

BROKERAGE COOPERATION IN THE PHILADELPHIA METROPOLITAN AREA

“AN ON-MLS WHITE PAPER”

INTRODUCTION

OVERVIEW

The MLS was formed on the principle that when the brokerage community cooperates with one another they can better serve their clients. It is further believed this cooperation leads to broader exposure, which helps sell properties faster and for a higher price.

You may have read recent and various studies that question this principle and suggests close to 50% of sales are occurring outside of the MLS¹. TREND took a close look at the Philadelphia Metropolitan Area to compare the results of these studies to what is happening in the Philadelphia real estate market.

This research found that broader exposure, achieved by marketing a property on the MLS, includes quantifiable benefits. This paper will show the correlation between marketing a home on the MLS and seeing a higher median sold price. It will also show that the percentage of properties marketed on the MLS is consistently strong in the Philadelphia Metropolitan Area.

To conduct this study, we used the vast amount of data accessible to TREND as an MLS and public records provider, combined with data from national public sources. Through this research, we believe we can show that:

When listings are advertised in a competitive marketplace, with exposure to the cooperative brokerage community through the MLS, they command the highest prices.

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METHODOLOGY

DEFINING THE PHILADELPHIA METROPOLITAN AREA

TREND is the regional MLS for the city of Philadelphia and surrounding Pennsylvania, New Jersey and Delaware counties.

TREND serves the following counties:

- **6 PA Counties:** Bucks, Montgomery, Philadelphia, Delaware, Chester, Berks
- **2 DE Counties:** New Castle, Kent
- **5 NJ Counties:** Mercer, Burlington, Camden, Gloucester, Salem

This area and these counties largely make up the Philadelphia Metropolitan Area or as it is often called, the Delaware Valley.

The Philadelphia Metropolitan Area – By the Numbers

This region is the world's fifth largest economy.² In terms of population, the Philadelphia Metropolitan Area has a population of approximately 6.03 million people³.

In 2013, the real estate market in this area included over 25,000 real estate brokers and agents who participated in the sale of more than 70,000 properties at a value of over 18 billion dollars⁴.

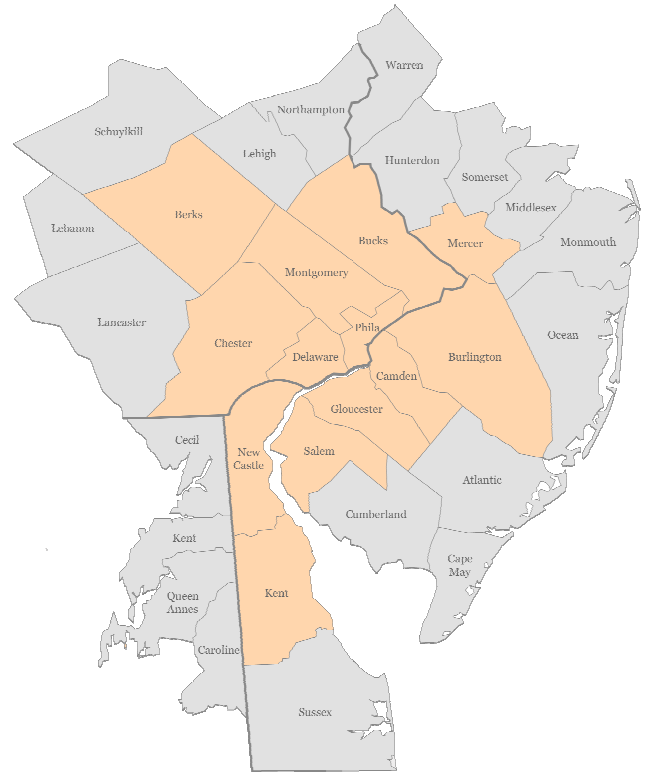
TREND's Public Records for this area include information for over 2.6 million parcels, covering nearly 6,000 square miles⁵.

DEFINING PROPERTY SALES INCLUDED IN THE STUDY

Not all property sales involve a real estate professional. The goal of this study was to see how many sales that would typically involve a real estate professional were listed on the MLS. These sales are defined as:

- Residential Category
- Single-family Type
- Resale
- Over \$50,000

This is the "bread and butter" market segment of the brokerage community.



DEFINING A PROPERTY MARKETED ON MLS

To find which properties were marketed and sold on the MLS, Public Records sale information was matched to MLS sale information. To ensure best possible matching, an algorithm compared Public Record sale records to MLS sale records using the following:

1. Settled Date or Recorded Date in Public Records to Settled date in MLS with a +/- of 90 days
2. Settled Price in Public Records to Settled Price in MLS (both with/out concession amounts) with a +/- of 3%

This algorithm was performed at the record level, as opposed to gathering separate counts from Public Records and the MLS and comparing them. This accounts for the potential discrepancies and nuances in how MLS and Public Record information is reported and collected in the real world. To ensure validity of the algorithm, after we matched the Public Record to the MLS sale, we reversed the process and matched the MLS sale to the Public Record.

If, after all of these steps there was no match, we concluded the property was sold outside of the MLS.

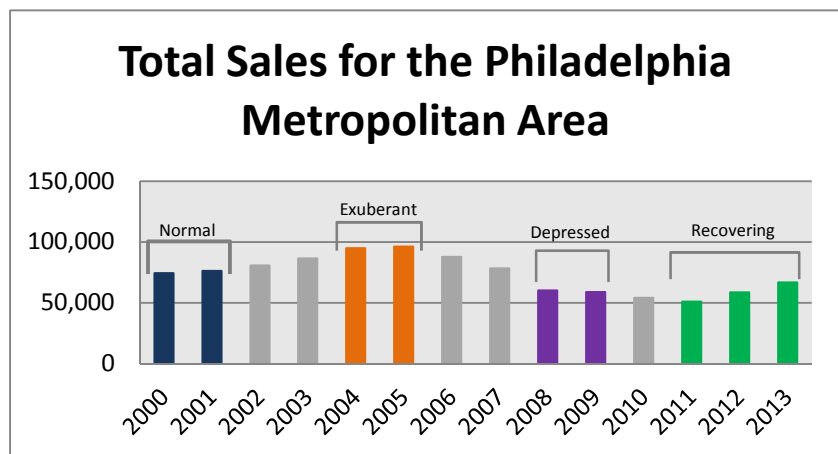
DEFINING VARIOUS MARKET CONDITIONS OVER THE YEARS

For the Philadelphia Metropolitan Area, TREND's MLS data is comprehensive back to 2000. The chart below shows the annual MLS sales in the Philadelphia Metropolitan Area for the last 13 years.

According to the National Association of Home Builders, 2000 and 2001 were considered normal for the national real estate market⁶.

Using these years as a baseline, 2004 and 2005 show the real estate market was elevated with approximately 20% more sales than we would expect in a normal housing market.

According to the Bureau of Labor Statistics, the recession began in December 2007 and ended in June 2009⁷. This affected sales from 2008 through 2011.



Beginning in 2012 and into 2013, sales increased. While the numbers still do not reach the normal levels of 2000 and 2001, the increase in sales during these years points to a recovering market.

From these numbers, we drew the following market characterizations:

- 2000-2001: A normal market
- 2004-2005: An exuberant market
- 2008-2009: A depressed market
- 2011 to 2013: A recovering market

These are used throughout the paper to compare MLS activity over varying market conditions.

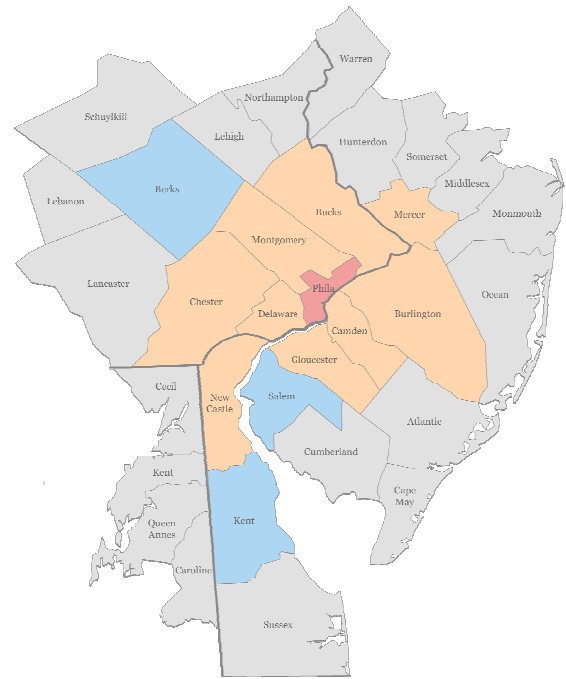
DEFINING VARIOUS COMMUNITIES WITHIN THE PHILADELPHIA METROPOLITAN AREA

The makeup of the Philadelphia Metropolitan Area includes the city of Philadelphia, as well as suburban and more rural communities.

Recognizing that each of these communities has varying population and housing characteristics influencing the way real estate is typically transacted, we examined the persons per square mile⁸ for each county and divided the area as outlined below.

- **Urban:** Philadelphia
- **Suburban:** Bucks, Chester, Delaware, Montgomery, Burlington, Camden, Mercer, Gloucester, New Castle
- **Rural:** Berks, Salem, Kent

These counties include a mixture of urban, rural and suburban settings. The breakdown highlights the general makeup of each county and aligns to the population density found in the US Census.



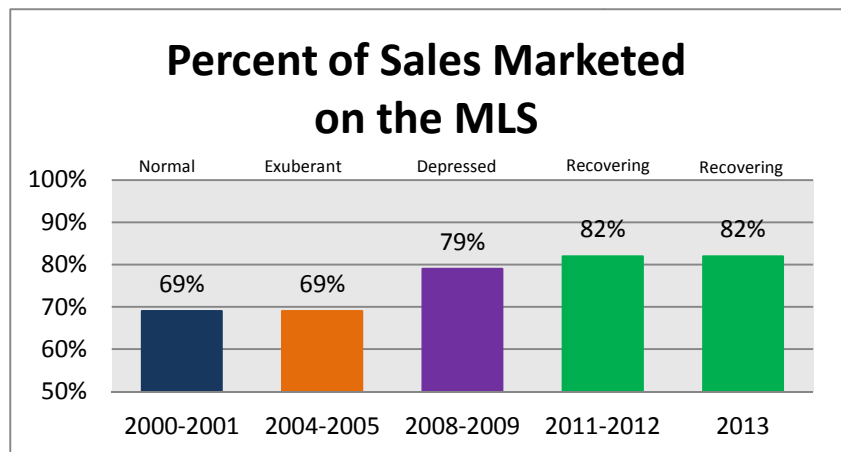
THE ON MLS STUDY

PROPERTIES MARKETED ON THE MLS OVER VARIOUS MARKET CONDITIONS

During the normal market of 2000 and 2001 and into the exuberant market of 2004 and 2005, 69% of sales were marketed on the MLS. In the depressed and recovering markets, 79% and 82% respectively of sales were marketed on the MLS.

Overall, the percent of sales marketed on the MLS has gone up. Multiple factors contributed to this change, including:

- Inventory levels
- The number of FSBO's
- The number of distressed sales
- The number of buyers
- Agents using the MLS to distribute their listings to the internet
- Consumers general knowledge of the MLS



Despite varying market conditions, the percent of sales marketed on the MLS in the Philadelphia Metropolitan Area has grown and remains strong.

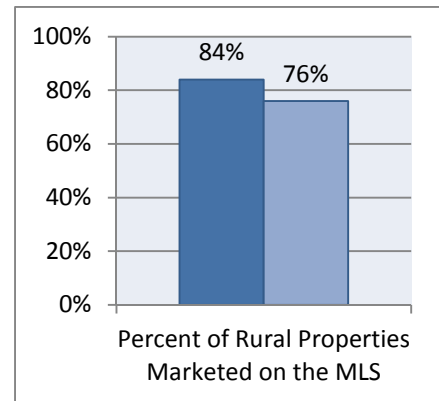
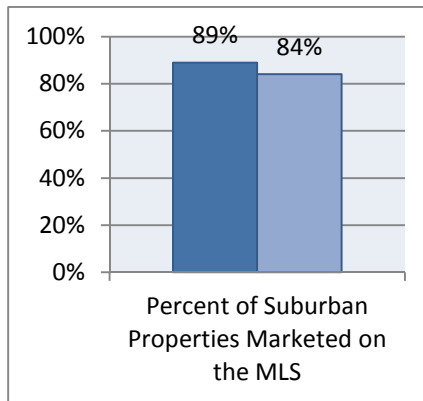
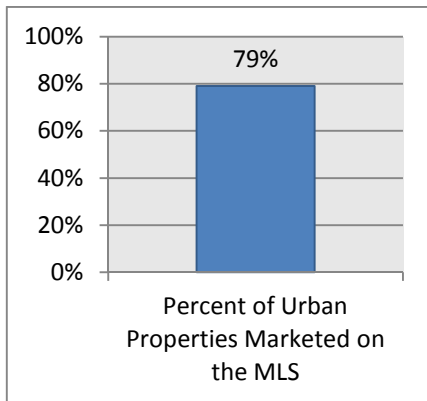
PROPERTIES MARKETED ON THE MLS AMONG THE DIFFERENT COMMUNITIES

By dividing the Philadelphia Metropolitan Area into Urban, Suburban and Rural, we were able to examine the percent of properties marketed on the MLS in each community.

In the Urban community of Philadelphia, 79% of properties were marketed on the MLS in 2013.

The Suburban community saw the highest percentage of sales marketed on the MLS in 2013, with a high of almost 90% and a low of 84%.

In 2013, Rural communities saw a high of 84% and a low of 76% when it came to properties marketed on the MLS.



The Suburban percent shows a high and low range, because multiple counties are included in the calculations.

The Rural percent shows a high and low range, because multiple counties are included in the calculations.

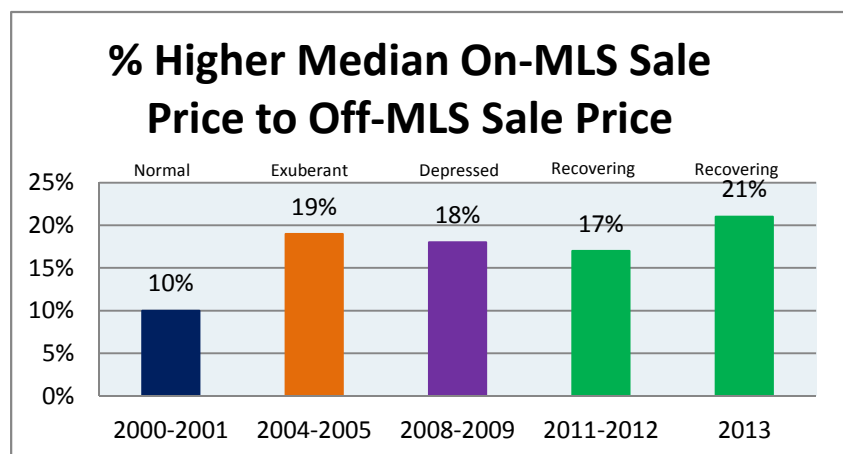
PRICES OF PROPERTIES MARKETED ON THE MLS

To determine whether there was a benefit to marketing a property on the MLS, we compared the median sold price of properties marketed on the MLS to those that were not marketed on the MLS.

In the normal market, properties saw 10% higher median sold prices. As market activity increased in the exuberant market, that number rose to 19%.

Through the depressed and recovery market, sellers benefited from their property being marketed on the MLS with higher sales prices of 18%, 17% and 21% respectively.

Higher prices resulted from the exposure to the competitive marketplace and cooperative brokerage community on the MLS. These higher prices ultimately benefit the consumer.



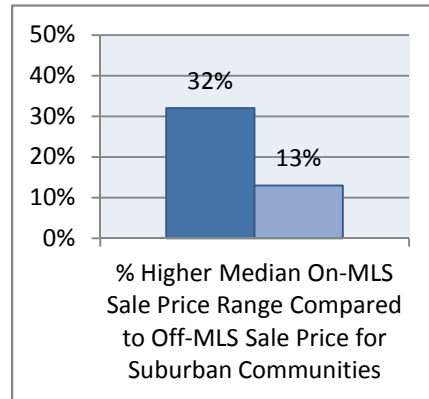
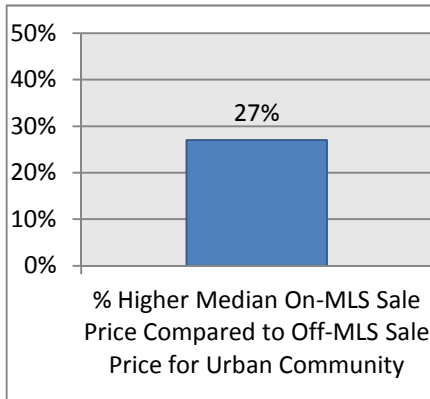
Median Sold Price for Properties Marketed on the MLS

We also examined the sold price for properties marketed on the MLS within the different Urban, Suburban and Rural communities.

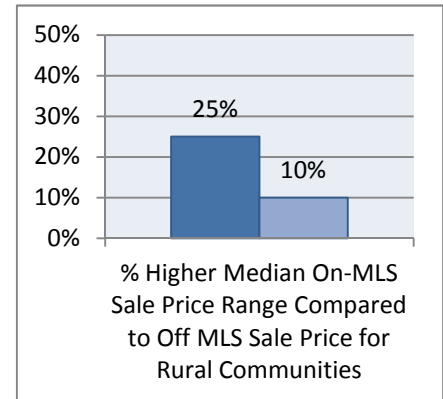
In 2013, properties marketed on the MLS from the urban area of Philadelphia saw the highest overall return, bringing in 27% more than properties marketed off the MLS.

Suburban properties marketed on the MLS in 2013 saw a strong high of 32% compared to properties marketed off the MLS.

In 2013, Rural properties marketed on the MLS continued to see strong returns with a high of 25% and a low of 10%.



The Suburban percent shows a high and low range, because multiple counties are included in the calculations.



The Rural percent shows a high and low range, because multiple counties are included in the calculations.

Overall, these numbers show that whatever the local community, it is always in a seller's best interest to work with a real estate professional that will expose their property to the cooperative brokerage community.

CONCLUSION

This study shows the following lessons about the Philadelphia Metropolitan Area and properties marketed on the MLS.

- The strong historical cooperation among brokers in the Philadelphia Metropolitan Area results in high levels of listings being marketed on the MLS.
- Various market conditions and the characteristics of various communities influence the total participation on the MLS.
- When listings are advertised in a competitive marketplace to the cooperative brokerage community on the MLS, they command the highest prices.

All of this information is a testament to the integrity, commitment, cooperation and collaboration of the brokers and brokerages in the Philadelphia Metropolitan Area. Ultimately, this benefits their clients and consumers, and is the reason MLS was created in the first place!

SOURCES

¹Study Suggests MLS Played Little or No Role in Nearly Half of 2013 Home Sales, Inman News:

<http://www.inman.com/2014/03/10/study-suggests-mls-played-little-or-no-role-in-nearly-half-of-2013-home-sales/>

²Brag List, Philadelphia's Official Global Convention & Visitors Site:

http://en.wikipedia.org/wiki/List_of_United_States_cities_by_population

³Delaware Valley, Wikipedia: http://en.wikipedia.org/wiki/Delaware_Valley#Combined_Statistical_Area

⁴2013 Year in Review, TREND: http://www.trendmls.com/News/ShowDoc.aspx?id=6752#.VEfgA_nF-So

⁵County Information Center, TREND

⁶Progress Toward Normal, National Association of Home Builders: <http://eyeonhousing.org/2014/11/progress-toward-normal/>

⁷BLS Spotlight on Statistics The Recession of 2007-2009, Bureau of Labor and Statistics:

http://www.bls.gov/spotlight/2012/recession/pdf/recession_bls_spotlight.pdf

⁸US Census: <http://www.census.gov/>