate.org.

PART I. ASSESSING INDUSTRY TECHNOLOGY

“There’s a lot of technology available in our industry, but it’s not coming down a funnel to really serve the industry in a broader sense.”

- Robert Bailey

Fear of disruption and a loss of control over the levers that dictate ownership of an industry’s future have been powerful motivators in real estate, especially when it comes to resolving the challenges associated with the Multiple Listing Service (MLS). While there have been disparate efforts by stakeholders and associations to address the antiquated infrastructure of the pre-Internet, decentralized MLS model, the fragmentation that remains has merely heightened frustrated calls for change amid the acceleration of technological advancements. The counterproductive fissures from politics and protectionism related to MLSs versus the strong impact of technology/external interests on real estate have merely stoked concerns that the industry will struggle to steer its future. But renewed fervor has emerged in organized real estate to build on the years of work that have advanced consolidation and greater efficiency in the industry. Joel Singer, CEO of the CALIFORNIA ASSOCIATION OF REALTORS®, cautioned that the need for forward-thinking solutions with real scale must be a priority due to the importance of time when discussing any matter concerning technology.

“I think the challenge we have is that most technology is delivered and designed to satisfy the least common denominator [...]”

- David Charron

The urgency for solutions and the importance of the industry taking steps to advance progress and ownership of its interests were points of consensus on a panel of industry experts and leaders. The tactics for reaching improvement were a key point of debate, with the panel broadly emphasizing that the industry simply cannot afford to let the perfect be the enemy of the good while moving the needle forward. But Singer prodded the panel to consider whether any industry-imposed changes are too little, too late, particularly in the context of the recent announcement that the National Association of REALTORS® is funding two major new initiatives. The roundtable participants had plenty of fodder to consider in their analysis of how the industry/MLS should evolve in order to stay competitive.

To provide a forward-looking assessment of possible changes and challenges over the next few years, Singer called on the roundtable participants to first address the current state of technology in the industry. He asked for an honest assessment of how organized real estate has evolved technologically.

Dale Ross commented that the industry is still behind the curve in many areas with respect to technology and is frequently playing catch-up because of resistance to new technology—not to mention the strong personal connections of real estate professionals who are successful on the basis of those connections rather than technology. David Charron differed with Ross by positing that the industry has moved forward dramatically in technology. But when it comes to room for improvement, he stated, “I think the challenge we have is that most technology is delivered and designed to satisfy the least common denominator, which makes it less than attractive. [...] But I think that the people who are doing business embrace [technology].”

Ann Bailey lamented the lack of intuitive technology in the industry and stated that overall real estate is not even close to where it needs to be because, reiterating Charron’s point, “We don’t do enough evaluation of what is really being used by the 20 percent of the agents who are doing 80 percent of the business. [Also] I think sometimes we try to bring technology in when really doing it manually is quicker, faster, cheaper, and better.”

Robert Bailey cautioned that too often technology is brought into the industry at the wrong level, which means it does not enhance productivity at a company level, nor does it strongly facilitate communication with peers or competitors. He added, “There’s a lot of technology available in our industry, but it’s not coming down a funnel to really serve the industry in a broader sense.”

Speaking of technology on a broader scale, Singer made a larger point about the positioning of REALTORS® in the industry based on the current level of technology available to them. He asked the panel to comment on whether knowledgeable consumers who are reasonably proficient with technology have better information at their disposal than the average REALTOR®, at least as far as the market is concerned. Singer’s question stemmed from his concern that consumers have been better served by online portals stepping in to provide all the tools a user needs, whereas REALTORS® have lacked such a comprehensive platform. Singer added that while MLS data is far better in quality, overall user-friendliness is much greater with the portals, and if REALTORS® had roughly equivalent tools at their disposal, coupled with due diligence in acquiring expertise of market knowledge, then real estate professionals would be far better positioned.

Singer stated, “There’s not enough scale in the multiple listing business to create the types of user interfaces that the portals have [...] That’s a big deal.” He added, “The most successful combination would be an incredibly knowledgeable, experienced REALTOR® with the best possible platform available. But that just hasn’t happened at the moment.”

Ann Bailey agreed that REALTORS® currently don’t have a user-friendly model that allows various data and information to be pulled from one location, adding “A huge part of the challenge is to create that kind of presentation model that’s real quick and simple for the REALTOR®.”

But Robert Bailey also pointed out that technology is not the deciding factor in what determines the success of a REALTOR® because their true value proposition in an age of widespread access to information is interpretation of that data and information. Essential market knowledge and an understanding of the analytics and data will retain the value of the profession, and he added, “I’m not concerned about being disintermediated. I’m worried about being devalued. If my agents and my brokerage are devalued, that’s going to force the real change in the business model, not the technology or the application of technology.”

An agent’s livelihood being tied to market knowledge was also echoed in comments by Ross, with Ann Bailey agreeing with Ross that the burden is on the agent to know the market better than the consumer, regardless of whether the area they serve requires membership in multiple MLSs and disparate access points for information.

In describing the future direction of the industry, and the need to provide REALTORS® with the best possible platform, Singer said, “I think it’s up to all of us, as a part of this industry, to make it happen.” He added that the NAR announcement was a significant step in that regard and moved the discussion toward how the decision could accelerate change in the industry. ●

“I’m not concerned about being disintermediated. I’m worried about being devalued. If my agents and my brokerage are devalued, that’s going to force the real change in the business model, not the technology or the application of technology.”

- Robert Bailey



Robert Bailey, Broker/Owner of Bailey Properties, Inc. Bailey is a past president of the CALIFORNIA ASSOCIATION OF REALTORS®.

CALIFORNIA TEST CASE: C.A.R.'S caIREDD™ EFFORT

Imagine one comprehensive database accessible to all California REALTORS® containing every piece of real property data with volumes of rich detail associated with each property. That was the vision of the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) when it launched an effort called caIREDD™ in 2009. C.A.R. long has been a leader in advocating for the benefits of consolidation with respect to the Multiple Listing Service in order to address the frustrations of its members with the MLS environment in the state. After all, members routinely pointed out that their interaction with the MLS was technologically outdated, inefficient, and too costly while failing to adequately support the needs of their clients and businesses.

Consequently, C.A.R. pushed for a modern, cutting-edge technology platform that when coupled with the scale of one statewide database, could attract even more technology options for the benefit of REALTORS®. The overall mission of the effort was to provide California REALTORS® with one complete and innovative property information and MLS solution so that California REALTORS® could be the source for all California real property information. caIREDD™'s vision was also to build on such efforts to work cooperatively with existing regional MLSs to expedite the creation of one statewide MLS for California. The caIREDD™ system aimed to introduce much-needed efficiencies, increased security, and new technology opportunities that are only possible through the creation of one common database of California real property information.

After this effort launched, it did lead to greater consolidation, regionalization, and new levels of data sharing in the state, but there were still considerable barriers and resistance to the ultimate goal of creating a statewide MLS vehicle. Ultimately, caIREDD™ was merged with a regional MLS in Southern California. The merger with Pomona, Calif.-based Multi-Regional

Multiple Listing Service, Inc. (MRMLS) led to the creation of the California Regional MLS, i.e. CRMLS, which has carried on efforts to develop a statewide MLS initiative. CRMLS enacted another merger with SoCal MLS in 2011, and now serves more than 75,000 real estate professionals in California. It is one of the largest MLSs in the United States.

CRMLS has been sponsoring a campaign called “It’s My Business” to advocate for the elimination of the political and historical hurdles that prevent more than half of the MLSs in California today from sharing data with each other. The campaign’s website states, “Consumers don’t have any artificial boundaries, and go wherever they want to access real estate listings. They bypass brokers and agents on a daily basis by visiting third-party portals, where they can often get more information for free from publicly available sources than agents and brokers can.”

The campaign calls on agents to raise their voices and tell their local association and MLS executive team/volunteer leadership to start sharing data, stating, “If you’re tired of learning multiple systems just to do your job, join the campaign.” CRMLS describes its immediate objective as facilitating data sharing between MLSs so that every broker and agent can see all MLS listing data throughout the state without having to join multiple associations and/or MLSs. The campaign’s website also notes, “CRMLS also understands that brokers own their listing data, and MLSs should not make decisions about broker access to, or syndication of, data. The ‘It’s My Business’ campaign focuses on data sharing between MLSs, not data syndication.”

PART II. AMP™ AND THE INDUSTRY'S FUTURE DIRECTION

"It's a platform that they can rely on long term, with a partner that they can rely on long term, at a price point they can afford long term."

- Dale Ross

When it comes to accessing MLS information in a more comprehensive platform, software that creates scale on the backend and provides choice at the frontend is certainly not a new idea. Singer pointed out that the Metropolitan Regional Information Systems, Inc. (MRIS), the largest multiple listing service in the country, has the ability to aggregate data for other MLSs while allowing different frontends. Furthermore, C.A.R. led such an effort in the state of California through the launch of calREDD™ in 2009, which was an initiative to create a statewide MLS and a comprehensive platform—an effort that is ongoing under the stewardship of CRMLS once it merged with calREDD™. But what makes the launch of Realtors Property Resource's® (RPR) Advanced Multi-list Platform (AMP™) so notable?

“I think it’s going to delay a day of reckoning for the smaller markets in terms of greater market consolidation. We may have several smaller markets that will say let’s work together on this. But I don’t think it’s going to help at all to reduce the significant number of MLSs in the country.”

- David Charron

In discussing NAR’s two-fold announcement, the panel began by addressing the potential impact of AMP™ first. For further context, AMP™ would primarily deliver backend database services for small- to medium-sized MLSs. According to a speech made by NAR CEO Dale Stinton, 12 multiple listing services had approached RPR and asked the company to consider offering a backend database rich with RPR’s property data. Speaking broadly, the AMP™ database would give users the opportunity to choose whatever “frontend” – i.e. the component agents interact with – that they desire, so long as it conforms to current standards. The platform will be formed on the basis of the latest data standards. According to NAR, the RPR AMP™ “was conceived to give MLSs the power of RPR’s



nationwide parcel-centric database by creating a separate MLS-backend, combined with flexibility to customize the frontend.”

As the leader of MRIS, Charron agreed AMP™ is not new from a technology standpoint, but he stated its emergence is significant. “What is new about it is that you’ve got a leader in NAR that’s going to take this initiative and probably help advance the notion that there could be consolidated information,” he explained.

Another potentially positive component to the platform’s emergence is that currently there is a lack of vendor competition, as MLSs are using the same vendor for both front and back-ends. This has thwarted innovation, but with AMP™, the frontend and backend will be decoupled, meaning it won’t have to be handled by the same vendor, thereby spurring competition.

As the CEO of RPR, Ross described how the platform will help MLSs who are hoping to add value to their constituents with multiple frontends of access as well as ease of access. Ross stated, “It’s a platform that they can rely on long term, with a partner that they can rely on long term, at a price point they can afford long term.”

Notably, Ross stated that the NAR announcement and any changes brought forth by the initiatives are operating on a five-year horizon. But Singer asked whether a five-year timeline is prudent for an industry that needs solutions sooner than later, in light of the likely arrival of new competitors, thereby increasing the urgency for speed and

David Charron, chief executive officer of the Metropolitan Regional Information Systems, Inc. Charron leads one of the nation’s largest MLSs.



sound execution. He pressed the panel to evaluate the potential success of AMP™.

To that point, since AMP™ is intended to benefit primarily small- to medium-sized MLSs, for those opposed to so many MLSs, there is general concern in the industry that appealing to the interests of smaller MLSs will discourage consolidation. If that is the case, such critics say the platform will do little to address the inefficiencies stemming from the existence of nearly 800 MLSs and will merely prolong the problems of the status quo when consolidation is needed.

Charron has his own viewpoint on the impact of AMP™, and described his apprehension about the platform as follows:

“We’ve got too many MLSs. We’ve got too many markets. But then we’re going to provide a solution [AMP™] that’s going to provide longevity to these markets. That’s going to do any number of things, not the least of which is fund RPR in perpetuity because of the contracts that they have. So I think it’s going to delay a day of reckoning for the smaller markets in terms of greater market consolidation. We may have several smaller markets that will say let’s work together on this. But I don’t think it’s going to help at all to reduce the significant number of MLSs in the country.”

Roundtable participants joined Joel Singer, chief executive officer of C.A.R., for a discussion on data-sharing dilemmas.

Reiterating the five-year horizon, Ross differed from Charron’s view by stating that in five years from now the industry may see significantly less than 770 MLSs because brokers operating in multiple markets – often contiguous markets – may flex their muscles and push for consolidation. Ross also argued that since these smaller MLSs will be on the same platform, it may encourage consolidation, stating the following:

“I think this will [force] consolidation in the market. We’ve got 770 MLSs today, which we all agree is too many. What the right number is, I don’t know. If it’s 80, 90, 150, etc. I don’t know what the number is [...] But I think that, long term, if you have small or mid-sized MLSs that are contiguous, on the same backend platform, with similar frontends that they’ve developed or gotten through vendors, have similar pricing components and technology, then there may be an issue for them to merge or consolidate, especially if they’re on the same platform.”

But it’s worth questioning whether brokers will in fact step up to move forward consolidation, as described by Ross. In Ann Bailey’s estimation, this will not occur due to the issue of control. She opined, “I do not believe the brokers will step up and demand anything of their MLSs. There was

“If AMP™ is intended long term in the back of someone’s mind to lead to a national MLS, I am one who firmly believes that there should be far fewer MLSs.”

- Ann Bailey

a time when they did, but they no longer have control over their agents. I know brokers that have 25, 30, or 40 percent market share in a market, and they still will not go in there and push their weight around to force that market to merge.” She added that “[Brokers] do not want to alienate their agents or create issues with other brokers in a given marketplace. Agents can too easily move to another firm.”

Charron disagreed with this view on industry control, noting that it was brokers who stepped up and got support for these initiatives so that they would be approved by the NAR Board of Directors. He added, “It appears to me that the brokers are the ones that made the calls to their respective people and said make sure you vote for this. That may be the best thing that I had heard as it relates to AMP™. If the brokers are indeed going to wake up and flex their muscle and reclaim the high ground, then I think this could be, in and of itself, a wonderful outcome because the brokers have lost that voice in those local markets.”

In differing from Ross and Charron regarding whether brokers are able to drive consolidation, Ann Bailey posited that AMP™ may lead MLSs to take on the matter instead. She stated, “I think what AMP™ may do, and this will ultimately serve the industry well, is it may force some of these larger MLSs to re-evaluate and step up and make the compromises. Nobody wants to give up anything in order to make all this happen. Everybody wants everybody to come and do it their way, and they’re not willing to take the short-term pain for the long-term gain, and they’ve got to give it up.” She added the best way to get to scale is to have the large MLSs merge, as it makes no business sense to have separate systems.

Ann Bailey, owner and president of Pranix, Inc. Bailey has spent more than 20 years consulting for leading brokerages.

She did express support for AMP™ if it is a stepping stone to what she thinks is in the best interests of the industry: Fewer MLSs. She stated, “If AMP™ is intended long term in the back of someone’s mind to lead to a national MLS, I am one who firmly believes that there should be far fewer MLSs.” She thinks that 12 MLSs, based on the GDP for the 12 largest regions in the country, may be an ideal way to reach consolidation. In her view, this much-needed winnowing is prevented by “pure politics, protectionism, and parochialism” in the industry.

Robert Bailey provided an example of the delay created by politics, as it took three years for his regional MLS to accomplish data-sharing with just one MLS that was keen on protecting its interests. He said, “I think that the politics of it, well beyond the MLS executive level, certainly comes into play in getting anything done.”

That being said, he praised the initiative for, if anything, bringing greater attention to the need for mergers and consolidation. He commented, “It’s going to get people thinking about it. It’s going to force some of that dialogue to take place. Where that takes us is hard to say,” which led to the panel’s remarks on the optimality of the industry’s structure and whether data sharing can actually work. ●



PART III. DATA SHARING AND INDUSTRY STRUCTURE

"Any software developer who's writing for the real estate industry wants more scale. It's obvious, and for good reason because I think it unleashes a lot of innovation."

- Joel Singer

While Singer stated his support of AMP™ and its potential impact on organized real estate, he asked the panel to consider whether it is merely overlaying an outdated solution on an antiquated infrastructure, thereby not addressing the industry's deeper issues and possibly delaying real progress. Due to his reservations around speed and execution, Singer cautioned that the industry may not be able to afford such a delay, stating: "My problem is that it's still the best solution of the 1990s. I'm concerned about how we collectively create a will to move forward, because otherwise, I don't know that we've got five years, quite frankly." Singer asked the panelists, if starting from scratch, whether they would actually build or operate the current MLS structure for REALTORS®? Since few would say it operates well, Singer asked how the industry could accelerate change, and key to his comments were structure; specifically, creating a competitive level of scale on the backend.

“The best technology of 20 years ago pales in comparison with what’s out there, and I think that’s the problem that we confront as organized real estate.”

- Joel Singer

Regarding the inefficiencies of the MLS structure, Ann Bailey made an important argument that speaks to Singer’s concern: Data sharing simply doesn’t work. Since AMP™ allows multiple frontends powered by the AMP™ database, if changes are made to that backend to keep everything up to speed, each entity has to be able to implement such changes quickly, which has consistently created problems with data sharing across the country. She stated the following:

“Data sharing doesn’t work because it always breaks, and because somebody makes one little change somewhere, and it impacts everything else. So you have to be careful when you start talking about this that you create something that you can still change on a dime, and that has that level of flexibility in it so you don’t end up creating another monster that takes 12 months to make simple changes.”

Singer was clear about his opinion on what needs to occur, commenting “The honest thing to tell our members is that we need to create a consolidated backend. Then we can worry about everything else. If you look at Zillow and Trulia or Redfin, their big comparative advantage is that they have already created a unified platform, and we haven’t.”

To create such a unified platform, and if data sharing doesn’t work, Singer questioned how the industry can get down to scale. Singer queried, “I don’t care if it’s 12 or one. How do we get to scale? How do we get down from 770?” More importantly, Singer added that spurring innovation requires the type of scale already established by the technological approaches of the portals. He stated, “Any software developer who’s writing for the real estate industry wants more scale. It’s obvious, and for good reason because I think it unleashes a lot of innovation.”

Ross followed Singer’s comments by pointing to an example in which scalability and data sharing does work: Arizona. He stated, “In the state of Arizona they have 13 MLSs. Twelve run data share through Realtors Property Resource®. It’s not perfect, by far. But it’s an inexpensive way for 12 MLSs to share data in the state of Arizona because they couldn’t get a statewide MLS due to REALTOR® complexity. So 12 are data sharing. That’s actually a good thing in Arizona. It’s not perfect, but at least it’s a step in the right direction.”

Ross also agreed with Singer about the importance of scalability to the industry, and noted that when he helped to form the regional entity of MRIS 20 years ago, scalability was a driving force. He asserted that in the present, RPR has the same scalability since it provides all kinds of data and information on one platform that can be used throughout the country. Ross added that scalability has to start from somewhere, and RPR’s efforts are the first major attempt to bring hundreds of MLSs together and start the process, which is important “because Zillow, Trulia and Realtor.com already have scale, and others coming behind them will also have scale.”

While Ross noted that REALTOR® and industry politics can be a major deterrent to advancing progress, such politics are not insurmountable, with the creation of the regional MRIS being the proof. He added that brokers got together to make it happen since they were tired of having to list the same property in 12 MLSs in contiguous markets. Ross added the following:

“We had politics. We had every major association living off MLS income, including my local association, which was doing very well in its own MLS. We had to get through those barriers, so I know it can be done if the will

of the people is to do it. The question is whether the will is there for REALTORS®? I think if you give them the technology, and you give them the ability to do that, you're more likely to get to the end result than just sitting by and saying it's never going to happen."

But in comparing the industry's current state of politics to the period of time when MRIS was launched, Ann Bailey cautioned that brokers may no longer have the appropriate level of sway to achieve the type of scale touted by Singer. She said, "They are not in the same position they were in 30 years ago." As the discussion considered the position of brokers in the industry and their ability to initiate a sweeping level of change, Bailey reiterated that if the industry is going to move toward consolidation, it is more likely that the large MLSs will have to lead the charge.

Robert Bailey called on the industry to find a common platform to address its issues in the same way that zipForm® has done for transactions. He stated, "We can't sit and be mired in our politics. We can't sit and be mired in the way we used to do it. [...] One of the most relevant [examples] is the access to the online forms, i.e. finding a common platform for everybody to be able to use those same forms and leverage that technology. So start leveraging things that are out there digitally for us, as it relates to tools that we're not effectively using, and I'm using zipForm® as an example, but it's a lot of other issues."

Since there is wide recognition among brokers and agents that there has to be a better approach, not to mention the already growing acceptance by consumers of the platforms that lie outside the real estate industry's hands – the popular online portals – Singer asked the panelists what they would do to improve the industry? Singer added that organized real estate risks falling behind, and stated, "The best technology of 20 years ago pales in comparison with what's out there, and I think that's the problem that we confront as organized real estate."

Ann Bailey threw out an option that the industry could consider, namely using Redfin's software as open source to develop the uniform platform the industry needs. She stated, "I'd consider taking [Redfin's software] and building what needs to be built for the industry and putting

"Data sharing doesn't work because it always breaks, and because somebody makes one little change somewhere, and it impacts everything else. So you have to be careful when you start talking about this that you create something that you can still change on a dime, and that has that level of flexibility in it so you don't end up creating another monster that takes 12 months to make simple changes."

- Ann Bailey

together a separate team that would go design and build it. Because I don't think we can do it under these politics. We've got to find a different way to innovate, and it's got to be computer and tech people — not brokers and MLS CEOs and everybody else making the decisions."

Charron advocated the establishment of a common foundation for the industry due to the great divergence in business models. He added, "We need to think about how to modify our business model in such a way that it isn't onerous, and also have the big guys come to the table as equals and not as somebody lording anything over anybody else. I think if we can do that, and I think we should do that, we would be well served. So that's one way to get there. But I think we have to address that [first]."

Perhaps most likely to get the industry to where it needs to go is Project Upstream, which the panel discussed next, with Singer calling it "the potential game-changer." •

PART IV. PROJECT UPSTREAM

“The problem we’re all having is the technology world moves way beyond and way faster than the association and MLS world moves. So this project is outside the box. What we have to do is make sure we do it right because we’re only going to get one bite of this apple, I believe.”

- Dale Ross

Project Upstream has attracted considerable attention, and for good reason, as it could change the power dynamics of the real estate industry. Under the new agreement announced by NAR, Realtors Property Resource® and another company, UpStream RE, LLC, have a partnership to create a data entry and collection system for the brokerage community using the RPR® Advanced Multi-list Platform (AMP™). In short, it’s a nationwide broker data entry system. So brokerage firms participating in Upstream will individually manage their data in a common format and database, thereby creating a new platform that serves as a middleman between real estate firms and data recipients. According to NAR, “The system will give brokerages a single place to input their listing data for distribution on multiple platforms online, including Realtor.com, local MLSs, and broker websites.” By creating a single data distribution dashboard, brokers will have total control over where their data goes, whether it’s an MLS system, a franchise system, a technology vendor, etc. This also means preventing errors from occurring due to the labor of maintaining data in multiple MLSs.

“I think Upstream is the right concept, the right project, at the right time. I have from the beginning. I think the concept that a broker gets complete and total control over their data, their listing, and that they enter at one time and then they decide where it gets dispersed to and how it gets dispersed is the right thing.”

- Ann Bailey

Asked how he would characterize Upstream from the vantage point of brokers, Ross commented, “It’s a large broker initiative saying we need to take back control of our data, and we need to have our listing data controlled by us, as brokers, from Point A to Point Z, and be able to control the flow of that data. And I, as a broker, whether it be mid-sized, small, or large, I want absolute control. I want to decide where it goes, when it goes, who gets what, and how much they get. I think that really is the essence of the Upstream project that the brokers are trying to put together.”

Ross added that stakeholders and participants of organized real estate should be encouraged by the way brokers came together to advance Project Upstream because he has never seen brokers gather in the way they did for this initiative during all his years of experience in real estate. Major brokers evolved the project over an 18-month period and ultimately won approval from the NAR Board of Directors to fund it, using NAR operating reserves over 36 months, at a net amount not to exceed \$12 million. Ross lauded the speed with which the project moved forward, commenting, “I’ve never seen NAR move that quickly on a project, whether it’s the project or funding. [...] It was an interesting process to see. What that tells me is there’s a need, and what that tells me is they’re looking for a solution. So they’ve identified a problem, and now they think they’ve got a solution. Again, that’s the first time I’ve seen that in a long time.”

As for the viability of that solution, Ross echoed his earlier comments that brokers will be the ones to flex their muscles and ensure this initiative gets the industry where it wants to be, and he emphasized again the five-year horizon. Singer noted that for it to be successful, it’s going

to be an execution challenge more so than anything else. To that end, Ross described the next steps, which are to have it fully vetted and up and running in 2.5 years. Ross stated, “Once that’s done, then the parties will get together, and the brokers will figure out what the model is going forward as far as costs. And the brokers have agreed to pay for that cost, plus a 10 percent premium from research and development, and that’s how the project’s going to move forward.”

Since Upstream would give brokers total control over how information is distributed, it will have wide appeal in an industry where brokers have been calling for the ability to lock down a property’s record so it cannot be changed by others in various systems, not to mention vendors or the aggregators would be put in a far different position with brokers having more power. Ross stated, “Whether you’re a boutique broker, a mid-sized, or a large broker, it’s for everybody.”

According to Ross, the target goal for this initiative is to have 50 percent coverage of all listings in five years. He was also careful to set expectations for the endeavor since it’s a complicated undertaking with many factors at play, stating, “No one’s done this before. So there are going to be a lot of bumps in the road that we’re going to have to work our way through. But am I optimistic that we can get it done? Yes, I am. Is it worth the pain and suffering to get to the backend? Yes, it is. And we’re just going to have to kind of walk our way through it to see. But again, I think we’re targeting about 50 percent.”

Charron agreed with the notion that Project Upstream is a major game-changer for the industry but deemed the

timeline estimates put forth by Ross as “too conservative.” He noted that “I think it could happen a lot faster and that 50 percent is too conservative [...] But we will support it because it’s the right thing for the industry.”

Ann Bailey also expressed strong support for the initiative. She commented:

“I think Upstream is the right concept, the right project, at the right time. I have from the beginning. I think the concept that a broker gets complete and total control over their data, their listing, and that they enter at one time and then they decide where it gets dispersed to and how it gets dispersed is the right thing. But there are some things that we have to do to make it successful.”

She is primarily concerned about ensuring the project has “pristine implementation” so it can be successful right out of the gate. She also called for more investment dollars, great marketing efforts, and oversight by people who actually understand the technology rather than a committee or NAR overseeing it. Finally, she urged major MLSs, such as MRIS, to mandate that brokers must enter their data using the new system to ensure there is adoption across the industry.

Returning to the issues put forward by Ann Bailey regarding data sharing and the industry’s structure, if

Project Upstream creates a repository of data that brokers have total control over, proceeding to distribute that data takes away from its uniqueness as being comprehensive. Furthermore, such data sharing, as mentioned earlier by Bailey, often is problematic technologically. Singer raised some points about the project, and what the industry can actually accomplish, as follows:

“I understand the politics here. But I worry about us being too late to this party. I worry about it very seriously, and whether we’re all sharing a common vision, and we are in one sense. On the other hand, we’re looking at how you get there in such a convoluted way that we can’t even agree on what the end is. It seems to me, if you have a national data repository, then redistribution of data to any structure of MLSs, for any purpose other than enforcing the local rules, is a negative. It imposes cost and complexity. What do you gain by it?”

While Singer applauded NAR’s approval of this initiative as a great attempt to get the industry back in the game of exerting some control over its fate, he added that since the industry is not the “first mover,” he has concerns primarily with speed and execution. Singer noted that there is reasonable cause for trepidation by some critics because a

David Charron, CEO of MRIS, discusses the impact of Project Upstream with the roundtable participants.



“I think it’s a quantum leap for our industry to have the discussion, let alone fund it and start to implement it. That will take us where we’re going to go.”

- Robert Bailey

national repository that has to interface with the MLS is a system in which the industry will always be playing catch-up.

However, Ross pointed out that while the industry certainly could step back and let others dictate the terms of its future, the better alternative is to put its foot in the water and not let the perfect be the enemy of the good. Ross stressed that the industry will have to accept the project’s imperfections and work from there because the bottom line is to move the needle forward for the industry by giving brokers control of the data. Ross stated, “Let’s try to figure out a model and do something. [...] Is it underfunded? We don’t know yet. Is it the wrong technology? Maybe. But at least you put your foot in the water. [...] May not be the perfect vehicle. May not be the most cost-effective vehicle. But it’s a step in the right direction.”

Both Ross and Ann Bailey were in agreement that the political and resource challenges of such an undertaking require an understanding of what’s at stake and that progress can’t be achieved overnight. They called on the industry to accept a level of uncertainty surrounding the project since its full impact is still playing out; nevertheless, they both feel it will lead to even bigger steps in the future and the industry may be surprised at what brokers do next. The cliché one step at a time was evident in their comments. Bailey stated the following about Project Upstream: “It will push the industry toward fewer and fewer [MLSs], which is where I think we have to get to. Now, will it happen overnight? No. But I think we’ve got a better shot at it this way. [...] We should do away with them completely. We all know it’s not working exactly the way that it should. But you can’t go from A to Z without doing B, C, D, and E first, regardless of how slow you think it is.”

Robert Bailey also spoke favorably of Project Upstream and what it’s likely to accomplish for the industry because it engages the brokerage community in a way that makes it have ownership of the solution. He said, “The brokerage community is finally stepping up and saying we want to be a player in the solution, as opposed to just the whiners sitting on the sidelines. So now they’re part of the solution. That, if done effectively, can engage the agent community to buy into this.”

He added that Upstream will encourage innovation because it will force out inefficiencies, even if there is “kicking and screaming” in the process by those who face “a more immediate demise.” Bailey argued that the right perspective to have is not viewing its current incarnation as the end result but the right start in getting the industry moving in the right direction, as it shows the industry is working on behalf of its members and not letting third parties exert too much control. Bailey concluded, “I think it’s a quantum leap for our industry to have the discussion, let alone fund it and start to implement it. That will take us where we’re going to go.”

While the panel agreed that the industry will have to see how Project Upstream evolves, they discussed and differed on the tactics required to accelerate change in the industry with respect to this initiative. For instance, would it be better to only let 10 to 12 MLSs receive the data from Upstream? Is it important to make it available not only to MLSs but also firms? There was consensus that once data is made available through an API to firms, the key is not to make it available exclusively to MLSs. But beyond these issues, Singer also addressed what technology demands when you take into account the activities of the portals:

“I think technology demands a more integrated system. You don’t see Zillow, Trulia doing this, or even Redfin. You don’t see them distributing the data to separate regional nodes. [...] If you put boundaries on yourself, then they limit you.”

Following Singer’s comments, Ross noted that in terms of cannibalizing parts of the industry from within to effect change, competing interests, priorities, and politics of stakeholders are a real challenge, not to mention the structural way decisions are made in the industry. But he added that doesn’t mean the industry cannot

“I’ve never seen NAR move that quickly on a project, whether it’s the project or funding. It was an interesting process to see. What that tells me is there’s a need, and what that tells me is they’re looking for a solution. So they’ve identified a problem, and now they think they’ve got a solution.”

- Dale Ross

come together to drive a solution forward, despite its often limited choices, and that “at least we’re starting the process.” Ross said the following of the industry’s limitations when it comes to meeting the demands of technology, as outlined by Singer:

“Unfortunately, our industry doesn’t move that way. It doesn’t move quickly [...] about technology. It moves with a lot of committee structure, a lot of task force structure. That’s the structure that we’ve set up over the years and that we live with. It’s okay when you’re trying to make policy decisions long term, but with technology you can’t do that. The problem we’re all having is the technology world moves way beyond and way faster than the association and MLS world moves. So this project is outside the box. What we have to do is make sure we do it right because we’re only going to get one bite of this apple, I believe. We can’t be sitting here three years from now, saying, well, it failed because of this, this, and this [or] we’re not going to catch up.”

That being said, Robert Bailey noted that the industry’s structural weakness for moving quickly on technology can be an asset when it comes to engagement of stakeholders because the structure is there to keep them engaged and the industry doesn’t want fracturing on that front, stating “the balance is there to get where you’re talking about needing to go and not losing your army while you’re doing it.”

The importance of industry engagement was evident in Robert Bailey’s subsequent remarks on the success of Project Upstream, as he reiterated the value of engaging brokers in particular for achieving progress. He commented, “I think this is a tipping point because it truly engages the brokerage community—not just at their business level but also engages the brokerage community and the volunteers as it relates to what they’re doing within their associations and their MLSs.”

The importance of brokers to the success of this was also echoed in comments made by Charron, who added to earlier comments made by Ann Bailey about the need for



Dale Ross, chief executive officer of Realtors Property Resource®. Ross oversees the largest single data repository for listing content in the nation.

them to have “more skin in the game” due to the fragility of the alliance that has moved the project forward thus far. After all, these brokerages are hugely competitive entities, Charron pointed out. He called on them to have a bit of patience at first:

“If you take the long view, this [project] could be a sustainable competitive advantage for the brokers, if they are patient within a certain timeframe, and they continue to support it. I worry that, if there’s no skin in the game, and they’ve been seduced by what is arguably a modest amount of money in the big scheme of things, then that troubles me. So it’s not enough that they bring their content. They’ve got to bring commitment to this thing. And if they do, I think it’s got great legs.”

Tactically, another component that will be critical to its success is the speed with which it’s implemented, as Ross noted the industry will have to strive to strike the right balance because moving too fast can lead the industry to tripping itself up if too many mistakes occur. He commented, “You can throw a lot of money at it, but you’ve got to build the technology out right. You can do one of two things. [One,] you can do what Microsoft does and just launch stuff and have 100,000 bug fixes, or you can try to do it right in the beginning; but again, you’ve got to get it out fast. So there’s a balance there of getting it out quickly, not falling on your face, and making sure you drive people along with it. That balance is what’s going to be the key to this project being successful.”

On the topic of timing, Singer cautioned the industry cannot make an assumption that it has another five years to build the type of data infrastructure that is already enjoyed by the everyday consumer. But Charron noted that “Finding a common and comprehensive listing input/add/edit module into an aggregated database that allows for syndication is not impossible. It can happen.” The panel concluded that if no action is taken, the industry will still be talking about the same issue five years from now but with the addition of even more new threats, which will put the industry further behind on the path to ownership of real estate’s future. ●

PART V: CONCLUDING REMARKS



The real estate industry has long benefited from maintaining artificial walls that facilitate ownership over the information central to the industry, but the entrance of technology has only served to break down such barriers. This has enabled a loss of control since consumers no longer operate in an environment with such barriers due to the influence of technology. Robert Bailey stated, “Anything that maintains those borders or those artificial walls has to go away because they’re just protecting a business model, but they’re hurting our ability to serve our clientele, which again hurts us as business people.” Consolidation may help to break down those barriers so that the industry can better serve consumers in a climate that is far more technologically advanced than when the MLS was first established. But the panel also emphasized additional ways the industry and its stakeholders will have to evolve to maintain an important role in the future.

Amid the challenges and uncertainties discussed by the panel on the future of the MLS and data-sharing, Charron stated his thoughts on where real estate’s future lies: “It’s clearly in divining the information that’s out there and making it palatable, meaningful to the consumer in such a way that it’s presented so they can understand and make decisions based on that. [...] It’s not about search. It’s in the collaboration and the dialogue that happens between the consumer and the real estate professional. It’s about moving them toward an end goal, collaboratively.”

Furthering Charron’s comments on collaboration, Robert Bailey added that the industry needs to do all it can to facilitate the role of being a trusted advisor to ensure the longevity of the business. He said, “We don’t control the search. We don’t control the MLS book. We can’t clutch that to our chest any longer. That information is out there, so it’s then a question of the deeper dive into the

information and really understanding the nuance of the community. So when I work with a client, he has to trust in me that I have the information necessary to help him make the right decision. [...] I think that’s the key.”

Singer agreed, noting that C.A.R. surveys consistently show that “What consumers really want from an agent, beyond the knowledgeability factor, is ‘someone who will fight for me,’ as that’s usually how they articulate it, or ‘get me the best price.’”

Finally, while real estate professionals must continue to retain their value to the consumer in light of the challenges associated with external threats and technology, the organized MLS model also certainly faces industry developments or trends that compose a great challenge to its tenability. For instance, Ann Bailey pointed out that the changing brokerage model and issues related to a change to independent contractor status are just two examples of potentially significant disruptors.

It is clear that the industry as a whole faces groundbreaking issues, thereby making the roundtable’s discussion especially timely given these major announcements from NAR with respect to the RPR Advanced Multi-List Platform and Project Upstream. The MLS simply has not evolved with how real estate needs to be practiced today, with severe fragmentation complicating the progress of a modern, industry-owned model for modern times. As organized real estate takes major steps toward evolving the industry’s data foundation, Singer and C.A.R. appreciate the insights shared by the roundtable’s participants about these critical issues. ●



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