

MLS Agenda 2022



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 mls roundtable



MLS 2022 Agenda

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T3 Sixty is a leading provider of strategic research and analysis in the real estate . It produces award winning market intelligence reports such as the annual Swanepoel Trends Report and the Real Estate Almanac. The firm also manages the annual T3 Summit, residential real estate's premier think-tank for CEOs; T3 Fellows, a business acceleration program for high-growth real estate brokerages and teams; and provides an extensive cadre of management consultants experienced in creating and implementing winning strategies.

About the MLS Roundtable

A collaboration between like-minded MLS leaders, including leaders of several of the country's largest MLS organizations. See end of the report for more information.

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Preface

The multiple listing service as we know it is in jeopardy and this call-to-action serves as an impassioned plea to brokers and MLSs to take immediate action.

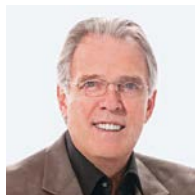
Members of The MLS Roundtable, and T3 Sixty, the joint authors, firmly believe that the MLS is experiencing fundamental impact that will definitively alter the direction of the MLS over the foreseeable future.

The MLS Roundtable represents several of North America's largest MLSs—with over 460,000 real estate professionals—and we want to push the MLS marketplace as a whole to places we never thought possible.

Roundtable members are committed to meaningful action. Through this white paper, we wish to elevate various concerns, while at the same time affirming that there is a path. MLSs will, however, need to broaden their perspective, as change is not going to be easy.



Stefan Swanepoel
Chairman & CEO, T3 Sixty LLC
Speaking for the members of The MLS Roundtable



David Charron
President, MRIS Investors, Inc.
Immediate Past Chair, CMLS

Executive Overview

Pioneered over a century ago, MLSs have supported the U.S. real estate industry and become a cornerstone of the real estate market. The MLS provides real estate professionals with a structured, competitive, collaborative, home buying and selling marketplace.

MLSs provides both real estate professionals and consumers access to an efficient, comprehensive view of the residential real estate market. It primarily streamlines the home buying and selling process by facilitating broker cooperation and compensation.

Due to numerous major trends and disruptions over the past few years, the industry has gone through several major changes. Today, it faces even more challenges that threaten, not only its very existence, but the benefits the MLS provides the industry in particular and consumers in general.

The MLS has certainly evolved. Some MLS organizations have reached levels of excellence. Yet the majority remain too small and under capitalized to effectively deal with the changes, especially technology change.

More specifically, due to inadequate funds being allocated every year to R&D, the software used in most MLSs has become obsolete. This situation is especially crucial, due to the fact that a number of large real estate groups and/or new players are well-funded and are in the process of building large platforms.

Unfortunately, most MLS organizations respond too slowly and there is no cohesive strategy. The likelihood that other players will marginalize the MLSs role, and degrade the benefits MLSs provide, is now a very tangible reality.



Why is the MLS in Distress

“There are big foundational shifts taking place that many MLS executives do not wish to acknowledge.”

*- Art Carter
CEO, CRMLS*

a) What happened since the MLS 2020 Agenda?

In 2017, The MLS Roundtable and T3 Sixty published The MLS 2020 Agenda, which outlined early warning signs that the MLS was in trouble. This self-critical document crystallized three key challenges facing the MLS, namely:

- The escalating impact of technology on the MLS
- The increasing strategic value of data in general
- The duplication for brokers who are forced to join multiple MLSs

While there has been a lot of talk and some consolidation since the publication of the 2020 Agenda, few mergers have taken place. Some MLSs have accelerated adoption of RESO standards, while others are pioneering data-share agreements. A few MLS vendors are updating their technology.

The Council of Multiple Listing Services (CMLS) has had a constant push to better the MLS and has made strides. Their members represent the most progressive and largest MLSs in the nation. However, only 226 MLSs of the 598 belong to CMLS and the other 372 MLSs (62.2%) are the majority of the stragglers.

Overall, there simply has not been enough serious action the past three years.

“MLSs are playing dominoes, when the new world’s playing 3-D chess.”

- Brian Donnellan
CEO, BrightMLS

b) What if MLSs fail?

The MLS provides brokerages, agents and consumers a neutral, comprehensive and competitive real estate marketplace that gives all parties an opportunity to provide consumers the best service possible.

Acting as a type of impartial traffic controller, MLSs, which serve nearly every market in North America, function as the most reliable source of vetted and accurate real estate data in their prospective markets.

By enabling a collaborative, competitive marketplace, the MLS gives agents, and consumers access to comprehensive and verified data they can use to make the best decisions regarding the real estate transaction.

Without these basic, core services, real estate brokers and agents would not be able to serve homebuyers and sellers as comprehensively and efficiently as they do today. In fact, without a full, accurate picture of recent sales or available inventory, the likelihood is that brokerage cooperation will decrease.

c) Forces impacting the MLS

In general, technology continues to evolve at an unprecedented pace and is shaking both the real estate and the MLS sector at a magnitude not felt since the 1970s when franchising and the 100% concept were introduced.



The largest challenges MLSs face include:

1. Declining and incomplete for-sale inventory in their databases.
2. The persistent, and increasing, presence of off-MLS home marketing.
3. A proliferating large broker strategy of marketing homes exclusively on company websites before marketing in the MLS.
4. Expanded iBuyer markets in which companies occasionally buy, list and sell homes they own without the MLS.
5. Growth and consolidation of brokerages and data vendors into national entities, which provides firms with the ability to serve as listing databases.

“Brokers need to join in the efforts to ensure the viability of the MLS.”

- Merri Jo Cowen
CEO, Stellar MLS

Today, billions of dollars are being used to test new business models in search of a paradigm changer.

Specifically, investors have poured \$1.75 billion into the residential real estate brokerage in the first half of 2019, already exceeding the total amount invested in all of 2018. Four iBuyer companies received 85 percent of that \$1.75 billion in funding: Offerpad (\$565 million), Knock (\$400 million), Opendoor (\$300 million) and Perch (\$220 million). Many of these companies do not use the MLS, or in many cases, use it differently than traditional brokers do.

Therefore, the primary challenge MLS organizations now face include a dwindling role as the market's primary location for all available inventory, as well as inadequate funds for necessary research and development to address rapidly changing service needs.

Further complication is being added by the class-action antitrust lawsuits that several law firms have filed on behalf of a handful of consumers against large brokerage companies and the National Association of REALTORS® (NAR). The suits claim the MLS policy of unilateral offers of compensation violates the Sherman Antitrust Act.

Lastly, the U.S. Department of Justice is also investigating whether MLS policies constitute steering, e.g. do buy-side agents steer clients away from listings that offer below-market-average commissions to buy-side agents?

Complicated times.

d) Why MLSs are paralyzed

“The MLS has failed to protect its essential value propositions.”

- John Mosey
CEO, NorthstarMLS

Governed (or at the very least heavily influenced) by committee, often by local REALTOR® associations, MLSs have become mired in complex business decision-making structures often around geographical market protection. Disappointingly, one of the real estate's greatest assets has been rendered all-but-paralyzed to change in many markets.

The majority of MLSs are managed as for-profit enterprises. They however tend to serve as the primary revenue stream for their owners, local REALTOR® associations, whose shareholders use the funds for other purposes. Often, associations do not reinvest sufficient capital back into business innovations that advance MLS technology and performance.

e) Circumstances demanding immediate action

Modern, well-funded companies such as Zillow Group, Redfin, Opendoor



“Without MLS as the traffic controls of information, data becomes imprecise.”

*- John DiMichele
CEO, TREB*

“MLSs need to create a national platform to support better technology offerings, delivered locally, as to preserve the uniqueness of local and regional services.”

*- Stuart White
CEO, RealTracs*

and Compass are focused on building, adapting and curating great real estate experiences for brokers and agents and with, collectively, thousands of engineers on staff, they are doing so at near break-neck speeds.

The path that appears most likely leads to a significantly diminished role for MLSs and a downgrading of their function as the central repository for listing data. Real estate has never had so many smart, software programmers and technology-savvy companies working in such a focused direction on dramatically changing the real estate listing and data game.

Given its current trajectory shaped by the aforesaid strategies, the MLS must react immediately.

These companies are racing to develop data-enhanced platforms and software solutions. These independent platforms will serve as primary listing databases for these companies' agents and the consumers that interact directly with them.

Should brokerages and others begin exclusively listing their inventory on their own websites, MLS databases will become fractured and less accurate. Agents and consumers will follow the listings.

When the platforms these real estate companies are building reach a critical mass of users, vendors such as CoreLogic, Fidelity, MoxiWorks and others will most likely feel compelled to also build their own platforms, or some variation thereof, which could fuel the trend to power private listing databases in general.

Although companies are not necessarily building these platforms to compete with MLSs, they will soon exceed, or circumvent, the service MLSs offer. This leaves the relevance of many MLSs in question, as uncomfortable as that conclusion is.

Why Brokers have Skin in the Game

“The MLS is not just a tool or a search engine. MLS is also not just an advertising mechanism for the listings. MLS brings structure and fairness and creates the marketplace.”

*- AnneMarie DeCatsye
CEO, Canopy MLS*

MLSs were created by brokers. Today, MLSs are still largely governed by brokers and agents. So, although MLS executives need to step up, brokers and agents can't keep blaming the MLS for everything that is wrong. The time has come for brokers to take real responsibility and lead with MLS executives. This is important because:

- 1. Trusted Marketplace** - Sharing listings, between competing brokers and agents, requires a trusted marketplace. Without the sharing, brokers and agents will not be able to offer consumers all the available homes for sale or expose homes for sale to all brokers and agents.
- 2. Data Sharing** - Under agreed rules and processes, brokers and agents can co-operate on the sharing of the information and can focus on the services they offer consumers rather than battle over who owns what data.
- 3. Compensation Sharing** - The sharing of compensation between the listing and selling broker/agent is crucial to the cooperation between brokers/agents working together to service both home sellers and buyers.

Loss of the MLS would necessitate the restructuring of an entirely new sharing, cooperation and compensation structure. This would be a much different reality.



Broker and MLS Call-to-Action

Brokers are encouraged to become more involved in their MLS. Here are some steps to take:

“MLSs need to have the ability to easily adapt and enforce rules that are responsive to the changing landscape.”

*- Rebecca Jensen
CEO, MRED*

1. Improve the real estate data

- Broaden the quality, comprehensiveness and breadth of your real estate data, data offerings and insights.
- Assemble and manage all property data you have rights to and integrate other data such as tax records and past sale information.
- Work with broker partners to determine how to record all sales, including those made through iBuyers and off MLS.

Author's note: Important, but low level. This should be a given.

2. Consolidate and collaborate

- Remove redundancies and streamline collaboration through strategic alliances, joint ventures or data-share agreements.
- People and politics stand in the way of market consolidation.
- Uneconomical MLSs must honestly reevaluate their motivation to not form or join larger, regional MLS organizations where scale typically leads to better resources, access to capital and more empowered leadership.

Author's note: There is no driver to make this happen, so this must be self-imposed.

“While there are warning signs everywhere, the window of opportunity remains open for MLSs to immediately take action that ensures its continued relevance.”

*- David Charron
CEO, MRIS Investors*

3. Drive universal adoption of RESO standards

- While RESO has near unanimous support – at least verbally – it requires even greater support, investment and empowerment to move to meet current technological demands.
- Time to adopt the RESO data dictionary standards and MLS web API immediately.

Author's note: This is a given, and you should already have done this.

4. Transform MLSs into meaningful businesses

- Get rid of outdated governance structures or association-focused business practices.
- Jettison underperforming products and partners.
- Create more streamlined operations with empowered expert leadership and management structures that enable fast responses and proper investment in innovation.

Author's note: This is obvious and needs no further clarification.

5. Improve marketing and communications

- Redefine your messaging, to boldly and succinctly communicate your clear, unparalleled role in creating effective, consumer-friendly and broker-friendly real estate markets.
- The MLS lacks a cohesive message regarding the value proposition of the MLS. CMLS crafted a smart campaign (making the market work) in an effort to accomplish this, but adoption is modest. Without the MLS, brokers lose, agents lose, and consumers will most-likely lose over time.
- Most MLS communication and marketing is dated. Revisit all of your communications vehicles: newsletters, blogs, etc. and reinvent them all.

Author's note: Probably the most significant action to take, as better informed consumers/brokers will result in more action.

“MLS disappearing is similar to the stock market going away. Unthinkable!”

- Tom Hurdlebrink
CEO, NorthwestMLS

6. Form a national data platform

- Accurate, verifiable, comprehensive real estate data is vital in the health of the residential real estate brokerage.
- Openly and seriously consider what kind of national data structure or partnership is required to compete against or support brokerage platforms being built.

Author's note: Seems logical but brokers and agents probably can't get out of their own way to make this happen.

7. Implement an MLS report card

- Assess where your MLS organization is, where you are helping brokers and where you fall short.
- Identify how you stack up against other MLSs, so you can benchmark your MLS and make the necessary changes.

Author's note: Benchmarking is always important, but hard to enforce. Self-improvement remains a personal choice.

8. Develop services for AI applications

- MLSs today have the most comprehensive real estate data, but Artificial Intelligence is only as good as the data that shapes it.
- Going forward, MLSs need to anticipate future broker data analytics needs.
- Optimize data and photos for more robust analysis by using future Artificial Intelligence and machine learning programs.

Author's note: While MLSs have bigger problems to solve today, tomorrow is coming fast so this requires action soon.

In Conclusion

The MLS is at a crossroads. We are at this crossroads because not enough focus has been placed on the changing nature of the residential real estate brokerage industry that we serve. Technology is changing our customer because consumer demands are pushing technology to change the real estate industry.

Twenty years ago, the industry was much more concerned with its capabilities and how it chose to deliver service to the consumer. This created numerous vacuums. Outside entities recognized those vacuums and set about the process of trying to meet consumer demand rather than satisfy industry desires. These outside entities have now drastically changed the face of real estate.

The traditional brokerage model is faced with the certainty of change and disruption because Wall Street is betting big that vacuums still exist between current services levels and future consumer desires.

As such, these high-stakes investments will change the consumer of MLS services. As the definition of real estate brokerage changes, the value proposition of cooperation through compensation is questioned, either through the courts, government intervention or consumer desire.

No MLS organization is proactively planning for this kind of significant shift. And we should be.

It is time to start thinking about the value proposition of MLSs in a new light. MLS services must expand past the platform of cooperation and compensation into an AND/OR possibility. At the 2019 T3 Summit, it was significant to note that industry leaders talked about the future of real estate, most of them planning for a future without cooperation.

The current MLS system is the only platform in real estate that contemplates the best interest of the consumer alongside of the best interests of the brokerages it serves. That is true cooperation. MLSs are the perfect conduits for aggregation of business data and intelligence about consumer desires and actions.

This white paper detailed many challenges and concerns while at the same time affirming that we, the MLS Roundtable, believe there is also hope. But hope is not driving down the same path that we are on. MLSs must change.

Our worth as MLSs is our ability to stand between competitors and offer an important value proposition in exchange for facilitating their cooperation. The MLS can and must be the tool brokers and agents need, in whatever new paradigm they may be.

"If there is one day an alternative to the MLS, will brokers and agents still choose us?"

*- Kathy Condon
CEO, MLSPIN*



mls roundtable



The objective of the MLS Roundtable is to discuss issues and when appropriate, foster dialogue or issue an opinion. Its sole purpose is to advance the broker's business and, by extension, that of all participants. It is intended to add to the good work being done by other stakeholders.

MLS Members of the Roundtable are:



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