



RPR - REALTORS® Property Resource™

To Join Or Not to Join - That is Not the
Only Question!

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REALTORS® Property Resource™ (RPR)

To join or not to join – that is not the only question!

Since the announcement made by NAR on the formation of RPR and their public rollout at the NAR conference in San Diego, RPR and their proposed business model has been a major topic of conversation in MLSs across the U.S. Some MLSs seem to think this is an idea long overdue while others have expressed “no interest” while most seem to be somewhere in between with a “wait and see” attitude.

In a recent strategic planning session we facilitated for a major MLS the topic of RPR participation was, of course, discussed. Our approach to the discussion, as with any business issue, is to try to take the hype and emotion out of the discussion to look at it for what it is, a business decision. To that end, we believe there are several points each MLS might consider as they decide whether RPR makes sense for them or not. This is not intended to serve as a full review of the RPR opportunity but we hope it at least presents some questions to stimulate your MLS discussions.

Start by looking at it as an opportunity

RPR should be looked at with due process like any other vendor or product you may be considering for your membership. What is the upside to the products and services being offered and how do these potential benefits add to your current products and services? Are the products and services being offered key items that your members have been asking for? Or, are they more like the hot sales item that got your attention at the store but had not been on your original shopping list? Whichever the case, start by listing out all of the key benefits you believe the RPR business model and products will bring to your MLS members. Here are some questions to begin the review:

1. What additional (new) data will you receive for your “local” market if you join RPR?
2. What additional (new) data will you receive from other markets if you join RPR?
3. What features will you gain through RPR that have already been identified as important on your strategic plan?
4. What is your potential cost savings you will realize by getting tax data from RPR?
5. How important is national property information to your MLS?
6. What is the overall benefit to the industry that RPR can bring through broad participation?

What will the impact be on your current products and services?

After looking at RPR as an opportunity and listing its potential benefits you should also look at it in terms of negative impact and risk. Joining RPR will have an impact on services and products you currently offer so you should be clear on what these impacts are before making a decision.

One of the key components being offered in the RPR proposal is free tax and public record information data for participating MLSs. At first glance this seems like a great tradeoff for giving RPR all of your MLS data. It may be, but before you decide here are some questions you might want to consider:

1. How does the actual data that you will receive from RPR compare to the data you receive today through your MLS or tax vendor, field by field?
2. How does the historic information (property history) compare?
3. What are the frequency of updates for tax information and sales records? How does that compare to your current products?
4. If your current tax data is integrated into your MLS system what impact will there be if you switch to data from RPR? Will there be a cost? What is that cost? Will there be a loss of functionality? What types?
5. If you are using a 3rd party tax product in addition to your MLS system will there be a loss of functionality? What specifically?
6. If you join RPR and then decide to return to your current vendor/process what will the impact and cost be?

Is the RPR business model sustainable as a free member benefit?

The RPR business model is based on their acquiring your MLS data in return for the products, services and tax data they offer. The model assumes that the revenue received from the MLS data may be in excess of \$50 million in annual revenues at maturity. NAR funded the creation of RPR with somewhere in the neighborhood of \$20 million of member money. One of the key questions that should be asked is whether or not the financial assumptions being used by RPR are valid. If they aren't and RPR is not as profitable as projected services once offered for free may have to be charged for. RPR may need to be subsidized by member dues or RPR could fail altogether.

Some years ago I served as Vice President of Business Development for REBIG (Real Estate Business Investment Group), a short-lived business whose purpose was to monetize MLS data outside the real estate vertical. In that role my responsibilities were to look for parties interested in licensing the MLS data. It was a great business idea, probably a bit before its time, but there is no question there are many businesses and departments in our own government that would benefit from having access to the MLS data. The only question then, as today, is what that value really is. The question becomes clearer when you look at the whole issue of AVMs and the value that our MLS data would bring to these tools.

AVMs (automated valuation models) have been used for years to help evaluate mortgage

portfolios and to allow investors to reduce risk when having to deal with huge numbers of property valuations. Everybody agrees that their accuracy is not comparable to that obtained when a proper appraisal is done. But, investors use these products to determine a “reasonable” degree of risk when evaluating mortgage products. The use of MLS data in these AVM products is not going to create a new product it is intended to “hopefully” make these products more accurate, thus providing further risk reduction to those using these products. That increased risk reduction creates the real value of the MLS data and ultimately the revenue to be realized by RPR. Is it \$60 million annually as projected? It may be, but in truth we don’t know. What we do know is that First American has been using MLS data in their model in a number of markets in the U.S. for sometime now and they claim this has not resulted in a change in revenues in those markets. Could this change if RPR had the majority of U.S. MLS data? It could, but this is new ground and we honestly don’t know.

While adding MLS data does make the AVM products more accurate it does not create a “new market”. MLS data is simply another piece of input into the existing model.

When discussing the RPR business for your MLS a question to discuss might be:

1. What is the risk to your MLS and your members if the RPR revenue projections aren’t met?
2. What types of guarantees would you want from RPR to insure the “free model” doesn’t change?

Even if national data sharing is desired what is the best approach?

Numerous initiatives currently exist across the US to address the specific needs of expanded market areas. Large regional MLSs are in place that have come about to respond to real market pressures. They expand and absorb neighboring MLSs as a consequence of real market needs. Other initiatives, like CARETS in southern California and MarketLinx’s Data Co-op” have gone a step further and now provide a way for MLSs that desire broader data access and exposure to share their listings with each other. Two key differences, from the RPR approach, are the fact that these initiatives are being rolled out in response to immediate market needs for “local” data in areas where natural sales boundaries have expanded and they are also under the control each local MLS.

This raises a couple of questions for you to consider when looking at the RPR opportunity:

1. How important is “national” data to your members in your local market?
2. Have you taken a look at other ways you could provide these services to your members?
3. How important is “local MLS” control to you in this process?

What does the MLS really give up if it provides MLS data?

RPR terms of use for MLS data have not been made public yet, but a significant amount of information has been shared. We have been told that in the initial roll out of RPR there will be no revenue sharing with MLSs in exchange for their MLS information. The value to the MLSs will be given through access to national data, the RPR technology tools and free tax record data. Is this a fair exchange? That is for each MLS to decide. If RPR does hit a home run and revenues are in excess of \$50 million a year, should the MLS receive a piece of that? That was the premise of the REBIG model some years ago. In fairness to RPR, we asked Marty Frame at the NAR meetings in San Diego whether RPR would ever consider a revenue share in the future and he said they hadn't closed the door on that possibility but it was too early to make that commitment.

Some questions to consider when looking at the value of your MLS data are:

1. Is the value of what RPR is giving you equal to giving up the rights to monetize your MLS data?
2. Are there other businesses that might be willing to pay your MLS for your MLS data? Who are they? What would they offer?
3. Would your MLS be willing to offer your MLS data to another vendor offering the same terms and conditions (as known) if it wasn't rolled out under NAR? If not, why not?
4. If another vendor came to your MLS and offered you national data access and the other products being offered through RPR would you sign up and what would you be willing to pay for it?

Does RPR level the playing field and commoditize the real estate process?

One of the concerns we hear regarding the RPR product set is the fact that creating a more accurate AVM model, called the RVM (Realtor Valuation Model) may not be a good thing for the industry in general. The RPR products demonstrations we have seen showed a significant array of analytical products that could be produced automatically, with little human intervention, to provide a valuation for properties. Products like this are available today through numerous public websites and are not new and all come with a disclaimer regarding their accuracy. Does the creation of a more accurate version, the RVM, however, create a new problem? Does this new tool really add to the value of real estate agents and brokers or create a perception that anyone can accurately value a property.

During the recent Inman Conference, Marty Frame of RPR addressed this issue pointing out that "good" agents would use these tools as one small part of their overall value proposition. He also emphasized that disclaimers would make it clear that these valuations should never take the place of professional Realtor services. In fairness to RPR, these products exist today, including AVMs with MLS data in some markets. Shouldn't NAR and RPR at least provide the one that is the most accurate and reliable through their members?

Some questions for your MLS to discuss on this topic might include:

1. Are products like RPR's Realtor Valuation Model (RVM) a good idea for our industry in general?
2. Even if you do want to offer a product like this to your members how do we insure it does not devalue professional real estate services offered by your members?

Conclusions and Thoughts for RPR

The National MLS Question isn't that important – data sharing is

At the recent Inman Conference the interviewer asked Dale Ross why RPR didn't just announce that they want to be a national MLS and go for it! Dale, as mentioned earlier, responded that RPR has no intention of being a national MLS and pointed out that MLSs will have short-term outs in the upcoming licensing agreement. I believe Dale is being honest when he says this. I also believe that since these are short-term agreements that anything can change over time. If RPR is successful getting a large portion of the MLSs in the U.S. onto their system, if and when the industry wants a national MLS, RPR would be a natural player to look for to provide that service. I think everyone would agree that eventually there will be some form of a national MLS. What that entity will look like and who will run it remains to be seen. Will it be RPR? Will be a coop of large regional MLSs? Time will tell. Having RPR tell us today they aren't going to be a national MLS doesn't mean anything given enough time.

What I believe would be a valuable service that RPR could have offered right up front that would have increased their value proposition, is to serve as a "data conduit" much like CARETS in California. Under that model, participating MLSs use CARETS to collect and share data to all participating MLSs who then get to view the combined data in their own MLS systems. I would bet that large brokers across the country would be in favor of any system that made this process easy and affordable and helped reduce their substantial data aggregation costs. If RPR offered this service it would also take the fear of them being a national MLS off the table. If any participating MLS could have data from any other participating MLS that allowed it on their own MLS system, why would anyone need to join a national MLS? Again, the data is the key, not having a single MLS vendor.

RPR should take away the MLS value issue

An easy way for RPR to address another issue that people have been concerned about, the value of MLS data, is to put something in their terms that says they will share revenue with MLSs after some point is reached. That point could include the repayment of investment capital and some reasonable amount of profit for RPR

after which additional profits would be shared. If this approach were taken I think many MLSs would be less nervous about signing away the rights to their MLS data.

Get the license agreements on the table

Part of the nervousness that MLSs feel today and also provides fodder for writers like me to speculate on is the fact that we just don't know all of the RPR terms yet. I personally don't think RPR should have made their grand announcement at NAR in November unless they were ready to release all of the terms and conditions as well., but that is history. The sooner they can put these on the table for everyone to see the better off they will be. Then everyone will know clearly what rights RPR and LPS have regarding the MLS data and can factor that in while making an informed decision.