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Di Finding Your Fil

BY G.M. FILISKO

When deciding whether to buy a franchise, brokers are finding more choice today than ever before.

In the highly competitive residential real estate market, brokers are always searching for that glass slipper—the ideal business model that will help them garner customers, serve their agents and generate profits. Buying a franchise has long been a popular choice, enabling brokers to retain local ownership while enjoying the services and visibility of a national company.

Brand recognition is a major factor—but not the only one. “RE/MAX does a lot for us,” says Tom Skiffington, president and CEO of RE/MAX 440/Central, a 12-office Pennsylvania opera-

tion that spans from Allentown to Philadelphia. “They do a lot in terms of services, name recognition, group purchasing for advertising, and referrals that you couldn’t get without a franchise.”

Downward Shift

Overall, franchise affiliation has trended down slightly among members, according to National Association of REALTORS® data. NAR’s 2023 Member Profile reports that 55% of members are affiliated with an independent company, while 39% are affiliated with a franchise. “But that’s not a significant jump

for independent companies,” says Brandi Snowden, NAR’s director of member and consumer survey research. “In 2021, that number was 53%, which was another slight increase over 2020’s 52%.”

Broker-owners are even more likely than agents to say they’re part of an independent company, Snowden says. “This year, 87% of broker-owners who don’t sell and 85% of those who do sell say they’re part of an independent company.”

The growth of national companies without franchise opportunities no doubt plays a role, as does the fact that

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Assist2Sell buyassist2sell.com Reno, Nev.	126 186	550 800	\$2,995	6%	1 R	\$2,995	M
Began franchising: 1994 Targeting: National Contact: Ryan Elliott Ryan@Assist2Sell.com							
Berkshire Hathaway HomeServices berkshirehathawayhs.com Irvine, Calif.	1,509 1,442	50,381 50,291	\$25k	6%	10 N	N/A	M, R
Began franchising: 2013 Targeting: National Contact: Jason Greenleaf jasongreenleaf@hsfranchise.com							
City2Shore National Franchises city2shore.com Hudsonville, Mich.	13 12	144 122	\$35k	6% of cPPED, capped at \$3,000	10 R	\$5k	M, T, R
Began franchising: 2016 Targeting: National Contact: Shelly Frody shellyfrody@city2shore.com							
Crye-Leike Franchises Inc. crye-leike.com/corporate/franchises Brentwood, Tenn.	140 140	3,069 3,244	\$13.5k-\$25k	6%	5 R	Greater of 20% of initial investment or \$2,500	None
Began franchising: 1998 National Contact: Keith Sullivan keith.sullivan@crye-leike.com							
Engel & Völkers North America evrealstate.com New York	239 195	5,343 4,092	\$35k	6%	10 R	50% of initial fee	M, T, E, Designation Program Fees (voluntary participation)
Began franchising: 2014 Targeting: National Contact: Alex Dennis-Browne alex.dennis-browne@evrealstate.com							
Exit Realty Corp. USA joinexitrealty.com Woburn, Mass.	568 541	21,000 20,000	\$7.5k-\$32k	None	5 R	10% of franchise fee	T
Began franchising: 1996 Targeting: National Contact: Craig Witt cwitt@miexit.com							
Help-U-Sell Real Estate helpusell.com Sarasota, Fla.	90 90	30 90	\$17.5k	6%	5 R	\$2.5k	Monthly admin fees
Began franchising: 1976 Targeting: National Contact: John Powell jpowell@helpusell.com							
HomeSmart International homesmart.com/franchising Scottsdale, Ariz.	225 195	26,385 22,901	\$20k	\$12/agent/month	10 R	50% of franchise fee	M, T, E
Began franchising: 2011 Targeting: National Contact: Bryan Brooks bryan.brooks@homesmart.com							

independence remains a hallmark of the residential real estate business. Still, thousands of brokers and agents remain committed to the concept of franchising. And with new franchise models emerging all the time, there's always an opportunity for another try at that perfect fit.

Every two years, REALTOR® Magazine offers a scan of the residential franchise landscape. Among the franchises that provided data for the magazine's 2023 Residential Franchise Report, nine showed an increase in number of offices, eight saw a drop, and three held steady. Among those showing office growth since the magazine's 2021 report:

- NextHome Inc. added the most offices, at 143, along with 1,172 agents.

RE/MAX, Keller Williams, and Berkshire Hathaway—nearly all those incumbent franchises are losing agents net,” says Steve Murray, senior advisor to HW Media and partner at Real Trends Consulting in Castle Pines, Colo.

Those shifts aren't necessarily contractions, he says. They're due, in part, to the shuttering of brick-and-mortar offices that's been underway for years. The movement in agent counts, Murray says, reflects the fact that agents are also searching for their perfect fit. “Agents have more options than they've ever had before. On a national level, we have a whole shift going on.”

thing's new—and it's often a little flash in the pan,” she says. “They know a lot of people will get attracted by a shiny penny and won't dig in to know if there's real work behind the promises that have been made to them.”

JPAR itself has recently undergone change. Its first franchised office opened in January 2019, O'Connor reports. It had its most rapid growth in its first two years and then was acquired in April

"There are a lot of new franchises, and different models are designed for different agents." – Tom Skiffington

Evaluating all the options available in your market is critical before joining any franchise, says Skiffington. “There are a lot of new franchises, and different models are designed for different agents,” he says. “Look at your market and your agent pool to see if the franchise is a good fit for your company. And are there enough agents in your market for you to be profitable with that model?”

- Berkshire Hathaway HomeServices added 67 offices, though its overall agent count increased by less than 100.
- Engel & Völkers North America added 42 offices and more than 350 agents.
- HomeSmart International grew by 30 offices and added the most agents, at 3,484.
- Exit Realty Corp. USA added 27 more offices and 1,000 agents.
- JPAR added 10 offices and 460 agents.

Meanwhile, most of the largest franchises have been shedding offices and agents. “If you look at what I consider the four big, pure franchise companies—Anywhere,

That shift includes a recent acceleration in broker mergers and acquisitions. In 2019, 9% of NAR members reported that they were affiliated with a company that had been bought or merged in the past two years. That number essentially held steady through 2022. In 2023, it skyrocketed to 26%.

What Brokers Want

Real estate franchising is reacting to the ongoing industry disruption.

“Franchising in the real estate business has been pretty notorious for overpromising and underdelivering,” says Laura O'Connor, president and COO of JPAR Affiliated Network, a flat-fee brokerage headquartered in Texas.

“Franchises come up with new technology—every-

2021 by Cairn Real Estate Holdings, a group formed by Rick Davidson, the former CEO of Century 21.

“We hit the pause button for about a year to make sure the foundation was right for more rapid growth,” says O'Connor. “We restructured. Now we've opened our fifth office in 2023 after opening four offices total in 2022.”

Brokers discussing franchising with JPAR, according to O'Connor, are often not first-time franchisees. “We find people will have tried something else first and feel they've

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been let down,” she states. “Some franchisors are offering one- or three-year terms instead of longer-term commitments. Brokers test those out first and then come to us with a much better understanding of what they’re giving up by not partnering with a franchise for the longer term. It’s hard to accomplish something in your first 12 months of operation.”

O’Connor says the brokers she speaks with have already decided to join a franchise. It’s a matter of which one. They often start by asking about whether, by joining JPAR, they

can grow their agent count. “That’s usually the first, main area they ask about,” she says.


“The second is what the onboarding process will be for them as an owner,” she continues. “How much time do we invest in it? Will the agents have a smooth transition? What PR efforts will be put toward the grand opening? They want to know the full process of how they’re going to make this move.

“The third thing they ask about is what we call the technology deep dive,” says O’Connor. “They’re looking to franchise because customers or agents have had a difficult time and friction during the

transaction. They really want to know there’s a streamlined tech solution, not just at the owner level but also for agents and clients.”

The Benefits of Branded Assets

For Better Homes and Gardens Real Estate Native American Group in Virginia Beach, Va., franchising was all about growing through diversification. Susan Jenkins, CEO and principal broker, has co-owned and operated the brokerage with her husband, Barry, for 33 years. Until they joined a franchise in 2013, 90% of their business came from government contracts to sell real estate-owned properties.

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John L. Scott Real Estate Affiliates johnlscottfranchise.com Bellevue, Wash	104 106	3,279 3,450	\$15k	N/A	1 or 5 R	None	M, T
Began franchising: 1990 Targeting: WA, OR, ID and CA Contact: Howard Chung franchiseinfo@johnlscott.com							
JPAR - Real Estate franchise.jpar.com Plano, Texas	66 56	3,872 3,412	\$25–30k	\$0–200/transaction	10 R	\$5k	Annual Agent Dues, Monthly Brokerage/Technology Fee
Began franchising: 2019 Targeting: National Contact: Laura O’Connor teamgrow@jpar.com							
Keller Williams headquarters.kw.com/ Austin, Texas	797 819	174,019 167,464	\$35k	6%	5 R	Renewable for 10-year term at 10% of current fee or \$5,000, whichever is less	M, T, E
Began franchising: 1987 Targeting: National Contact: Debbie Gardner debbie.gardner@kw.com							
Nest Realty nestrealty.com Charlottesville, Va.	22 22	515 450	\$25k	3%–4.5%	10 R	\$1,000	T
Began franchising: 2017 Targeting: National Contact: Jonathan Kauffmann jk@nestrealty.com							
SPONSOR  nexthome.com Pleasanton, Calif.	630 485	5,672 4,500	\$4.5k–\$8.75k	\$125 per office per month + per agent fee options	1 or 5 R	\$4,500	T, E
Began franchising: 2015 Targeting: National Contact: Charis Moreno Charis@nexthome.com							

2023 Franchise Spotlight

Q&A with James Dwiggins, CEO of NextHome Inc.



NextHome continues to experience impressive growth, even in a market downturn. What's the secret ingredient to your expansion?

When you scale a company, it's important that you grow with the right people. NextHome is now 630 offices strong, with over 5,700 members across 48 states. These individuals are some of the best in the business—talented professionals who share our vision and fun culture.

When potential franchisees ask to open a NextHome office, we try to get to know them better. Do they perceive real estate through the same lens as we do? Are they community-focused and hard-working? We like to measure it this way: If we would willingly spend a Friday or Saturday night with them, away from our families, then they are likely an ideal fit for NextHome.

When companies expand, it's easy to get distracted by numbers and lose sight of the humans in the organization. At NextHome, we focus on attracting and supporting great people. This is how we are able to maintain our unique culture while growing as quickly as we have.

How are you supporting brokers and agents in the current environment?

For three years in a row, NextHome has been Franchise Business Review's No.1 franchise in owner satisfaction across all

industries in the U.S. based on independent third-party surveys. This is our most meaningful recognition to date and one we don't take lightly. Listening to our members, they say that a big part of this satisfaction comes from the way we support them.

Anticipating what lies ahead, we took proactive measures last year to prepare our brokers and agents for the current housing market environment. We launched coaching programs and hosted webinars, town halls, quarterly leadership check-ins, and more. We developed robust training resources to prepare our members for the outcomes of the ongoing compensation litigation in our industry.

NextHome provides, as an included benefit, an industry-leading suite of marketing and technology products. But none of these tools will deliver results without exceptional back-end support.

Rather than leave brokers and agents on hold for hours with numerous third-party vendors, we give them access to an in-house member services team that knows each product inside and out. That team's dedication to the success of our brokers, owners and associates is unmatched. It's why we have an unparalleled adoption rate of nearly 75% across all our tools.

At NextHome, we take the support of our members seriously so they can focus on what matters most: helping people find their next home.

[nexthome.com](https://www.nexthome.com)

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“We wanted to expand our private-sector business,” Barry explains. “They provided the tools—the training, ads, everything you need—and very quickly brought business consultants who were employees of Better Homes [and Gardens] into our offices to show us how to use the assets the brand was bringing to us. But one of the most important things they did for us was to provide name ID. “We increased our gross

commission income by 450% in a couple of years, but not by increasing our REO business,” he adds. “The franchise enabled us to borrow its influence to expand.”

Note: Better Homes and Gardens Real Estate is part of Anywhere, which owns some of the largest brands in residential real estate. Anywhere declined to participate in this year’s report.

If you’re franchise-curious, Susan Jenkins advises investigating how a potential franchise company will partner with you to do things like

increase your gross commission income and help you with recruiting, branding and technology. “What does its support system look like?” she asks. “What does its leadership look like? What are its future plans?”

To some extent, it’s the franchise’s responsibility to help you be successful, Jenkins says. “So how are they going to increase your bottom line?” ■

Filisko is an attorney and freelance writer who writes frequently on real estate, business and legal issues.

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Real Estate One Inc. realestateone.com Southfield, Mich.	90 85	2,300 2,454	\$12.9k–\$18.9k	5%	5 R	None	M
Began franchising: 1972 Targeting: Michigan Contact: Dennis Pearsall dpearsall@realestateone.com							
Realty Executives International realtyexecutives.com/joinus Phoenix	313 325	6,031 5,552	\$25k	\$99–\$300 per agent per month	10 R	None	M, T, E
Began franchising: 1973 Targeting: National Contact: David Celaya davidcelaya@realtyexecutives.com							
Realty World Inc. realtyworld.com Newport Beach, Calif.	187 188	1,500 1,489	\$18k	\$275 per office per month	5+ R	\$1,500	M, T, E
Began franchising: 1973 Targeting: National Contact: Lisa Gerdes lisa@realtyworldhq.com							
RE/MAX LLC remax-franchise.com Denver	3,448 3,597	57,734 62,096	\$17.5k–\$37.5k	1%	5 R	\$6,000–\$14,000	M
Began franchising: 1973 Targeting: National Contact: Peter Luff peterluff@remax.com							
United Country Real Estate uc-realestatefranchise.com Kansas City, Mo.	470 480	3,500 5,000	\$20k	Varies based on volume	5 R	\$2,000	T
Began franchising: 1997 Targeting: National Contact: Richard Thompson rgthompson@unitedcountry.com							
Weichert Real Estate Affiliates weichertfranchise.com Morris Plains, N.J.	437 500	12,847 15,200	\$25k	6%	10 Non renewable	\$1,000	M, Royalties
Began franchising: 2001 Targeting: National Contact: Kevin Hill franchising@weichertrealtors.net							
Windermere Real Estate windermere.com Seattle	316 310	6,592 6,300	\$25k	5% of gross commission	1 R	None	M, T, E
Began franchising: 1983 Targeting: Western U.S. Contact: Shelley Rossi shelley.rossi@windermere.com							



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