

For Sale By Owner.com[™]

Federal Trade Commission

October 2005

Real Estate Market in 2005

- 1) Today's sellers want more options and more flexibility than they've had in the past.
 - ◆ Consumers want unbundled services
 - ◆ Consumers want a more varied marketing effort put forth on their home's behalf
 - ◆ Consumers want to reduce the transaction costs associated with selling real estate
- 2) The traditional Realtor based real estate market is ill suited to service the evolving demands of the American consumer
 - ◆ Competition must be fostered within the real estate services community.
- 3) Rather than fostering competition the traditional Realtor based real estate services industry is stifling competition
 - ◆ I will suggest a number of needed reforms

Home Sellers Demand Choice and Flexibility

- ◆ Three quarters of all Americans begin their search for a new home on the Internet.
- ◆ 54% of consumers who plan to buy or sell a home in the next two years believe agents' commissions are unjustified
- ◆ 47% state the probability of working with the same agent in their next transaction is unlikely
- ◆ The same study found that 94% of by owner sellers will sell their next home without the use of an agent.
- ◆ Agent commissions are slowly falling: the average agent commission in the U.S. is now between 5% and 5.5% down from 6% a few years ago.

The ForSaleByOwner.com Model Provides Consumers with Choice



- ◆ The category leader in agent free real estate, the company has approximately 70,000 property listings today (across all 50 States), representing approximately \$20 billion in home value
- ◆ ForSaleByOwner.com has grown at an average historical rate of nearly 100% year over year.
- ◆ ForSaleByOwner.com allows consumers to pay a flat, up-front fee (that averages \$300) to sell real estate in lieu of a 5-6% commission.
- ◆ Many ForSaleByOwner.com customers use the company in conjunction with a reduced commission MLS listing that is provided by the company (YTD we've listed nearly 5,000 sellers in local MLS boards around the country).
- ◆ In 2005 YTD, the company has referred out over \$3,000,000,000 worth of real estate to traditional agents through its referral program.
- ◆ 65% of the company's sellers report that the home has sold due its service.

Consumers Would Benefit From Increased Competition in the Real Estate Industry

- ◆ While the NAR estimates that only 14% of homes are sold without agents, Realty Viewpoint found that more than 20% are actually sold without an agent.
- ◆ ForSaleByOwner.com's internal exit interviews indicate that by owner sellers are happy with the results of our service.
- ◆ From dealing with hundreds of thousands of sellers over the course of the past 6 years it's our belief that consumers search out our services to avoid what they perceive as prohibitively expensive agents.
- ◆ And while average agent commissions have dropped they still have remained stubbornly high.
- ◆ These factors will continue to drive enormous demand for alternative real estate services models and those models should be allowed to flourish.

Industry Barriers to Competition

- 1) The NAR
 - ◆ Minimum Service real estate laws
 - ◆ Efforts to limit exclusive agency listings from appearing on Realtor.com (signage issue)
- 2) At the State Level
 - ◆ Overly broad interpretation of licensing laws by Departments of Real Estate
- 3) Broker Control of Departments of Real Estate
 - ◆ For example, 6 of 7 members of the Missouri Real Estate Commission are brokers.
- 4) Limitations on the exposure given to Exclusive Agency MLS listings.

Suggested Reforms

- 1) Repeal Minimum Service laws
 - ◆ Nothing more than an attempt to prevent reduced commission MLS listings
 - ◆ If the purpose is to protect consumers make it a disclosure law not an enforcement of commissions
- 2) Eliminate licensing requirements for businesses that only advertise or “list” properties for sale but don’t actively participate in the sales process.
 - ◆ Allow the for sale by owner model to flourish
- 3) Insure that Departments of Real Estate at the local level are more balanced, objective and consumer oriented.
 - ◆ It would help guard against agents rubber stamping bad legislation
- 4) Insure that Exclusive Agency listings are allowed to flourish by guaranteeing that the fullest possible marketing effort is made by the agent.
 - ◆ Don’t allow Realtor.com to turn away EA listings and limit sellers’ exposure.