
OE-LBF

02 MLS and Portals

The MLS Consolidation Shift

Although the spate of recent news may suggest otherwise, MLS consolidation is not a new phenomenon. It has been a frequently discussed topic in the industry since the 1990s. Over the past two years, MLSs have actually been consolidating rapidly, at a rate of approximately three per month, shrinking the MLS pool from 825 in January 2014 to 719 in October 2016. Mergers are underway as we go to print including one between MRIS and TREND, a half dozen MLSs in the Northeast and California as well as the likely merger of 10 to 16 MLS organizations in Ontario, Canada. A cooperating data-sharing agreement among seven Midwest MLSs is also in progress. This chapter provides case studies and shares what we can learn from recent mergers. We also provide an action list to help association, MLS and broker leaders take the necessary steps to facilitate their own mergers.

The MLS Today

Consumer Pressure

Changing consumer behavior is one factor pushing MLSs toward consolidation or at least data-sharing agreements. National portals such as Zillow, realtor.com, Trulia and Homes.com have created dynamic search experiences for consumers, but much of the MLS data is not published on these sites.

Some market-specific information is not searchable on the national portals, requiring consumers to perform market-by-market searches to get fuller and more accurate property information. In markets where consumers have to search across MLS boundaries, they have few, if any, real options to access the full search fields in those markets. Buyers just want to see all the available properties for sale and sellers want maximum exposure of their home in the marketplace.

Another consumer-related pressure for solving the multiple-MLSs-one-market issue involves appraisals. In some markets, overlapping MLS markets complicate the home appraisal process associated with a purchase, as an appraiser may not be a subscriber to all MLS organizations, which can cause them to miss comparable sales neccessary for a complete and accurate appraisal. This is one of the key drivers for several of the MLS consolidations that have already taken place, as too many MLSs in one market can negatively impact homebuyers' ability to obtain financing.

The industry has seen significant technology advancements in all areas, less in the MLS, which many perceive lags behind on almost all fronts.

Agent Pressures

Agents, like consumers, will benefit from consolidation as it simplifies access to data that spans multiple MLS boundaries. It also removes duplicative MLS memberships and fees, the need to enter and maintain listings in multiple MLSs and difficulties with providing a consistent search experience for their leads and clients. Consolidation greatly simplifies agents' lives.

In markets where MLS territories overlap, or where customers are likely to search across MLS boundaries and systems, agents must pay more than one fee to gain complete access to the information they need to serve their prospects and clients. This also complicates the home search process, as these agents must set up multiple email notifications from different systems, which is confusing and inconvenient for them and their customers. This can give consumers a poor impression of their agent and creates considerable duplicative effort for agents.

Broker Demands

Brokers and agents who operate in multiple, adjacent MLS markets are plagued with a host of challenges including redundant data entry, integrating data with their transaction management systems, forms, website search, reporting, accounting and marketing tools. Larger brokers are often forced to spend considerable time, energy and money pulling their listings and other data back out of MLSs to operate their businesses and the tools they use. This alone is frustrating, but their agents also feel the burden as they enter the same data into the MLS and again into the in-house system or systems used by the broker. Brokers have had enough and have begun taking steps, themselves, to alleviate this headache; for example, solving the double-entry aggravation is one of the primary thrusts behind Project Upstream.

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Technology Company Pressures

Technology companies who bring new innovative products to market have their own significant challenges associated with working with 700-plus separate organizations. They find it difficult to enter many markets, since every MLS organization has a different way to gain approval and access to the local data. The cost of attaining significant or national exposure is too high under the current structure. Innovation is squashed and everyone loses.

Association and MLS Pressures

Associations and MLSs experience challenges today because their paying customers -- who are brokers, agents and appraisers -- want associations and MLSs to work seamlessly together. Some do but most do not. There have been significant technology advancements in most areas of organized real estate, except for MLS software, which many perceive lags other real estate technology.

The smallest 75 percent of the nation's MLSs (approximately 550) have less than 1,000 members each. Thus, these MLSs generally lack the technical skills, staffing, financial resources, and capability to support their members at the same level as the larger regional MLS organizations who have skilled and dedicated who fill those needs. The smaller associations running MLSs are finding it difficult to keep up with the technology, mandates for RESO standards and the pace of innovation, as they are currently structured. This is just the beginning for them.

Case Studies

In this section we explore several recent consolidations and projects designed to address many of the above challenges. These case studies give readers insight into the consolidation process, how to avoid some of the common pitfalls and a set of best practices facilitate their own consolidation efforts.

Case Study 1 IRMLS — a Medium-Sized Consolidation

Fifteen Indiana associations recently collaborated to create the consolidated MLS Indiana Regional MLS (IRMLS), which now serves 5,800 agents, representing approximately one-third of Indiana's licensees.

Process
The IRMLS consolidation started during an Indiana Association of Realtors meeting in fall 2011. The association formed a core group of members, association executives and brokers who discussed the process and explored several options. The organization eventually chose a business model that allowed associations to continue providing local member services and support with a cooperative framework defined by a core set of technologies all member associations use. The core group then addressed leadership and founder governance.

Leadership
Lafayette Regional Association of Realtors exec Carrie Kendall, an early proponent of the process, was hired as general manager for the new regional MLS. Along with a part-time project manager, Kendall received substantial support from the founding member organizations for the initiative.

Governance
IRMLS members agreed to a governance structure that represented both large and small associations in a balanced way. Members from participating associations made up the board of directors. MLSs with 1,000 agents or fewer had one director while MLSs with more than 1,000 agents had

In many cases there can be reduced MLS fees due to the bulk purchasing power of larger regional MLS organizations.

two directors. With the business model and governance structure set, 13 founding associations signed a written agreement to consolidate. Two more associations have joined since the consolidation efforts began.

Staffing

The regional MLS maintains light staffing; it uses part-time staff from the Lafayette Regional Association of Realtors for MLS support and planning duties. Each local association handles in-person agent training and acts as the first point of member contact. The regional association handles technical support issues and questions as well as overall management, coordination and support for the regional MLS.

Fee Structure and Financial Model

IRMLS selected a "wholesale" financial model in which member organizations pay a "wholesale" price per member to the regional MLS; each member organization then charges its members a retail price for MLS access. This enables the member associations to retain MLS profits they use to provide local services and support. This arrangement enabled many of the member associations to deliver products and services they could not have afforded to on their own and, in many cases, reduced member MLS fees thanks to the bulk purchasing power of the larger regional organization.

Benefits

IRMLS provides a core set of services that includes:

- A single MLS database for listings and membership rosters
- An integrated real estate forms product
- A tax data product, integrated for easy listing entry
- A showing scheduling service
- SUPRA and SentriLock MLS integration
- A free basic version of a virtual tour product
- A discount on a CMA product
- Mobile MLS provided by an MLS system vendor
- One set of uniform input sheets and forms
- One set of IDX and RETS feeds
- Common MLS rules and regulations
- Integrated single-sign-on for all products provided by IRMLS
- Centralized broker-controlled listing syndication
- A brokerage and MLS reporting product
- A region-wide consumer-facing website
- Webinar training for association staff and members

Consolidation Process

The consolidation process lasted from February 2013 to June 2014. IRMLS' general manager organized a vendor-selection process. The organization evaluated several MLS platforms for the merger and eventually selected Black Knight Financial Services' Paragon system.

To facilitate the consolidation of data, Black Knight analyzed each MLS's data and participated in a two-day meeting with representatives from each member association to settle on a standardized set of fields and common input forms. The Black Knight system also allowed IRMLS to include localized fields in instances where a local association required a field that other markets did not. After IRMLS members and Black Knight finalized a data-consolidation protocol, Black Knight customized its platform to fit it. The new IRMLS staff and Black Knight traveled to each member association to provide onsite association staff training.

Challenges

The biggest challenge IRMLS initially faced in the consolidation process involved clarifying how and to what extent member associations would manage IDX feeds. In the end, they decided to centrally manage a set of IDX feeds through IRMLS.

After consolidation, an ongoing challenge has been maintaining data quality. Different associations had different standards for enforcement of data-related policy prior to the merger, and managing these differences in the consolidated MLS has required finesse and leadership.

Lessons Learned

IRMLS members say the consolidation effort succeeded because the participating associations initiated it. The process was less contentious because it did not involve a top-down directive, but rather the associations who came together committed to the project from the outset. Also, IRMLS learned that discussing data standards and rules earlier in the process could help with managing data policy later, thus avoiding some of the hassles that have arisen in other merger efforts due to different orientations toward the enforcement of data policy.

Case Study 2 TREND/MRIS — a Mega-Merger

The high-profile TREND-MRIS merger is an example of a much larger consolidation. The firms recently announced that the new organization will be known, and operate as, Bright MLS Inc. This 80,000-member MLS will be a Mid-Atlantic region powerhouse; its footprint spans parts of six states and Washington, D.C., encompassing 40,000 square miles, 20 million people, and 10 million property parcels.

The merger has been in the public eye for the past two years. The organizations announced their intention to merge in late 2015 and recently worked out the details for combining forces. Bright MLS is owned by 36 Realtor associations; consisting of the 25 shareholder associations who own MRIS and the 11 shareholder associations who own TREND.

Process

The two organizations formed a "Vision Team" to guide the process, which consisted of members from the MRIS and TREND executive teams and representatives from seven additional associations who decided to join the effort. The Vision Team met during 2016 to develop the foundation for Bright MLS. It developed core values, principles, the new organization's vision and its products and services. The group developed a website to inform everyone about the merger and the benefits existing members would see as participants in the new MLS.

The website (mlsevolved.com) outlines the merger's overall goals, presents videos from brokerage and association leaders who explain why they support it and includes a "quiz" that allows agents and brokers to learn about the proposed benefits of the MLS merger. The website addresses a variety topics including how the merger benefits brokers, agents, shareholders and consumers, why a data-sharing arrangement is insufficient and an overview of a few large industry initiatives impacting the MLS world. The site also offers a complete vision document summarizing the initiative that visitors can download — a helpful resource for organizations considering similar mergers.

Leadership

The Bright MLS Vision Team felt it was important to maintain the executive leadership that led the merging organizations during the consolidation process. The team selected MRIS CEO David Charron, TREND CEO Tom Phillips, and MRIS Chief Operating Officer Brian Donnellan to head up the senior management team at Bright MLS, effective January 1, 2017. Phillips serves as Bright MLS' CEO, Charron as chief strategy officer and Donnellan as chief operating officer.

Governance

The board consists of directors from all former MLSs served by Bright MLS. MRIS and TREND have equal representation (11 each) and each of the additional seven associations has one director. The board also includes the Bright MLS CEO and one association executive. After a transition period, Bright MLS will shift to a slightly smaller permanent board of directors.

Staffing

The current MRIS and TREND staff members will continue throughout 2017 to complete development, integration, training and launch of Bright

MLS services to its anticipated 80,000 subscribers. In addition, MLS staff currently employed by the seven additional associations joining the effort can become Bright MLS employees to assist with their local market conversions and delivery of local customer service.

Fee Structure and Financial Model

Bright MLS will be operated as a for-profit MLS system. Over Bright MLS' first three years, some subscribers will see their MLS fees rise and some decline as the MLS settles its subscribers into a uniform fee of $35 per month per subscriber. As associations transition to Bright MLS from their current association-MLS revenue streams, Bright MLS will assist them in lessening their dependence on MLS revenue. The new MLS will make payments for the listing data and number of subscribers each organization brings to the organization over the first three years, which will provide some stability during the transition as the associations develop other revenue streams. Additionally, these associations are eligible for government affairs grants from Bright MLS.

Benefits

Bright MLS members will receive the following standard services and benefits:

- A single MLS technology platform: Matrix 360 provided by CoreLogic
- Showing system provided by ShowingTime
- Public records for primary and adjacent counties
- More frequent deed and mortgage updates
- Mobile search app for agents and their customers
- Mobile app for listing management and public records search
- Buyer and Seller closing costs tool
- Live mortgage rates provided by Rateplug
- Market statistics application
- IDX and RETS feed management
- Broker controlled listing syndication
- Foreclosures search
- Inman Select membership
- RE Technology Membership

Consolidation Process

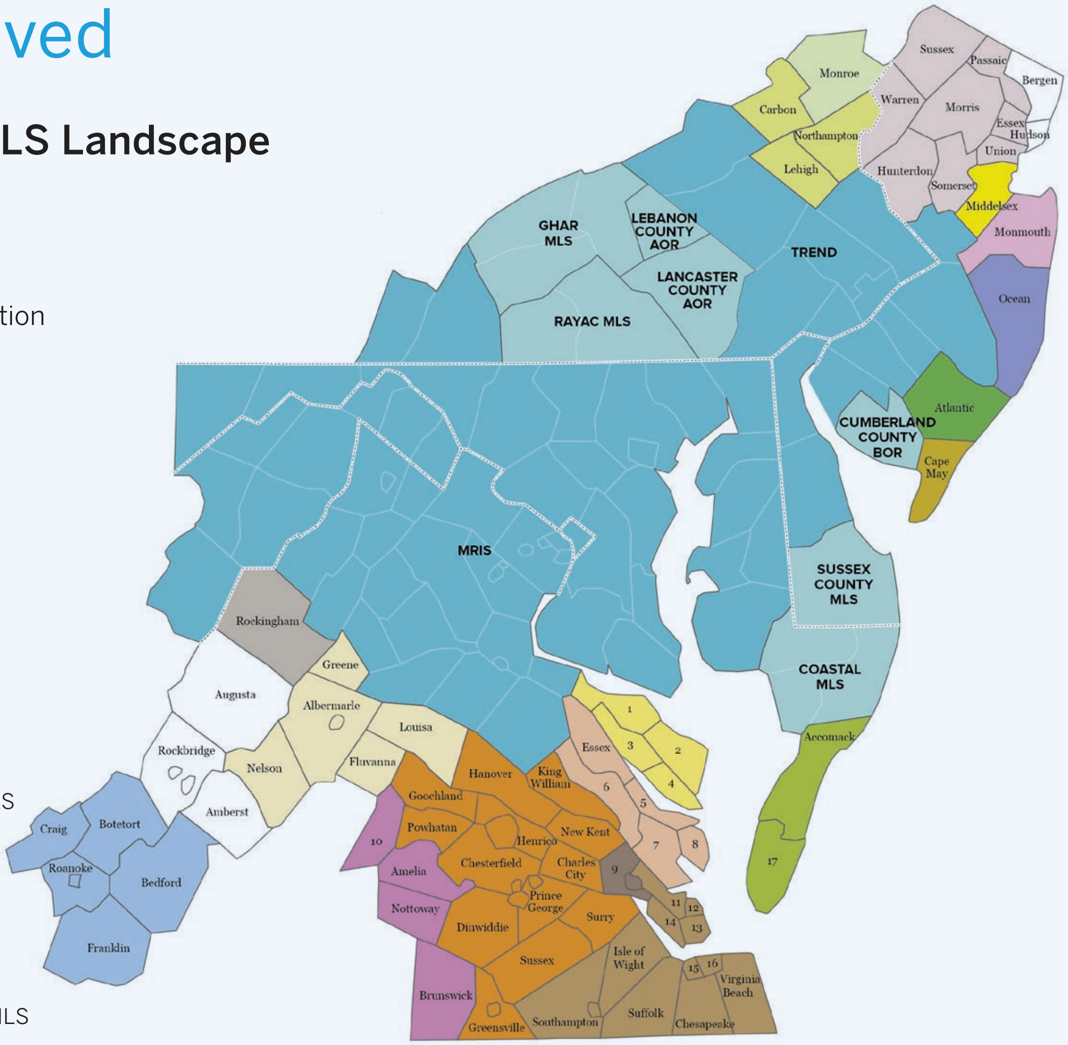
While the Bright MLS merger has been announced, the integration and rollout will take place over two years. The organization will first merge the customer-facing teams of participating organization such as education, support and account executives. After completing that, Bright MLS

MLS: Evolved

Changing the MLS Landscape

MRIS and TREND

Exploring Consolidation



- Garden State MLS
- Middlesex County MLS
- Monmouth County AOR
- Ocean County BOR
- South Jersey Shore MLS
- Cape May County MLS
- Pocono Mountain MLS
- Lehigh Valley MLS
- Lancaster County AOR
- Lebanon County AOR
- Greater Harrisburg AOR MLS
- York Adams MLS
- Sussex County MLS
- Coastal MLS
- Cumberland County BOR
- Richmond MLS
- Northern Neck MLS
- Chesapeake Bay & Rivers MLS
- Williamsburg Area MLS
- South Central MLS
- Rein MLS
- Eastern Shore MLS
- Harrisonburg Rockingham MLS
- Charlottesville Area MLS
- Roanoke Valley MLS

1. Westmoreland
2. Northumberland
3. Richmond
4. Lancaster
5. Middlesex
6. King & Queen
7. Gloucester
8. Mathews
9. James City County/ Williamsburg
10. Cumberland
11. York
12. Poquoson City
13. Hampton
14. Newport News
15. Portsmouth
16. Norfolk
17. Northampton

Source: Bright MLS

will officially launch and begin converting MLSs over to the new platform at a pace of roughly one member association per month. TREND and MRIS will be the last to convert.

Challenges

A project of this scope predictably comes with significant challenges including building sufficient trust among organizations and addressing concerns about job security and revenue loss for the local associations not part of MRIS or TREND. Many of the associations who pledged to the project struggled with the loss of control that comes with joining a larger entity.

The associations dependent on MLS dues for revenue presented a significant challenge. The Vision Team designed a transition plan for each so they could move away from MLS revenue over time. Local MLS staff also had the option of working for the new MLS so that local service and support were retained.

In the early stages of the merger process, participants felt that "technology was the easy part," but as the process progressed technology differences occasionally slowed progress as some member organizations felt their technology was superior.

Some of the other issues the Vision Team worked through included determining how to combine and convert CRM systems, map data between participating organizations and drafting data-management rules and regulations for the larger organization. They also had to resolve institutional issues such as pricing, communications, customer service, public relations, education and training, staffing and management, contracts and the selection and design of core and premium MLS products.

Lessons Learned

Bright MLS executives emphasized the biggest lesson they learned in the merger process was the importance of listening to all constituents and not presuming to know how other markets function. The merger process required its leaders to remain open to finding middle ground and exploring possible solutions and paths. This mindset allowed them to resolve the challenges they faced in bringing together many disparate member organizations in the new entity.

Case Study 3 MTP Initiative — an MLS Data Cooperative

An MLS Technology Platform (MTP) is an alternative approach to consolidation that addresses some of the same issues around MLSs converging on one market. The MTP initiative profiled here involves seven MLSs: RealTracs (Nashville, Tennessee); Heartland MLS (Kansas City, Missouri); MARIS (St. Louis); MRED (Chicago); MIBOR (Indianapolis); Northstar MLS (Minneapolis); and Carolina MLS (Charlotte, North Carolina).

The Initiative and Process

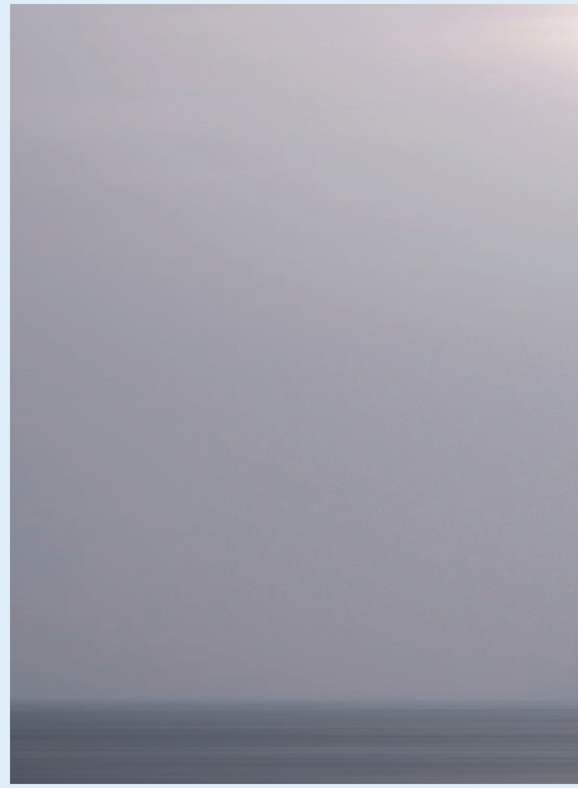
The initiative's designers envision the MTP as a way for participating MLSs to reduce the redundant efforts related to data distribution, audits, license-agreement policing, legal work and support that brokers and their vendors faced as members of multiple MLSs within the MTP's region.

The MTP is primarily concerned with fostering the collaboration and technology that allows members to access MLS data through a single

Cautionary Note

MLS consolidation promises to provide greater economies of scale and efficiencies for MLS organizations, greater convenience and possibly lower costs for brokers currently working in multiple MLS markets. But it comes with some legal risks and issues as well.

Here are a few tips:



Antitrust

Use a consultant for pre-consolidation pricing information. Potential MLS parties to a regionalization or consolidation should be very careful of antitrust concerns. Sharing retail pricing and input costs directly with each other can support accusations by others of price-fixing. MLSs should share such information only through a third-party.

Due Diligence

Conduct a deep investigation. In the event that two more companies will merge, they usually do “due diligence,” which is just a way of saying they turn over a lot of information to each other to assess risks, etc. Our firm’s list of due diligence questions (just the questions) is 10 pages. As part of due diligence, the pre-formation entities will want to review current contracts for assignability and termination/expiration options.

Tax Issues

Educate technical advisers. For example, if a regional MLS generates income, it should be structured to provide the best tax advantages. MLSs typically operate as quasi-nonprofits. Accountants, often unfamiliar with such entities, sometimes jump to conclusions about what approaches are best.

Intellectual Property

Get necessary licenses or assignments. When a new MLS entity is formed, it usually gets listing and other data from the predecessor entities. MLSs need to evaluate the sources of those data and the risks associated with them and make sure they are properly assigned or licensed to the new entity.

Securities

Check early for securities issues. Transactions involving enough money and enough pre-existing entities can trigger state and federal securities-law provisions. These laws are designed to protect investors, but they can complicate a regionalization or consolidation, particularly if not identified early.

New Entity

"Paper up" the new business. The regionalized MLS will need to file entity-creation documents with the state and draft ownership and governance documents. Additionally, the MLS will need operational documents, such as rules, participant and subscriber agreements, data-use policies and license agreements.

Disaster Planning

Have a prenup. Regional MLSs sometimes break up, and if there is not a clear path for the breakup, expensive and extended litigation can result. There are recent examples in the industry. The documents forming the entity should make it clear how one of the founders/investors can get out, and they should ensure that both the regional and the founder/investor pulling out could be viable as an MLS moving forward. (This may also help to addresses some antitrust issues.)

Source: Larson Skinner PLLC

source rather than having to input data through more than one platform. Member MLSs view the MTP as a technology initiative and not another governance body, which was attractive because it allowed them to retain their independence, local identity and preferences but also gain efficiencies through the cooperation.

The MTP's objectives involve providing the following to each member:

- A RESO-compliant MLS server for brokers and vendors to access MLS data.
- Standardized data-usage license agreement and IDX/VOW rules used by all MTP member MLSs.
- A data-licensing compliance process.
- Quarterly IDX site audits through a uniform MTP-managed process.
- Standardized compliance letters and support for the data-compliance process.

MTP MLS members will continue to operate autonomously, which means they will continue selecting their own MLS system vendors, manage individual listing input rules and regulations and provide local services and end-user support. Their data will be sent to the MTP server, which will enable the services listed above. MTP members also have the option to pay for compliance services from the MTP.

MTP charter leaders and organizations include: Stuart White, RealTracs (Nashville, Tennessee); Kipp Cooper, Heartland MLS (Kansas City, Missouri); Paul Prince, MARIS (St. Louis); Rebecca Jensen, MRED (Chicago); Steve Sullivan, MIBOR (Indianapolis); John Mosey, Northstar MLS (Minneapolis); and AnneMarie Decatsye, Carolina MLS (Charlotte, North Carolina). Each organization contributed $50,000 to fund the initiative.

Defining the initiative as primarily a technology program has kept a lot of the sensitive questions off the table and helped MTP move rapidly forward.

Leadership and Governance

After conducting a CEO search, the MTP hired former UtahRealEstate.com director of operations Joseph Szurgyi. The organization is set up as an LLC with equal board representation from each of the seven member organizations. MTP is still early in its development and currently relies on a work-group model, using staff from its MLS members to bootstrap into a full operation. MTP's CEO directs the work groups.

Fee Structure and Financial Model

MTP will provide services for a base fee, which will most likely be calculated on a monthly per-MLS-member basis. The technology platform and fixed operational costs are the primary drivers behind the need for a base fee. Compliance services are optional and will be paid on a fee-for-service basis by the MLSs who want them; the level of staffing will determine the costs needed to run them. MTP is run as a revenue-neutral organization under its operating agreement.

Benefits

The MTP model offers many benefits to MLS members, including:

- Brokers who belong to more than one MLS participating in MTP will have just one listing feed to digest.
- Improved copyright protection.
- Access to more vendors because vendors will need just one IDX agreement and use just one data feed to MTP members.
- Simplified processes for agents who use tools dependent on MLS data.

In later phases of the MTP development process, participating MLSs may add a single point of entry for multi-market brokers, develop a single set of listing quality standards and offer MTP-wide analytics.

Lessons Learned

The MTP initiative began with many common goals and expectations, which helped the project proceed relatively quickly. Defining the initiative as primarily a technology program has kept a lot of the sensitive questions about ownership, financial interests and independence at bay, and has helped MTP move rapidly forward. As this type of MLS collaboration, allows local MLSs to retain a large amount of local control, this initiative may offer a politically palatable solution for future MLS consolidation conversations.

Steps to MLS Consolidation

Here is a checklist to use when exploring your own MLS consolidation. This seven-step process has been used by dozens of associations and MLSs in North America to successfully execute a merger. Some variations will be necessary to meet your unique situation and needs, of course, but this provides a solid framework for you to work from.

Step #1 Assess Your Current Offer, Including Products, Services and Value Proposition

The first step involves determining how you stack up against others. We recommend using the CMLS Best Practices Guide (councilofmls.org/page/Documents), customer surveys and NAR's Core Standards to discover what your market or state's best MLSs offer their members. Do an honest assessment: "How partner-worthy are you?" Consider engaging an outside advisor to help you with the research and presentation of the findings. Create a written summary of your offer and value proposition – your "bragging rights." Create a spreadsheet that compares your MLS with others. Communicate this information to your leadership, staff, members and others in the market.

Step #2 Get Clear on Why You Want to Consolidate

Are you crystal clear on why you want to lead or participate in an MLS consolidation? What are your compelling reasons, desired outcomes, perceived challenges? What are the specific benefits of consolidation to your brokers and members? Work with your leadership to flesh out answers to these questions and write them down. These will become your "Talking Points," which you will use often in the next steps.

Step #3 Communicate Your Purpose and Intentions with the Board and Influencial Brokers

With Talking Points in hand, initiate discussions about a potential consolidation with staff, officers, directors and influential brokers in your market and those of potential merger partners. Use the Talking Points to deliver a consistent message. Empower your leadership to become ambassadors for sharing your MLS's intentions, the reasons you are pursuing a merger, the desired outcomes and what brokers and members will get out of it. Organize office visits by leadership and staff over a specific period, such as a span of two weeks. Meet with influential brokers and agents in their offices and other places they gather. Consider using other channels for getting the word out. Listen to their feedback and use it to tweak your Talking Points accordingly. Know that you are sharing your vision for the future through your outreach with the people who can and will make it happen – your leadership, staff, brokers and partners.

Step #4 Due Diligence — Research Other MLSs in Your Market

Using the competitor spreadsheet you built in Step 1 and other information you have compiled so far in your consolidation effort, compare your MLS with others based on products and services. You probably have a good idea of who should be involved in your consolidation. Ask yourself: "Who needs to be involved in the collaboration so that my brokers will be delighted?" The answer is the invitation list for the first meeting you call. It may be helpful to bring in an outside MLS advisor to help in researching and comparing MLSs. An outside advisor can neutralize some of the politics, facilitate discussions, reduce workload and manage some of the risks.

Step #5 Invite Your Guests to the First Meeting

At this stage, you have:

- A clear understanding of how you measure up with other MLSs around products and services. You also know your value proposition and why you are partner-worthy, why others might want to align with you.
- A list of compelling reasons for leading or participating in an MLS consolidation.
- An outline of desired outcomes — what you want to accomplish, your goals.
- A summary of the benefits of consolidation for your brokers, members and their clients.
- Direct feedback from leadership, staff and influential brokers about the proposal.

Now you are ready to call the first meeting and invite the leaders of other organizations for an informal discussion about your consolidation vision. We suggest a task force with up to four representatives from each organization.

Step #6 The Messy Middle

Design a project plan and timeline for the rest of the process. Here is where the consolidation effort gets interesting, as you start addressing its details! Every consolidation and collaboration is unique. As a guideline, it will take from two to five additional meetings to achieve your goals. The number of meetings depends largely on how many organizations are participating, leadership's willingness to make compromises, the level of market overlap and the level of commitment from leadership.

Step #7 Create Your Governing Documents and Execute Your Consolidation

Once the partners reach a consensus on the business model, structure and how decisions will be made, it is time to engage an attorney to create the new group's governing documents such as a shareholder or operating agreement. The result is an agreement signed by the founding members, who have collaborated and worked hard to create something bigger and better. Finally, execute the agreement and begin delighting your members and consumers.

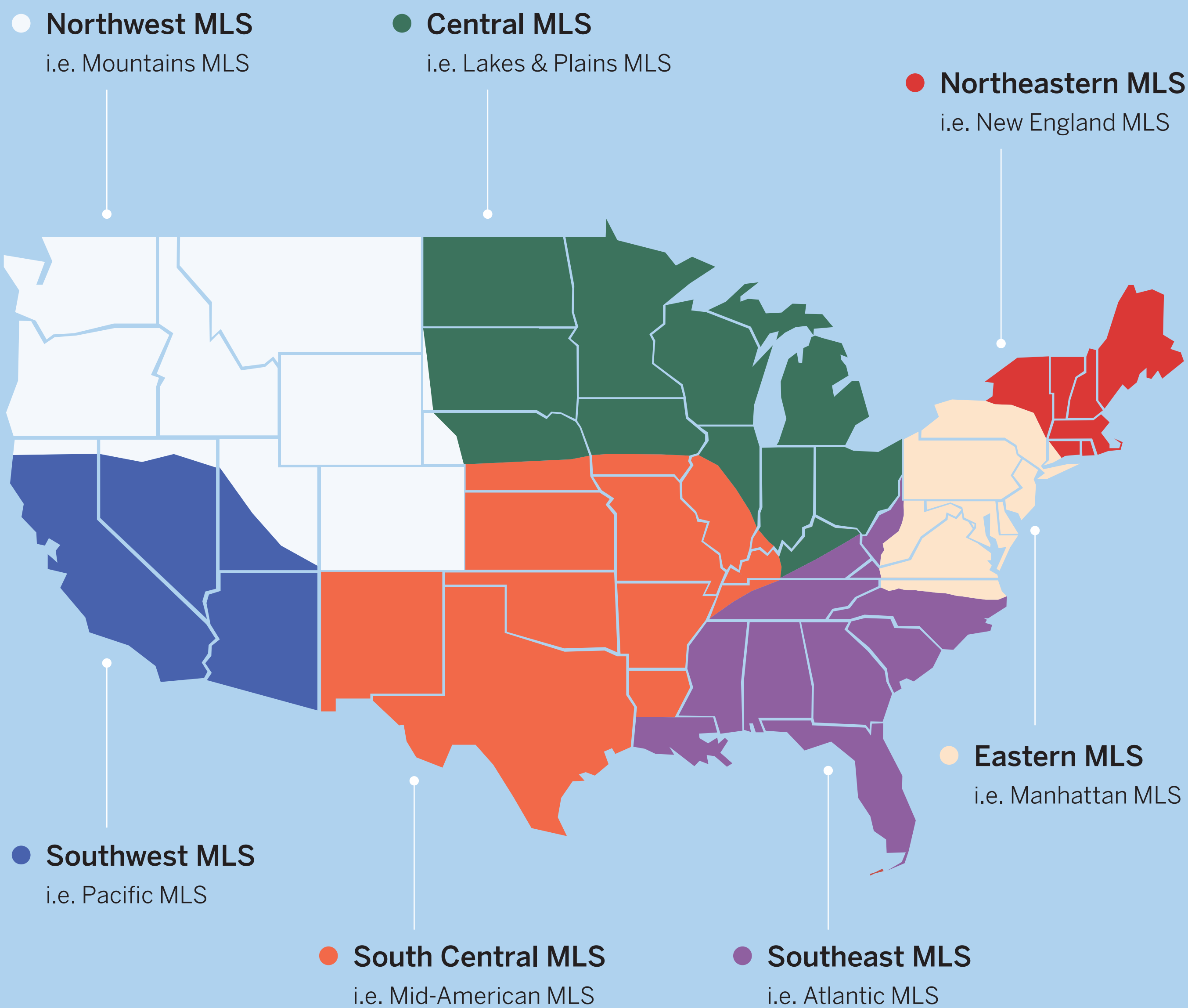
Takeaway

MLS merger activity will definitely continue and, it seems, will escalate in the coming years. Although it is impossible to predict how many of the 700-plus MLSs will eventually merge and what the outcome will be, it is inevitable that most MLSs will consolidate with others or disappear, as their value propositions no longer hold up. The reason is simple: there are too many MLSs. Whether there should just be one per state or some other number is hard to foresee. Consolidation will take many forms, not just one or two.

The final number does not matter, but less is more as far as MLSs are concerned, especially for brokers, agents and their clients. Based on the assumptions on the next page, the following diagram illustrates a hypothetical future MLS scenario.

Hypothetical Future MLS Consolidation

Based on Assumptions on Page 176



Source: T3 Sixty and Focus Forward

Assumption #1

Continued Consolidation of MLSs until Broker Needs are Met

Much of the past and current consolidation activity is aligned around population centers or metropolitan statistical areas (MSAs) because they provide measurable advantages for MLS members, brokers and their clients. These consolidations deliver better services and technology to at lower costs. Market-based mergers will be the most common.

Assumption #2

The Big Get Bigger and Better

The largest MLSs (20,000 or more subscribers) with significant financial resources will continue to expand through consolidation with adjacent MLSs. M&A activity by the largest MLSs will pick up speed as they have the resources and skills to make it happen.

Assumption #3

Mega-Mergers

A logical path forward for large MLS mergers involves creating economies of scale and standardization of services across broad regions and multiple states. There may only be a few mega-mergers, but the size and scale will have considerable impact on the industry.

Assumption #4

Data Shares or Cooperatives

Data cooperatives could satisfy many of the demands driving MLS consolidation without legal mergers. However, most data shares or cooperatives are eventually replaced by MLS mergers because they maximize efficiency and buying power and deliver the best products and services at the lowest possible cost.

Assumption #5

National Technology Providers Displace Smaller MLSs with Better Alternatives

We expect the national technology and data providers will make their move and become more bullish, resulting in the "roll-up" or replacement of the smallest 500 MLSs. They will offer alternative solutions directly to the brokers and agents in local markets at much lower fees. These will host a complete set of listings and other valuable market data including comparables, maps, public records, demographics, school ratings, neighborhood information and more. It will be one-stop shopping, all at a lower price than what the current association charges. The national roll-ups will be supported by pressure from national brands, regional and independent brokers and new competitors.


Competition is everywhere.