REAL ESTATE

Swanepoel Trends Report, 16th Edition

TRENDS

OFFICIAL EXTRACT

TREND 1:
REAL ESTATE IN A
POST-PANDEMIC 'NEW NORMAL'
(PAGES 190-215)

2021

A Market Intelligence Report by T3 Sixty, LLC

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16th Annual Edition

Official Extract of Trend 1
Real Estate in a Post-Pandemic 'New Normal'

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Swanepoel Trends Report

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01 Real Estate in a Post-Pandemic ‘New Normal’

The impact and future of the real estate industry transformed by COVID-19

There have been few impacts as large or as deep on the residential real estate brokerage industry than the ones brought on by the COVID-19 pandemic. Although real estate proved very resilient it has been changed forever. This chapter dives into the changes and the industry’s future.

Introduction

In mid-March 2020, the economy came crashing to a near halt when state governors across the US issued stay-at-home orders to stem the rapid spread of the COVID-19 virus, which had just begun to impact America. The orders stalled the economy in many areas of the country as everyone grappled with what this meant for business and how it would impact our lives. Early predictions did not anticipate the severity of its impact.

A few months into the pandemic, the inherent uncertainty and the often confusing local rules around travel and business closings and reopenings that created many practical challenges for businesses to remain profitable. In real estate, open houses, property tours and sales came to a sudden halt and concerns of another housing crash emerged.

All-time low mortgage rates, feverish consumer demand, a relatively healthy financial performance for consumers at higher income levels and quick adaptation by brokers and agents in addressing the restrictions dispelled these concerns as a blazing third quarter created one of the hottest real estate markets ever.

This chapter chronicles the impact COVID-19 had on the real estate industry, some of the changes brokerages implemented to adapt to this new environment, what the impact could be after the pandemic, and begins to tease out what operations, technology and processes real estate companies implemented in response to the pandemic may remain once it passes.

COVID-19

General Economic Impact

COVID-19 greatly impacted many parts of the economy as governments shut down or severely restricted social gatherings. In September, the US Federal Reserve predicts that US real gross domestic product (GDP; real GDP accounts for inflation) is expected to drop 3.7 percent from 2019. It would be the first year-over-year drop in Real GDP since 2009.

Change in US GDP, 2015-2022

Year	Real GDP (in Trillions)	Year-over-Year Change
2015	$18.24	4.1%
2016	$18.75	2.8%
2017	$19.54	4.3%
2018	$20.61	5.5%
2019	$21.43	4.0%
2020 (projected)*	$20.64	-3.7%
2021 (projected)*	$21.47	4.0%
2022 (projected)*	$22.11	3.0%

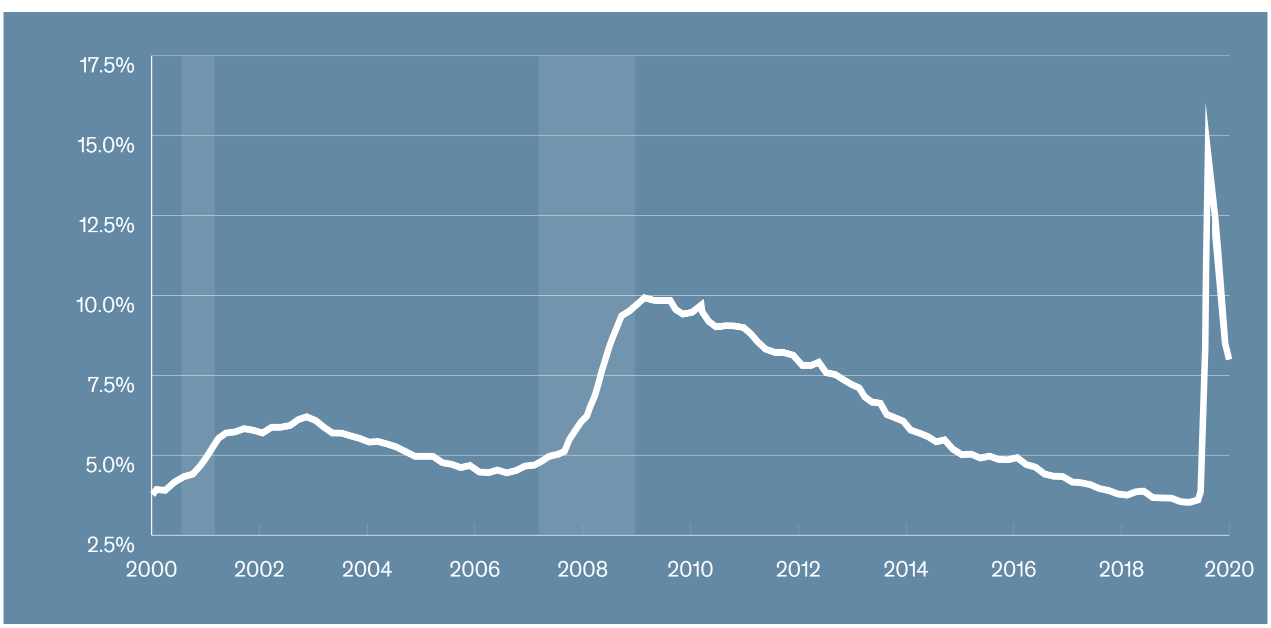
* Projected data provided by US Federal Reserve.
Sources: US Bureau of Economic Analysis; US Federal Reserve

"US unemployment skyrocketed in response to the pandemic, jumping to 14.7 percent in mid-2020, the highest rate in decades."

Unemployment

US unemployment skyrocketed in response to the pandemic, jumping to 14.7 percent in mid-2020, the highest rate in decades, according to the US Bureau of Labor Statistics. It had dropped down to 7.9 percent by September 2020; this rate still represented a high since early 2013.

Civilian Unemployment Rate, Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

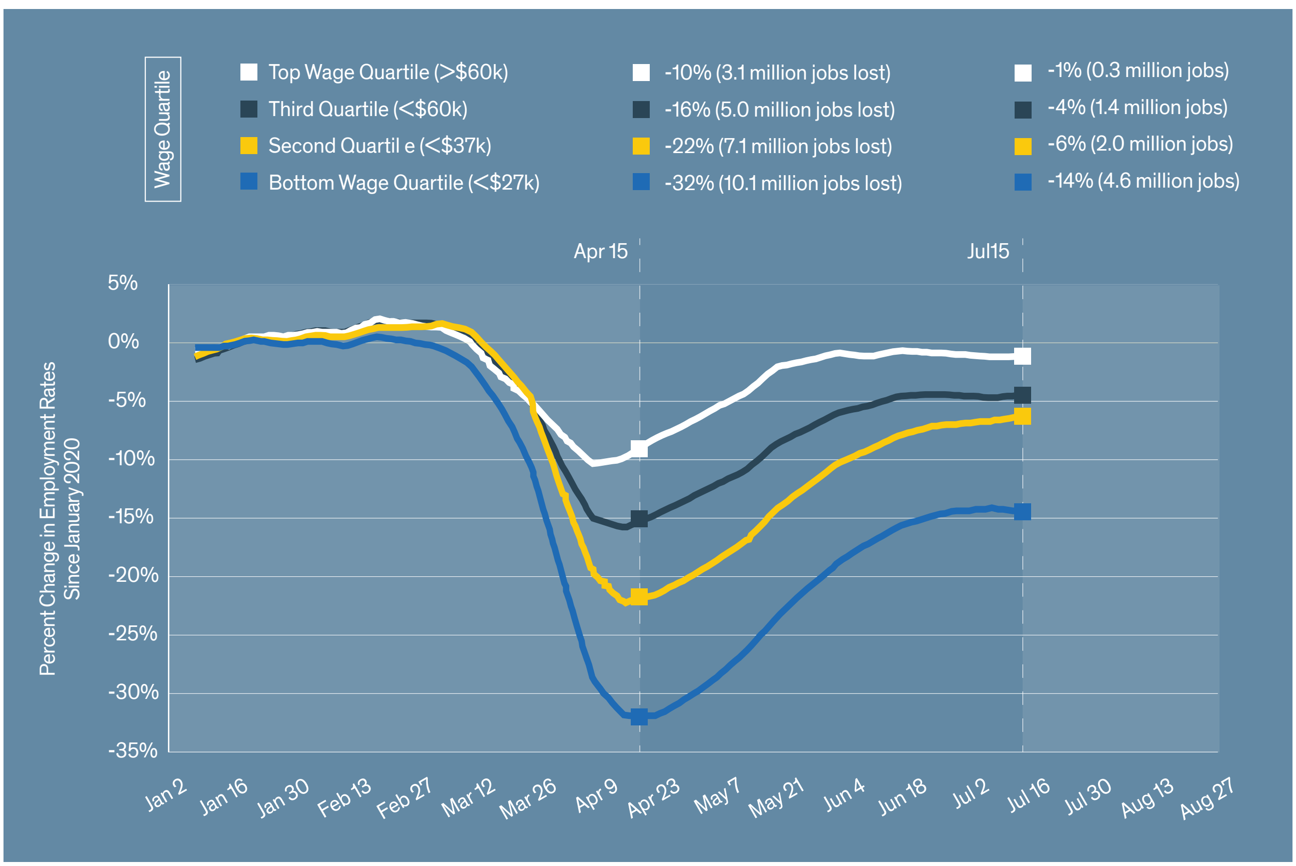
Disparate Impact Based on Income

"By July 15, top quartile jobs had recovered to just 1 percent below pre-pandemic levels; the second, third and fourth quartiles were down 4 percent, 6 percent and 14 percent, respectively."

The pandemic disproportionately impacted lower wage earners. For example, 10 percent of the 3.1 million US workers in the top wage quartile saw job losses by April 15. Workers in the bottom three quartiles saw more job losses, with each quartile losing progressively more jobs and having slower recoveries, according to the National Bureau of Economic Research. The bottom second, third and fourth quartiles lost 16 percent, 22 percent, and 32 percent of their jobs, respectively, from February to approximately April 15.

The impact was not only greater on lower wage earners but the recovery is taking longer for them. By July 15, top quartile jobs had recovered to just 1 percent below pre-pandemic levels; the second, third

Civilian Unemployment Rate, Seasonally Adjusted



Source: National Bureau of Economic Research and fourth quartiles were down 4 percent, 6 percent and 14 percent, respectively.

Industries Impacted

With people traveling and congregating less, industries such as transportation, hospitality, restaurants and bars and entertainment suffered the most. Other industries majorly affected include clothing and furniture retail, laundry and other personal services.

Employment Decline by Industry, February - April 2020

Industry	Employment Decline
Scenic Transportation	(62.1%)
Amusement Parks and Casinos	(59.9%)
Clothing Stores	(58.9%)
Laundry and personal services	(53.5%)
Dentist Offices	(53.3%)
Movie and TV Industry	(48.3%)
Restaurants and Bars	(48.1%)
Furniture and Home Furnishing Stores	(46.3%)
Entertainment and Sports	(45.4%)
Hotels	(42.3%)

Sources: US Bureau of Labor Statistics

Industries like banking, real estate, financial services and others that could continue without physical presence or that could be conducted over web meetings, bounced back more quickly. However, many businesses and consumers felt the impact deeply. In July, over 20 percent of households in 26 states were behind on rent, according to analysis from the Brookings Institute.

The most optimistic of outlooks put an economic recovery months away. Of the 259 US executives consulting firm McKinsey interviewed about prospects in the next months in a September 30, 2020, survey,


FO
SALE
SOLD

27 expected economic conditions in the US in six months, 62 percent felt it would be better and 11 percent felt it would remain the same.

In August 2020, Dr. Fauci, one of the nation's most trusted voices on the pandemic, estimated that normal was at least a year away, and only if the country took disciplined, measured steps to reopen, and a successful vaccine becomes available. Some estimates put a return to "normal" much farther out, closer to three years.

Real Estate Impact

This crisis, though extremely unusual, disorienting and carrying great amounts of uncertainty, did not cripple residential real estate as it did other industries. Real estate showed incredible strength and resiliency.

The relatively lighter impact the pandemic had on white-collar workers also contributed to real estate's quick bounce-back in the third quarter once COVID-19 restrictions loosened and local government clarified rules around real estate being an essential business.

Analysis of Impact on Real Estate

How Brokerages Responded

Many brokerages across the country reacted swiftly to the stay-at-home orders. They negotiated with their landlords; evaluated budgets to pare down nonessential expenses; reduced staff where they had redundancies and began maximizing tools (such as Zoom, Microsoft Teams and Google Meet). Brokerages moved to a significantly more cloud-based operating environment supported by video conferencing, filed for CARES Act support, and many industry leaders took temporary pay cuts.

Here are some specific actions some of the nation's largest companies reacted early in the pandemic:

- **Realogy.** Executives took pay cuts (Ryan Schneider took a 90 percent salary reduction in early April and his direct reports took a 50 percent temporary pay cut). The company sold $400 million of senior notes to fund operations during the pandemic.
- **Compass.** Compass laid off 15 percent of its 2,500 employees in March. Co-Founder and CEO Robert Reffkin reduced his salary to $0 and the executive reduced their salary temporarily by 25 percent.
- **Douglas Elliman**. The company laid off a quarter of its staff and

Impact of Covid on Real Estate

During the 4 month period March 1, 2020 to June 30, 2020 (compared to the same period in 2019)

Real Estate One (Michigan)

	4 Months (2019)	4 Months (2020)	Change
Sales Volume	$2.7 B	$2.4 B	↓12%
No. of Units		7,744	↓20%
Avg Sales Price	$253,000	$266,000	↑5%

The Keyes Company (Florida)

	4 Months (2019)	4 Months (2020)	Change
Sales Volume	$2.6 B	$2.2 B	↓14%
No. of Units		8,512	↓19%
Avg Sales Price	$364,000	$400,000	↑10%

BHHS Homesale Realty (Pennsylvannia)

	4 Months (2019)	4 Months (2020)	Change
Sales Volume	$1.6 B	$1.33 B	↓15%
No. of Units		5,395	↓20%
Avg Sales Price	$232,000	$246,000	↑6%

Shorewest Realtors (Wisconsin)

	4 Months (2019)	4 Months (2020)	Change
Sales Volume	$1.0 B	$0.9B	↓10%
No. of Units		3,357	↓13%
Avg Sales Price	$256,000	$270,000	↑5%

During the initial 4 month (3/1/2020-6/30/2020) period of the COVID-19 Pandemic, brokerage sales volume declined between 10-15%, while home prices actually rose between 5-10%.

reduced all staff salaries by 15 percent.
- **Redfin.** Redfin furloughed 41 percent of its staff and laid off 7 percent. CEO Glenn Kelman dropped his salary to $0 for the rest of 2020 and the management team decided to not take cash bonuses in 2020.
- **eXp Realty.** The cloud-based brokerage laid of 15 percent of its staff and placed a hold on open positions. Co-Founder Glenn Sanford, CEO Jason Gesing and other executives took a 50 percent temporary salary reduction.

"Brokerages generally moved fast to support their agents, by either introducing new technology such as CRMs and digital marketing or emphasizing the tools they already had."

Brokerages generally moved fast to support their agents, by either introducing new technology such as CRMs and digital marketing or emphasizing the tools they already had with coaching and encouragement to help agents jump quickly and more fully into digital processes. They coached them on how to hold virtual showings and virtual open houses, they worked with local officials and agencies to get clarity around essential business operating guidelines, and developed workshops and virtual meetings to maintain connection and culture.

T3 Sixty surveyed several regional brokerages representing every region of the nation to get their insights into how they responded to the pandemic, what actions they feel will stick and their overall view on the industry as a new normal seemingly settles in. A snapshot of the effect on four brokerages during the worst period of the initial COVID-19 shutdown is provided on the opposite page. Additional observations are also provided below.

The Keyes Company

Mike Pappas, CEO, The Keyes Company
- In this fast changing, always evolving industry – our management and leadership is the key. A caring, dedicated, passionate, trusting and future looking team is the key to long term success.
- We are downsizing or moving our locations with every lease expiration.

BERKSHIRE HATHAWAY HomeServices Homesale Realty

Rod Messick, CEO, Berkshire Hathaway Homesale Realty
- Long-term, we are looking closely at balancing remote work and culture in order to potentially reduce our brick-and-mortar spend.
- With the great adoption of electronic documents we are looking at how to maximize staffing. It's very possible that some locations may receive their administrative support remotely from a larger "hub" office.

Windermere REAL ESTATE

OB Jacobi, President, Windermere Real Estate
- Adult interaction is really important. Connection through Zoom is nice, but the balance between work and family is an important one to maintain.
- Because we had a captive audience, agents built habits of looking at the services we're offering.

Romeo Manzanilla, Broker In Charge, Realty Austin

- We have seen a shift in consumer demand for larger homes in sacrifice of location. As more consumers are working from home, they are looking for homes with dedicated office/work spaces as well as distance from neighbors.
- The real estate transaction has become more digital but at the same time more efficient. With the wide adoption of virtual tours and virtual open houses, consumers are able to do more due diligence ahead of viewing a property in person.

Joe Rand, Chief Creative Officer, Howard Hanna | Rand Realty

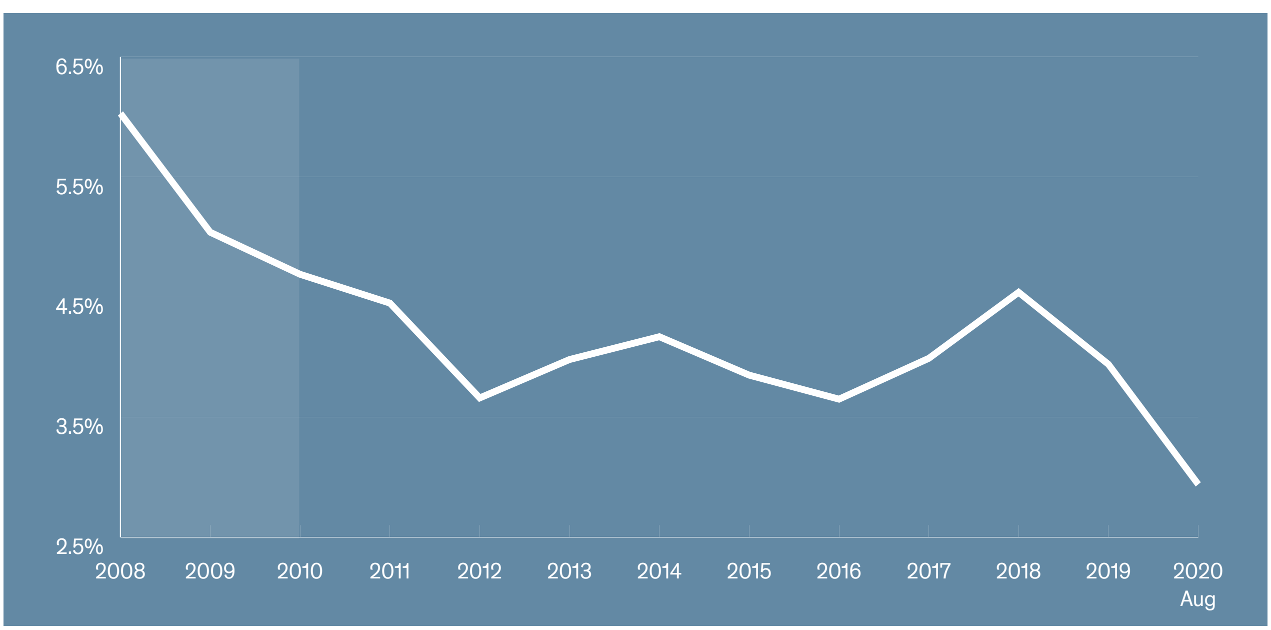
- Basically, what's happened is that five years' worth of adoption happened in two months.
- We'll never be a "virtual" company, but we don't need localized offices in every town and village in our territory.

Mortgage Rates

A drop in overall economic activity, and an initial drop in residential sales in the second quarter 2020, helped drive mortgage rates down to record lows. (See "Stay-at-Home Order" section below for more detail).

The average rate on a 30-year fixed mortgage rate dropped every single month from 3.62 percent in January to 2.89 percent in September and, at the time of going to print in October, the rates on 30-year fixed-rate mortgages was hovering around 2.81 percent and as low as 2.37 percent for 15-year fixed-rates.

20-Year, Fixed Rate Mortgage Rates, 2008 - 2020



Source: Freddie Mac

"The stay-at-home orders, when they were first issued, effectively halted real estate in many areas of the country for approximately four to six weeks in the heart of spring, typically real estate's busiest time of year."

Previously, the rate see-sawed slightly between 3.5 and 4.5 percent for the entire decade of the 2010s.

The impact of the pandemic has been a double-edged sword. While some families' have seen their financial situation deteriorate, others benefited from 50-year record low mortgage rates and poured into the real estate market contributing to one of the fastest real estate recoveries in history.

This inequality in impact, further hampers home affordability, especially for first-time homebuyers. Read T3 Sixty's analysis of real estate's current housing affordability challenges included in this year's Swanepoel Trend Report titled, "The Housing Affordability Reality."

Stay-at-Home Orders

The stay-at-home orders, when they were first issued, effectively halted real estate in many areas of the country for approximately four to six weeks in the heart of spring, typically real estate's busiest time of year. May saw the largest year-over-year drop in sales; the 372,000 sales that month represented a 31.37 percent drop from 542,000 in May 2019 sales. In June, the real estate market returned and then it exploded in July and August.

Monthly Home Sales 2020

Month	Actual Sales (Not Seasonly Adjusted)	YOY % Change (Sales)
January 2020	317,000	11.23%
February 2020	335,000	7.72%
March 2020	416,000	4.00%
April 2020	373,000	(18.20%)
May 2020	372,000	(31.37%)
June 2020	507,000	(3.98%)
July 2020	597,000	10.56%
August 2020 (prelim)	561,000	5.45%

Visit t3intel.com to view previous editions of the Swanepoel Trends Report.

"On a national level, homes were snapped up and housing inventory dropped to a low three months of supply."

Source: National Association of Realtors

Secondly, stay-at-home orders had a unique impact on housing as a noticeable percentage of homebuyers appeared to have changed their buying needs and houses as compared to condos and apartments increased in demand. Consumers also wanted larger lots, optional rooms that could be used for home offices and were less sensitive with regard to living in the city near work.

Given that the industry faced and was still challenged by years-long housing shortage, these new factors contributed to increased demand. On a national level, homes were snapped up and housing inventory dropped 25 percent in August from 2019 to a low three months of supply. A balanced market is defined as one with 6 months of supply at current rate of demand and available homes.

Monthly Inventory 2020

Month	Months of Inventory	YOY % Change (Inventory)
January 2020	3.1	-18.42%
February 2020	3.0	-16.67%
March 2020	3.4	-10.53%
April 2020	4.0	-4.76%
May 2020	4.8	11.63%
June 2020	3.9	-9.30%
July 2020	3.1	-26.19%
August 2020 (prelim)	3.0	-25.00%

Source: National Association of Realtors

The lack of supply, coupled with sustained, strong demand pushed median prices of existing home prices to new all-time highs. The median existing home price cracked the $300,000 mark for the first time in July 2020 and jumped even higher in August to $310,600, a 11.41 percent jump in price from August 2019!

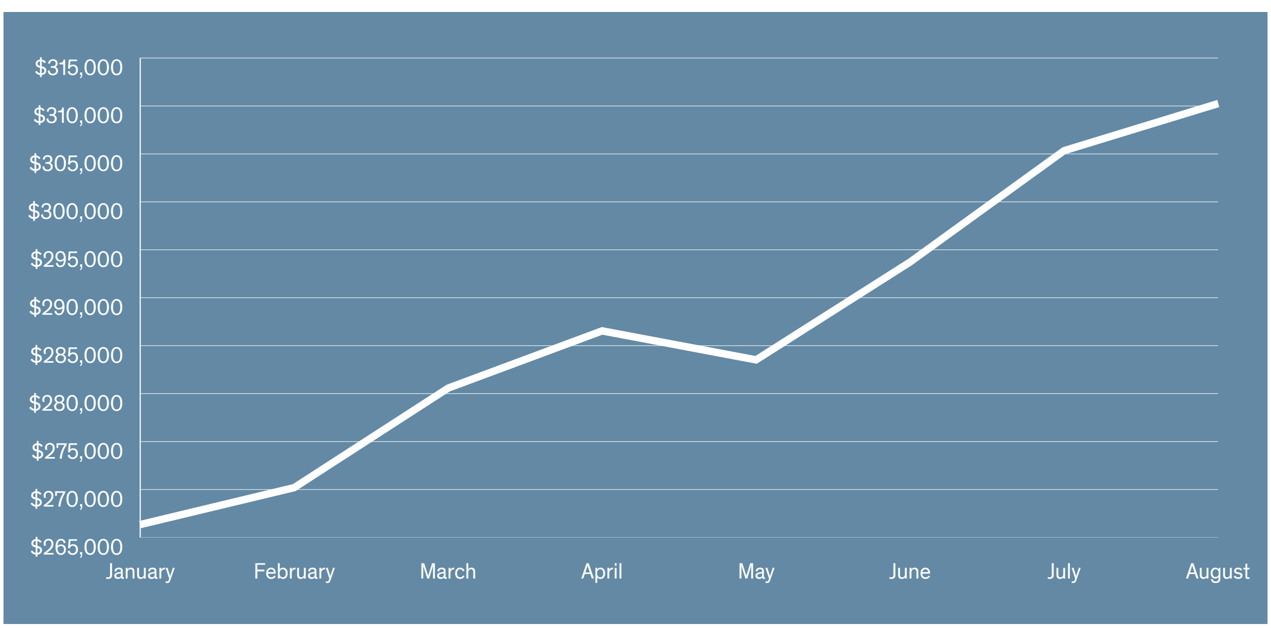
Monthly Median Price 2020

Month	Median Price	YOY % Change (Median Price)
January 2020	$266,200	6.74%
February 2020	$270,400	8.12%
March 2020	$280,700	8.09%
April 2020	$286,700	7.38%
May 2020	$283,600	1.94%
June 2020	$294,500	3.19%
July 2020	$304,100	8.95%
August 2020 (prelim)	$310,600	11.41%

Sources: National Association of Realtors

As of August 2020, real estate's 6.00 million existing home sales pace exceeds 2019's 5.34 million sales (a 12.4 percent jump). Based on these strong fundamentals NAR's chief economist Lawrence Yun predicts 2021 sales will eclipse 2020 sales conditional that the Federal

2020 Median Existing Home Price Growth



Source: National Association of Realtors

iBuyers Paused

When COVID-19 froze the housing market, most, if not all, iBuyer business models paused their homebuying activities in their markets. As the market ground to a halt in many areas of the country, this left some of these buyers stuck with inventory they had planned to sell, which led to increased holding costs.

By June, when homebuying activity returned, iBuyers started purchasing homes again, and at the same time began tweaking their offerings by either focusing even more on simultaneous sellers – those who sell but also buy a new home – or enhancing their brokerage operations to guide sellers into a brokered relationship backed by a guaranteed offer for their homes. Their expanded models, especially on tweaks offered to simultaneous sellers, helps them take advantage of them secure a mortgage lead, a title lead, a seller, and a buyer in one fell swoop.

Time will tell, but the COVID-19 pause seems to have accelerated iBuying’s evolution into a broader, more nuanced offering that emphasizes other products besides a speedy sale completed by the iBuyer itself.

Reserve’s keep mortgage rates low for much of the year.

Operational Challenges and Solutions

All real estate brokerages T3 Sixty surveyed mentioned the challenge of not connecting in person with their agents, staff and clients as the biggest impact the pandemic had on their companies. As Mike Pappas, CEO of Florida-based The Keyes Company, said: “Our organization is built on personal relationships – interacting with our family of services, management, support and associates. We are working hard to build a new virtual culture.” For example, Pappas says his company implemented a weekly Friday 2 p.m. Facebook Live company gathering that covered the market, company programs and agent highlights; the event averaged between 2,000 and 3,000 views each week (the company has approximately 3,000 agents).

Another big challenge brokers reported include the freeze in their agents’ income due to lack of sales, which stressed them both financially and mentally. The companies worked to support them by coaching them through applying for paycheck protection program funds, helping them optimize their systems, touch base with the sphere, and, in general, prepare to hit the ground running when the economic freeze ended.

Workforce

Companies reported that with the robust virtual offerings, there is a constant evaluation of how to leverage the digital learnings and processes, specifically ones developed during the pandemic, for when business returns to normal. They remain uncertain about just how this will work, but it appears a portion of many brokerages' work forces will have greater flexibility to work from home. Some companies cut staff, but many tried hard to keep their employees based on their feelings of a pending real estate uptick in the third quarter (which took place) and for the interest in keeping valuable employees.

Zillow Group announced in August 2020 that it would allow 90 percent of its employees to work from home indefinitely. This mirrors a potential larger societal trend of increased remote work that could reshape American settlement patterns, and, thus, greatly influence the real estate industry brokerage. The Keyes Company, for example, reported that 80 percent of its corporate staff are now virtual.

Office Space

With the increased ability to operate virtually, brokerages are re-evaluating office spaces, even though many cannot wait to return to the office to be with their teams. All brokerages surveyed said that in-person connection is so valuable that they will likely continue maintaining significant office space. However, they will look to centralize some services and to perhaps reduce square footage. Companies with lighter office footprints and those who operate largely virtually, such as notably eXp Realty does, had limited exposure here.

Video Conferencing

Brokerages reported a great uptick in video conferencing with systems such as Zoom, Microsoft Teams and Google Meet. Some, such as Windermere Real Estate, which has over 10,000 agents in 300 franchised and company-owned offices in the Western US, immediately purchased premium Zoom subscriptions for all of the brokerages and agents in its network from April 1 to June 31. The company also hosted three virtual events every week for its agents, every Monday, Tuesday and Friday. Monday's video covered economic and housing updates from the firm's chief economist. Tuesday centered on tech with tips and information that agents could use to remain productive.

On Fridays, the company hosted more motivational meetings. It also hosted two virtual meetings each week for owners and managers, including those focused on marketing during COVID-19, ideas for hosting virtual office meetings, how to coach agents on applying for

"Much of the limiting factors of stitching together settlement services platforms in place before the pandemic still exist."

Paycheck Protection Program loans, how to prepare for a phased reopening, and housing and economic updates from the firm’s chief economist.

Before the pandemic, Windermere’s use of Zoom at the company level was virtually nonexistent. In April, the company logged over 1.4 million meeting minutes, over 5,000 meetings or webinars and saw nearly 31,000 participants. Those numbers held steady in May and then began to dip in June as markets reopened. Due to popularity, the company has continued hosting its virtual meetings for agents on Monday, Tuesday and Friday each week.

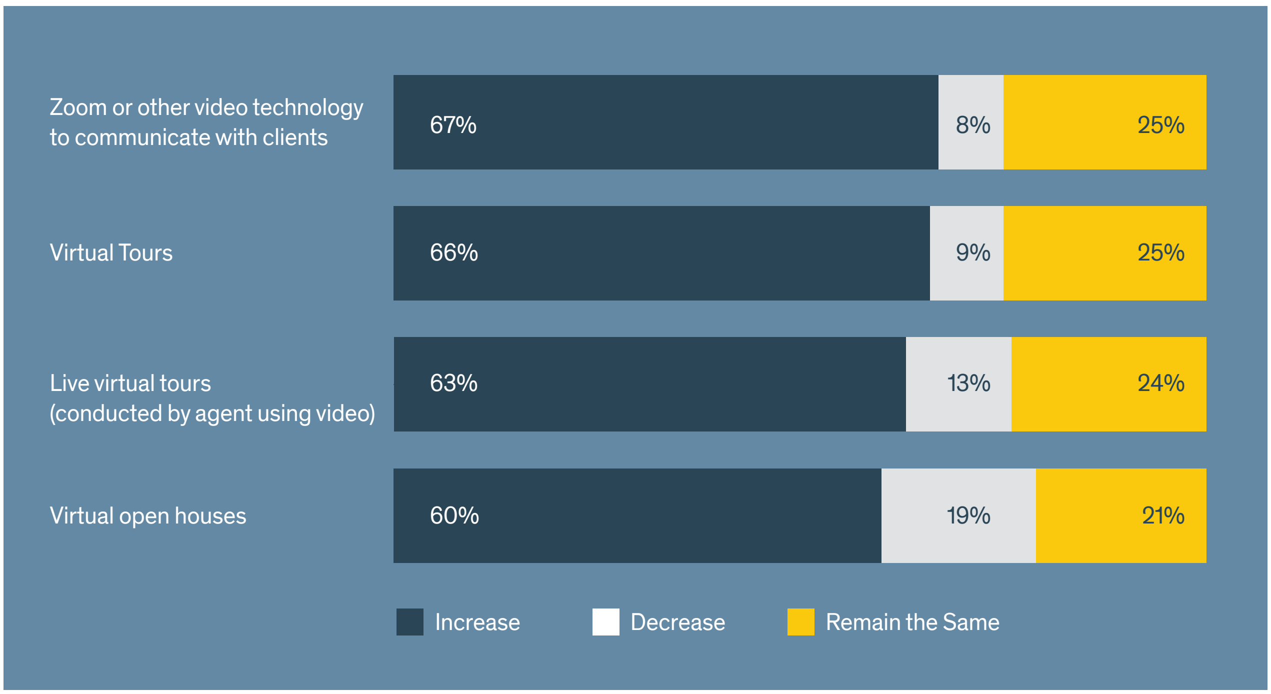
In a July 2020 NAR member survey, a majority of respondents expected that the use of video conference technology, virtual tours, live virtual tours and virtual open houses would increase.

The Digital Transaction

The industry heard a lot about the advancement of the digital transaction in response to the pandemic, but brokers reported that much of the limiting factors of stitching together settlement services platforms in place before the pandemic still exist, except for an increased ability to notarize some closing documents remotely.

Brokerages, however, leaned into digital accounting systems and processes to transition from paying agents with paper checks to direct deposit and Automated Clearing House (ACH) bank transfers. For example, BHHS Homesale Realty in Pennsylvania and Maryland, did not really add any new technology but instead increased adoption of its digital transaction management platform dotloop and transitioned to a

Expect the Demand for Technologies to Increase, Decrease, Remain the Same



Source: NAR July 2020 Member Market Recovery Survey

near 100 percent digital accounting process. Before COVID-19, a large percentage of agents wanted a physical check – with the pandemic, the company shifted from paying approximately 40 percent of its agents with direct deposit to approximately 100 percent.

"Companies also used the pandemic as a chance to search for digital tools that could help their agents prospect digitally and connect with their sphere and clients."

Agent Tools

Companies also used the pandemic as a chance to search for digital tools that could help their agents prospect digitally and connect with their sphere and clients. For example, among the tech tools Real Estate One implemented include the digital marketing service Homespotter Boost, customer feedback and survey tool Listen 360 and agent-buyer collaborative search product RealScout.

Virtual Tours and Showings

The use of virtual tour technology jumped during the pandemic, with many brokerages adding tools such as Matterport 3D tours to their offerings to enable their agents to create immersive 3D virtual tours. In early May, Matterport updated its platform to allow agents to create its popular virtual tours from their iPhones and iPads rather than exclusively from a proprietary, expensive camera. These recorded options helped agents present information and experiences of properties that allowed homebuyers to better evaluate homes virtually.

In addition, companies coached their agents on how to conduct virtual showings and virtual open houses, sharing best practices and demonstrating how to use tools such as Zoom and Google Meet to conduct them. Redfin reported that requests for agent-led video home tours jumped nearly 500 percent in the week of March 23, 2020, from the week previous. In early May, the company reported that virtual walkthroughs jumped over 300 percent from the beginning of the pandemic.

Virtual Closings

Some brokerages developed virtual closing capabilities with their affiliate businesses. This included setting up video conference review of the closing package before the settlement and limiting in-person actions to executing the documents. Many surveyed brokers mentioned that they and their clients actually preferred the focus of face-to-face closings. Virtual closings will remain an option, but based on our surveys, the industrty will return to in-person closings as the default.

Digital Back-Office

Many brokerages reported transitioning their accounting departments to go checkless with ACH and direct deposit options for paying agents. Many of these brokerages had these processes in place, but either had not fully implemented them into their processes or had a sizable portion of agents who preferred to receive physical checks. The pandemic forced many brokers to implement digital options for signatures, transaction management and processes.

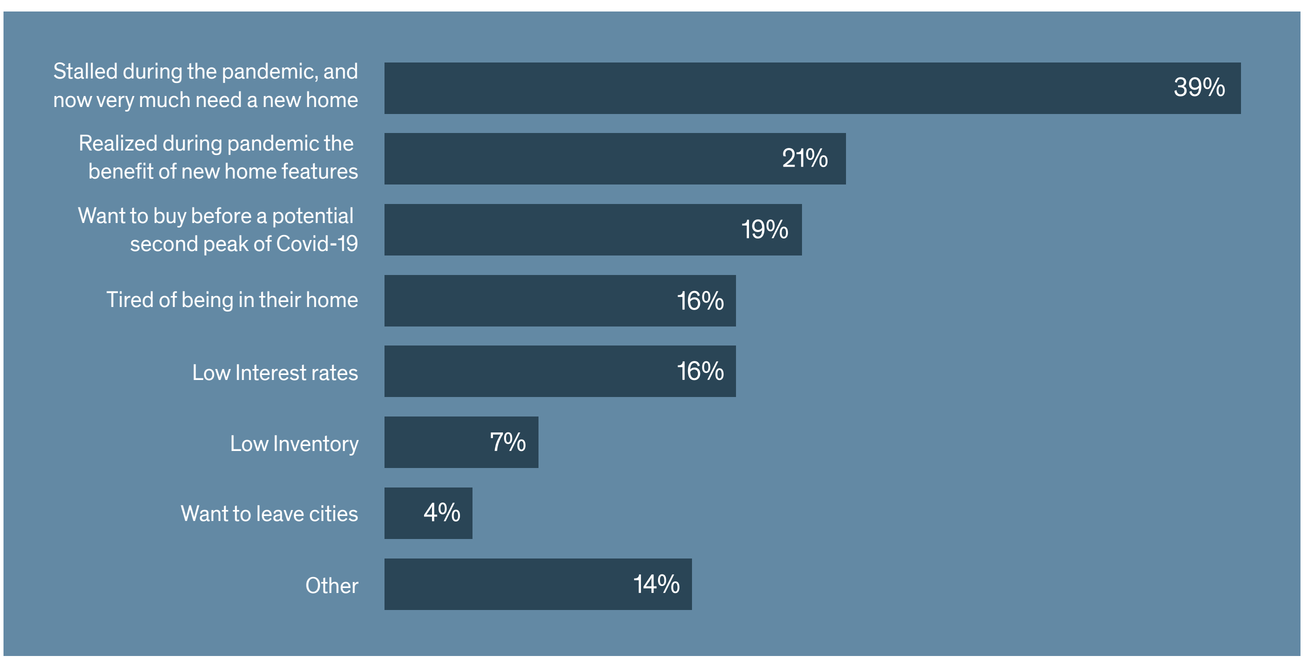
These tools from companies such as DocuSign, SkySlope, dotloop and others have been around for years, but some leaders were reluctant to adopt them. For example, before the pandemic Berkshire Hathaway HomeServices Homesale Realty relied heavily on the print-sign-scan method to sign everything from contracts to board resolutions. CEO Rod Messick, himself, says that executing the firm's Paycheck Protection Program loan digitally inspired confidence in the security and viability of the digital process, which the company has now widely adopted.

Consumer Behavior

Buyers showed a shift in their behavior and are generally now looking

July 2020 Member Market Recovery Survey

What Prompted an Increased Urgency to Buy a Home? (Select all that apply)



Source: NAR

for larger homes on larger lots that offer space that can be used for an office. However, these newer preferences are tempered by low inventory and a dearth of choices, limiting buyers' ability to be picky. In a July 2020 NAR survey of buyers, 21 percent of respondents said the pandemic shifted their perceptions of home, helping them realize they wanted something different in a house. Another 19 percent indicated that they wanted to purchase a home before a second wave of COVID-19 hit while 16 percent said low mortgage interest rates inspired them to search for a new home.

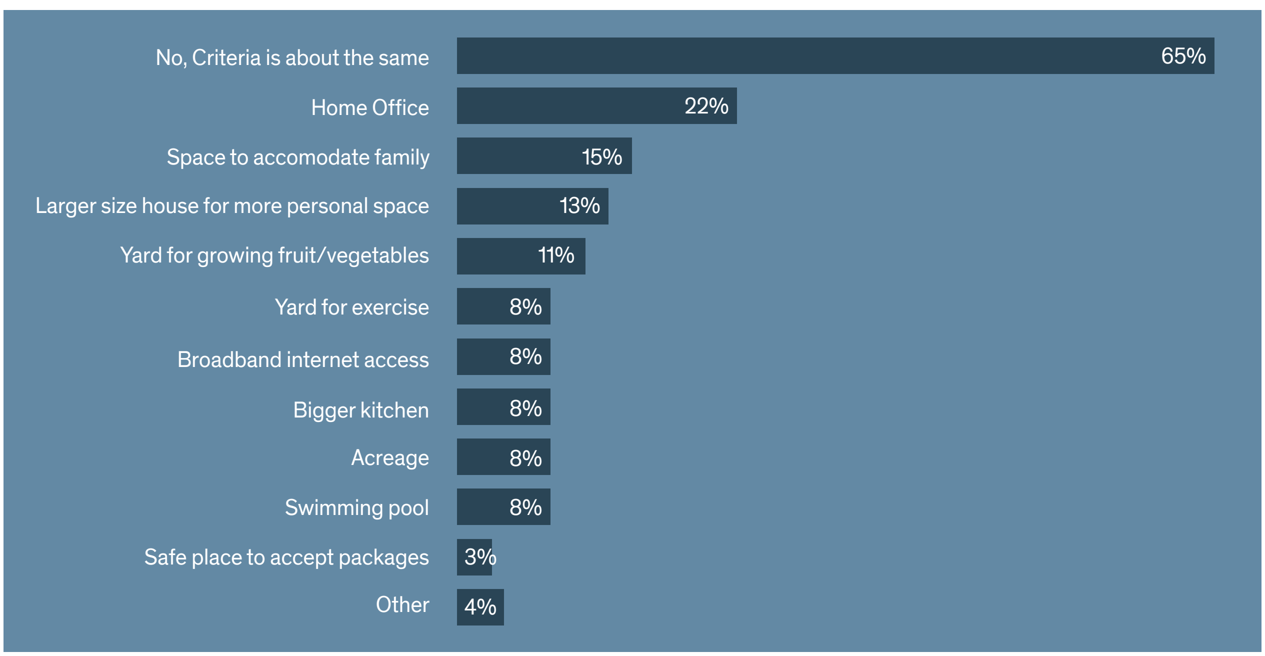
Suburban Migration

Some of the migration is to suburbs with more interior space, as well as larger lots, better weather and tax benefits. With commutes potentially less of an issue after COVID-19 homes farther from city centers become more viable for more workers, particularly those in professional services who do not to be on site to complete their tasks.

Ryan Schneider, CEO of Realogy, whose brands and company-owned offices handle more collective transactions than any other brokerage company in the nation, said on the company's second quarter 2020

July 2020 Member Market Recovery Survey

Have Clients Changed What Home Features Are Important in a New Home Due to Covid-19?
(Select all that apply)



Source: NAR

earnings call that the company has seen an increase demand for suburban living in multiple locations with premiums on home office space, outdoor areas and natural indoor lighting. In addition, the company sees an increase in second-home purchases from well-off buyers who may have homes in the city, but find they want a spacious outlet

Offers Sight Unseen

With travel restricted in many areas of the country, homebuyers began relying on virtual tours and their agents more to make offers on homes. In a survey of its agents from late April to June 2020, Coldwell Banker found that 22 percent of its agents reported selling a home to a buyer sight-unseen. In a June 8 Redfin survey of 1,400 homebuyers who bought a home in the previous 12 months, 45 percent of respondents said they had made an offer on a home without seeing it in person first, up 28 percent from buyers surveyed a year previous.

Home Type Preferences

With space becoming more valuable, condo demand is dropping as consumers are wanting more space to live, more privacy and a yard. According to NAR's member July 2020 survey, some of the home preferences that have picked up include:

- Desire for outside space – pool, yard, outdoor cooking
- More space – square footage, private space
- Rooms for office, schooling, multigenerational space
- Single-family homes from condos

Long-term Influence

Some business practices brokerages implemented and behaviors consumers demonstrated as a response to COVID-19 will remain, some will likely stick but it depends on how businesses and American culture evolve, and some will likely return to pre-pandemic levels when the COVID-19 crisis passes.

High Increase Relative to Pre-Pandemic Levels

Virtual Home Shopping

Virtual showings and virtual buying will increase, but the overheated market – low inventory and high buyer demand stoked by low interest

rates – are contributing to the demand. While technology has supported virtual closings or near-virtual closings, many brokerages say they do not necessarily see a demand from that for consumers. Some want to physically show up for closings, to memorialize a big event, to meet the people involved, etc.

More Streamlined Processes

Brokerage back-office got much more efficient with COVID-19. Many already had systems in place to handle accounting and agent payments digitally, for example, but had not refined or implemented the processes to a high degree. In addition, some of their agents were reluctant to transition to digital payments and transaction management. With the pandemic forcing a touchless system on all accounts, brokers, their staff, and agents implemented these systems, processes and technologies by necessity, and they became comfortable with them.

Better, Wider Communication

While video communication was available before COVID-19 and many brokerage companies had licenses, processes were not centered around

"While video communication was available before COVID-19 and many brokerage companies had licenses, processes were not centered around them."

them. They weren't leveraged to their full degree. Brokerages will undoubtedly leverage this technology to mitigate some travel, better communicate with their staff and agents and potentially increase their connections. Agents value weekly sales meetings, and the abilitiy to conduct a pwerful sales meeting virtually allows them the flexibility tto participate more frequently.

With many brokerages considering hybrid approaches – in-person meetings and trainings supplemented by virtual options for agents who can't make it in person – chances are these offerings will be used by more agents, and brokers may pour more resources into developing them.

More Production at the Top

As the industry matures and consolidates – trends that have steadily grown in recent years – the pandemic, as in many challenging times, shifts more business and opportunities to dedicated brokers agents with the aptitude and interest to leverage tech, systems and diligence to push forward and capture more market share, and strengthen their businesses. Expect to see the top-performing brokers and agents come out stronger, and the less-committed either move out or move to lower-fee models.

Moderate Increase Relative to Pre-Pandemic Levels

Suburban Relocation

COVID-19 and the video conferencing revolution it sparked showed companies that distributed workforces can be still be connected and productive. Regardless of how things evolve, more companies and a higher percentage of employees at companies will likely work remote for a greater percentage of their employment. This means commutes become less of an issue, and opens up opportunities for consumers to consider new markets where they can afford larger homes at relatively lower prices.

Remote Work

One potential long-term impact could be agents becoming more comfortable with working from home and embracing technology they already had access to streamline transactional contact points. There are some pros and cons – brokers will have to stay focused on how they provide proper oversight, coaching, quality control, and brand preservation in this environment.

Virtual Home Shopping

The jury is out with just how big a role virtual shopping will play in real

"The jury is out with just how big a role virtual shopping will play in real estate's future."

estate's future. There is little doubt that consumers will continue to evaluate homes virtually at higher rates than they did before the pandemic as they winnow their decisions, but, when COVID-19 lifts, many may likely want to still see their favorite selections in person, according to the brokerages T3 Sixty surveyed.

Virtual Closings

Brokers report that both buyers and sellers – buyers in particular – still indicate they do not mind showing up in person to closings and do not see a big demand to obviate that in the future. For large, infrequent purchases like a home, consumers sometimes like taking the time and space to meet the people involved, which adds a sense of security and a sense of ceremony.

Reduced Office Space

Companies will continue to evaluate how to balance virtual with in-person work. Because office expenses make up such a large portion of brokerages' budgets, they will look hard at this, but, based on this survey of brokerages, firms and their agents value their office space. While they may reduce their square footage, they are not looking to drastically reduce their leases.

Likely To Return to Pre-Pandemic Levels

In-Person Office Meetings

While brokerages leveraged the efficiencies of video conferencing to stay connected to staff and agents during the pandemic, many broker leaders shared that they and their agents could not wait to resume meeting colleagues in person and working at their away-from-home offices. While many put together home offices, the line between home and work that an office provides and the energy and culture that thrives when companies connect in person, will pull them back to the office.

Takeaway

Communities, industries, businesses and society at large faced a significantly changed and changing world in 2020 with the pandemic; COVID-19 has deeply affected not only communication and work, but has influenced the collective national psyche and changed behaviors, expectations and habits. The collective impact on business has forced companies and workforces in every industry to reimagine their processes, technology and operations to address a sudden drastic change to their day-to-day existence.

Some brokerages added new technology to improve processes and empower agents with additional digital tools to market and follow-up with consumers. Others had some of these systems in place and used the pandemic to coach its staff and agents up on the technology and the processes needed.

A crisis like the pandemic brings many significant stressors to the table – uncertainty, health concerns for family and loved ones, economic concerns relating to a slowed economy and a new reality that required deep change. These profound changes often create fear and the compulsion to stop and wait for things to return to normal. Our old normal will, however, most likely never return. When the tide turns, opportunities will emerge and it is he, or she, who adapts that will be ready to seize the day.

"For many, 2020 was an immensely difficult year on personal, family and stress levels, but despite all of that, it was actually a great year for real estate."

For many, 2020 was an immensely difficult year on personal, family and stress levels, but despite all of that, it was actually a great year for real estate. And early indications suggest that 2021 will most likely be a strong year for real estate as well.

Contributors

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About T3 Sixty

Since 1997, we have identified and analyzed hundreds of trends, business models and shifts that have impacted the residential real estate industry. Many were accurately detailed years before they became part of mainstream business.






T3 Sixty does not create the news. We do not report the news.
We analyze the news, understand why it happens and what impact it may have. We help reduce the noise in the real estate industry, so you can make better decisions.

Understanding innovation, change and new business models in real estate, especially before your competition does, enables you to create strategies that give you an advantage. Although no one can exactly predict the future, you can find double-digit growth if you know where to look.

And that is what T3 Sixty provides a multidisciplined and experienced consulting team focused on solving problems.

To leverage T3 Sixty to your benefit, reach out for a confidential conversation.