



HOW TO SUCCEED
IN A **SHIFTING**
REAL ESTATE MARKET



Why did we put this eGuide together?

The real estate industry is going through a major shift. Unfortunately, there are few (if any) industry or news outlets accurately reporting on this shift, which is leading to further confusion for the consumer. As a result, many agents aren't adjusting to these changes.

We created this eGuide to finally bring this New Market Reality into the light. In this eGuide, we'll discuss what this major shift means and

how it has redefined the responsibility of the real estate agent forever. We'll also provide you with a guideline of how to prove your value to your clients so you can easily separate yourself from your competition.

We'll also provide you with a guideline of how to prove your value and worth to your clients so you can easily separate yourself from your competition.





Who should read this eGuide?



While this eGuide will certainly provide great insights for every agent, it is specifically targeted for those real estate professionals who are, or who want to be, just that—a TRUE PROFESSIONAL.

We wrote this eGuide to help these agents raise the bar on what it means to practice real estate and, as a result, create a significantly improved experience for the consumer.

Whether you're already on this path or just getting started, we know this eGuide will help you cement your position as the real estate expert in your market place.

It is specifically targeted for those real estate professionals who are, or who want to be, just that—a TRUE PROFESSIONAL.

THE NEXT BIG CHANGE

The real estate industry has navigated many changes over the past few decades. That's all been great practice for what we're starting to experience now and what will continue over the next several years.

Before we talk about the change, let's discuss the potential phases of change. Any change in any aspect of life can cause people to go through four distinct phases. They are:

Confusion → Concern → Fear → Paralysis

Some people go through all four stages (as the real estate industry saw in 2008), while those who are proactive and remain calm may only experience the first one or two. Our goal is to empower you with knowledge so you never pass the first phase, and thus help your clients to do the same.

The change everyone is talking about now (and that will continue into the foreseeable future) is:

- The perception that the real estate market is declining
- Prices are depreciating (when actually appreciation is decelerating)
- Sales are slowing
- We're going to experience 2008 all over again

Because of this, many real estate agents are in the confusion phase and on their way to the concern phase.

Let's set the record straight to clear up any confusion and concern, and to prevent you from moving into the fear and paralysis phases.

First, the market is not declining. We are simply going from a hyper-charged, accelerated market to a completely normal market.

Think of it like this: Imagine you are driving down the highway. The speed limit is 65 mph, but you and the many other cars on the road are humming along at 85-90 mph. You've been traveling this speed for well over an hour. You are making great time. You feel great. But then you notice that cars coming toward you are flashing their headlights. You know what that means: an upcoming speed trap. Lo and behold, in the distance you spot a car on the side of the road. You slow down to 65 mph, just in case, and as you approach the car you see it's a police vehicle with an office pointing a radar detector at the traffic.

Because you slowed down, you don't get pulled over for speeding, but now you and the cars around you are all traveling at the speed limit of 65 mph. Even though that's the correct speed to be traveling, you feel like you're moving at a snail's pace. You're agitated because you perceive that you're moving so slow.



Are you really moving as slow as a snail? Of course not. Sixty-five miles per hour is fast. It's also the normal speed limit. Going this speed, you will definitely reach your destination within a reasonable time. However, because you spent so long going so fast, your perception is that you're barely moving now.

This analogy describes the current real estate market perfectly. We've spent so long in a hyper-charged, super-fast market with appreciation rates well over 5%, that now that the market is normalizing to more historic appreciation levels (3.6%), it feels slow when it's actually not.

So, are we going to experience 2008 all over again? Certainly not. In fact, both Ben Bernanke and Warren Buffet have said that 2008 was worse than it needed to be due to panic and paralysis, not the events itself. That's why we are sharing this information and putting it into perspective—

so you never enter the fear and paralysis phases that further impacted 2008.

The fact is that when you're knowledgeable about the situation and truthful with your clients, you will emerge as a true leader in the real estate industry. Remember that what you think, or even know, about the current housing market will have nowhere near as much impact as what the consumer believes. That's why it's your job to create a powerful narrative that simply and effectively explains what is actually happening and what it means to the families you serve.

So, knowing that this shift is occurring, and knowing what your main role is, let's address how you can best help your clients.



REAL ESTATE IS BOTH LOCAL AND NATIONAL

For decades, real estate agents have been taught to be fully informed on their local housing market. This is certainly valid advice, even today. However, true real estate professionals know that the national housing market has a big impact on the local market, and they have the tools to cultivate that knowledge and apply it to their client's lives.

Why is the national housing market so important now? Realize that when a consumer has an interest in buying something, whether it's a house, a car, or even a gym membership, they go into a hyper-sensitive state of awareness. You've probably had this occur in your own life but didn't even realize it was happening. Here's a classic example: Let's suppose you decide it's time to buy a new car. You start researching the

type of car you'd like. You look at safety features, gas mileage, and performance records. Ultimately you decide on a Mercedes E-Class Wagon. The car meets all your criteria, and it's unique because you don't see a lot of them on the road.

Once you make this decision, though, and start visiting dealership and test driving the car, you notice something odd. Everywhere you look you see a Mercedes E-Class Wagon ... at the grocery store, on the highway, and even in your own neighborhood. Even when you're watching television, you see ads for a certain type of car – the Mercedes E-Class Wagon! What happened? Where did all these cars and ads come from?

The fact is that these cars have always been on the road in great numbers, and the car company has always advertised this model. But because you weren't interested in them, you didn't notice them. Now that you're in the market for that very car, you have a heightened sense of awareness for them and see the car type everywhere.



“We would never suggest that a real estate company could be successful without fully understanding local market trends. But ignoring macro trends or assuming they do not carry the same weight would be an equally erroneous suggestion. In our experience, the most effective industry leaders appreciate the appropriate balance between the two ends of the spectrum.”



The same thing happens when someone decides to buy a home (or sell their home). While prior to this decision they ignored the housing report on CNBC, today they turn it up and really listen to it. A few weeks ago, they skipped the housing articles in The Wall Street Journal, but today they read every word (and even bookmark it). In fact, now that they are in this hyper-sensitive state of awareness, they can't help but listen to and read all the national data. For most consumers, their first context of the current market will be that of the national market, not the local market.

And that's precisely why you as the real estate professional must address the national market first, before you start talking about the local market. As Ivy Zelman, Hall of Fame Institutional Investor Equity Research Analyst, said, "We would never suggest that a real estate company could be successful without fully understanding local market trends. But ignoring macro trends or assuming they do not carry the same weight would be an equally erroneous suggestion. In our experience, the most effective industry leaders appreciate the appropriate balance between the two ends of the spectrum."

For real estate agents, this means addressing the national trends with clients before talking about the local market trends. It can be as simple as stating, "This is what's happening nationally with real estate This is what's the same and what's different from that in our local market ...". Taking this approach adds to your credibility and positions you as a

true real estate professional.

So, yes ... real estate IS local. We are not dismissing that point. However, not taking into consideration the recent shifts in the national market would be like sitting on the beach in Miami on a beautiful day and not thinking about a hurricane forming off shore. We did that in 2005-2006 when we, at first, convinced ourselves that the downturn in the market was limited to just the "sand states."

This shift in the market we are currently experiencing is nothing like last decade. But, being oblivious to the shift will deepen its consequences in your local market unnecessarily. Let's not repeat history and make that same mistake again.

WELCOME TO REAL ESTATE'S NEW MARKET REALITY

How This Change Redefines The Role Of The Real Estate Agent

“There’s a large gap between information and actionable knowledge.”

Powerful words.

What it's saying is that information by itself is essentially useless. What's truly important is being able to understand, analyze, and use the information for the best outcome. And that's what your job as a real estate professional has become!

THE NEW REALITY

So let's face a few realities:

- The real estate business has changed forever.
- What worked in the past to make you a successful agent won't work today (or tomorrow).
- You need new skills for this New Market Reality.

What the consumer expects of real estate professionals today is very different than what they expected of them only ten years ago. The agents who don't evolve into what the consumer now demands will not survive.

What clients really want is someone who can...

- Analyze all the available information
- Connect the dots and let them know if now is a good time to buy or the right time to sell
- Take the time to explain their options—simply and effectively

It's a big change...and it's one you need to embrace to move forward.

To help put the change and the need for evolution in perspective, think of real estate as a NASCAR® race, and you—the agent—are the racecar driver. Right now, you're driving in that race, and the track is taking a sharp turn.

To some agents this might be scary. But this is actually a tremendous opportunity. Why?

Because successful agents, like great racecar drivers, don't get paid to navigate the straightaways. Think about it ... if anyone got into a racecar, hit the gas, and kept the wheel steady on a straight, empty road, they could drive very fast without a problem. Navigating the straightaways is easy. But approaching a turn at 180 mph without either slamming the brakes or crashing into the wall requires true skill.

Right now, your car is going fast—very fast—and you're in the





beginning of this turn (the shift in the market). What do you do?

When things change dramatically, some agents (like novice racecar drivers) will hit the brake. Yes, some even stop the car, pull over, and get out.

On the other hand, some agents keep going full throttle and crash. We don't need to explain why this is not a great strategy.

But the great agents (like the great drivers) see the opportunity in this turn. It's an opportunity for them to separate themselves from their competition. As they begin the turn, they may let up on the gas and downshift, but halfway through the curve they do what the great racecar drivers are taught to do: **They accelerate dramatically!**

That acceleration drags them through the second half of the turn and allows them to hit the next straightaway at maximum speed. And the agents who navigate the turn at the highest speed will reach that straightaway before the competition. They'll create a lead so great that not only will their competition not be able to catch them—**they won't even be able to see them!**

The turn we're facing in the real estate industry right now is a tremendous opportunity for those who navigate it properly.



EXPERT ADVICE DOES NOT MEAN PERFECT ADVICE

Don't be afraid of those two words: "expert advice." Remember:

- "An expert doesn't give perfect advice"
- "An expert gives excellent advice"

Here's the difference:

If you go to a doctor with a serious illness, she can't tell you how it's all going to wind up in the end. She doesn't know. If she did, she could give perfect advice.

However, your doctor, assuming she's truly an expert, can give you excellent advice. She can tell

you about your illness and your options, whether it be surgery or medications. She can also explain what she believes to be the best option for you based on your history, symptoms, and overall health. Ultimately, though, you're going to make the final decision of whether you go through with the treatment plan.

Once you make that decision, your doctor will take you by the hand and walk you down the road to recovery. She will explain to you that there might be adjustments that need to be made to the treatment plan, because no one can know for certain how things will turn out.



Ultimately, though, you're going to make the final decision of whether you go through with the treatment plan.



She might have to adjust your medications or increase or decrease your treatment schedule. But every step of the way, she's there with you, helping you get to your ultimate goal. This is called excellent advice. (By the way, does this sound like what we do with our clients?)

Similarly, if you went to an attorney, he can't advise you how the case is going to end up or how the judge or jury will rule. That would be perfect advice. What an expert attorney can do is explain your options. He might pick one or two he believes to be the best ones to pursue.

He will then leave you to make the decision on which option you want to take. Once you decide, he will help put a plan together

based on the facts at hand. He will help you get to the best possible resolution of the case, and along the way, he'll make whatever changes are needed. This is excellent advice. (Again, does it sound similar to how we help our clients?)

Your role as a real estate professional is similar to the role of the doctor and lawyer. You can't give buyers or sellers perfect advice because you don't know what's going to happen—you can't know the future. However, you can give excellent advice based on the information and situation at hand. You can guide them through the process and help them make the necessary changes along the way, and that's exactly what your clients want... and deserve!



SUCCESSING IN TODAY'S NEW MARKET REALITY GIVE EXCELLENT ADVICE

What does it really mean to give excellent advice? Two things:

- It means that your knowledge inspires confidence and certainty.
- It means that your knowledge takes away the clients' concerns.

This goes way beyond the sound bite answers salespeople in every profession are good at regurgitating. This is about a depth of knowledge. When someone asks you a question, can you truly explain to them what their options are based on what's taking place in the market?

In order to know whether you have a depth of an answer, ask yourself three questions:

- 1 Do I know what is truly happening in the market?
- 2 Do I know why it's happening?
- 3 Can I simply and effectively communicate both of these points—what's happening and why it's happening—to a consumer?

Knowing what's happening and why it's happening, as well as how to communicate those two things,

“People don't believe what you tell them, but they always believe what they tell themselves.”

are what make you an expert and trusted advisor. It's what enables a buyer or seller to say, “I am going to have the courage to move forward. I'm no longer afraid of making a decision.”

Seth Godin, one of the greatest marketers of our time, put it best. He said: “People don't believe what you tell them, but they always believe what they tell themselves.”

When you're sitting with someone and explaining their options, you have to educate them. Remember that they won't believe what you tell them. That's why you have to bring them to the point that they understand what you understand. When you get them to that point, you're no longer telling them it's okay to buy or sell. Now they're telling themselves it's okay based on their understanding.

This means you not only have to analyze the information well enough to understand it yourself, but you also have to understand it so well that you can simply and effectively communicate it to buyers and sellers. As Albert Einstein said, “If you can't explain it simply, it just means YOU don't understand it well enough.”



“If you can't explain it simply, it just means YOU don't understand it well enough.”



WHERE'S YOUR HEART?

Dave Ramsey, the financial guru, said, "When getting help with money, whether it's insurance, real estate or investments, you should always look for someone with the heart of a teacher, not the heart of a salesman." He talks about our industry specifically.

When you have the heart of a teacher, you're willing to take the time in every presentation to teach. It doesn't matter if you're having a conversation with a first-time home buyer or a seasoned seller; if you're taking the listing or negotiating an offer. Every conversation is an educational opportunity.

You shouldn't be trying to convince someone to do something (that's what salespeople do); instead, you should be helping your clients discover what their options are, explaining the pros and cons of each of those options, and then letting them make the decision that is best for them and their families. That's what a trusted advisor, with the heart of a teacher does.

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"When getting help with money, whether it's insurance, real estate or investments, you should always look for someone with the heart of a teacher, not the heart of a salesman."

LEARN BEFORE YOU CAN TEACH

In order to teach effectively and with the heart of a teacher, it's important to understand how today's consumers learn.

A few generations ago people came home from school and were educated and entertained by radio—by the spoken word. That generation didn't have television or the visuals we have today. As a result, they were great storytellers. They could craft a vision with words alone.

Here is an example:

"Yesterday, they emptied Lake Michigan and filled it with tin foil. Then, rumbling down the road came hundreds of big dump trucks full of vanilla ice cream. They dumped all the ice cream into the tin foil bowl that lined the lake. Then came the fire trucks with their big power hoses and squirted chocolate syrup all over the ice cream. Just then, we heard a loud roar echo through the air. It was a helicopter carrying a gigantic cherry. It plopped the cherry down right on top to complete the sundae."

That generation knew how to tell stories and how to listen. Words were what they lived by.

Today, however, most of that generation is 90 years old or older. If your 30-year career plan is to only deal with clients that are currently 90+-years old, you may be in need of a new plan.

As technology evolved, subsequent generations didn't sit in front of a radio; they sat in front of a television or a computer. They learned to count watching Sesame Street, and they watched short YouTube videos to relax and unwind. These people were educated and entertained very visually.

The way they processed information changed from auditory to visually. Simply "telling" them something wasn't enough. They need to "see" it as well.

If you're not using strong visuals in all your communications with clients (face-to-face meetings, emails, newsletters, etc.), then your message and advice is not being fully heard or understood. allow us prove that to you...



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THE IMPORTANCE OF VISUAL AIDS

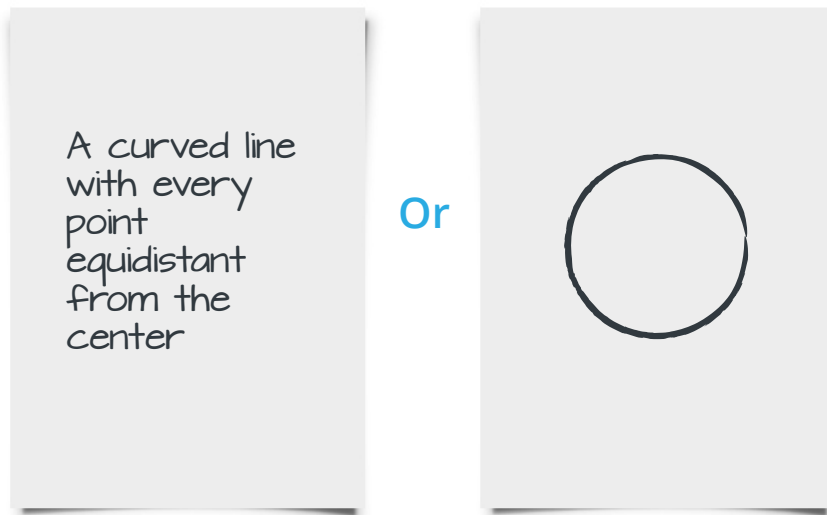


Using visuals enables you to explain your clients' options in a way they can understand.

A classic study sponsored by 3M at the University of Minnesota School of Management on the topic of "Persuasion and the Role of Visual Presentation Support" shows that visuals are important in any presentation. The study found that presentations that used visual aids were "43% MORE PERSUASIVE than unaided presentations."

Additional research at 3M has shown that "we process visuals 60,000 times faster than text." You've heard the saying "a picture is worth a thousand words," right? See the diagram below for proof of that.

Which is easier to understand?



Make no mistake: Visuals are vital for your success!

Remember, your job now is to help your clients understand how the market affects their situation. Powerful and relevant visuals give them the best opportunity to understand the complexities and nuances of the real estate market. Your job is not done until they are fully informed, can fully understand the information, and can make the decision that is best for them and their family. This is also when you will have their trust and be seen as a true professional.

Take the time to prepare visuals for every appointment. It is vital to your success in this New Market Reality.

GO MOBILE



Education doesn't just happen at the formal appointments—when you're on a listing at someone's kitchen table, presenting an offer, or sitting with a buyer in your office. For true professionals, the kind of education we're advocating needs to take place at the informal appointments too.

These are what we call the "pre-appointment appointments." They take place all the time and typically when we least expect it:

- At one of your children's athletic events
- At the ballet
- In the supermarket when someone walks up to you and asks you a real estate question

These are the interactions that often lead to the appointments that we spend most of our time

preparing for. But how many of us "prepare" for these pre-appointment appointments? We know the basic questions they're going to ask, right?

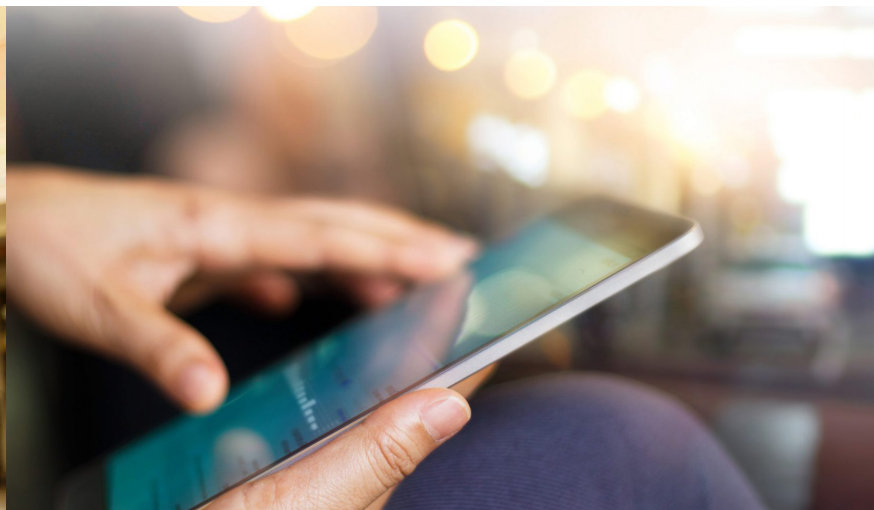
- How's the market?
- Should I wait to sell my house?
- Is now the right time to buy?

Do we prepare some very quick presentations (two to three visuals with an explanation) that cover these questions and have them ready on our smart phones or tablets?

As an agent who thrives in this New Market Reality, you should be able to reach into your pocket or pocketbook and pull out graphs, charts, and other visual information that helps explain what you want that person to understand.

If you do a better job at those pre-appointment appointments, you'll be invited to more formal appointments (and thus create more business).

The key to doing a better job at these pre-appointment appointments is becoming mobile with your real estate information and tools.



PROVE YOUR LEADERSHIP AND ENHANCE YOUR VALUE

Prior to 2008, many agents didn't realize their value. That's because you can't prove how great you are during calm times. You prove your greatness during changing times. Why is this important?

Imagine if the captain of a ship, at the first signs of rough waters, started running up and down the deck screaming "We're all gonna die!! We're all gonna die!!" The crew would start jumping off the sides of the ship and eventually the captain-less vessel would crash and sink, destroying any cargo on board.

Ladies and gentlemen, we are the captains of our own ships. There is a shift taking place in the market (rough waters). Let's not panic. Let's calm down. Let's simply plot a course that will bring our crew, our ship, and its cargo safely into port. And, let's not forget the value of the cargo we

carry. It contains our dreams, the dreams of our families, and the dreams of our clients and their families.

If you are confused about what the shifts in the market mean to you and those who rely on you, KCM was founded and built for one reason and one reason only: to be the lighthouse that the captains of the housing industry can depend on to help navigate difficult waters and bring their ship home safely.

So now it's your turn. It's time to reflect on how far the market has come over the last ten years and then make a plan based on where it will be going the next ten years. Thanks to this eGuide, you have the tools to start planning your path to success now.

Remember: The agents who embrace this New Market Reality



“Wisdom is not a product of schooling but of the life-long attempt to acquire it.”

are going to be the dominant agents moving forward. They are ones who will win the race!

As you move forward into your real estate career, remember to plot out these three steps along the way:

- Step 1 – Continually educate yourself. Whether you use the KCM membership or some other educational means, know what's going on and why it's happening. As Albert Einstein said, "Wisdom is not a product of schooling but of the life-long attempt to acquire it."

- Step 2 – Be able to communicate what you learn. Think of it as the ability to sing versus being on iTunes. If you can sing, but deliver your message on the equivalent of 8-track tapes, no one will listen to you. If, however, you can sing and you publish your music digitally (the modern format), you'll have a much higher likelihood of reaching your audience.

In real estate, this means making sure your client presentations are filled with impactful, relevant information that will help them gain clarity from the confusion in the market. Make your presentations overly visual and so simple that anyone—even a child—can understand what is happening in the current market. Graphs, charts, and infographics are great formats to use.

- Step 3 – Keeping current matters! You can have a tremendous understanding of key factors and wonderful visual materials to help make it easy for your clients, but if you're not updating these things on a constant basis, you're lost. How valuable would a physician be if she didn't update her advice and recommendations based on the newest medical research? Don't be caught with outdated information in your presentations and conversations. Do your homework and be on top of all the major news that will impact the current real estate market.

For most families, buying or selling a home is one of the most important personal decisions and possibly the largest financial decision they'll ever make. They are looking for a true professional to help them through this process. Make sure they get one when you walk into their lives.



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