

MRIS and TREND – A Shared Commitment and Vision

The MLS: Evolved

September 8, 2015




Introduction

In the last twenty years, real estate and the MLS have experienced a myriad of changes. And while MLSs have evolved during this time, the pace of technology is growing past the capabilities of the current MLS infrastructure across America. This has created discord between brokerage firms and the general MLS establishment that is deeply rooted in outdated territorial cultures and practices.

Metropolitan Regional Information Systems, Inc. (“MRIS”) and The Delaware Valley Real Estate Information Network, Inc. (“TREND”) have elected to take action to end the legacy of partial measures to improve the MLS. MRIS and TREND are committed to creating the next era of MLS that preserves compensation and cooperation, promotes the expansion of an orderly and efficient marketplace, and provides participating brokerage firms greater control of and access to their listing content.

This effort will include consolidation of MRIS, TREND and other like-minded organizations.

This consolidation will go beyond a simple joining of forces. It will create an entirely new organization that welcomes other MLSs, associations and brokers from the outset. The goal is to transform the model of MLS, recapture the faith of constituents, and pioneer innovative and meaningful solutions for the brokerage firms.



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Background

The real estate marketplace has changed dramatically. Technology and the Internet have taken a central place in the home buying and selling process. The real estate brokerage is no longer the sole purveyor of real estate information. The consumer has become fascinated with all things real estate.

As a result, the industry has been bombarded with new business models, new players in the space, competing listing portals, a shifting legal environment, fluctuating agent demands, and increased consumer expectations.

MLSs

MLSs are being challenged as models of marketplace order and cooperation. In many areas this is because the MLSs and their customers disagree on who is entitled to the listing content, the rules of access, and deciding what constitutes core products and their cost. There are 850+ MLSs in the country, each with a market that partially overlaps with its neighbor, creating redundant work, unnecessary expense and confusion for brokers, agents, and consumers. Yet there has been limited consolidation. The physical, political, and philosophical boundaries of MLSs no longer fulfill what brokerages need to conduct their business.

Data Sharing

Data sharing initiatives continue to exist without resolving the challenges brokerage firms face in the markets they serve. They frequently do not address cooperation and compensation, leave the firm with having to follow different sets of rules for each MLS, do not include IDX, do not provide the level and depth of information that you get when you belong to an MLS and still require the brokerage firm to do “data mapping” to incorporate the information. At best, it is a stop gap measure. At worst, it impedes progress that would resolve the underlying issues.

Industry Initiatives

Most recently, the real estate industry itself has introduced initiatives it hopes will increase efficiency to the marketplace and restore order and confidence in control of the listing content. These include Project Upstream, RPR’s new back-end MLS system “Advanced Multi-list Platform” (AMP™), the Broker Portal Project, and extending data standards through the Real Estate Services Standards Organization (RESO).

“D.A.N.G.E.R.”

The NAR-commissioned “D.A.N.G.E.R.” (Definitive Analysis of Negative Game changers Emerging in Real estate) report, affirmed the issues described above, some of which pose serious threats to an orderly and cooperative marketplace. It is unclear what new changes and influences will surface. It is unclear how these existing efforts will develop and affect the industry. It is unclear if the industry will continue to fight among itself. What is clear is that the current way of conducting MLS business must evolve.

At best, data sharing is a stop gap measure. At worst, it impedes progress that would resolve the issues for the brokerage firms.

Marketplace

The marketplace is searching for answers. MRIS and TREND, along with like-minded MLSs, associations and brokerage firms, are ideally positioned to assume the leadership role that will provide industry answers and establish a model that creates a new standard. The MLS: Evolved.

The Taskforce

In 2014 MRIS and TREND formed a taskforce who spent several months discussing how together they might be able to best serve the industry and their customers in these changing times. This taskforce, under the guidance of Ann Bailey and Pranix, Inc. with assistance from Kevin McQueen of Focus Forward, included:

Anne Marie Matteo - CEO, Suburban West REALTORS® Association

Brian Donnellan - COO, MRIS

Christine Todd - CEO, Northern Virginia Association of REALTORS®

Cindy Ariosa - Senior VP & Regional Manager, Long and Foster Real Estate, Vice Chair of MRIS Board

David Charron – President & CEO, MRIS

David Howell - Executive VP & CIO, McEneaney Associates, Secretary of MRIS Board

Gene Millman - Residential Real Estate Broker, Emory Hill Millman West, TREND Chairman of the Board

Jack Fry - Owner, RE/MAX of Reading, Executive Committee of TREND Board

Joan Docktor - President, BHHS Fox and Roach REALTORS®, Vice Chair of TREND Board

Jon Coile - President & CEO, Champion Realty, MRIS Chairman of the Board

Ken Schneider - VP Product Management, TREND

Tom Phillips – President & CEO, TREND

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The Vision and Core Values

The taskforce defined the vision for the new organization and identified the core values that would be embedded in the fabric of the new organization. The shared vision is:

“ To create the next era of MLS that preserves compensation and cooperation, promotes the expansion of an orderly and efficient marketplace, and provides participating brokerage firms greater control of and access to their listing content. ”

After several meetings and in-depth discussions, the taskforce concluded that any solution must give brokerage firms greater control of and access to their listing content with maximum efficiency. It must incorporate the products and services subscribers need to thrive. It must fuse proven and future business practices with technology in meaningful and innovative ways. It must benefit all stakeholders and accrue value to all the shareholder associations. It must preserve cooperation and compensation and the expansion of an orderly and efficient marketplace.

It was evident that the solution needed to extend beyond the simple joining of MLSs and instead create a new organization that would introduce the evolved MLS service. The acronym MAPS (Mid-Atlantic Property Services) was created solely as a working title for discussion purposes.

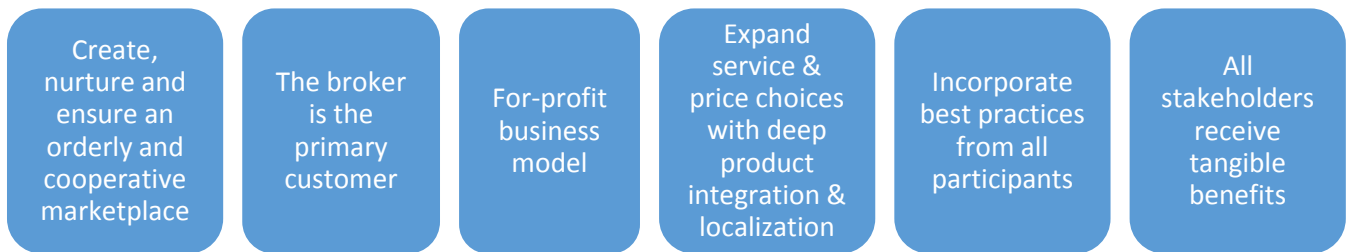
The following core values are meant to capture fundamental principles and establish the framework by which MAPS would operate and measure its success. These would be integrated into the fabric of the new organization:

Core values underlying the vision are:

- Position to **meet broker and subscriber demands**
- Be **expansive and inclusive**
- Acquire or develop technology, products and services that **deliver highest value**
- Choose the most effective way to **address and lead industry initiatives**
- **Surpass stakeholder expectations**
- **Focus on innovation**
- **Move quickly**
- Demonstrate and inspire **thought leadership**

Guiding Principles

The following principles will guide the business strategies of the new organization that will initially serve 70,000 plus subscribers, who serve more than 17 million consumers in their respective marketplaces.



An Orderly and Cooperative Marketplace

At its core, MLS creates and facilitates an orderly marketplace providing the infrastructure for cooperation and compensation among firms. It provides the unique value of creating the most efficient practices across its market for: creating transaction documents, scheduling appointments, integrating listing data and property related information throughout every facet of the listing and selling process, and more. Creating an organization with broader reach will extend the orderly and efficient marketplace and strengthen the fabric of cooperation and compensation for its broker participants.

The Broker is the Primary Customer

The brokerage owns its listing inventory, grants permission to the MLS to serve the agents, is legally responsible for its listings and agents, and is the foundation for the real estate business model in America. This makes the broker the primary customer who must have control over and access to their listing content including directing its distribution.

For-Profit Business Model

Most MLSs already operate as for-profit entities, due to tax and risk mitigation perspectives. A for-profit organization would be able: to reinvest in the business, focus on research and development, possess adequate legal resources to withstand significant challenges, offer opportunities for all stakeholders to reap profits, have the ability to recruit and retain the right staff, and ultimately operate a financially strong business. This for-profit model is predicated first on customer satisfaction and does not suggest generating unnecessary profit.

This makes the broker the primary customer, who must have control over access to their listing content including directing its distribution.

The Product, Service and Price Choices

MAPS would offer an expanded depth, breadth, and choice of product integration. Each subscriber would receive a basic service that includes typical products and services related to MLS. But they would also have options to add upgraded products. MAPS would be an integrator and selective developer of technology. The buying power of a new, larger organization would provide the opportunity to negotiate significantly better prices market-wide than the subscriber or a smaller entity would be able to achieve individually. Most importantly, MAPS would only offer products and services that do not or no longer differentiate brokers.

Subscribers will always have the option of selecting and using products and services they contract for directly, receive through their brokerage firms, or otherwise obtain. There are no restrictions on outside products and services integrating with MLS content, assuming they are standards compliant and adhere to the new organization's rules and regulations.

The Basic Service

The basic service would incorporate the core MLS system: one front-end with supporting products and services for a flat fee. There may ultimately be fewer products in the basic package, but they would be products that are valued more highly by subscribers and contribute to the efficiency of the marketplace.

Upgraded Products and Services

The user would also have the option to subscribe to additional or enhanced products. For instance, the basic service would include a standard CMA. However, if the subscriber wants to upgrade to a more robust CMA offered through MAPS, they can do so by subscribing to that product on an on-going basis, or pay for a one-time use. Potential premium products could include:

- Statistics reports
- Virtual tours
- Cloud storage
- Mobile apps
- Document Management
- E-signatures

Localization

The proposed model would anticipate the customization needed to target local data sets, market customs and differentiating factors based on county, state or other laws. This approach provides the benefit of being part of a larger organization with the ability to serve a local marketplace.

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Incorporate the Best Characteristics from All Involved

The intention is to identify and adopt the best practices from each participating association or MLS and integrate these into the fabric of the new organization. All MLSs and associations who share the vision, and want to participate, will bring experience and expertise in varying subjects. There would be an inclusive approach with a simple path for organizations to participate and contribute their distinctive competency.

All Stakeholders Receive Tangible Benefits

All stakeholders will receive tangible benefits. Consolidation means greater sharing of control and finding the middle ground on decisions. This should go beyond looking at the immediate benefits to consider what will be required for continued future success.

The **brokerage firms** will receive the most immediate benefit since they will eliminate redundant technology costs and have access to a broader market area. They will have the opportunity to receive revenue from content licensing and will reap the benefits of the increased buying power of the new organization, which will assume the cost, technology, and support of products and services that do not provide a distinctive advantage.

The **subscribers** will receive significant benefits by having access to a broader marketplace. The product and service offerings will be more intuitive, with better integration, a uniform interface and demonstrate greater flexibility. Subscribers will finally have choice about what level of products they need to conduct their business and what they want to pay.

The **shareholder associations** will have the ability to influence and participate in the formation of the governance of the new organization. They will be owners of the new organization, who will also have the opportunity to receive tangible benefits, as determined through the governance structure.

The **employees** will have a unique chance to shape the future of the industry, by establishing a different vision for MLSs and setting new standards to be used for years to come. They will have greater opportunities for creativity, upward mobility, and personal achievement to be measured by the success of the organization.

Consumers will receive improved service from brokerage firms since subscribers would have access to broader overall coverage, newer and better information and communication tools, and more time to better respond to daily consumer needs.

The shareholder associations will be owners of the new organization, who will also have the opportunity to receive tangible benefits, as determined through the governance structure.

Recommendations and Next Steps

The Boards of Directors of both TREND and MRIS approved the following taskforce recommendations. Any final recommendations must be approved and ratified by the shareholders of participating organizations.

- 1 The two organizations commit to merging, assuming an agreement can be reached on all key facets of a merger, and due diligence is successfully completed.
- 2 Selective MLSs be invited to participate in the formation of the new entity.
- 3 The shareholders are consulted, included and kept informed throughout the formation process.
- 4 The organizations integrate the vision and core philosophies into the fabric of the new entity.
- 5 Both organizations enter into a non-binding consolidation agreement.
- 6 The two organizations move forward immediately following the consolidation agreement to form, publicize and fund an “innovation” group.

The work of the taskforce has led MRIS and TREND to commit to consolidating. Both organizations have entered into a non-binding formal document to consolidate. They have begun examination of issues central to the formation of a new organization including but not limited to: ownership, governance, financial due diligence review, potential shares and dividends, fees, funding of a product innovation and integration team, how to transition subscribers, the location of the new organization and its staffing requirements.

MRIS and TREND have developed this shared vision narrative, which is being used to introduce *The MLS: Evolved* concept to the Shareholders of MRIS and TREND, the staff of both organizations, other MLSs and associations who may be interested in participating, and the media.

MRIS and TREND will contact key MLSs, associations and brokers who share this vision to invite them to participate in the formation of the new organization. This will be an opportunity for other like-minded organizations to get in at the start and help shape the future of the new organization from inception.

Conclusion

There's been a need for MLS consolidation for years. Leaders have been called upon to rally and shake the foundation of this institution where true transformation has been stymied by complexity, fear and inertia. They've called for meaningful solutions to the ever-changing needs of brokerages and consumers to keep up with the rapid pace of new technology.

MRIS and TREND together, believe that this commitment and vision will provide industry answers and establish a model that creates a new standard. The MLS: Evolved.

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Exhibit One

These are shareholders of MRIS and TREND. Each shareholder represents between 100 and 10,000 subscribers and all sizes in between.

MRIS	TREND
Anne Arundel County Association of REALTORS®	Bucks County Association of REALTORS®
Bay Area Association of REALTORS®	Burlington Camden County Association of REALTORS®
Blue Ridge Association of REALTORS®	Gloucester Salem Counties Board of REALTORS®
Carroll County Association of REALTORS®	Greater Philadelphia Association of REALTORS®
Cecil County Board of REALTORS®	Kent County Association of REALTORS®
District of Columbia Association of REALTORS®	Mercer County Association of REALTORS®
Dulles Area Association of REALTORS®	Montgomery County Association of REALTORS®
Eastern Panhandle Board of REALTORS®	New Castle County Board of REALTORS®
Frederick County Association of REALTORS®	Reading-Berks Association of REALTORS®
Fredericksburg Area Association of REALTORS®	Suburban West REALTORS® Association
Garrett County Board of REALTORS®	
Greater Baltimore Board of REALTORS®	
Greater Capital Area Association of REALTORS®	
Greater Piedmont Area Association of REALTORS®	
Harford County Association of REALTORS®	
Historic Highlands Association of REALTORS®	
Howard County Association of REALTORS®	
Massanutten Board of REALTORS®	
Mid-Shore Board of REALTORS®	
Northern Virginia Association of REALTORS®	
Pen-Mar Regional Association of REALTORS®	
Potomac Highlands Board of REALTORS® (WV)	
Prince George's Association of REALTORS®	
REALTOR® Association of Prince William	
Southern Maryland Association of REALTORS®	