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Rembrandt. Moses Smashing the Tables of the Law. 1659. Oil on canvas. Gemäldegalerie, Berlin, Germany

## Ten Commandments of the New Real Estate Economy

Donald S. Teel – Founder  
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## Some Initial Thoughts

"We have finally entered the New Real Estate Economy. This is what I have called a 'Third Economic Wave' within the real estate industry's historical development.

The first economic model was the pre-franchise brokerage business model operating purely on a geographic plain. The second wave began in the 1970's and was the pre-Internet franchise wave, in which marketing, coupled with local and national territorialism, began to flourish with the Broker/Owners holding exclusive control over consumer access to real estate property information.

Welcome to the 'Third Economic Wave' of the real estate industry. Brace yourself. The rules upon which owners have defined their businesses and played the game are being re-written. It's a macro revision driven and fueled by an open, freedom market mentality. Some of the new rules are being composed by insiders who are in-the-know however, most of the neo-brokerage principles are being penned by outsiders, the non-brokers.

Let me prompt my fellow owners and other real estate professionals with sincerity, clarity and concern; this Third Economic Wave will eclipse the sum total of all that has gone on before and will change the definitions we use to describe our business model.

The exciting element in all of this is that we can take control, redefine and shape our businesses into new, innovative, streamlined and more profitable machines.

Ultimately, the greatest challenge faced by real estate company owners in the next era of development will be their ability to stop spit-shining the old model and instead, set goals to completely overhaul the way they conduct their business, form business relationships with agents and service the consumers who are already wandering somewhat aimlessly through the open markets.

There are, in my opinion, Ten Commandments of the New Real Estate Economy. Read them, know them, believe them, adopt them...they are going to become as real as the law of gravity."

Donald Teel - Founder, e-Partner®  
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# Ten Commandments of the New Real Estate Economy

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- 1 Thou shalt be very, very agile; then more agile.
  - 2 Thou shalt get big by being small all over.
  - 3 Thou shalt have no markets with borders.
  - 4 Thou shalt create assets through alliances.
  - 5 Thou shalt execute without permission.
  - 6 Thou shalt not manage agents but markets.
  - 7 Thou shalt not embrace static territorialism.
  - 8 Thou shalt not attempt to purchase markets.
  - 9 Thou shalt not self-capitalize but extract.
  - 10 Thou shalt not bet all on one brand...ever.
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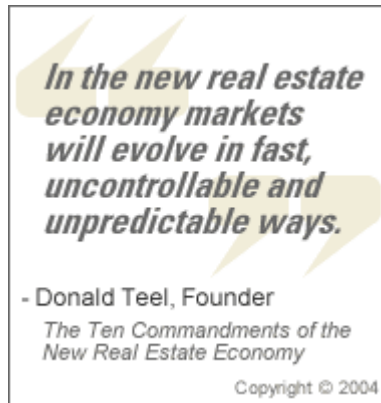
Etched by  
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## 1. Thou shalt be very, very agile; then more agile.



Agility is the ability to adapt quickly to change and is enabled by the absence of economic and structural restraint in business.

In the new real estate economy markets evolve in fast, uncontrollable and unpredictable ways.

Many traditional brokerage structures will be prevented from adapting quickly to the fluid markets because they are restrained by their own outmoded economic and structural models.

The rapid success of RE/Max, where the focus is driven almost entirely by market reality, stands out as a proven and fluid “next generation” type of model.

Without fully realizing it, RE/Max engaged in a kind of market agility, allowing agents to penetrate markets for the Company, extract capital without the traditional risk associated with growth.

Agility = the company’s ability to shift economic commitments on a moment’s (meaning within weeks, at most) notice. Such agility can only be implemented and sustained where a highly sophisticated market penetration model exists and is supported by high-tech business systems, universally accessible.

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## 2. Thou shalt get big by being small all over.



Agility, the first commandment, finds its full meaning in the ability of a company to rapidly reach into non-traditional markets, the small places, the intermediate and emerging markets, minor market hamlets, someone's little corner, create a working presence and in so doing, a market asset.

e-Partner has been issuing the call for a redefinition of the term "market" as it applies to real estate business models, since all businesses predicate their economic model upon a defined market. If the definition of what constitutes the true market is faulty, then it follows that the business model and its ability to sustain revenue will also be flawed irreparably.

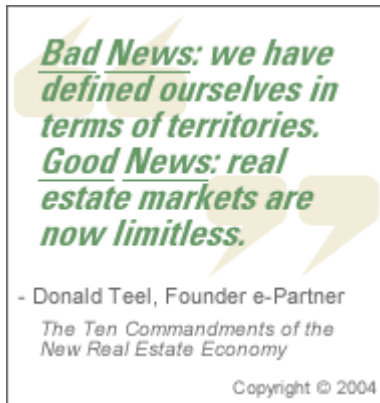
We define all markets as consisting of one of four: Core Market Centers (CMCs); Emerging Market Centers (EMCs); Intermediate Market Centers (IMCs) and Minor Market Centers (MMCs). These sub-markets are collectively "the market" although what occurs in them with respect to real estate brokerage may be quite different.

Market penetration through the use of e-Partner<sup>®</sup> is nothing more than facilitating brokerage growth by means of the accumulation and integration of thousands of market penetrations with brand and presence. This is what is meant by "get big by being small all over."

This is a model mentality that engages in a kind of "de-merger" or "de-acquisition" thinking, whereas, we have typically been reared in the school of get bigger and bigger and bigger in our territorial market (the assigned, static, community slot in which we have an office and where we have traditionally defined our brokerage business). In the future this will prove to be doomed economic model.

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### 3. Thou shalt have no markets with borders.



This third commandment of the new real estate economy has already become a Wes Craven type of business horror flick.

The real estate industry has become a passive spectator within its own industry.

Perched atop the playing field, we have been watching a new cast of players enter the real estate arena. These are

the new characters and entities that I have been calling “Non-Brokers.”

The Non-Brokers are armed with a new set of tools and rules (their own!) and have penetrated our market walls as proverbial Trojan Horses capturing the attention of hungry consumers. In so doing, they extract capital without the inhibition of self-imposed borders, brands or rigid operating models.

What we all used to refer to as “my market” is no long our market, despite what real estate franchisor try to say and do.

The “non-brokers” taught me something about the future definition of a real estate market...specifically, ALL MARKETS ARE NOW BORDERLESS.

Our business blueprint for the new real estate economy screams at us in Reagan tones, “Mr. Broker, tear down this wall.”

Borderless brokers are a key component in the list of commandments and they are increasingly defined by a single consumer in command of information via Internet portals.

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#### 4. Thou shalt create assets through alliances.



During the First Economic Wave of the Real Estate industry, one I have called the “Broker-Centric Era” we operated under the four “Bs.”

The four Bs were actually fundamental to the survival of the real estate industry’s brokerage business models throughout the cities of the United States. Broker/Owners were wholly dependent upon the four Bs. The four Bs are:

1. Brokers: Owners of property information
2. Boards: Controllers of property information for Brokers
3. Books: Technology for controlling property information.
4. Buildings: Mandatory portal to property information.

The four Bs was our industry’s mechanism or business model for controlling the asset...property information...and forcing consumers into our buildings.

Our traditional formula for brokerage asset creation used to be a simple industrial model:

**LISTING INFORMATION + AGENTS + BUILDINGS = ASSET**

Now we find ourselves overwhelmed by the sheer pressure of just keeping up with the information leakage. Broker/Owners don’t know what their asset is. We are engaged in a kind of hurry sickness fueled by massive that takes us nowhere in terms of new market asset creation.

Alliances with minor and intermediate market brokerage firms create a market asset. In addition, asset alliances through ancillary and core service partnerships create actual capital assets that dribble in doses to the bottom line.

Asset creation is illusive and uncontrollable, like nailing JELLO to a tree! The new formula for brokerage asset creation might be:

**DISPERSION + MULTI-MARKET PENETRATION = ASSET**

But how is this executed? Asset creation is constantly in flux as technology and the Internet fuel massive change.

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## 5. Thou shalt execute without permission.



The trend among the high-tech Non-Brokers and the Neo-Brokers has been clear; they write their own rules and execute their model without seeking industry permission. Yikes!

While the traditional real estate industry continues to rely on the old rules that stifle rapid change and perpetuate the myth that we are in control, the Non-Brokers march on.

Ours is an industry now under attack. The Trojan Horse is within the gates and the new advancing armies are climbing the traditional walls we erected under a set of rules that are now invalidated by technology and the Internet.

Fundamental to the Non-Broker minds that stand over the terra maps in the business development war room is the concept and tactic of "surprise attack."

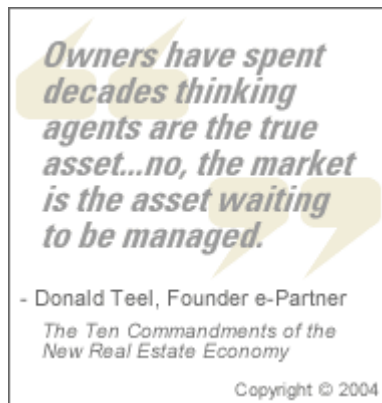
In a way, the business model of the Non-Brokers is a lot like that of the terrorists on 9/11. The terrorists were agile, secretive and unencumbered while the giant United States Military was heavy, slow, sleepy and essentially no where to be found on that fateful and awful day. The terrorists were under cyber command...the United States Military was under Central Command, a huge difference when it comes to execution.

When online mortgage firms, pseudo real estate brokerage information providers and a few far-out individuals hit the Internet with their "contact us to buy a house" message, it was a sneak attack on the heavy boats docked in traditional brokerage ports...and they sunk us and now we are trying to rebuild.

Nevertheless, the Non-Brokers, like the terrorists of 9/11 taught us something; execute without permission in order to gain the upper hand in the new information and Internet marketing war game.

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## 6. Thou shalt not manage agents, but markets.



Traditional brokerage firms have spent decades attempting to manage real estate practitioners, also known as agents.

For far too long, Broker/Owners viewed and even referred to independent contractors (agents) as assets needing to be managed.

In the new real estate economy, agents are not assets. In fact, with the advent of agent-centric models agents began to see what Broker/Owners did not see; the markets as the asset!

Some said that managing real estate agents is similar to herding cats. I concur.

Broker/Owners are now waking up to the realities that while their view of their asset was the agents, the agents themselves had a different perspective and instead focused on three things:

1. Increased commission splits;
2. Autonomy from the office ball and chain;
3. Open market models using technology and the Internet.

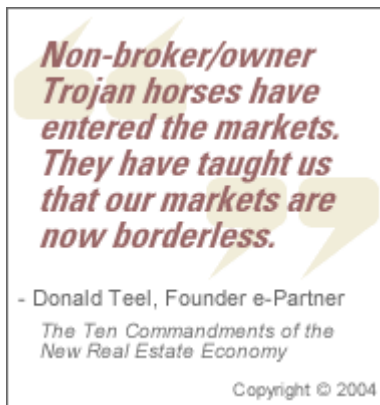
While most Broker/Owners spent time and money attempting to create retention schemes that would hold agents, consumers also abandoned the office models in favor of open market models where they could “surf” and locate property and community information and never enter a real estate broker’s building.

It may be too late for Broker/Owners, time will tell. All along the truth about our asset was a simple one...the practitioner agent is simply a means to the market asset, not the asset itself.

Markets are now assets needing the application of business strategies and management. The pole that will vault us into multiple-market management is the practitioner operating freely within an integrated network like e-Partner®.

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## 7. Thou shalt not embrace static territorialism.



Traditional Brokerage firms have always been erected within market areas where their existence and business was defined and defended from a territorial paradigm.

Franchisors pounced on this concept with their own market penetration and extraction service models allowing them to siphon-off some of the gross proceeds with little or no performance guarantees.

Territorialism works well in a static model, one where the broker is fixed, (actually nailed) to the territory and must embrace territorialism or die.

If a Broker/Owner aligns himself/herself with a franchised brand, permission to re-market the firm in new markets must be granted by the territorial commanders known as the Franchisor (see commandment #5). Again, this is a control model with franchisor controlling Broker/Owners.

The real estate industry has always found control attractive in the design of its models. Consider these old control paradigms, some of which still exist in varying forms:

- NAR controls local Boards of Realtors;
- Brokers controlled Boards of Realtors;
- Brokers controlled property information;
- Brokers controlled agents;
- Brokers controlled consumers.

Allow me to make a statement: **BROKERAGE MARKETS ARE LIMITLESS AND UNCONTROLLABLE.** They are limitless because of the emerging and pervasive information technologies and the consumer's access to such information via the Internet.

The good news is Broker/Owners can operate anywhere, engaging in multi-market penetration models. Broker/Owners must adhere to this commandment without compromise or negotiation. We must never again allow ourselves to embrace static territorialism because it is the grip of economic death.

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## 8. Thou shalt not attempt to purchase markets.



Commandment #8 flies in the face of our growth biases because we have come to believe that we can buy the markets. This has resulted from the merger/acquisition mania that has permeated the industry for nearly a decade.

In a business where the potential ROI is marginal at best, and where integrated technology is rampant, the idea of money purchases of market positions/territories is absurd...actually, insane.

The territorial managers, AKA Franchisors, are now waking up to this reality. But many brokerage firm owners are also coming out of hibernation and asking hard questions about the “free markets” in front of them waiting to be penetrated.

The chief job of all franchise territorialists is to continue to perpetuate the myth that they actually have control of markets, or anything else. This myth is the means by which they position themselves for control over demands for capital extraction in exchange for a brand use and network connections.

Now, through new market models like e-Partner® and its potential to grant Broker/owners a pervasive reach into multiple markets, we can position ourselves for penetration of the markets and initiate our own mining of the capital resources.

In effect, real estate practitioners are their own brand. Or, they are brands within Brands. The lack of agility (see commandment #1) and the lack of a true technology commitment on the part of the old industrial franchise models will prevent Broker/Owners from being able to re-design themselves fast enough to compete with the freedom model that will continue to emerge and capture consumer loyalty.

For the Freedom thinkers, there is no need to purchase markets when their penetration is so easily facilitated with so little capital risk.

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## 9. Thou shalt not self-capitalize, but extract.



I am going to call commandments eight and nine the “TWINS” because they look alike but in reality they are two unique personalities.

“Technology,” said Paul Zane Pilzer, in his 1990 book, *Unlimited Wealth*, “defines a resource...and determines our ability to find, obtain, distribute...” Mr. Pilzer defines so very well that technology enables extraction (my word) and is therefore, the economic

alchemy that turns what previously was viewed as lead, into gold.

Through the strategic use of technology to extract market resources (the dollars associated with real estate transactions) there is no longer a sustainable or relevant argument for self-capitalization.

Programs like e-Partner® utilize technology to penetrate the new real estate market frontiers without the need for risky self-capitalization. In his book *Re-Imaging!*, Tom Peters tells us that in 1970 it took 108 men five days to unload a timber ship at the London docks...540 man days! Thirty years later, it took eight people one day to unload the same ship...8 man-days. Net result:

98.5%

**Reduction in Human Capital  
Needed for the Same Economic Task**

What changed the economy of scales in the unloading of timber from ships in London? In a word, “Technology” is what changed.

Capital extraction can be further illustrated when we think of the development of the Alaskan pipeline. Technology enabled us to penetrate a market, locate a resource, extract that resource and deliver the heretofore-unavailable capital potential in the form of oil to the lower 48 states.

Brokerage firms are going to have to flat-out, learn how to use technology to tap into local markets without putting up buildings and engaging in the risky, marginal-ROI capital schemes of the industrial age.

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## 10. Thou shalt not bet ALL on one brand...no, not ever!



Which national brokerage brand is the best? Hmmmm? Is the best brand Century 21, ERA, EXIT Realty, Prudential, RE/Max, Weichert, GMAC, Coldwell Banker, Keller Williams or some other yet to be named brand?

Who knows! It doesn't really matter, at least not to the consumer. And if it doesn't matter to the consumer, it matters to no one else.

The consumer is now running the transaction command and control center for the real estate industry without brand loyalty and with out brand loyalty predisposition.

What all brokerage firm Broker/Owners know, without equivocation, is that in the final analysis, when the chips are down, they are going to have to stand up to the forces and be their own brand within their brands.

The brands that recognize the commandments, adopt them as their own and use them in the formation of new market models will emerge the eventual winners.

Branding is a funny thing and most franchisors do a great job branding on the public side, dressing up their external image. But they do a rotten job branding themselves internally for maximum cultural agility (commandment #1) and growth.

If you and I bet "ALL" we must then also be fully convinced that the brand with which we align ourselves is always going to be fully competent, internally and externally, and that it actually can deliver economic value to the brokerage company that can be measured over time.

Most Broker/Owners have never taken the time to economically and empirically quantify their franchise to see if it actually delivers new revenue above and beyond its capital and operating costs.

Las Vegas odds might look better than betting on one brand.

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