

# The Second Economic Wave

by Donald Teel



Prior to reading this article, The Second Economic Wave, I encourage you to first avail yourself of its predecessor article entitled The First Economic Wave. The trilogy of articles is meant to be digested in their numerical order.

The Second Economic Wave in the development of the real estate industry began in the mid 1970's and continued until approximately 1993. Our timeline looks like this:



The First Economic Wave was characterized by “books, boards and brokers” and was empowered by a national member network founded in 1908 that we now as the National Association of Realtors (NAR). This was the Broker-Centric Era, whereby they controlled all of the consumer’s access to property information that was under the prevue of the local Board of Realtors.

There are three primary events in Second Economic Wave, which I refer to as the Agent-Centric Era. These three factors fueled this era and gave impetus to the beginning of the most rapid set of changes to occur in the real estate industry. The events are:

1. The introduction of the real estate franchise concept to the industry;
2. The first computerized Multiple Listing Service;
3. The advent of the personal computer;

**The Real Estate Franchise.** It might surprise the reader to learn that franchise concepts were embryonic as early as 1906 with the founding of Coldwell Banker. However, it should be noted that Coldwell Banker did not begin its franchising efforts until 1982.

RE/MAX, was founded in 1973 in Denver, Colorado, and in my opinion is the historical axis upon which all real estate ownership business models spin. The RE/MAX concept was not just a franchise but a watershed economic model representing a series shift from Broker/Owner controlled commissions to Agent-Centric businesses that would empower the agent as independent contractors with fee-based obligations the Broker.

Regardless of the early franchise pioneers such as ERA, CB, RE/MAX, Century 21 and others, the industry began the first efforts toward national consolidation under brand names known as franchises. This development further defined territorialism, creating competing and powerful national brands within local Boards of Realtors.

The end result, much ignored by the industry, is the manner in which the franchise movement actually empowered real estate agents, who could now, more than ever, shop

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the competition for the best environment, highest commission and greatest level of freedom. These are very important concepts in the development of the real estate industry's business models.

**Computerized MLS.** Franchising in and of itself created a new climate in real estate business development. But by itself, it could not completely transform the industry because the business of real estate was still operating in a geographic, territorial boundary controlled by the local brokers and their Board of Realtors.

Something began to change in 1968. One of the local Board of Realtors located in Long Island, New York, made an attempt to automate the MLS book by use of computerization of the property data. This was truly visionary, despite the failure of their attempt. It was not until seven years (1975) later that the Long Island Board of Realtors successfully created a computerized Multiple Listing Service.

Whereas franchising began the process of tearing down the local real estate geographic territorialism by introducing national networks, it was the computerization of the MLS that would ultimately prove to be the second major step in unleashing the full power of technology within the Real Estate industry.

**Personal Computer.** The third component of *The Second Economic Wave* is the introduction of the personal computer into the industry mix. With the advent of the PC a door was opened that would allow real estate practitioners to tap into the computerized MLS system from just about any location, office or home! This development began to loosen the iron grip Brokers had over agents and property information. The PC is the third leg *The Second Economic Wave* that would ultimately give rise to the Agent-Centric Era, an era that meant less dependency on the broker-controlled office environment. Agents, if they preferred could actually meet sellers and buyers in their homes!

These three developments occurred during *The Second Economic Wave* and formed the DNA for a new business model that would begin to emerge. It is important to note that I have concluded *The Second Economic Wave* with an approximate date of 1993.

In 1993 and 1994, real estate professionals began to play with a whole new toy that would ultimate redefine the industry...the World Wide Web (WWW), a.k.a. the *Information Super Highway* (the Internet). The real estate industry's first property listings hit the Internet in 1994, making properties available to the public without the constraints of "books, boards and brokers."

Toward the end of *The Second Economic Wave*, we have an industry that is rapidly becoming Agent-Centric. As mainline brokers attempted to control their environments, agents demanded a greater piece of the pie. This is the *Agent-Centric Era* and it would give rise to *The Third Economic Wave*, the *Consumer-Centric Era*.