



VISION SPEECH
PART TWO

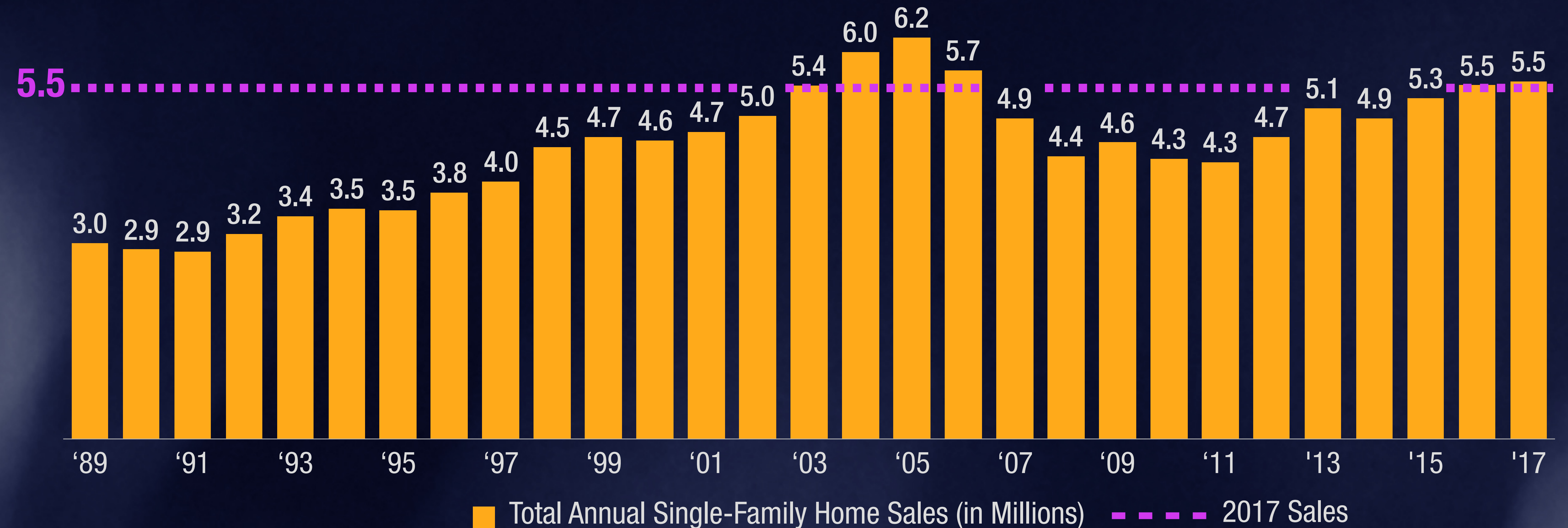
MARKET UPDATE

The Numbers That Drive U.S. Real Estate

- 1. Home Sales**
- 2. Home Price**
- 3. Months Supply of Inventory**
- 4. Mortgage Rates**
- 5. Affordability**

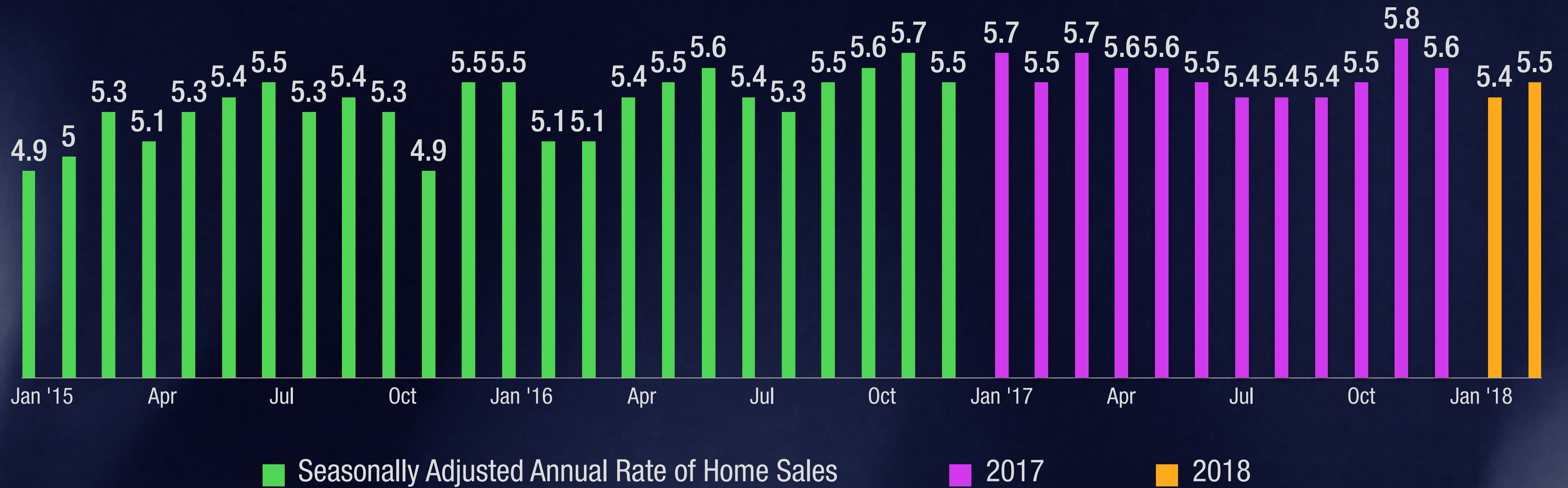
1. Home Sales - Annual

2017 was the best year for home sales in the last 11 years, but growth in sales slowed to only 1%.



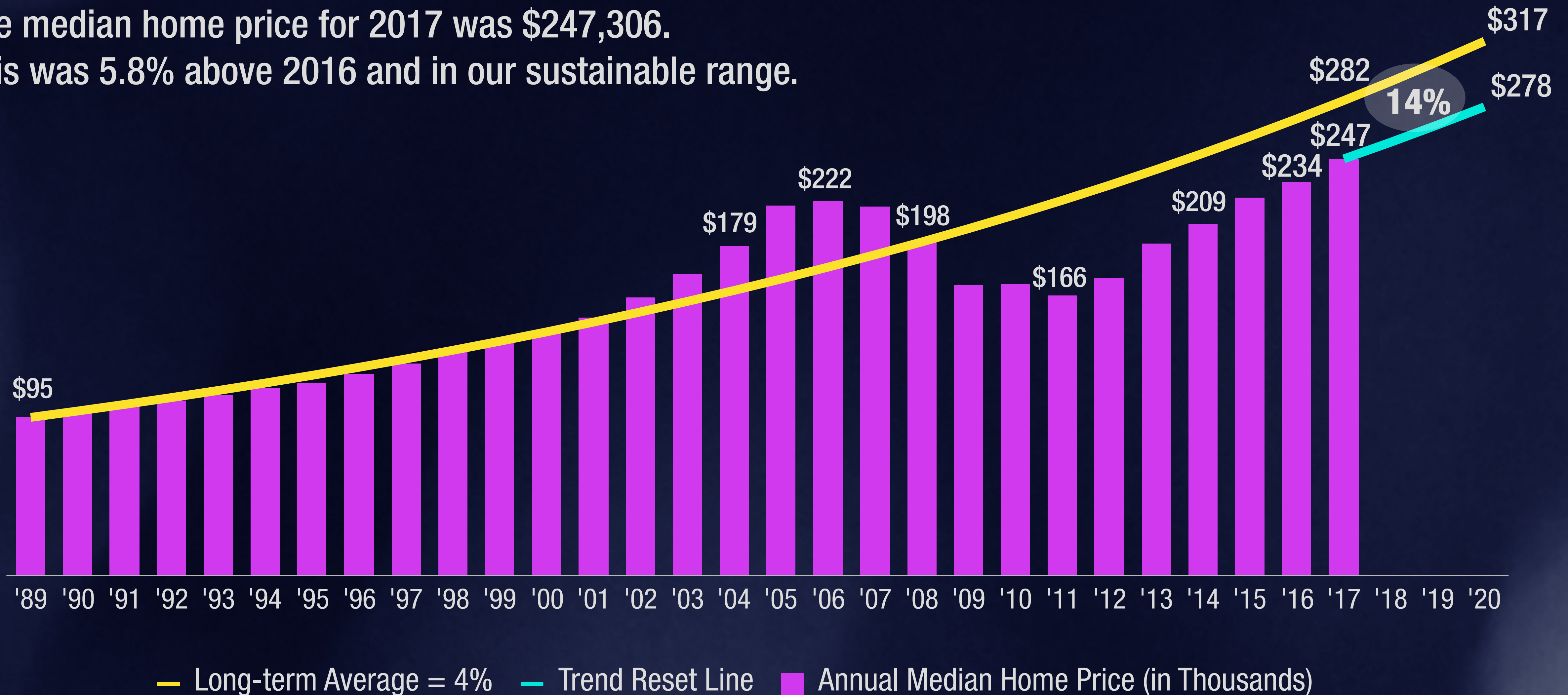
1. Home Sales - Monthly

Sales have lagged behind 2017 for the first quarter of the year.



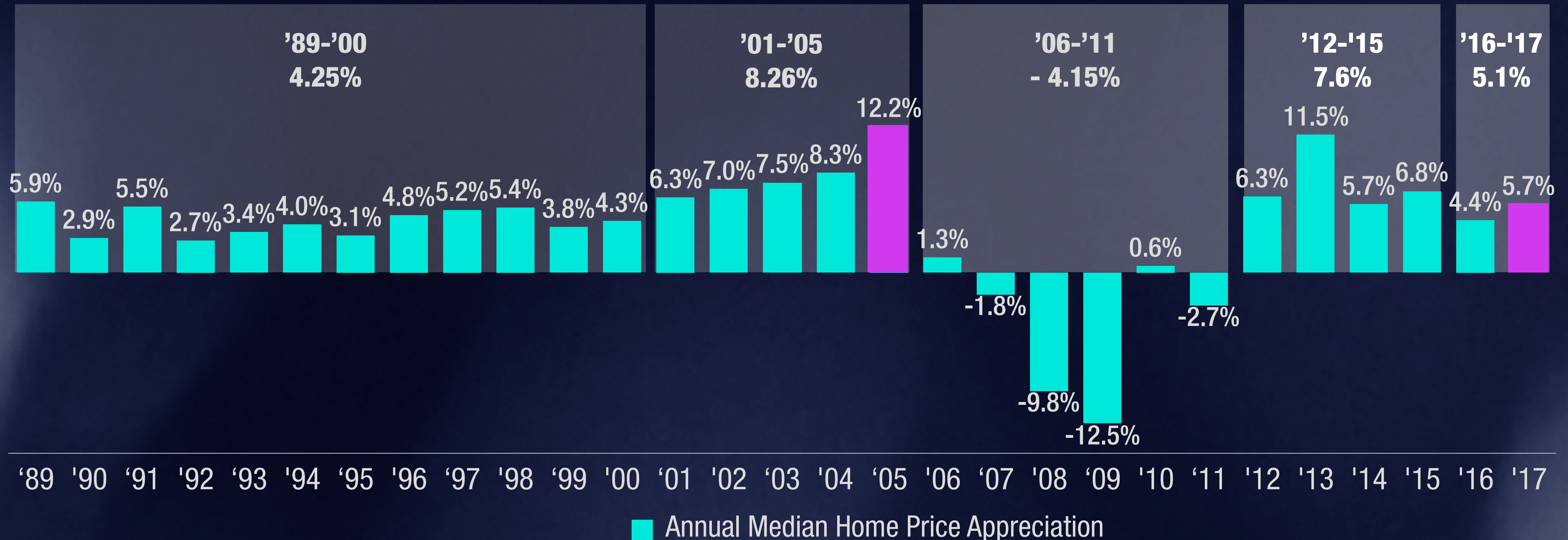
2. Home Price - Annual

The median home price for 2017 was \$247,306.
This was 5.8% above 2016 and in our sustainable range.



2. Home Price - Annual Appreciation

Low inventory levels contributed to an acceleration in home price appreciation in 2017.



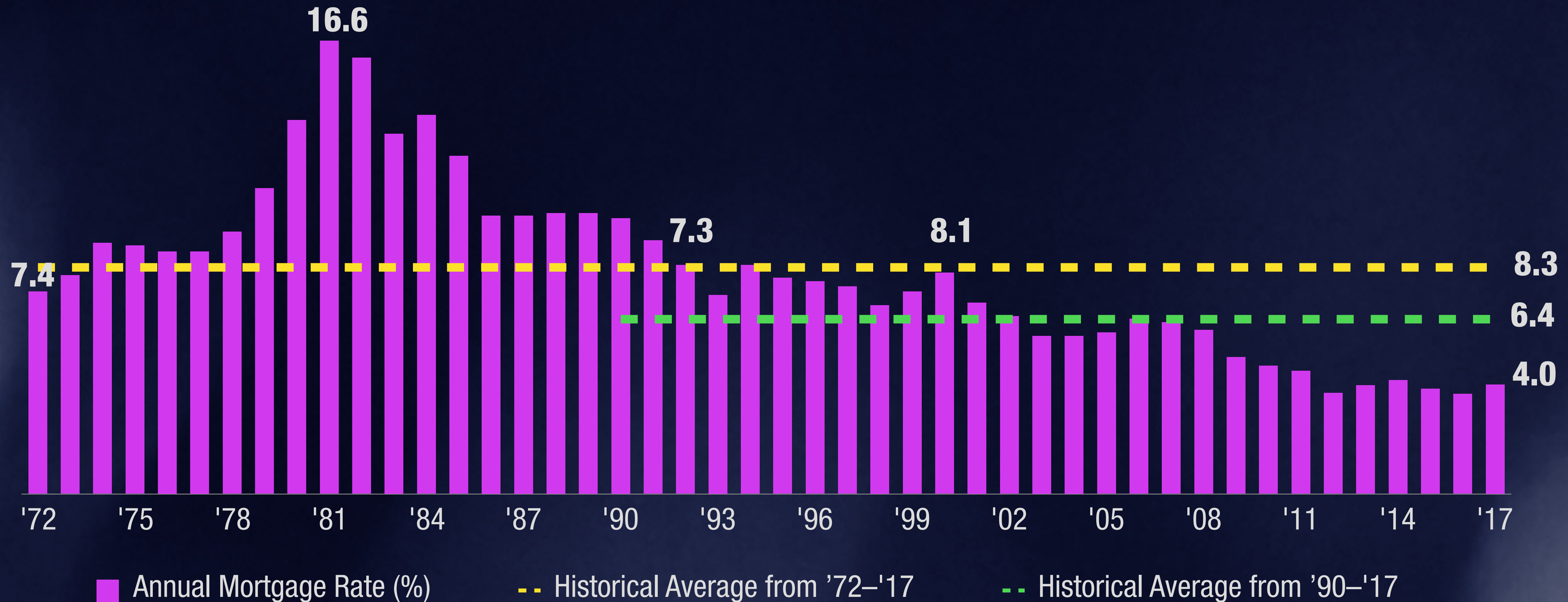
3. Months Supply of Inventory - Annual

Inventory has continued to tighten as demand continues to grow and new inventory has failed to keep pace.



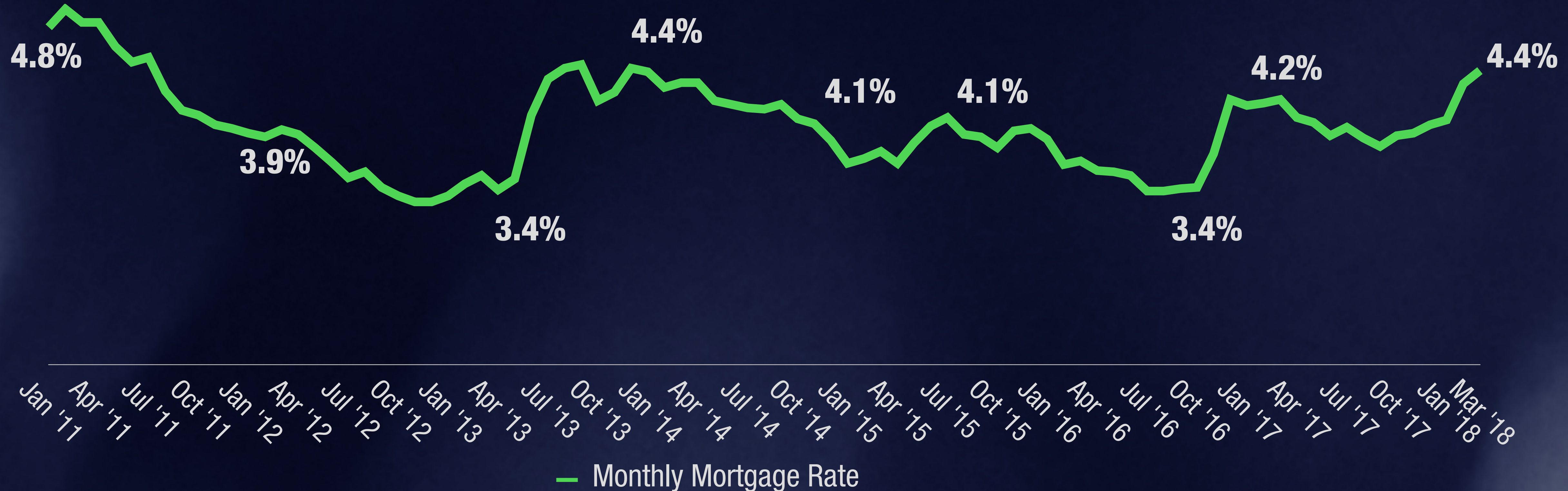
4. Mortgage Rates - Annual

Mortgage rates averaged 4% in 2017, increasing slightly from the previous year and still historically low.



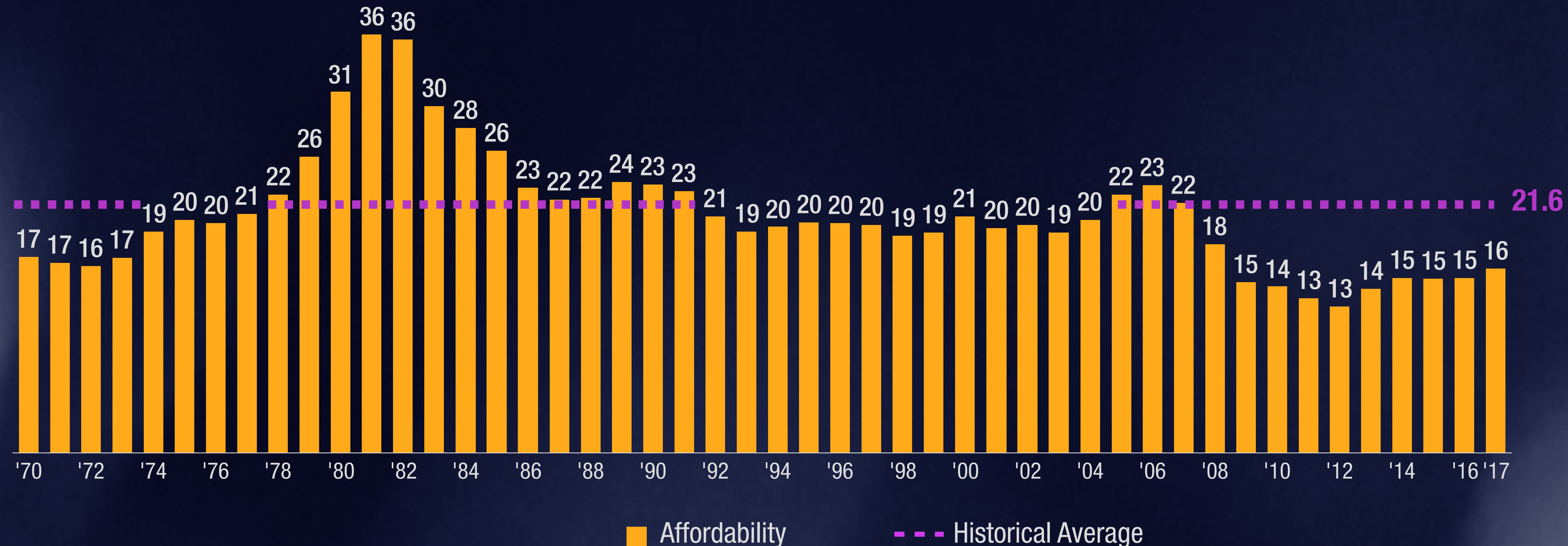
4. Mortgage Rates - Monthly

Mortgage rates jumped early this year and are expected to continue to increase.



5. Affordability - Annual

Affordability continued to decline in 2017 due to rising home prices and higher interest rates.

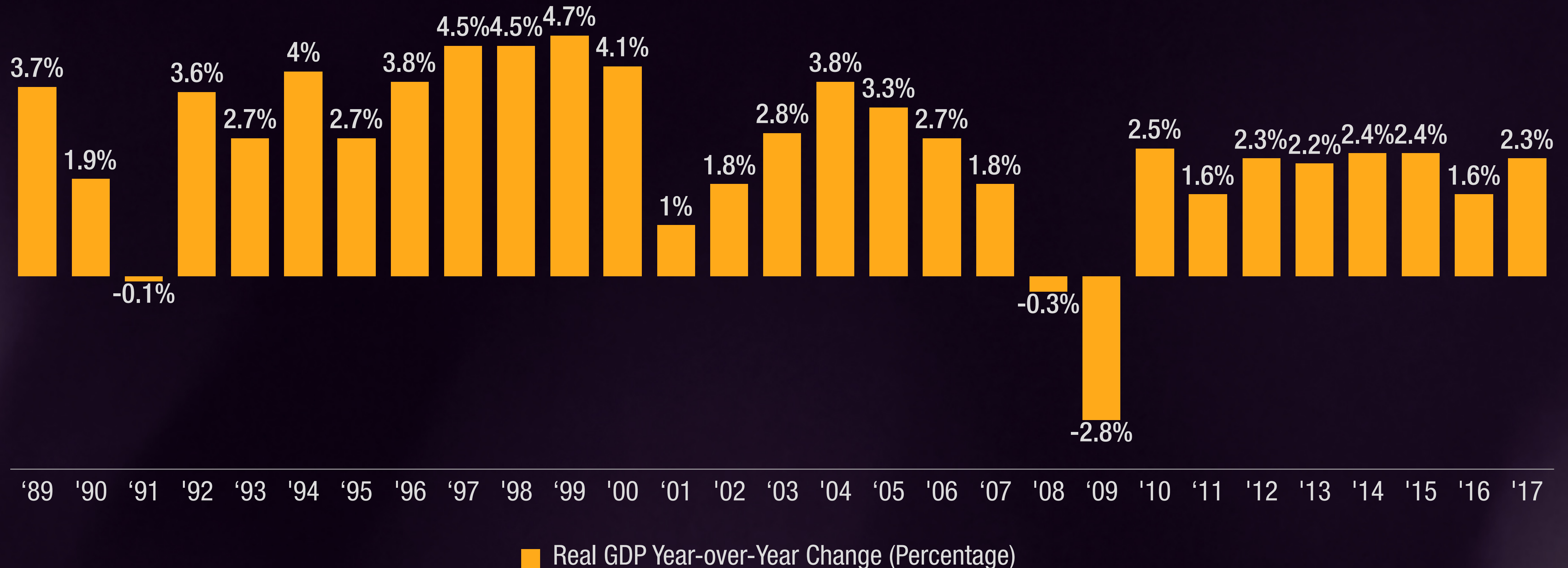


The U.S. Economy

- 1. Gross Domestic Product**
- 2. Unemployment**
- 3. Income**
- 4. Inflation**

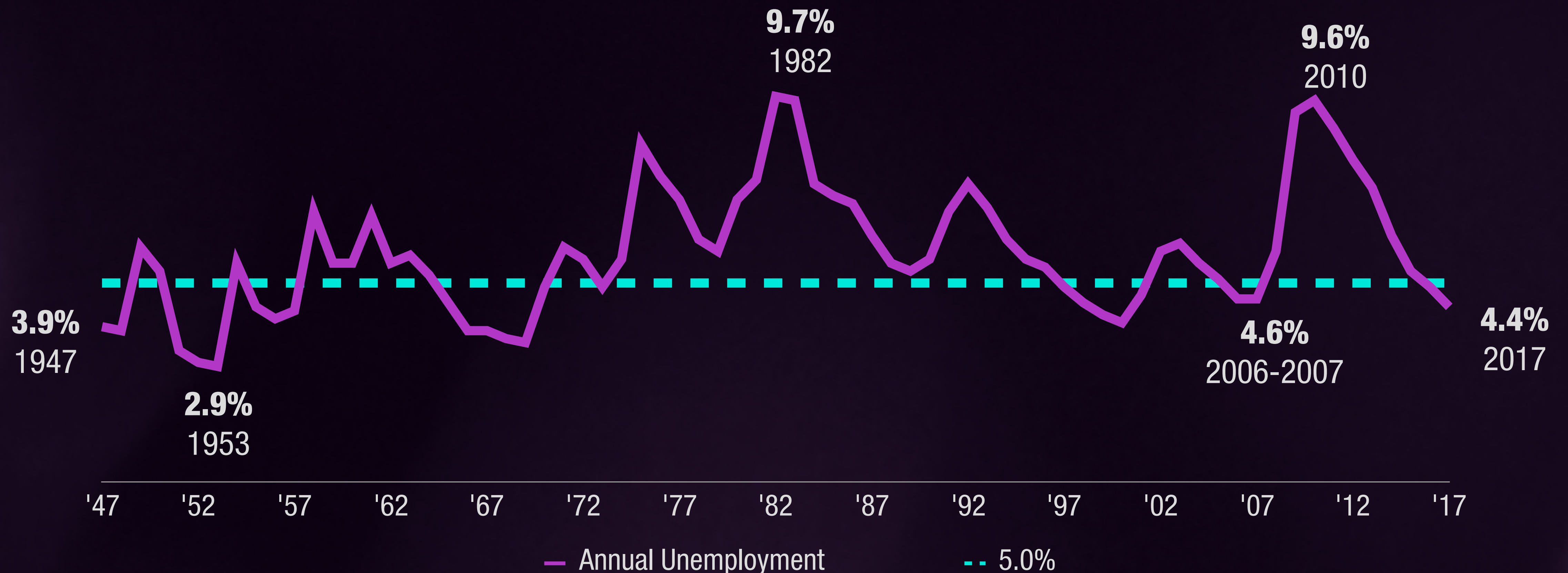
1. Gross Domestic Product - Annual

GDP grew by 2.3% in 2017, continuing the post-recession pattern of growth in the low 2% range.



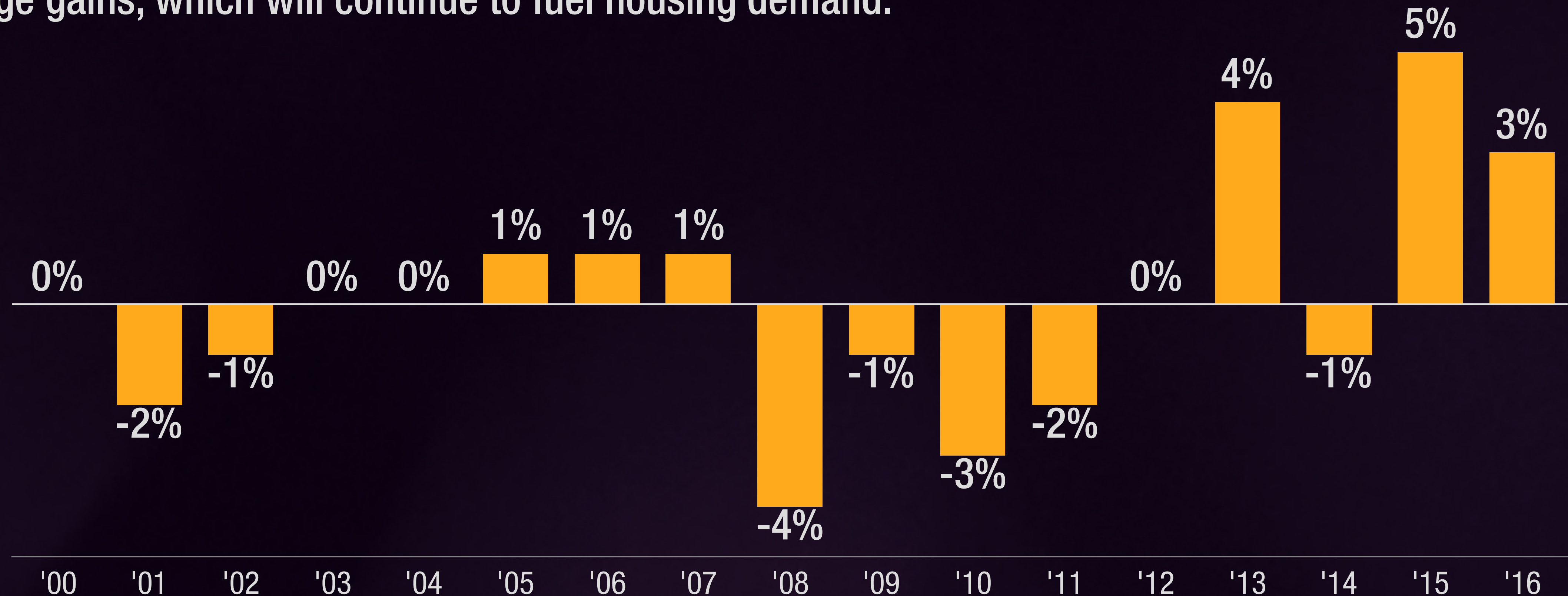
2. Unemployment - Annual

Unemployment is now at the lowest annual average since 2000.



3. Income

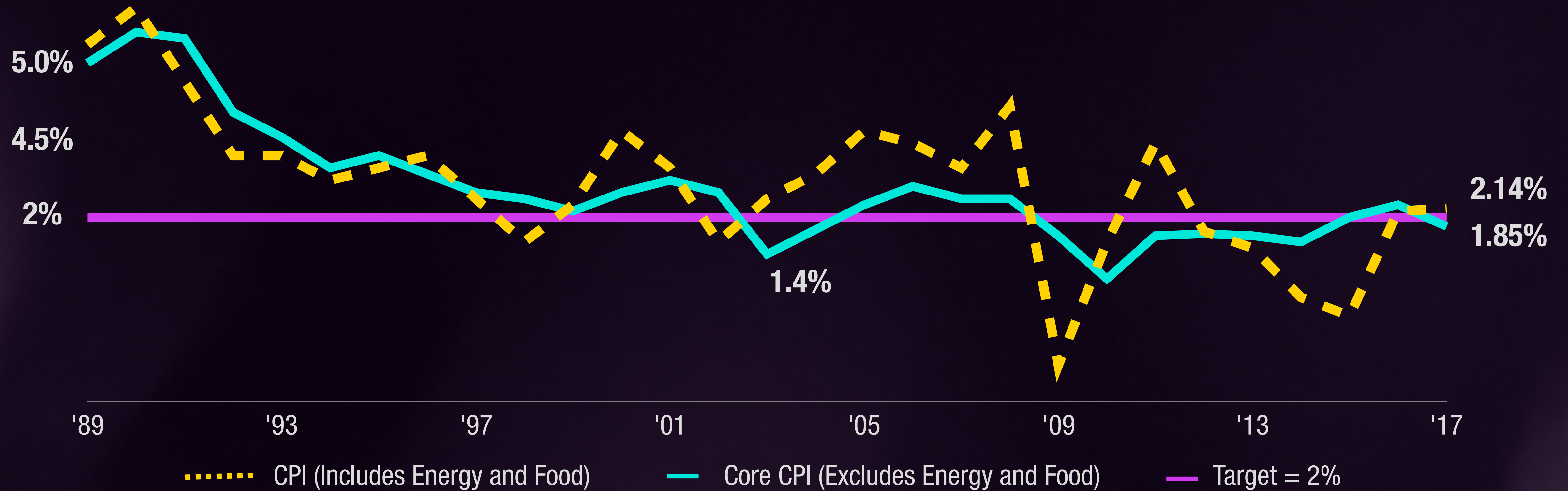
The recovery of the job market has begun to generate consistent evidence of wage gains, which will continue to fuel housing demand.



■ Median Household Income (Adjusted for Inflation) - Annual Appreciation

4. Inflation - Annual

Inflation remains near the 2% target of the Federal Reserve.

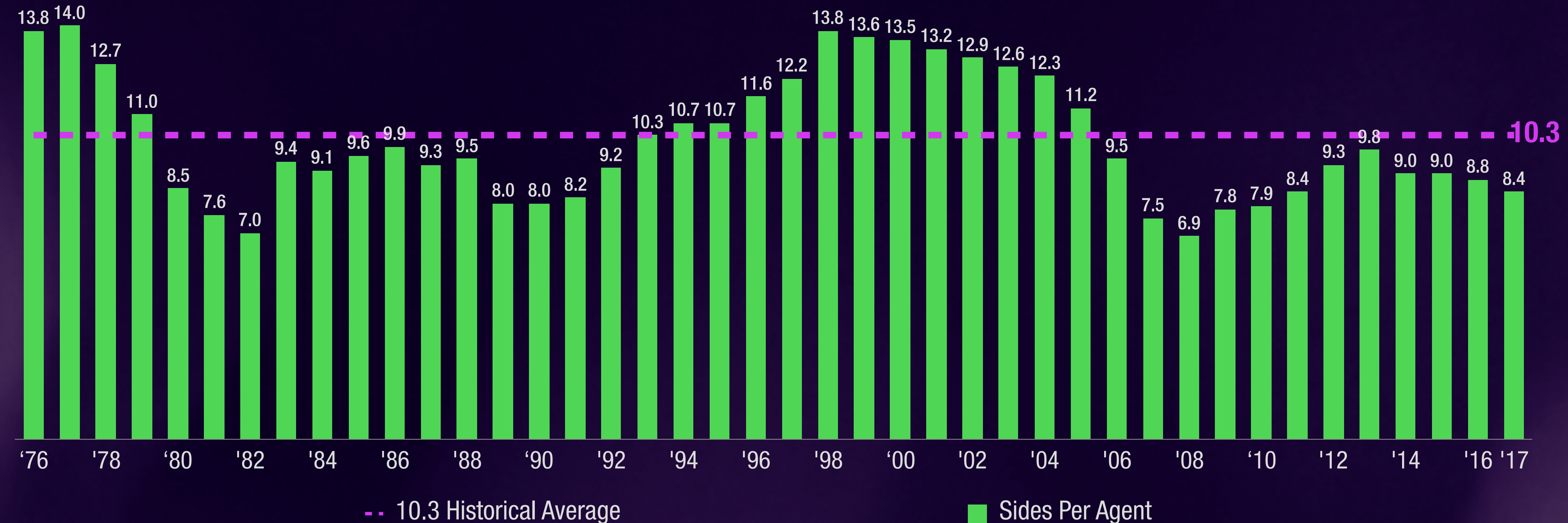


U.S. Events

1. Sides Per Agent
2. Distressed Sales
3. Underwater Homes
4. Federal Reserve Policy
5. New Home Construction
6. New Home Sales
7. Home Ownership
8. Student Loan Debt
9. Natural Disaster

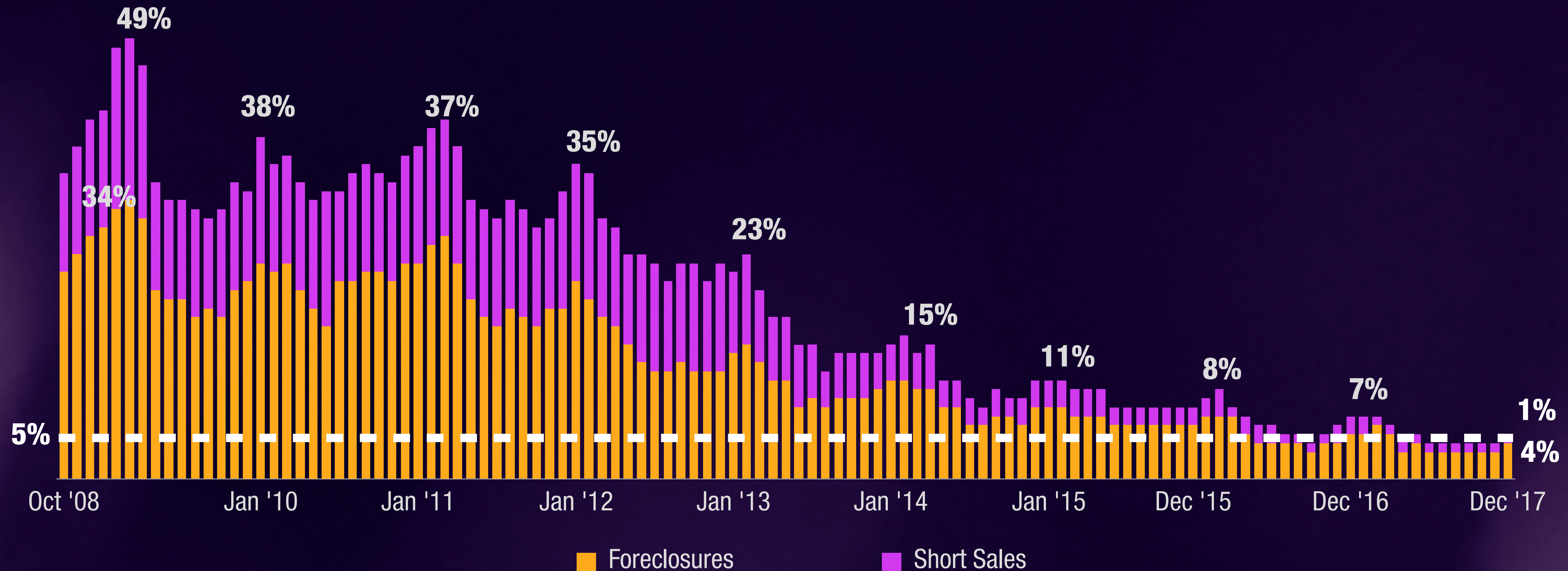
1. Sides Per Agent

Sides per agent decreased slightly in 2017 as the agent population grew to 1.31 million and home sales climbed to 5.51 million.



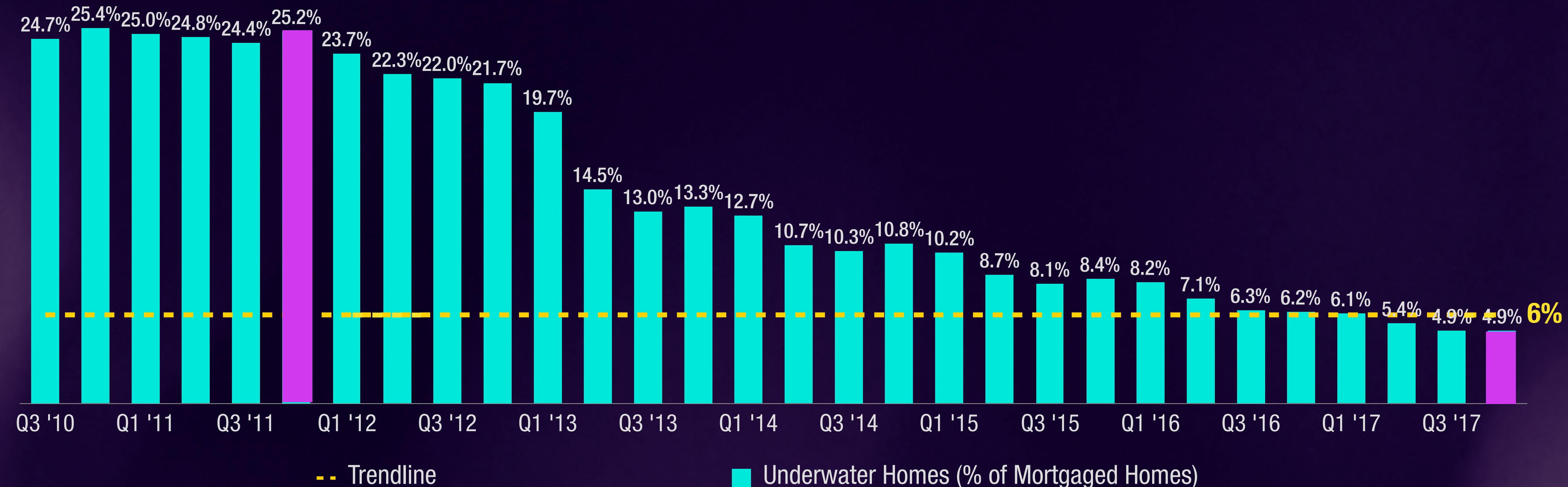
2. Distressed Sales

Distressed sales have returned to historically normal levels for a healthy market.



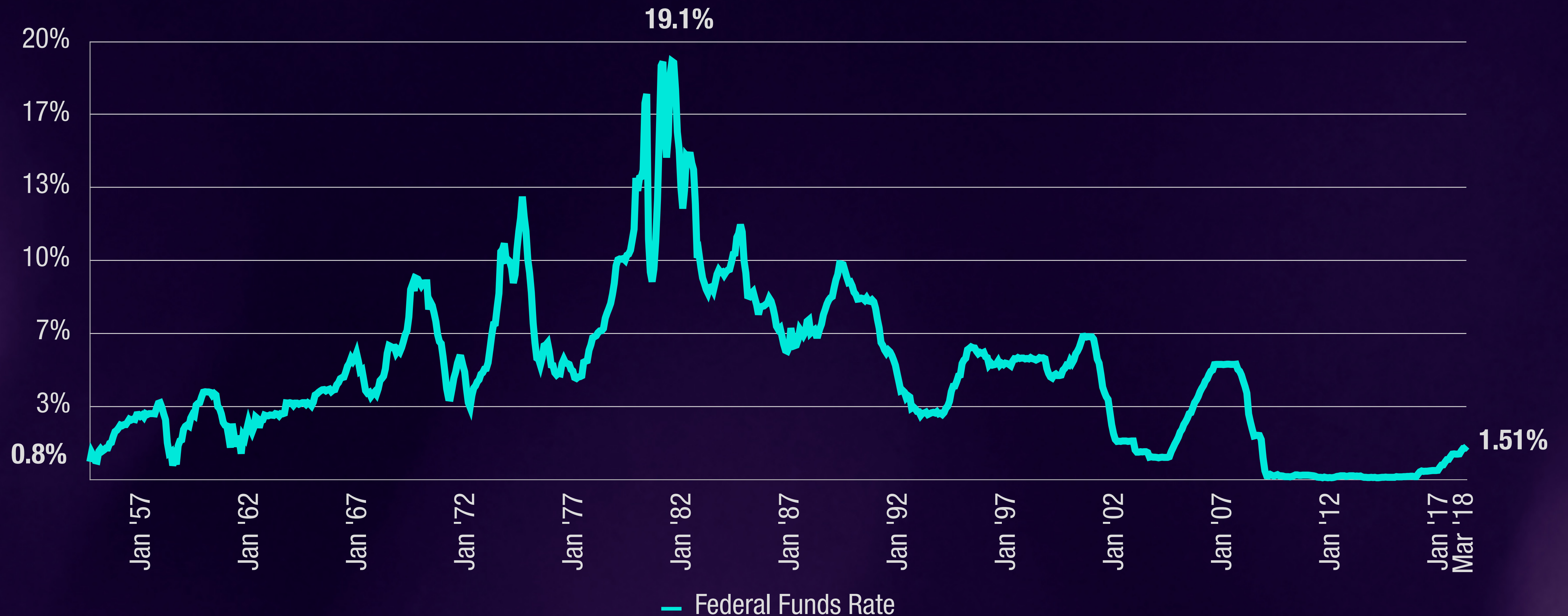
3. Underwater Homes

After several years of equity gains, underwater homes have returned to healthy levels for the majority of the country.



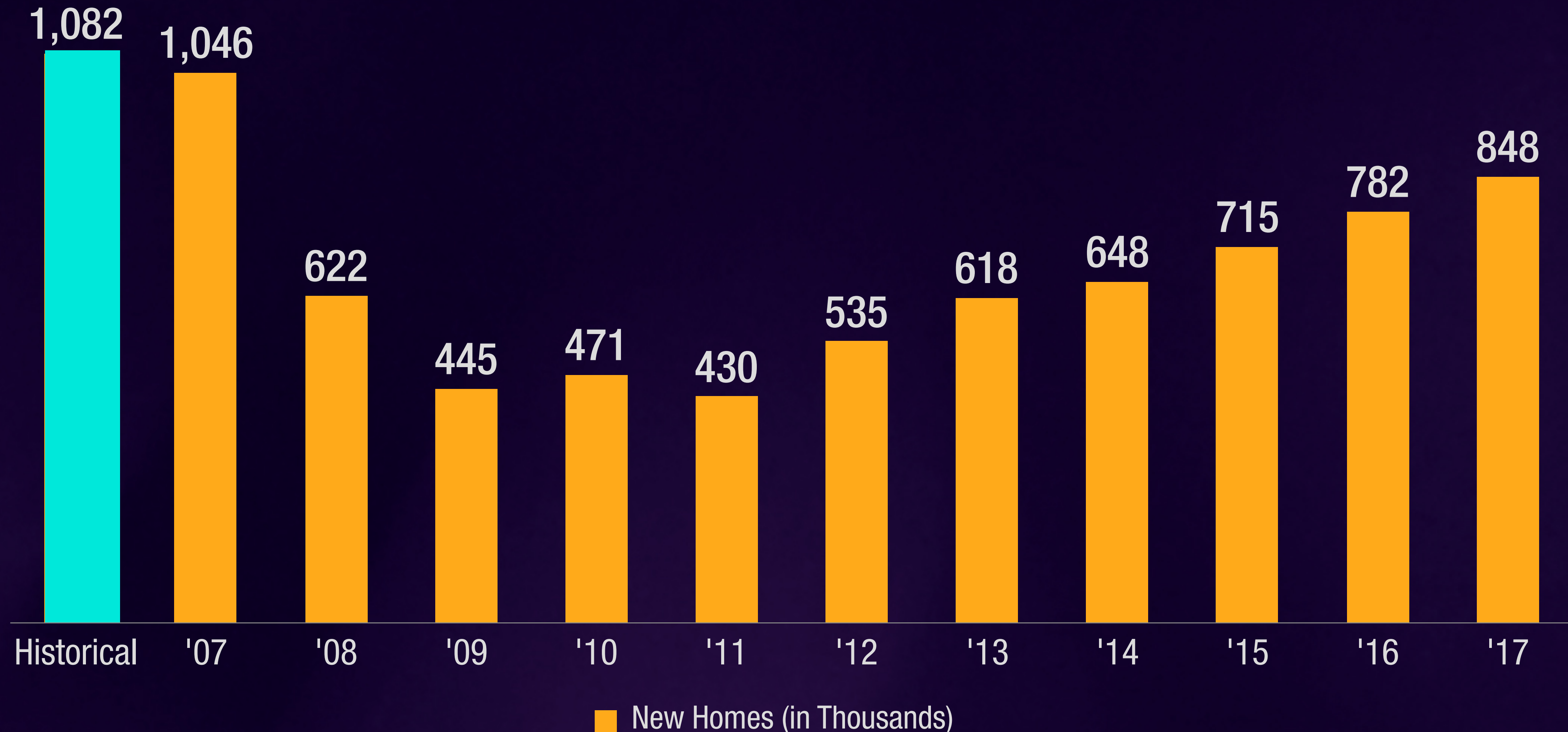
4. Federal Reserve Policy

The Federal Reserve raised interest rates in December and anticipates further increases this year.



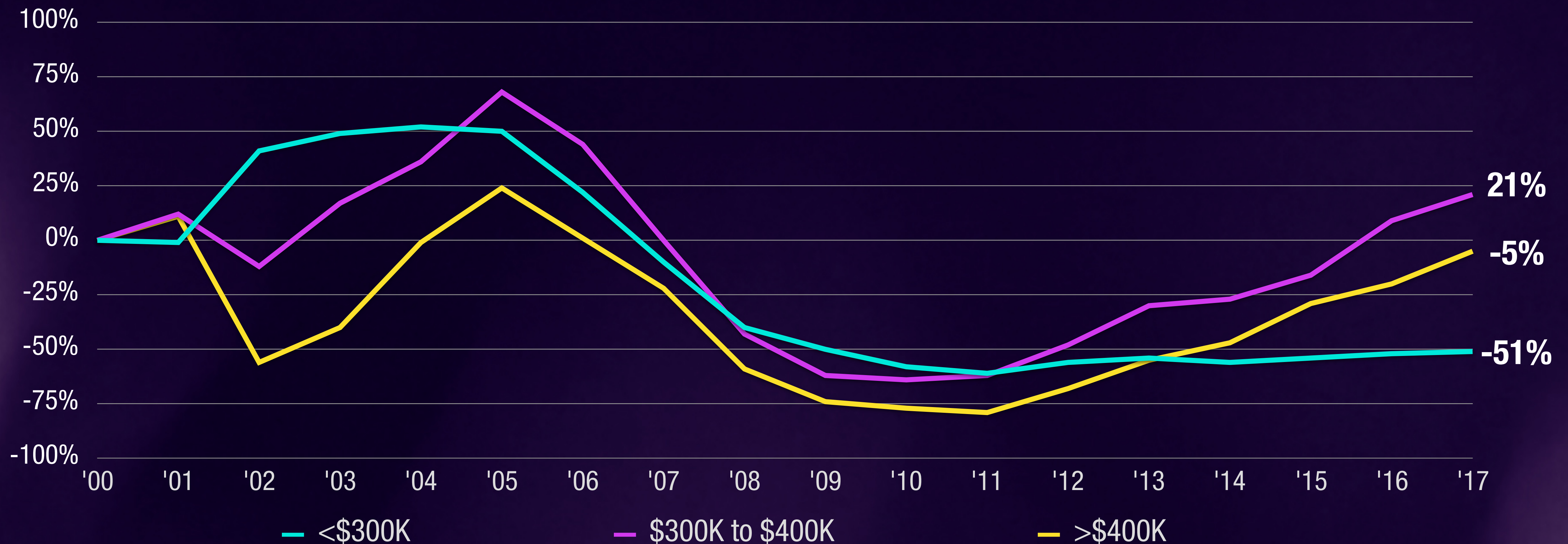
5. New Home Construction

2.16M net underbuild = [2.58M overbuild (2000 - 2006)] + [4.74M underbuild (2007 - 2017)]



6. New Home Sales

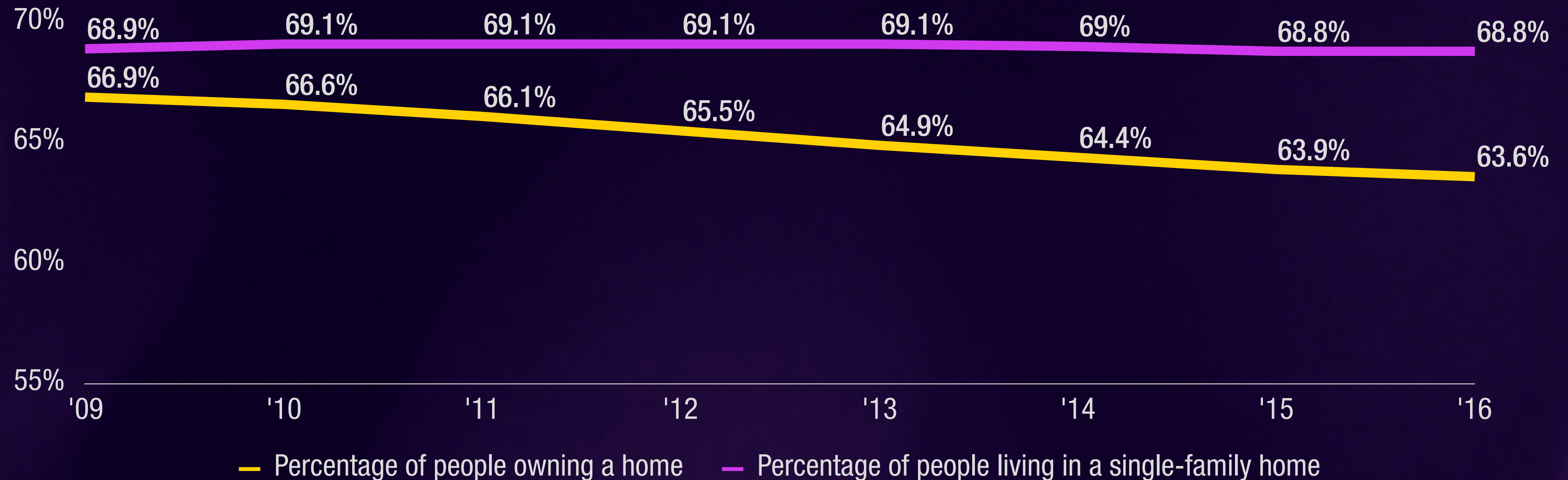
The lack of construction in the entry-level price range has contributed to shortages, causing extremely low inventory levels of entry-level houses in many cities.



Sales are indexed to the 2000 level.

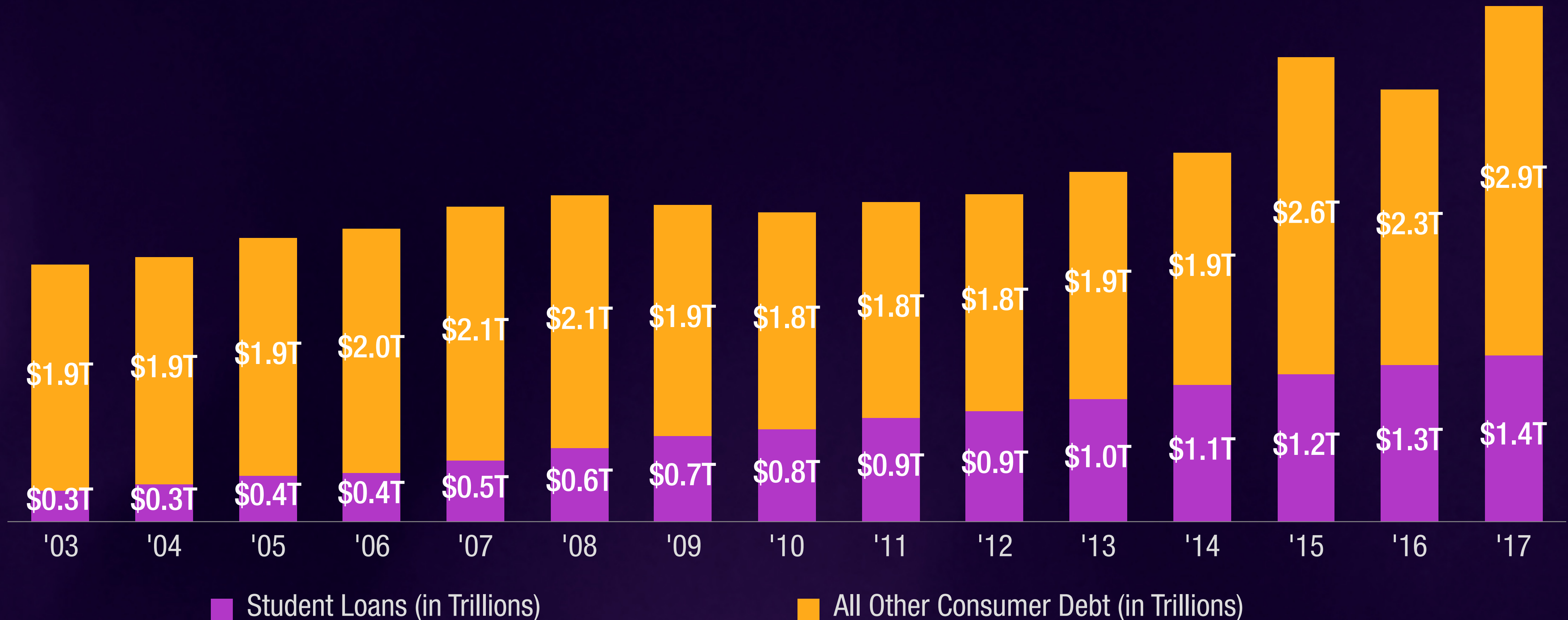
7. Home Ownership

The rate of home ownership has steadily declined, while the share of households living in single-family homes has been relatively steady.



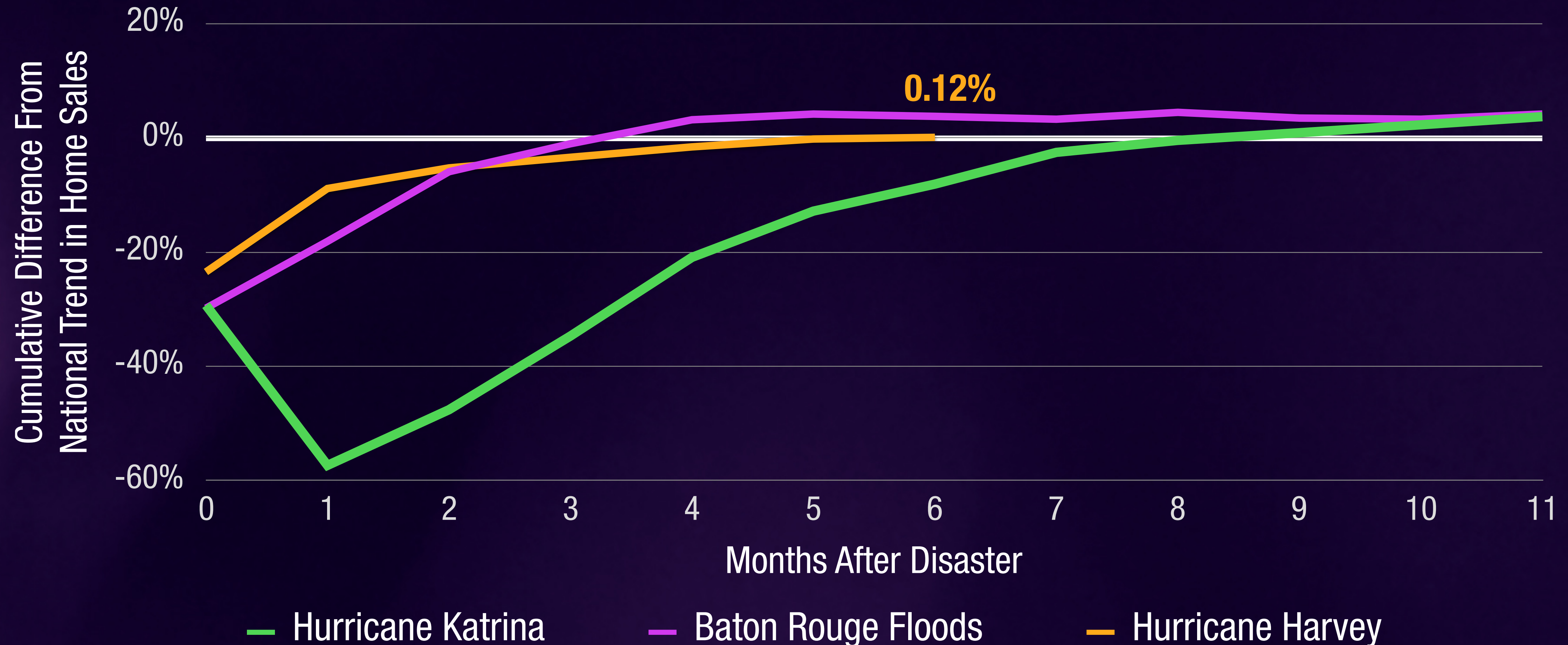
8. Student Loan Debt

Student loan debt continues to grow and is often a concern for first-time home buyers.



9. Natural Disaster

Since Hurricane Harvey in August, cumulative growth of home sales in the Houston area are 2.3% below the national trendline.



Luxury

- 1. The World's Wealthy**
- 2. Allocation of Financial Investments**
- 3. Months Supply of Inventory**
- 4. Days on Market**

1. The World's Wealthy

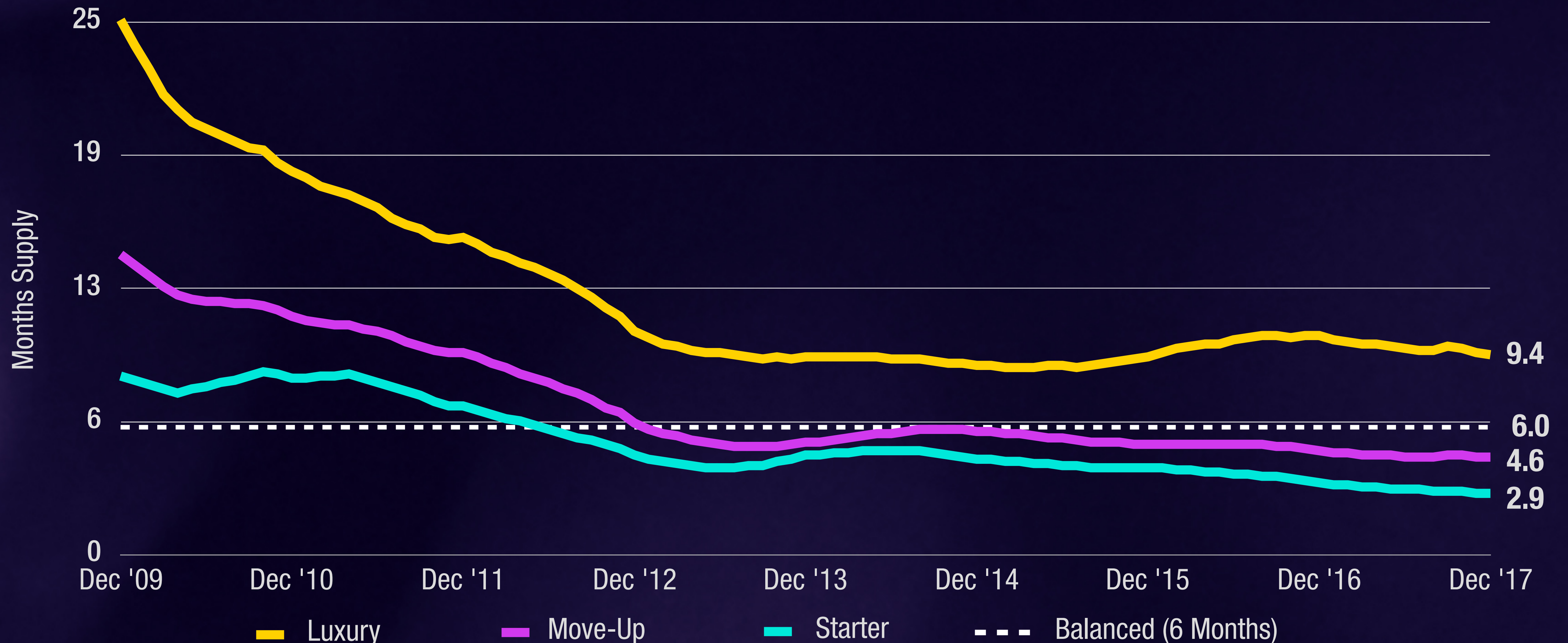
Year	HNWI* in US (in Thousands)	HNWI in Canada (in Thousands)	Global HNWI (in Millions)	Wealth of Global HNWIs (in US\$ Trillions)
2006	2,920	248	9.5	\$37.2
2007	3,019	281	10.1	\$40.7
2008	2,460	231	8.6	\$32.8
2009	2,866	251	10	\$39
2010	3,104	282	10.9	\$42.7
2011	3,068	280	11	\$42
2012	3,436	298	12	\$46.2
2013	4,006	320	13.7	\$52.6
2014	4,351	331	14.6	\$56.4
2015	4,458	321	15.4	\$58.7
2016	4,795	357	16.6	\$63.5
2006 - 2016	64% increase	44% increase	75% increase	71% increase

*HNWI = High Net Worth Individuals

2. Allocation of Financial Investments – Globally

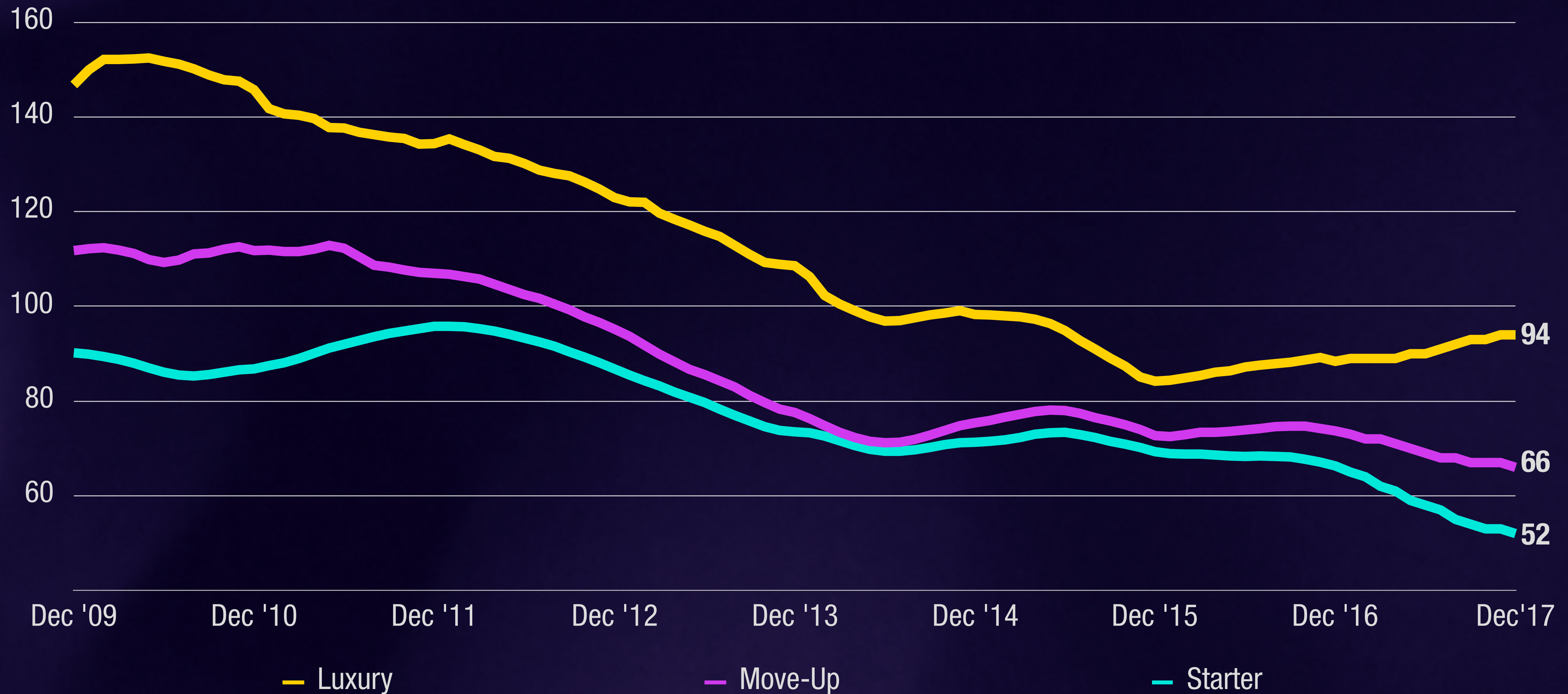
Year	Real Estate	Cash/Deposits	Fixed Income	Stock Market	Alternative Investments
2006	24%	14%	21%	31%	10%
2007	14%	17%	27%	33%	9%
2008	18%	21%	29%	25%	7%
2009	18%	17%	31%	29%	6%
2010	19%	14%	29%	33%	5%
2012	20%	28%	16%	26%	10%
2013	19%	27%	16%	25%	14%
2014	18%	26%	17%	27%	13%
2015	18%	24%	18%	25%	16%
2016	18%	24%	18%	25%	16%

3. Months Supply of Inventory



Average over previous 12 months.

4. Days on Market



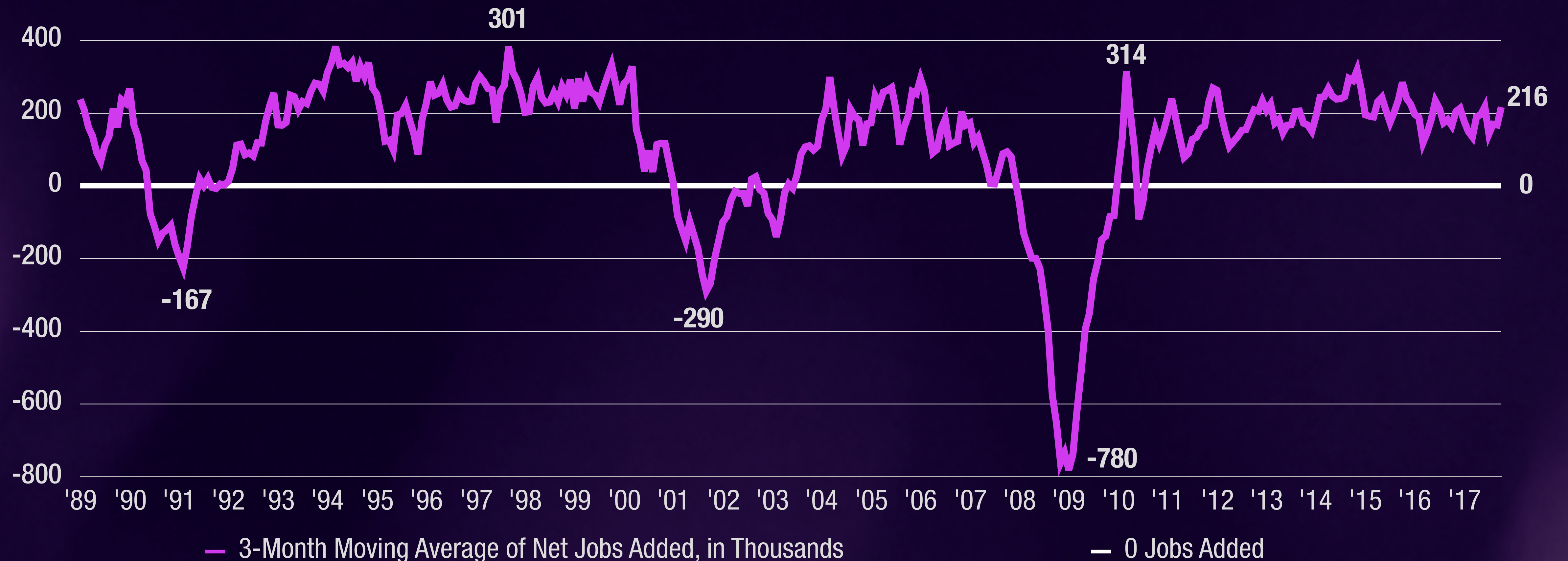
Average over previous 12 months.

Commercial

1. Job Growth
2. Vacancy Rates
3. Loan Delinquency Rates

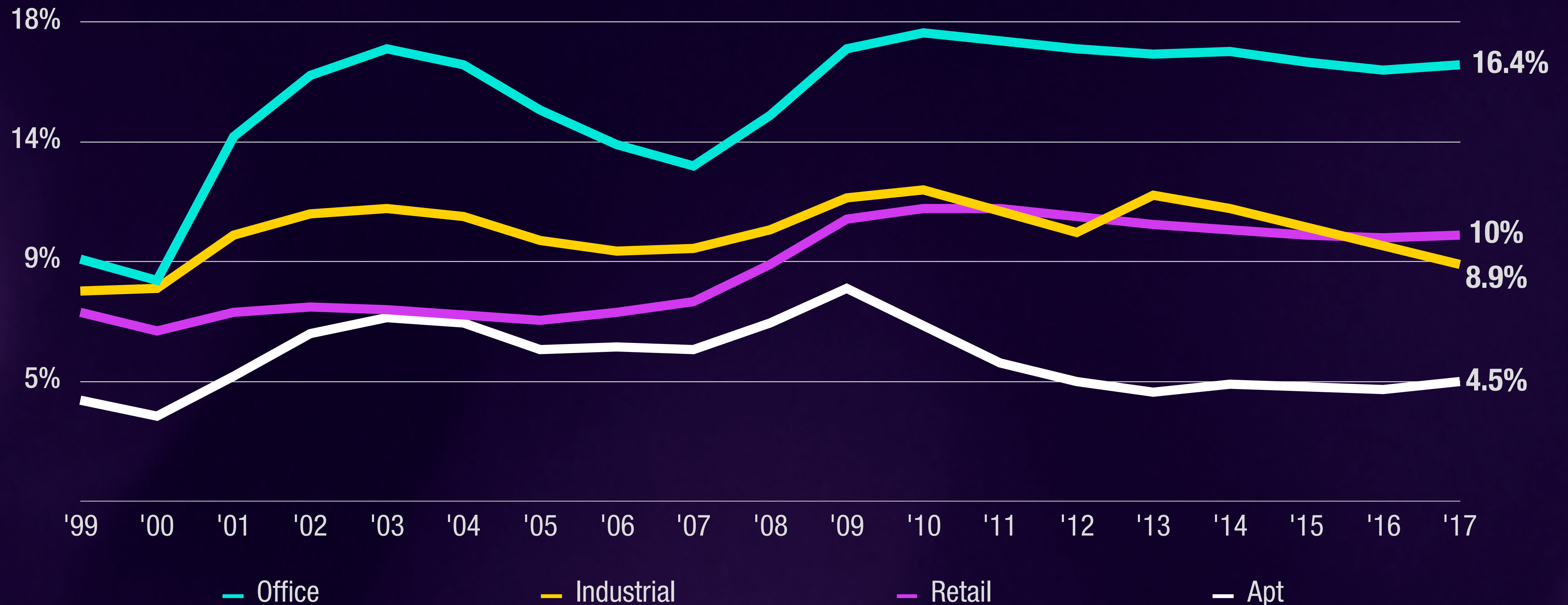
1. Job Growth

Businesses in the United States added a net 2.2 million jobs in 2017.



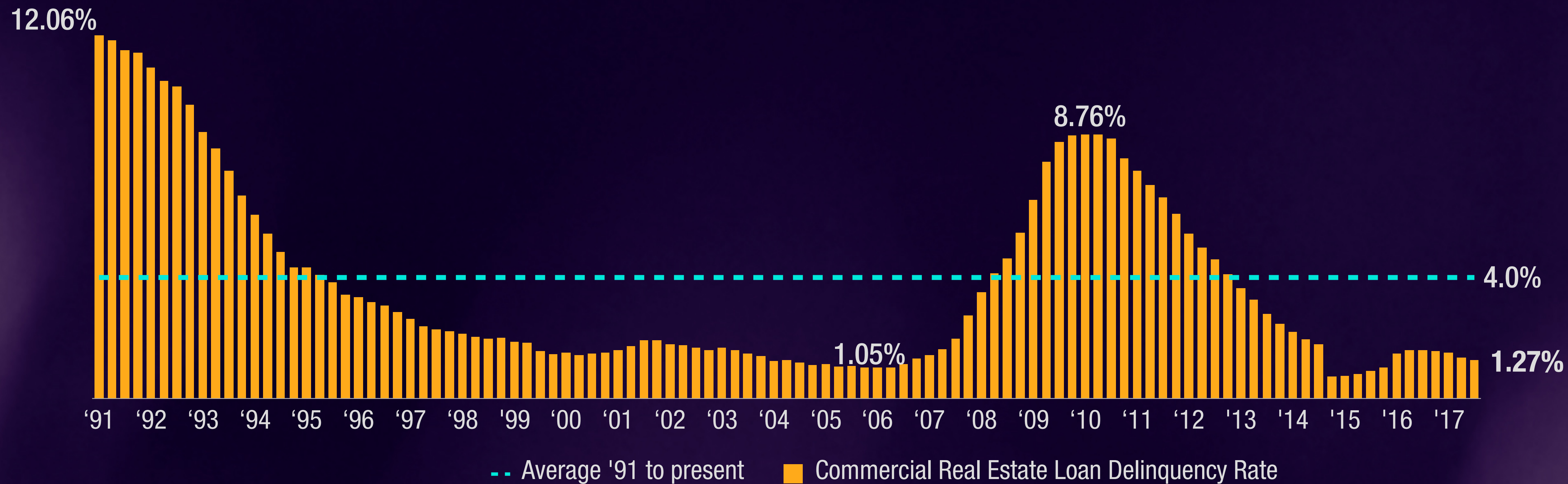
2. Vacancy Rates

The strongest improvements in vacancy rates have been in industrial and warehouse spaces.



3. Loan Delinquency Rates

The commercial real estate loan delinquency rate has recently shown some upward trajectory but remains historically low.

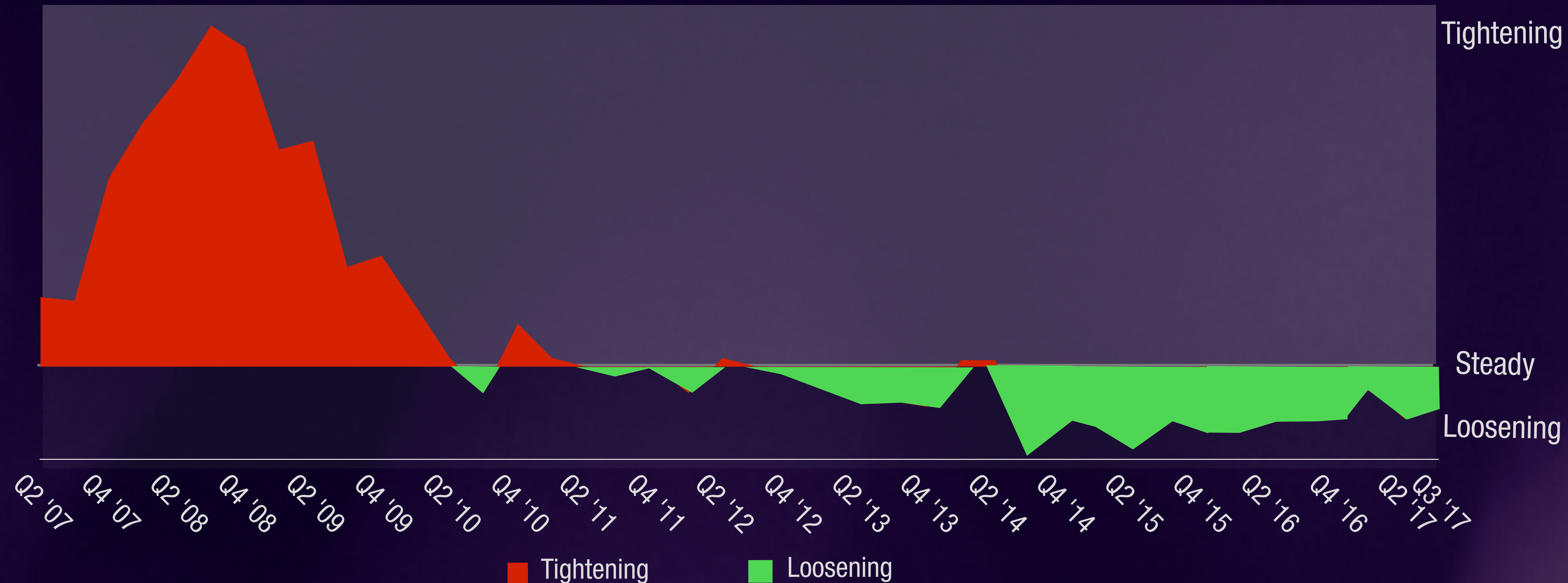


Industry

- 1. Credit Conditions**
- 2. Consumer Financial Protection Bureau**
- 3. National Association of Realtors**

1. Credit Conditions

Credit standards continued to loosen in 2017.



2. Consumer Financial Protection Bureau (CFPB)

1. Expect less aggressive enforcement over the next 2-6 years under new leadership.

Messages from acting director Mick Mulvaney:

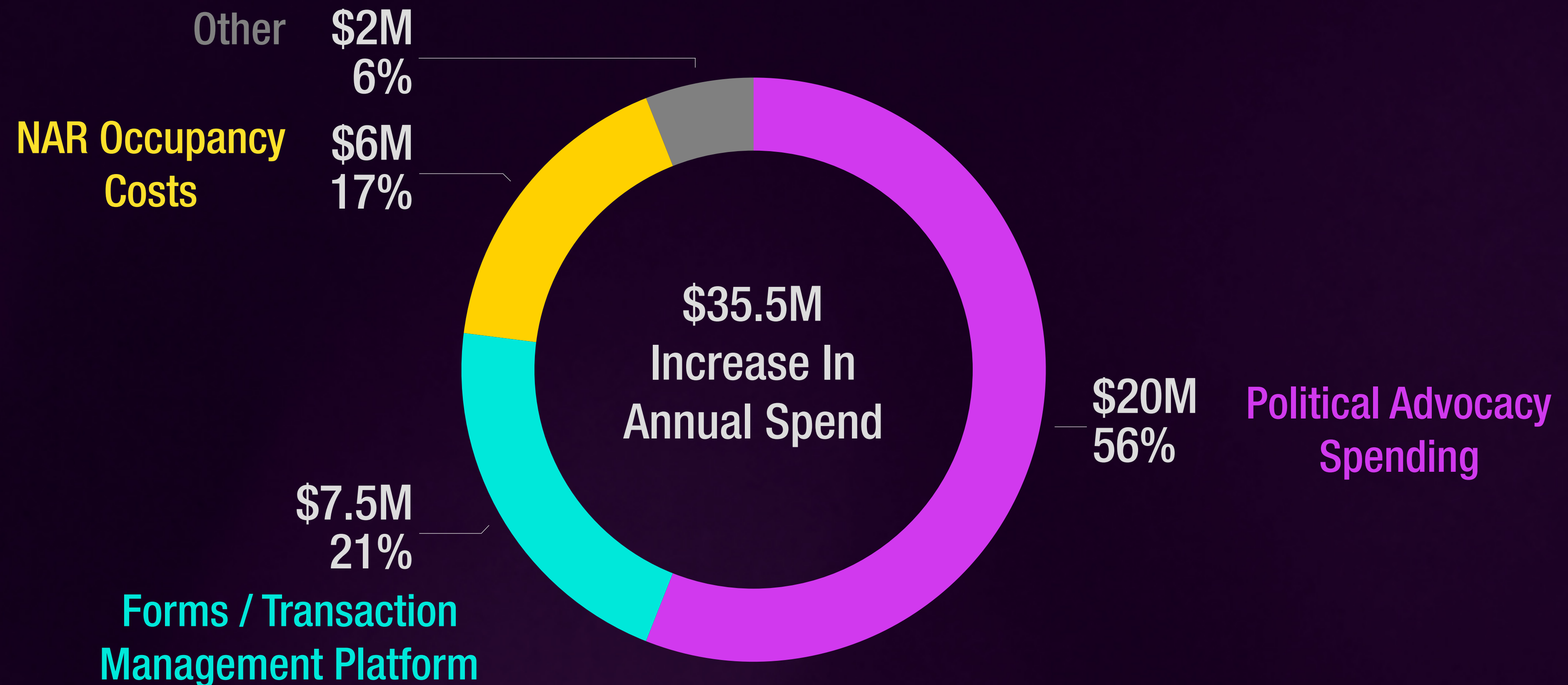
1.1. “We have committed to fulfill the Bureau’s statutory responsibilities, but go no further.”

1.2. “The Bureau will achieve its mission and vision through acting with humility and moderation.”

2. In April, Wells Fargo was fined \$1B for violations involving mortgage and auto insurance, which shows the CFPB will still seek action for clear and egregious violations.

3. National Association of Realtors

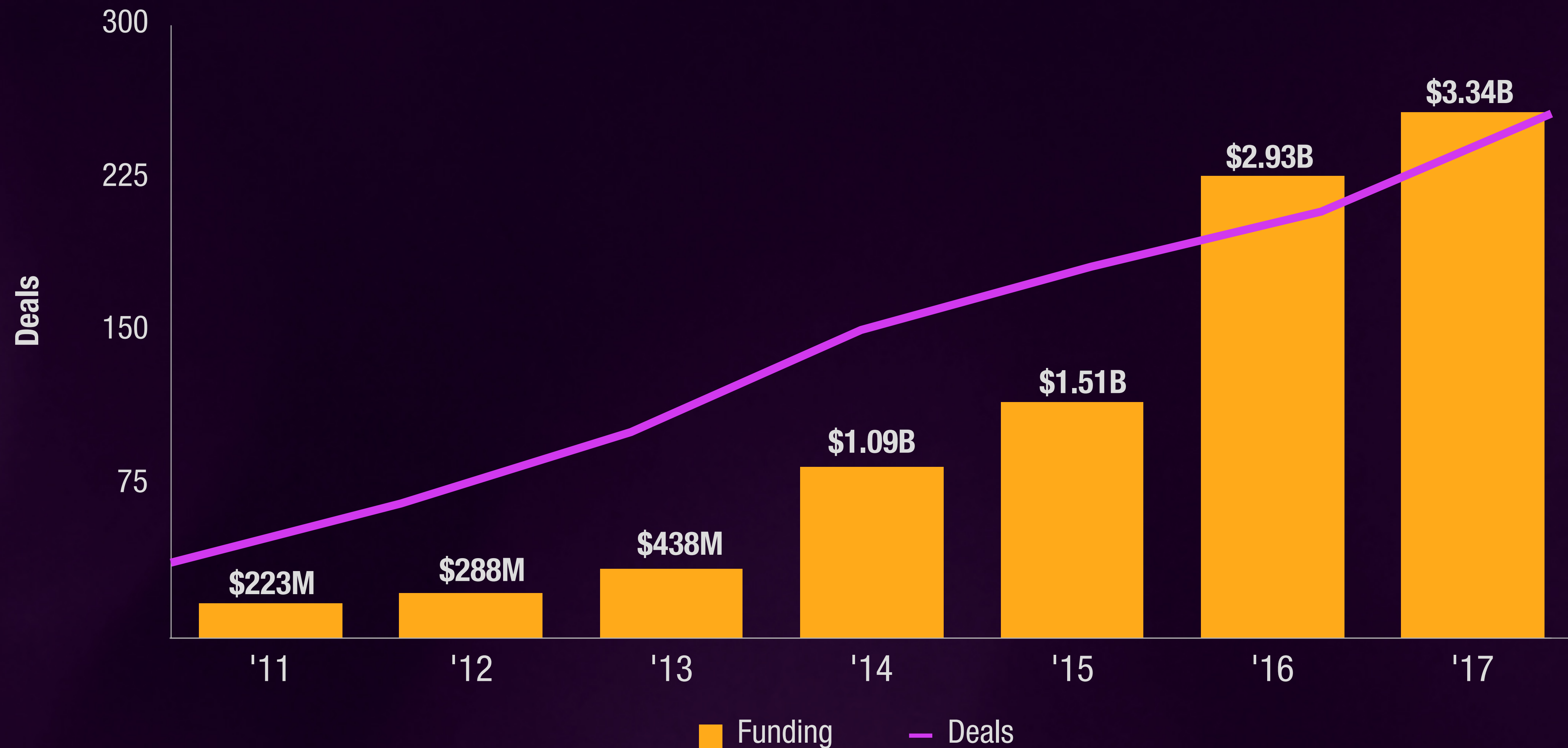
Realtors' dues will be increased from \$120 to \$150 in NAR's 2019 budget proposal.



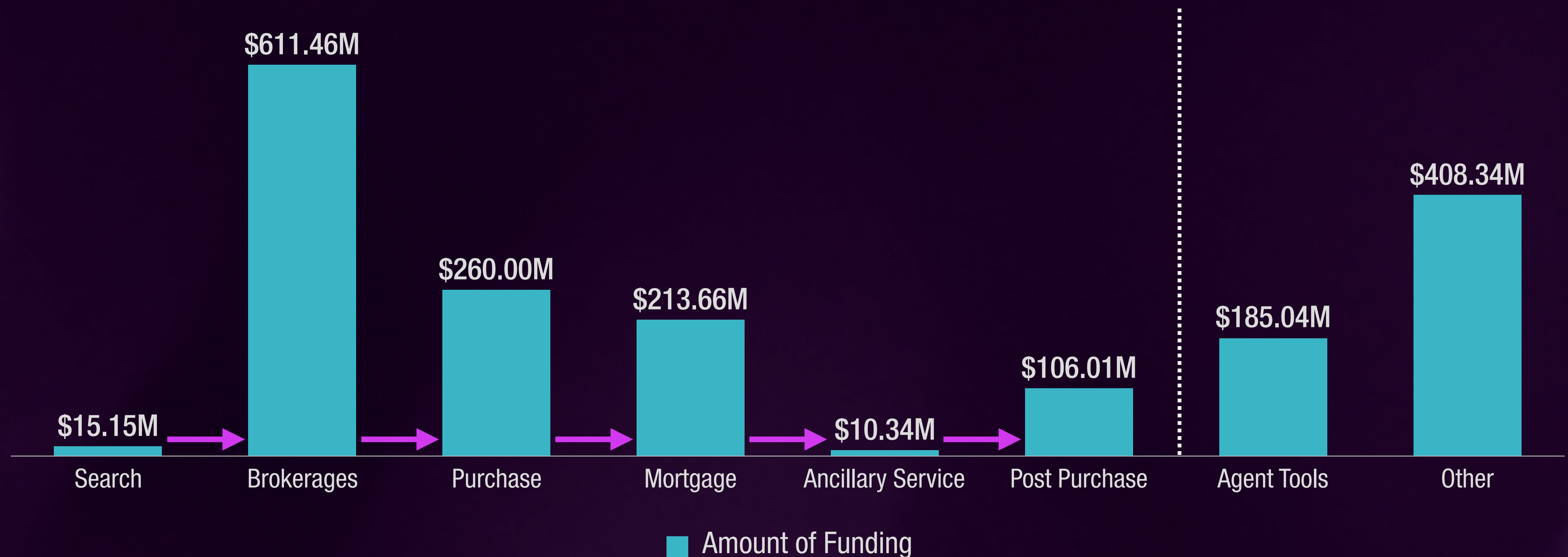
Tech Trends

1. Global RE Tech Funding
2. U.S. RE Tech Funding Consumer Journey
3. Search
4. AI Chatbots
5. Integrations
6. KW Tech Vision

1. Global RE Tech Funding



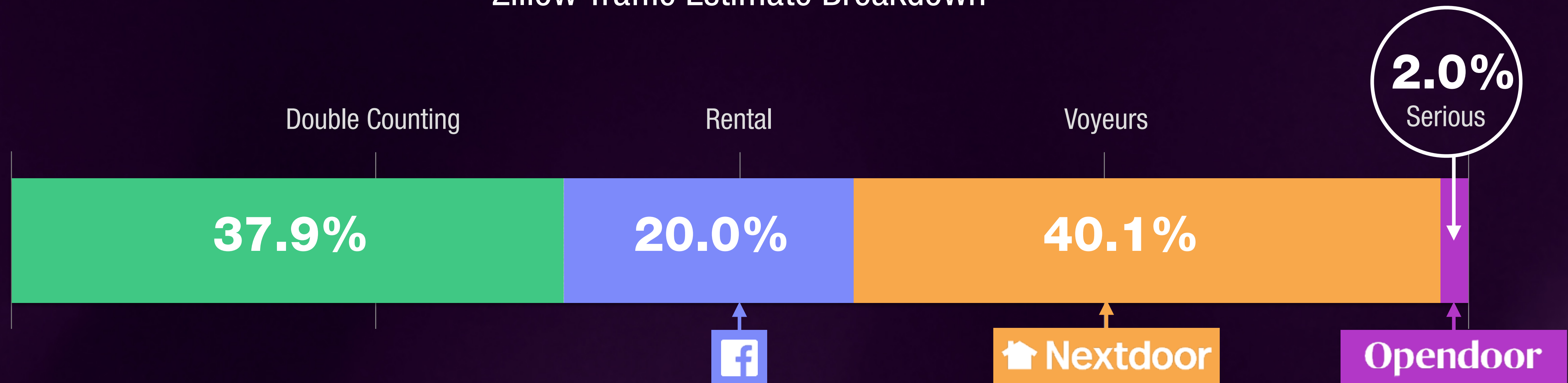
2. U.S. RE Tech Funding Consumer Journey



3. Search

In the last quarter of 2017, the monthly average of unique visitors to Zillow was 156.1 million. During this same time period, the monthly average of homes sold was 436,000.

Zillow Traffic Estimate Breakdown



4. AI Chatbots

Simple two-way conversations

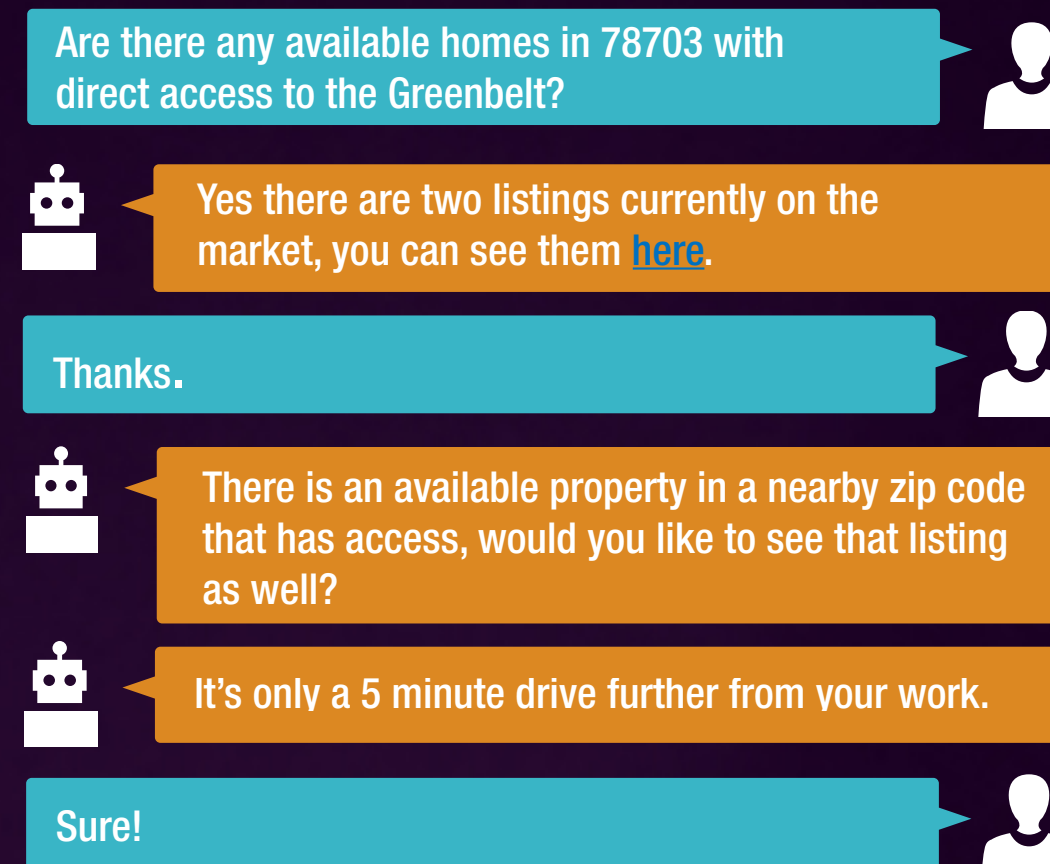
Roughly 10 companies have penetrated the real estate industry offering early stage AI solutions within the last 12 months, primarily focused on developing AI chatbots.

Lead gen bots interact with the buyer on the website and send the lead to the agent after the interaction. The agent can then follow up with the client.

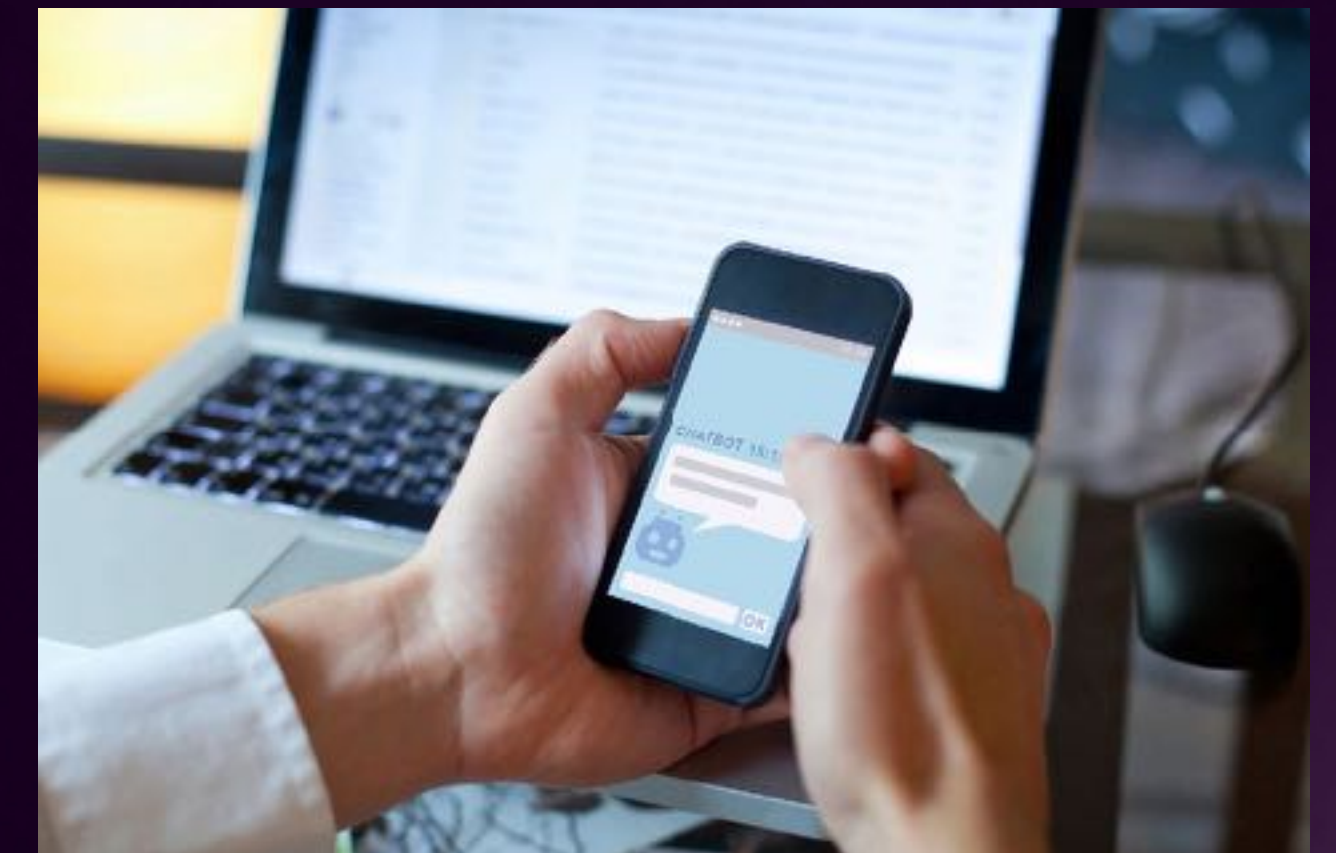
① Buyer visits agent website.



② Chats with bot on agent website.

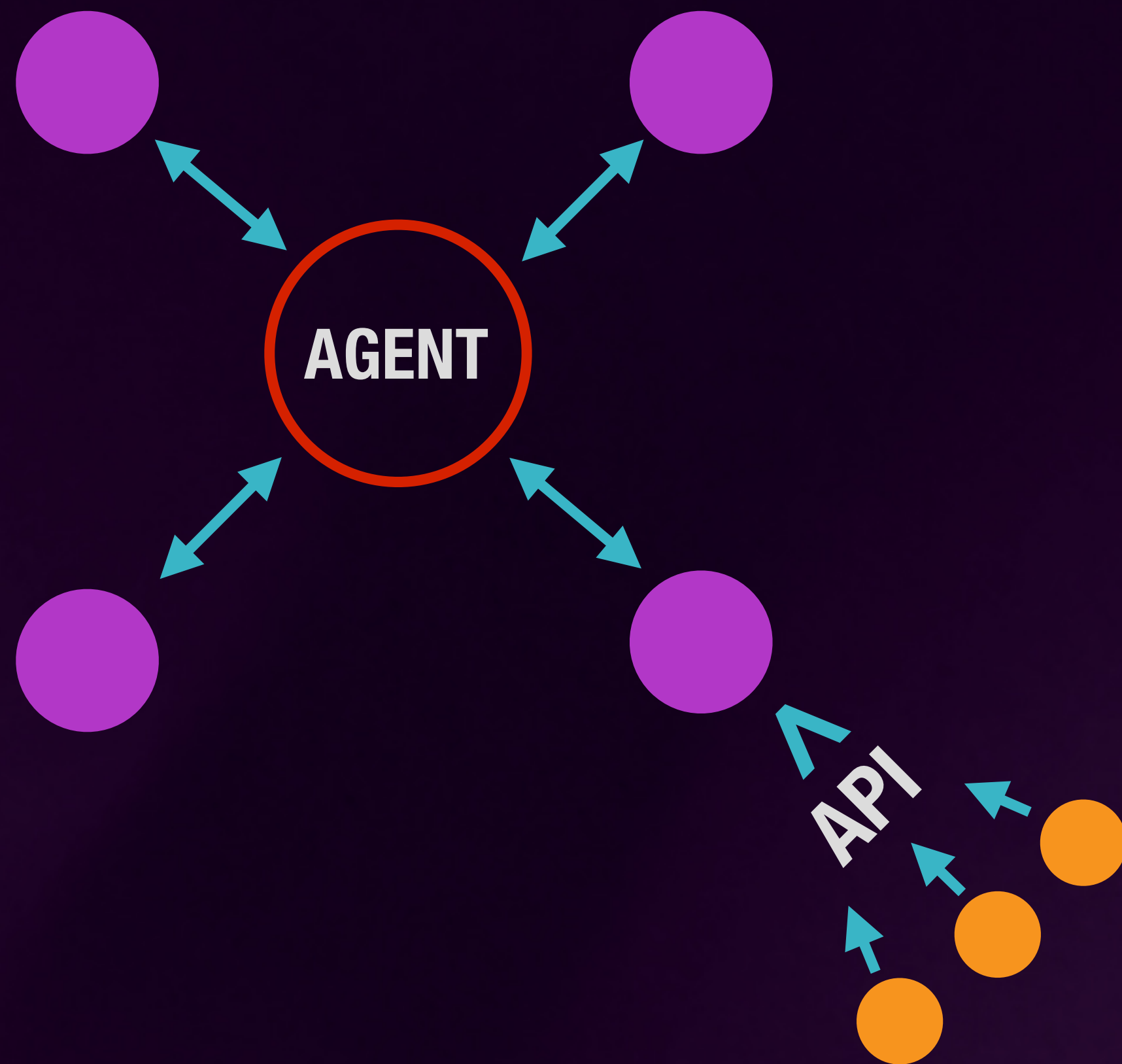


③ Bot sends lead information to agent. Sometimes, the chatbot is directly integrated with the CRM.

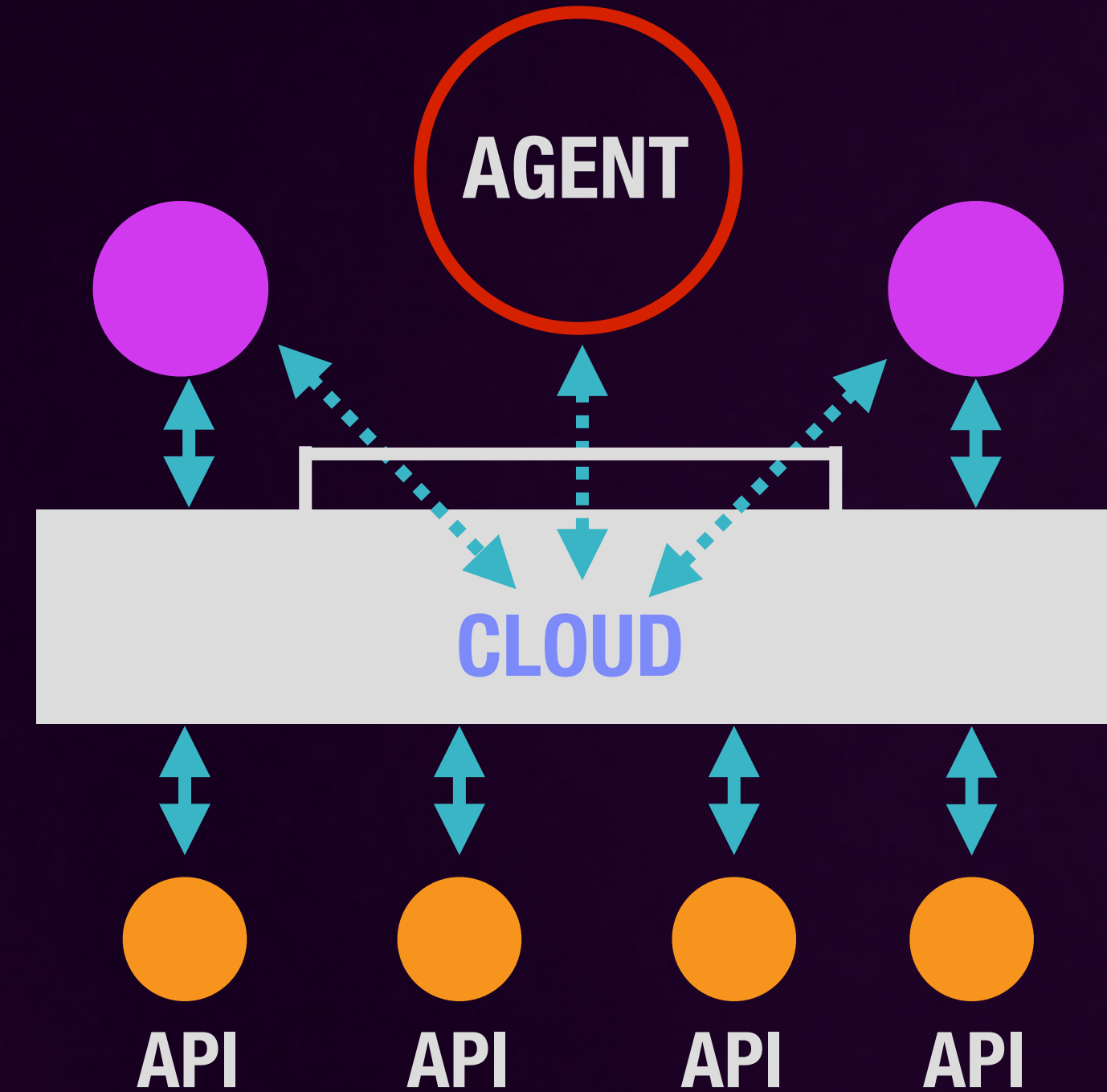


5. Integrations

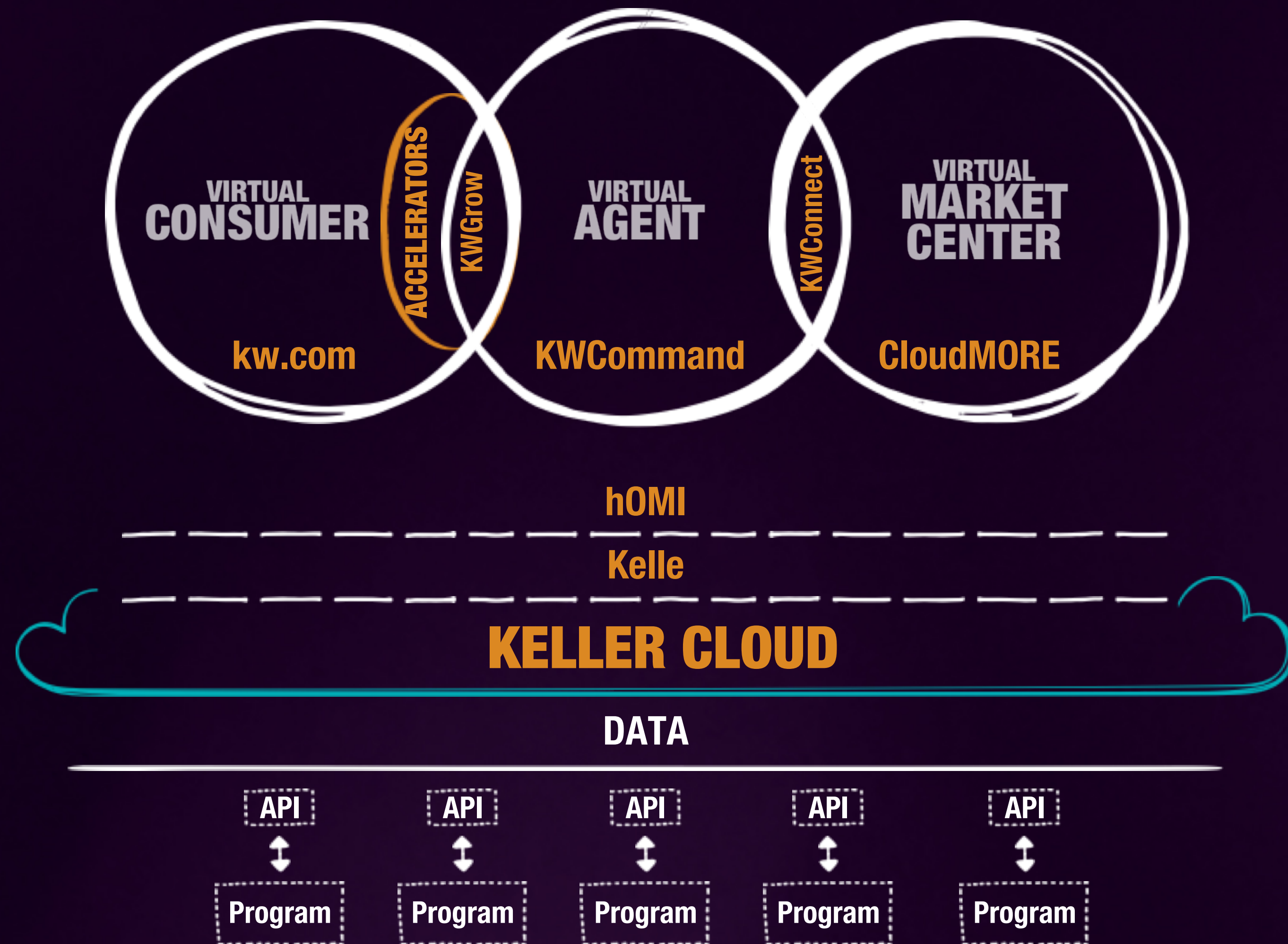
BOLT ON



INTEGRATION

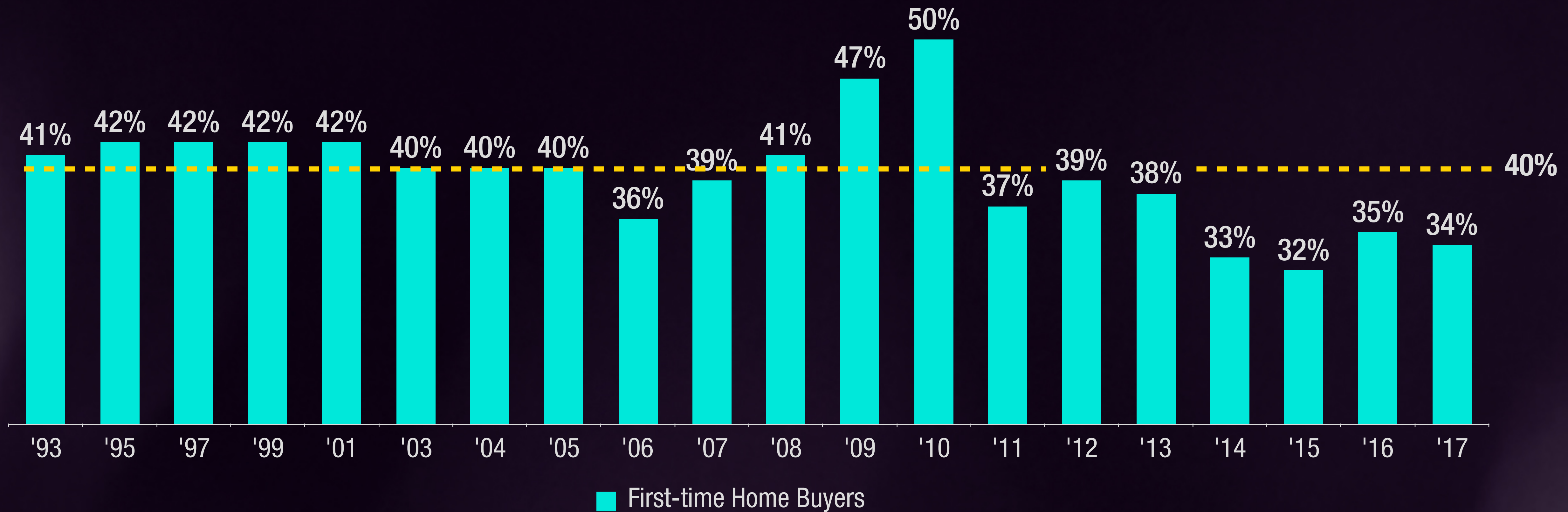


6. KW Tech Vision



National Association of Realtors

First-time Home Buyers



Primary Reason for Purchasing a Home

	2006	2008	2013	2014	2015	2016	2017
Desire to own a home	32%	34%	30%	24%	30%	31%	30%
Desire for a larger home	14	10	12	12	14	10	10
Job-related relocation or move	12	11	8	9	8	8	8
Change in family situation	9	9	7	8	7	8	8
Desire to be closer to family/friends	*	6	6	3	7	7	8
Desire for a home in a better area	8	5	6	8	8	6	7
Desire for a smaller home	5	3	5	3	6	6	5
Retirement	4	3	5	3	5	5	5
Desire to be closer to job/school/transit	7	4	4	2	4	3	4
Affordability	*	3	6	5	3	3	3
Establish household	*	1	3	3	2	3	2
Financial security	*	1	2	3	2	2	2
Desire for a newly built or custom built home	*	*	*	*	*	2	2

Tenure in Previous Home

	2013	2014	2015	2016	2017
1 year or less	3%	4%	4%	3%	4%
2 to 3 years	9	9	10	10	10
4 to 5 years	13	12	13	11	12
6 to 7 years	15	11	14	12	10
8 to 10 years	18	20	15	15	14
11 to 15 years	19	20	19	21	21
16 to 20 years	9	9	9	11	11
21 years or more	14	16	16	16	17
Median	9	10	9	10	10

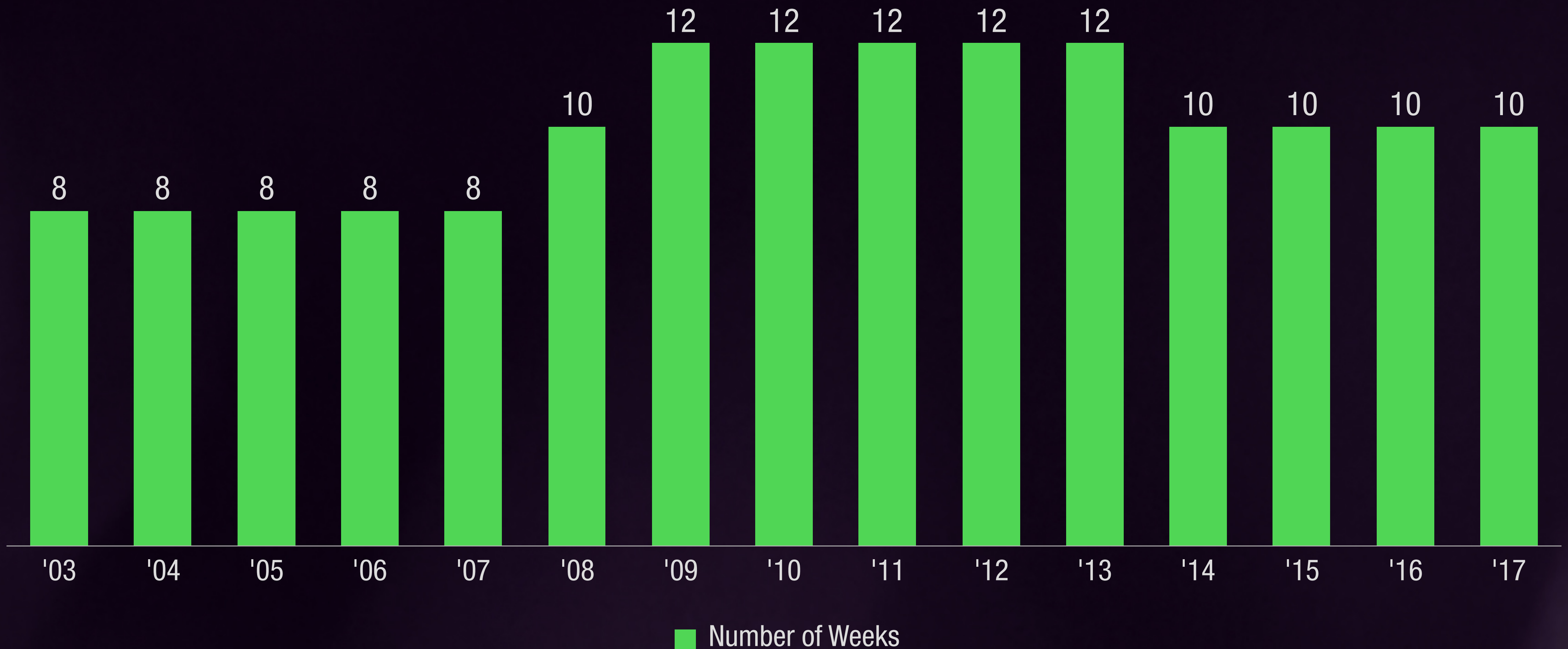
**14% buy
again in less
than 4 years.**

Buyer's Expected Tenure

Buyers expect to stay in their home longer than they actually do. Stay in touch so that even if your client's move is unexpected, you are top of mind.

	2013	2014	2015	2016	2017
1 year or less	1%	2%	2%	1%	1%
2 to 3 years	2	3	4	3	3
4 to 5 years	9	9	9	9	9
6 to 7 years	3	3	2	3	3
8 to 10 years	15	14	14	15	14
11 to 15 years	6	5	6	6	6
16 to 20 years	27	25	26	26	27
Don't know	37	39	38	38	36
Median	15	12	14	12	15

Weeks in Home Search



First Step in Buying Process

	2013	2014	2015	2016	2017
Looked online for properties for sale	42%	43%	42%	44%	42%
Contacted a real estate agent	17	15	14	17	17
Looked online for information about the buying process	14	12	13	13	12
Contacted a bank or mortgage lender	6	6	7	7	8
Talked with a friend or relative about the buying process	5	7	5	6	6
Drove by homes/neighborhoods	7	6	7	6	6
Visited open houses	3	3	3	3	3
Contacted a builder/visited builder models	2	2	2	1	1
Contacted a home seller directly	1	1	*	1	1
Looked up neighborhood information	1	3	2	1	1
Looked in newspapers, magazines, or home-buying guides	1	1	*	1	1
Attended a Home Buying Seminar	*	1	*	1	1

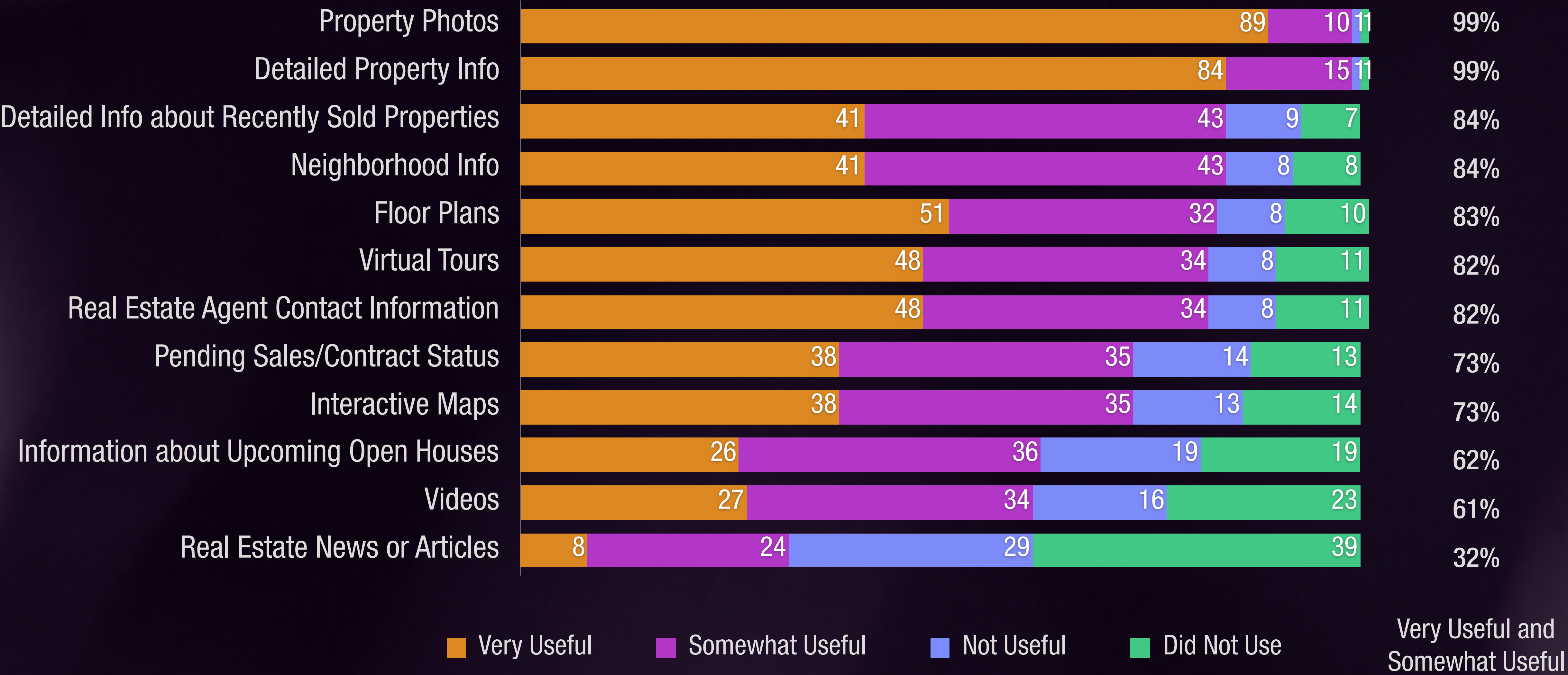
Information Sources Buyers Use

	2004	2013	2014	2015	2016	2017
Online website	74%	89%	88%	89%	95%	95%
Real estate agent	90	89	87	87	92	89
Mobile or tablet search device	N/A	N/A	N/A	N/A	72	74
Open house	51	45	44	48	50	52
Yard sign	74	51	48	51	49	48
Online video site	N/A	27	26	29	36	39
Print newspaper advertisement	53	23	21	20	16	15
Home builder	37	17	18	20	14	19
Home book or magazine	40	15	14	13	12	12
Billboard	21	5	4	6	4	5
Television	26	4	4	3	3	2
Relocation company	16	3	4	3	3	3

Where Buyers Found the Home They Purchased

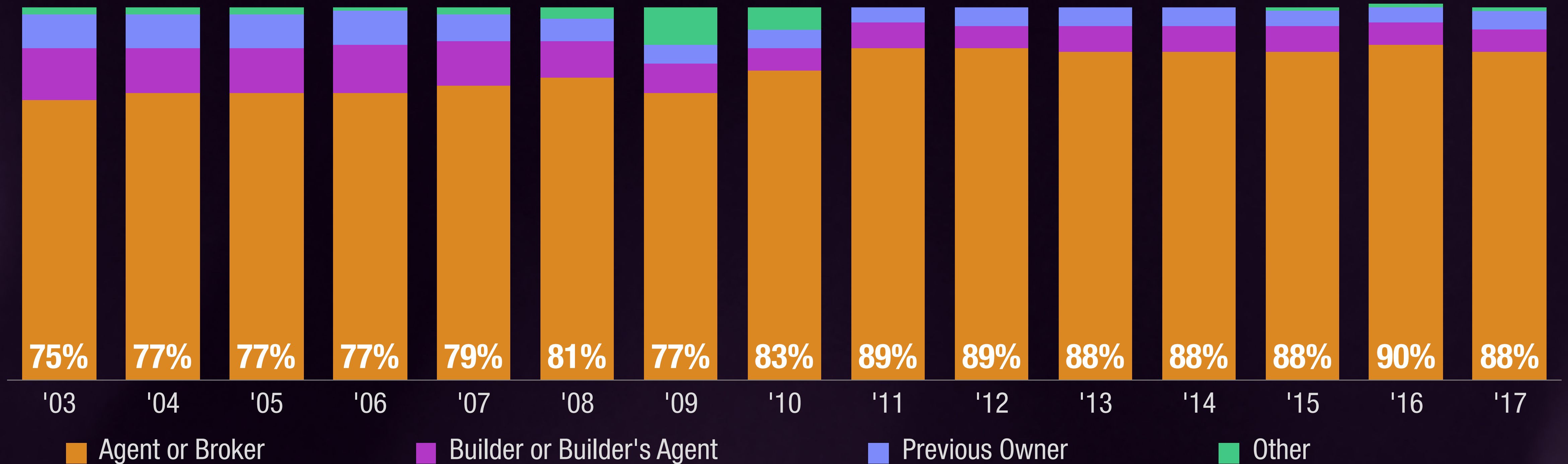
	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
Internet	11%	15%	24%	24%	29%	32%	36%	37%	40%	42%	43%	43%	44%	51%	49%
Real estate agent	41	38	36	36	34	34	36	38	35	33	33	33	33	34	31
Yard sign/Open house sign	16	16	15	15	14	15	12	11	11	9	9	9	9	8	7
Friend, relative, or neighbor	7	7	7	8	8	7	6	6	6	5	6	6	6	4	6
Home builder or their agent	7	7	7	8	8	7	5	4	5	4	5	5	6	2	6
Directly from sellers/Knew the sellers	4	5	3	3	3	2	2	2	2	1	2	3	2	1	2
Print newspaper advertisement	7	5	5	5	3	3	2	2	2	1	1	1	1	1	1
Home book or magazine	1	2	1	1	1	1	*	*	*	*	1	*	*	*	*
Other	6	4	*	*	*	*	*	*	*	*	*	*	*	*	*

Value of Website Features



Method of Home Purchase

Just because buyers are using the internet more doesn't mean they're not relying on you.
To keep it that way, understand your value proposition and be able to communicate it.

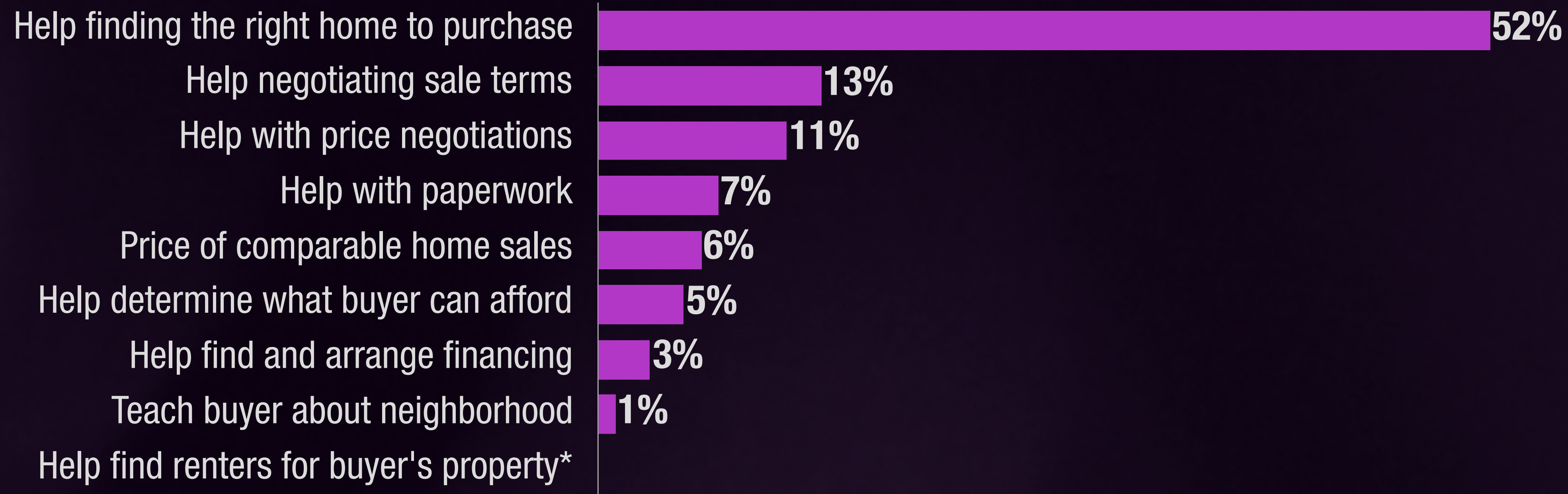


Buyer Representation Agreement

Buyer representation agreement is a crucial protocol to maintain transparency and to align expectations between buyers and agents.

	2005	2011	2012	2013	2014	2015	2016	2017
Yes, a written arrangement	43%	42%	40%	42%	40%	40%	42%	40%
Yes, an oral arrangement	20	18	19	19	19	18	16	17
No	26	29	28	26	29	29	29	28
Don't know	12	11	13	13	13	13	14	15

What Buyers Want Most from Their Agent



How Buyers Found Their Agent

Maintaining a relationship with clients will help agents in generating more business through referrals.

	2005	2011	2012	2013	2014	2015	2016	2017
Referred by (or is) a friend, neighbor, or relative	44%	41%	40%	42%	40%	41%	42%	42%
Used agent previously to buy or sell a home	11	9	10	12	12	12	11	12
Website	7	9	11	9	10	10	9	9
Visited an open house and met agent	7	7	6	6	5	5	6	6
Referred by another real estate agent or broker	*	*	*	4	5	5	5	5
Saw contact information on for sale/open house sign	6	6	6	6	5	5	4	4
Personal contact by agent (telephone, email, etc.)	N/A	N/A	N/A	N/A	N/A	4	3	4
Referred through employer or relocation company	4	4	4	4	4	4	3	2
Walked into or called office and agent was on duty	4	4	3	3	2	4	2	2
Mobile or tablet application	N/A	N/A	N/A	N/A	N/A	1	1	1
Search engine	*	*	*	*	1	1	N/A	N/A
Newspaper, Yellow Pages, or home book ad	2	1	*	1	1	*	*	*
Direct mail (newsletter, flier, postcard, etc.)	1	*	*	*	*	*	*	*
Other	6	10	10	10	11	10	11	11

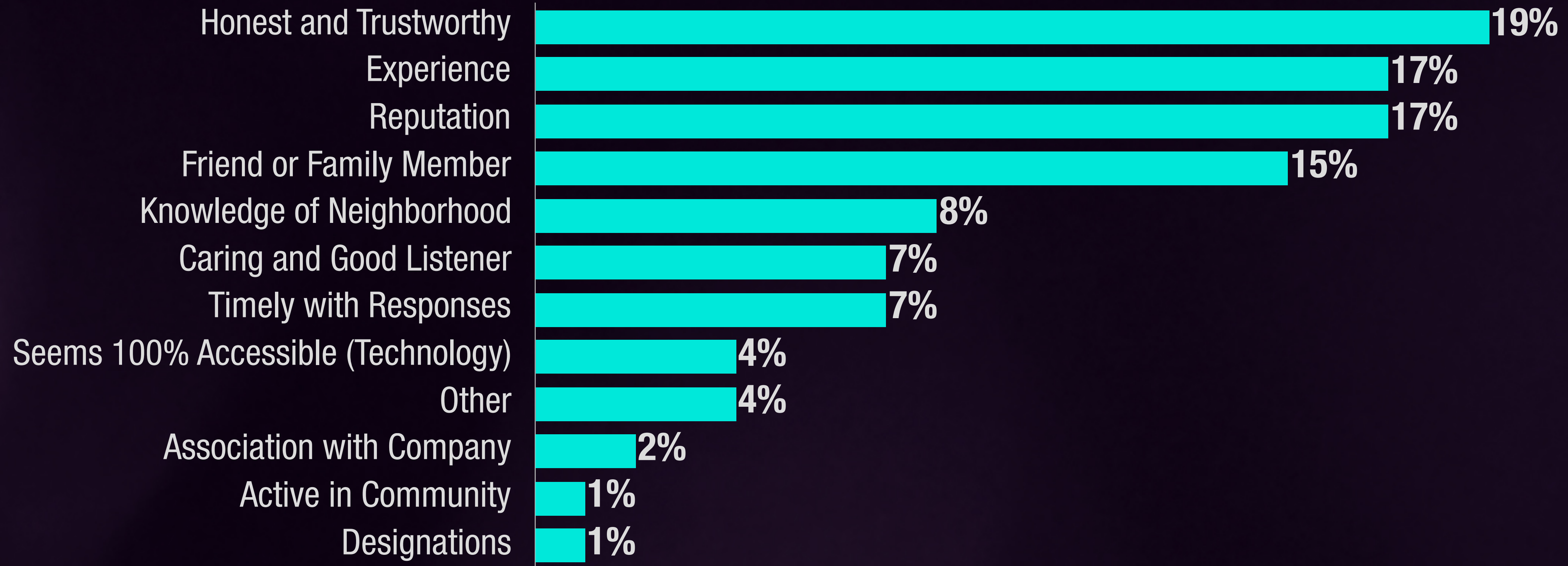
Buyer Interviews

Number of agents buyers contacted before deciding who to buy with.

	2005	2009	2010	2011	2012	2013	2014	2015	2016	2017
One	64%	66%	64%	65%	66%	66%	67%	67%	69%	70%
Two	20	19	21	20	20	20	20	20	19	17
Three	10	10	10	10	8	10	8	9	8	8
Four or more	5	6	6	6	6	5	4	5	4	6

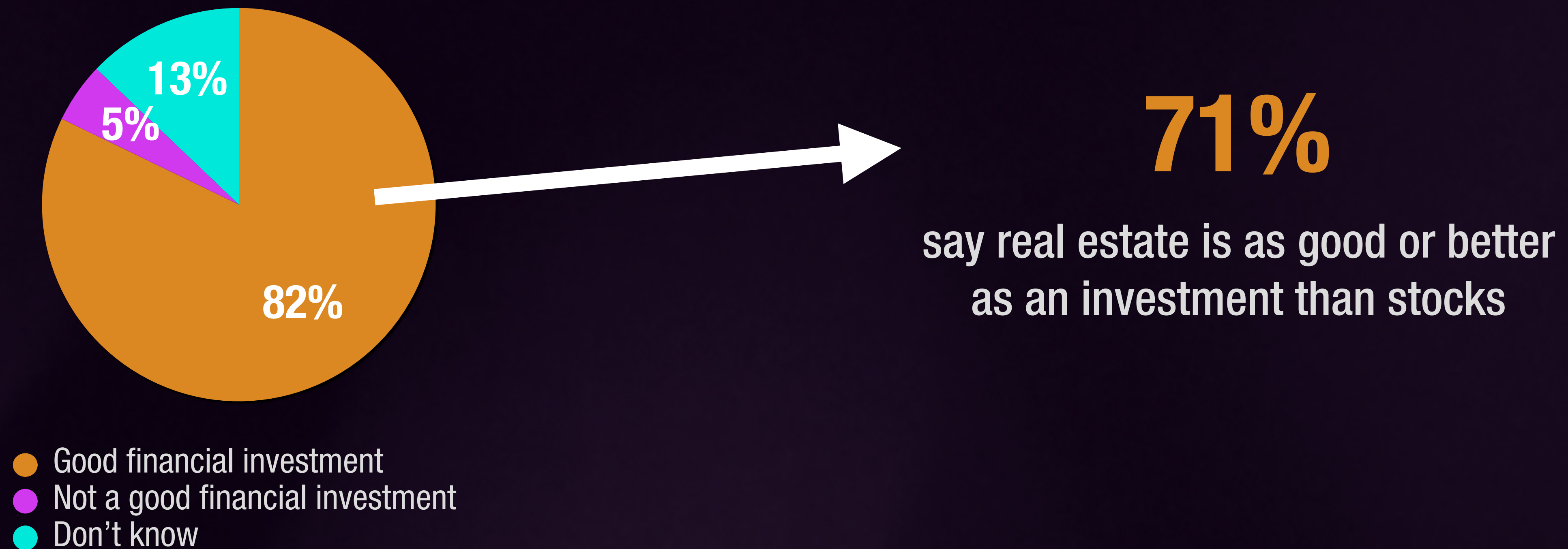
Most Important Factors for Buyers

An agent's honesty, trustworthiness, and reputation matter the most to buyers.

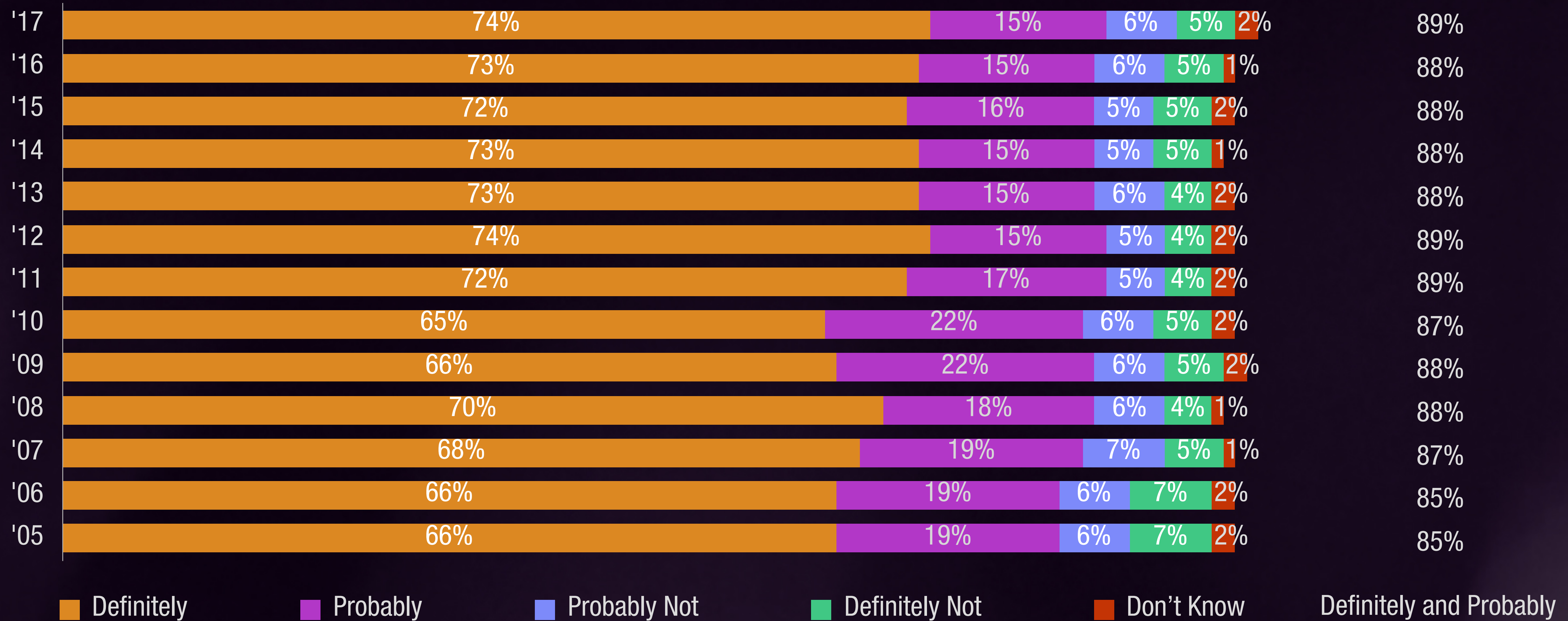


Home as a Financial Investment

Is real estate a good financial investment?



Buyer: Repeats and Referrals



Method Sellers Used to Find Their Agent

	2005	2011	2012	2013	2014	2015	2016	2017
Referred by (or is) a friend, neighbor, or relative	43%	39%	38%	39%	38%	42%	39%	41%
Used agent previously to buy or sell a home	28	22	23	25	22	24	25	23
Visited an open house and met agent	4	4	4	4	5	3	4	4
Website	2	3	3	4	4	4	4	5
Personal contact by agent (telephone, email, etc.)	5	4	5	4	4	4	4	5
Referred by another real estate agent or broker	3	4	4	4	4	4	4	3
Saw contact information on for sale/open house sign	4	4	4	3	3	3	2	2
Referred through employer or relocation company	3	5	4	3	3	3	2	2
Direct mail (newsletter, flier, postcard, etc.)	3	2	2	2	2	1	2	2
Walked into or called office and agent was on duty	2	1	2	2	1	1	1	1
Newspaper, Yellow Pages, or home book ad	2	1	1	1	1	1	1	*
Advertising specialty (calendar, magnet, etc.)	*	*	1	1	*	1	*	*
Other	*	11	11	10	14	9	10	10

Seller Interviews

Number of agents sellers contacted before deciding who to list with.

	2010	2011	2012	2013	2014	2015	2016	2017
One	66%	66%	65%	66%	67%	72%	72%	74%
Two	19	16	20	19	20	15	16	15
Three	10	13	11	11	8	9	8	7
Four or more	6	5	5	4	4	2	4	2

What Sellers Want Most from Their Agent

	2010	2011	2012	2013	2014	2015	2016	2017
Help sellers market home to potential buyers	20%	24%	21%	25%	23%	21%	23%	21%
Help sell the home within specific time frame	19	19	22	20	20	21	20	20
Help price the home competitively	23	20	18	19	19	16	19	18
Help find a buyer for the home	21	19	19	15	14	16	14	15
Help sellers find ways to fix up the home to sell it for more	7	9	10	11	13	14	14	15
Help with negotiations and dealing with buyers	5	5	5	4	5	5	4	6
Help with paperwork/inspections/preparing for settlement	4	3	3	4	3	3	4	3
Help sellers see homes available for purchase	1	2	1	1	2	2	1	1

Where Buyers Found the Home They Purchased

This Is Seller's Marketing Plan

	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
Internet	11%	15%	24%	24%	29%	32%	36%	37%	40%	42%	43%	43%	44%	51%	49%
Real estate agent	41	38	36	36	34	34	36	38	35	33	33	33	33	34	31
Yard sign/Open house sign	16	16	15	15	14	15	12	11	11	9	9	9	9	8	7
Friend, relative, or neighbor	7	7	7	8	8	7	6	6	6	5	6	6	6	4	6
Home builder or their agent	7	7	7	8	8	7	5	4	5	4	5	5	6	2	6
Directly from sellers/Knew the sellers	4	5	3	3	3	2	2	2	2	1	2	3	2	1	2
Print newspaper advertisement	7	5	5	5	3	3	2	2	2	1	1	1	1	1	1
Home book or magazine	1	2	1	1	1	1	*	*	*	*	1	*	*	*	*
Other	6	4	*	*	*	*	*	*	*	*	*	*	*	*	*

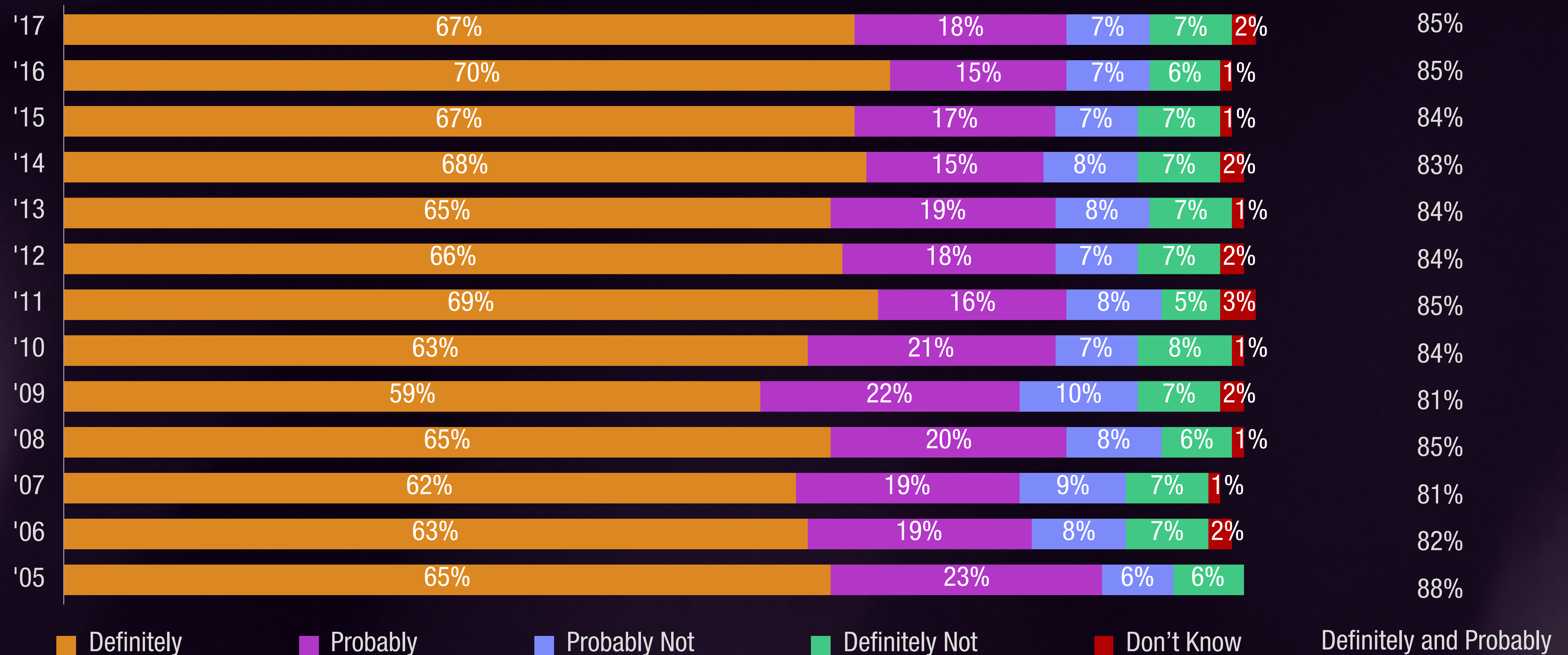
Most Important Factor for Sellers

	2010	2011	2012	2013	2014	2015	2016	2017
Reputation of agent	35%	38%	37%	35%	36%	34%	31%	34%
Agent is honest and trustworthy	23	20	19	18	19	18	21	18
Agent is friend or family member	16	18	13	15	13	16	14	16
Agent's knowledge of the neighborhood	12	11	12	14	15	15	14	12
Agent has caring personality/Good listener	4	4	4	5	4	4	5	5
Agent's commission	N/A	N/A	N/A	3	4	4	4	4
Agent's association with a particular firm	4	5	4	5	4	4	4	3
Agent seems 100% accessible because of use of technology like tablet or smartphone	N/A	N/A	N/A	1	3	2	3	3
Professional designations held by agent	1	1	1	1	2	2	1	1
Other	4	4	5	3	2	3	5	4

Compensation Negotiations

	2011	2012	2013	2014	2015	2016	2017
Real estate agent initiated discussion of compensation	43%	43%	43%	46%	46%	48%	48%
Client brought up the topic and the real estate agent was able and willing to negotiate their commission or fee	26	22	25	21	20	22	20
Client did not know commissions and fees could be negotiated	13	15	14	15	8	14	15
Client did know commissions and fees could be negotiated but did not bring up the topic	8	11	10	11	10	11	10
Client brought up the topic and the real estate agent was not willing or able to negotiate their commission or fee	10	9	8	7	16	6	8

Seller: Repeats and Referrals



Method Used to Sell Home

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sold home using an agent or broker	83%	82%	85%	84%	85%	84%	85%	88%	87%	88%	88%	88%	89%	89%	89%
For sale by owner (FSBO)	14	14	13	12	12	13	11	9	10	9	9	9	8	8	8
Sold home to home-buying company	1	1	1	1	1	1	1	1	1	1	1	1	1	1	*
Other	3	3	2	3	2	2	3	3	2	2	2	2	2	2	2

Incentives Offered to Attract Buyers

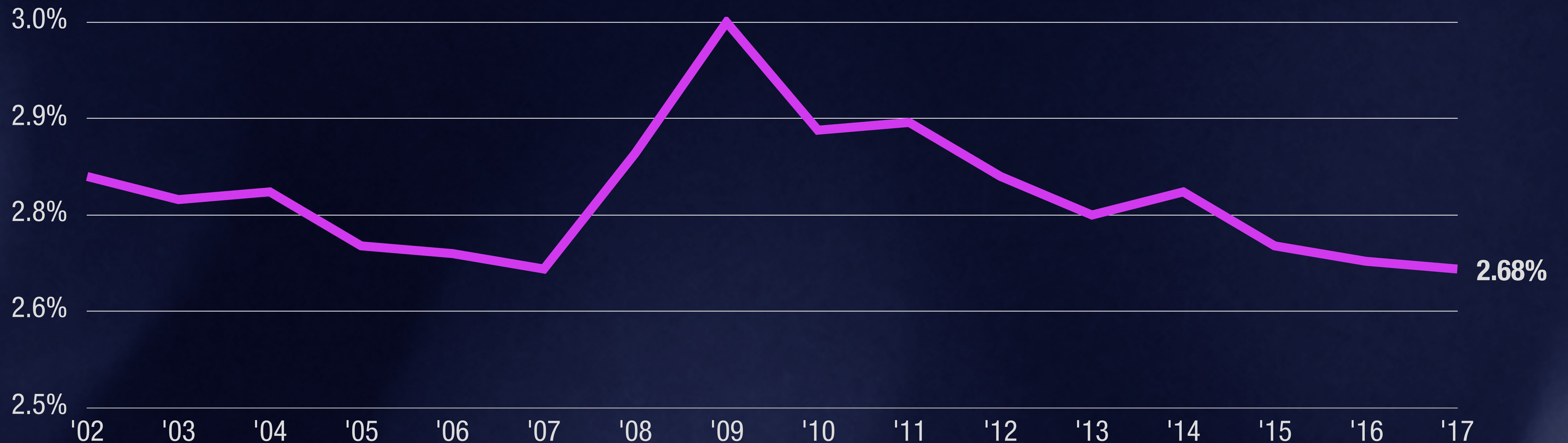
	2011	2012	2013	2014	2015	2016	2017
None	59%	60%	64%	64%	63%	64%	63%
Home warranty policies	23	22	19	19	21	21	21
Assistance with closing costs	20	17	16	18	16	16	16
Credit toward remodeling or repairs	7	7	7	6	7	6	8
Other incentives, such as a car, flat-screen TV, etc.	3	3	4	4	4	5	4
Other	5	5	4	4	4	3	4

Keller Williams Research

Commission Study: Average Seller



Commission Study: Average Buyer





VISION SPEECH
PART TWO

MARKET UPDATE