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The 2008 Market Report

By Mike Ferry

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As 2007 finally is laid to rest and 2008 is before us, we need to take a careful look at exactly what we have to do to make sure we don't ever have a repeat of 2007. Each of us is asking the same question ... "When will the market get better or simply, will it get better," and the answer is of course *yes* ... but as the expression goes, don't hold your breath. As each of us knows with the massive listing inventory that we have today ... which was caused by a variety of factors including the ARM loans coming due, the bank repossessions coming on the market, the massive investor inventory being put up for sale, along with normal buyers and sellers moving up and down, it's going to take a long time to exhaust this inventory.

If we look at the market realistically, it's going to take several years to exhaust this inventory, *which means that the lenders will tighten their strings as they already have and the sellers who want to sell will have to reduce prices to a much greater degree than they have so far.* New home construction which has already slowed dramatically will continue to remain slow because new home builders will be relying on residential sellers to sell their homes so they can buy new construction. New home construction sales always rely on an active resale market. With predictions being made for residential sales of 4,000,000 + in 2008, down from 6,000,000 + in 2006, we'll probably not see any major decrease in the transactions predicted, but we will continue to see an increase in inventory.

We are not going to spend much more time in this Report looking at what happened in 2007 because we already know what happened in 2007 ... the Real Estate market in 2007 was simply the result of the

business practices of 2003-2004-2005-2006, with the results of us having a much more interesting market in 2008-2009-2010.

For those of us that have been through Real Estate ups and downs or a Real Estate recession in the past, we are not as discouraged now nor are we as upset about the market today because we understand the market today. As with any economic system, there are always going to be cycles and the question is never *how* we deal with a cycle, the question is *are* we going to deal with the cycle? What specifically is each of us going to do to make sure that this particular cycle does not hurt our business long-term? Since September 2007 through today, I have been interviewing Superstars every day in our Industry and after listening to over 100 of them in the last five months, I have determined there are certain characteristics, common thoughts and patterns that they have that make them so successful. In this Report I want to share them with you so you can begin today building your business through the balance of 2008 right through the end of 2010 when this downturn in Real Estate should end. So let's begin ...

SKILL SET ... There is a direct correlation between the level of skills you have as a sales person and the results that you receive. In the marketplace today buyers and sellers want the highest skilled sales person possible. As you know from 1995 to 2005, sales skills were not necessary in the Real Estate business. Anybody ... anywhere ... anytime ... could do a "deal" and get paid, and in some cases, actually call themselves a professional Real Estate sales person. Now this has changed for the good of buyers and sellers and unfortunately, it's not so good for untrained, unskilled Real Estate Agents.

The skills required today are the skills of managing your time with high efficiency ... the skill of generating highly qualified leads daily ... the skill of effective lead follow-up ... the skill of pre-qualifying so the

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Agent's time is not wasted or lost ... the skill of making strong, precise, to-the-point presentations ... the skill of handling buyer and seller objections ... and the skill of closing.

The major challenge Agents have today is a lack of confidence. This complete lack of confidence is caused by not knowing what to say or not knowing what to do. If you believe that knowledge equals confidence and ignorance equals fear, then you will accept the fact that developing a high level of specific sales skills will increase your confidence, eliminate your fears and get you into positive action which brings positive production and income.

If you are not willing to commit to learning the skills required to become a professional sales person, than do not continue in this business under any circumstance.

THE MARKET ... One of the most challenging things we deal with today if we accept the market as it is and not how we would like it to be or how we wish it to be ... and as importantly, not bending with the market. By bending with the market, I mean we can't let the market push us around, push us over, or knock us to our knees and beg and grovel for business. The market is what it is and knowing that our competition is not only bending with the market, but also being beaten by the market puts us at an enormous advantage when working with buyers and sellers.

ACTIVITES ... There is a direct correlation between the level of activities the Real Estate professional is involved in daily and their productivity. The challenge is defining the activities between income producing and non-income producing. The majority of all Real Estate sales people in North America today have been trained to be involved in

non-income producing activities, while they actually believe these activities will bring them production.

If we look at the word "predictable" and "duplicateable" in relationship to selling Real Estate, we will have a better understanding of income producing activities vs. non income producing activities.

An Agent decides to hold an open house and through the course of that day, a buyer walks in and actually buys that house. The first question is what are the odds of that happening again during that Agent's lifetime and we both know the answer is minimal. Holding an open house is a Real Estate activity ... but can you predict what kind of result you will get during the open house and the answer is no ... If by some chance someone walks in and buys that house from you, can you duplicate that again at-will ... again the answer is no and this makes this a non-income producing activity. Spending endless hours in the office working on your computer is defined as an activity, but how much income will you receive from all of your endless hours on the computer even though that time will be spent combing through leads that come off the web? Spending countless hours per week working on a pending file is an activity ... but is this time going to help you generate more income?

Productive activities include previewing property daily ... high-impact prospecting daily ... following-up closely with any lead you have daily ... pre-qualifying every buyer and seller every time, no exceptions ... going on showing and listing presentations with qualified buyers and sellers ... and negotiating contracts.

Seventy-five percent (75%) of your workday must be committed to these four activities if you want to be productive in the calendar year 2008.

MINDSET ... When people talk about mindset, a wide variety of thoughts come up. I'm not sure any of us really can define what Mindset is in this business, however, we do know that there is some ability to control what goes on inside of our head which controls not only our production, but our overall results in life. So the question then becomes, how do we develop a stronger Mindset?

Real Estate sales is unique because it fits into the category of sales along with many other sales businesses or professions ... there are certain things you can count on. You can count on the fact that as a sales person you are going to be rejected non-stop everyday for the rest of your sales career, this is simply a part of the sales business. In looking at the word Mindset, we look at how you are responding mentally to the rejection that you receive. During the calendar year 2008 each of us has to work every day on accepting the following ... *yes*, the business is down compared to previous years ... *yes*, listings take longer to sell than ever before ... *yes*, sellers are mad because prices are lower than they were 2-3 years ago ... *yes*, the Mortgage Industry is a major cause of the problems we have today and we have to live with that ... *yes*, Agents, Brokers and offices are going out of business faster than they ever had before ... *yes*, you have to take even more listings than you ever imagined to get one sold ... *yes*, it takes more skill in getting a listing and getting a price reduction to getting it sold ... *yes*, you have to go through more prospects to find a valid prospect ... *yes*, it takes more discipline and determination to get a contract signed and get that contract sold than it has in the past ... Question ... What is your attitude or Mindset towards all of the statements that we made in this paragraph?

Since we know that the ability to control what goes on in your head is directly related to the results we get and since we know that the more positive the thoughts we hold the better chance we have, how do we maintain a positive, strong attitude or mindset when there is so much

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negativity in the business? *Any of the following will help you strengthen your Mindset.* Form or join a strong mastermind group ... role- play or practice scripts and dialogues an hour a day... find 3-4 accountability partners that you talk to daily to keep yourself on track ... watch the MFO DVDs daily or Mike Ferry TV and listen to Mike Ferry CDs daily ... find 5-6 inspirational books and write down key quotes that you carry around on 3 by 5 cards and read them 5-6 times a day write 2-3 affirmations that you can chant 3-4 times out loud a day ... start a healthy eating program immediately ... exercise 30-60 minutes every single day ... and be grateful that you are still in the business after 2007. Put all of these to work if you want to make 2008 your best year ever.

WORK ETHIC ... When the market was going straight up as it did from 1995 to 2005, almost anything you and I did that was even close to reasonable in terms of work ethic resulted in income. *This has dramatically changed.* “Now putting in our time and putting in effort” become a critical part of the process.

I have never been an advocate of Realtors working 24-7, nor have I been an advocate of Agents giving customers their cell phone number, beeper number and being at buyers and sellers disposal 24 hours a day. Although today if you and I are not willing to work in a positive manner harder than we ever had before, were probably not going to make it or achieve the goals we have set for 2008. Committing to putting in excessive hours, putting in excessive energy and putting in the time to maintain strong positive thoughts, is physically and mentally draining, but is absolutely critical to our succeeding at a high level this year. The stronger the work ethic, the better the results, the better the results, the more money we earn which again quickly separates us from our competition.

MARKET STATS ... The more successful the Agent was in 2007 and the more successful the Agent will be in 2008, the better they understand the use of market statistics which not only makes the Agent's job easier but more importantly, makes the decision process for buyers and sellers easier. It's absolutely imperative that every one of us knows how many homes are for sale in our marketplace ... how many months of standing inventory is available to buyers ... what percentage of those homes that are for sale are short sales and repossessions ... how many new listings are coming on the market monthly ... how many sales are taking place monthly ... and how many closings are taking place.

Not only do we have to know these stats, we also have to become experts at presenting them and not accept any static from the seller except for a signature on a contract at the right price. We cannot allow buyers and sellers to back us into a corner because they know more about the market than we do. It's up to us to back buyers and sellers into a comfortable corner where they can sign a contract because of our knowledge.

MEDIA AND NEGATIVITY ... For the first time in many years, the negativity of the media is helpful to our business. By helpful I mean, we have to use the negativity of the media in a positive manner. Your competition ... the non-producers, negative Agents, the ones who are leaving the business, spend all of their time reading and listening to the media and then allow that information to shape and determine their behaviors, attitudes and work ethic. As a Superstar you will only allow the negativity of the media to be an asset ... instead of you having to go in selling the seller on the conditions of the market, you simply must take a positive spin on the negative media and let the media be the "bad guy" or "bad cop" and you be the good guy who shows them how to solve the problem the media has presented. You can also use the media

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as your primary price reduction tool with market stats by clipping, cutting and sending your seller the latest barrage of negativity that the media so quickly produces for us. Always use the negative media to your advantage.

TREMEDOUS PROSPECTORS ... One of the hardest parts about the Real Estate sales business is accepting the fact that we are actually sales people. In any other sales business prospecting is a major part of the business activity that the sales person is involved in and as you have heard me discuss in the past and you will hear later in this Real Estate Report ... Real Estate this the only sales Industry where prospecting is not a vital part of the business activity, or absolutely required by ownership and management.

During the later part of 2006 and all of 2007, the top Agents added a tremendous amount of time and energy to their daily prospecting and by tremendous I mean, in many cases, doubled the effort and energy they put into the activity. Our ability or inability to do this activity daily in spite of all of the ridiculous reasons ... the immature reasons ... or the stupid reasons we have for not prospecting ... we virtually have to do it or we will not survive the next couple of years in this business. Get over your stories, get over your excuses, get over the drama that you have created and get out and talk to people.

CONFIDENCE ... As we stated earlier, “Knowledge equals confidence and ignorance equals fear ...” It is up to each one of us individually to do whatever it takes to build our confidence so we can go out on the street every day and be productive. Per the Dictionary the word confidence is defined as, “a belief in our ability to succeed.” That really does sum up the difference between a highly skilled productive Real

Estate Agent and that massive amount of Agents in our Industry that never do anything.

Earl Nightingale defines success as, “The progressive realization of a worthwhile goal or objective.” If I want to build my confidence, I need to have a solid foundation of scripts, dialogues, techniques and abilities along with well-defined, very specific, attainable goals. By having attainable goals in front of me at all times and working on them every day and seeing progress being made, monitoring these activities toward these goals daily and being held accountable to these goals, we develop stronger beliefs in our self and what we can do, which builds our confidence. If we then add Earl Nightingale’s other great thought, “We become what we think about all day long” to this series of thoughts and we make sure that we have positive, strong thoughts in our head and we only allow storing positive thoughts into our head, we can quickly change ourselves from a complete lack of confidence to complete and total self-confidence. Work on this every day to improve your results.

INVENTORY ... There is nobody who has ever been affiliated with The Mike Ferry Organization that doesn’t understand the importance of maintaining a large, saleable inventory. What we have to look at more specifically in 2008 are the words “large” and “saleable.” As I mentioned in interviewing over 100 of the top Agents in the business today, they are carrying an average of 50+ of listings today. In every case their inventory has increased by any place from 50% to 100% in the last 18 months and they are working on increasing on it even more in 2008. Why ...?

One of the things we have to have is an understanding of the absorption rate on inventory in your marketplace. In a Real Estate recession or down-turn, a smaller percentage of all listings sell or, stated directly, a smaller percentage is absorbed by the buyers in the market. In some

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parts of North America today only 3-4% of the listings are being absorbed each month ... and in some parts 6-7 % is being absorbed. You need to determine the absorption rate in your marketplace for the following reason. If for example 10% of the listings in your market sell on a monthly basis and you're presently carrying 5 listings and there are 3,500 homes for sale in your market, which means 350 are selling per month, what are the odds of one of your 5 listings selling? The answer is "not very good". What the top producers understand is that they have to control a much larger inventory to have a bigger percentage of their listings absorbed by their buyers in the marketplace. If for example, Mike Darda in Florida has 90 listings or Lucy Ham in Michigan has 130 listings or Karen Bernardi in Colorado has 100 listings ... doesn't that dramatically increase their odds of having listings sell based upon the statistics in their marketplace ... the answer is yes.

So we have to dramatically increase the number of listings each of us have in inventory and then we have to work daily at putting them in a price position that causes them to sell. Yes, this is difficult, but this is what we have to do during 2008. Yes, you are going to have to improve your skills to make it happen but what is your option if you don't? Start today doing whatever it takes to build that inventory.

DEVELOPING A SHORT MEMORY ... Several years ago I listened to an interview with a NFL quarterback who had just had a terrible game and his team had lost. It is not uncommon in the NFL to blame the quarterback for all losses and give the quarterback the credit for all victories. They said to the quarterback, "Will you be able to get over this devastating loss and your poor play?" He actually smiled and said, "I have a real short memory toward negative situations and by the time I get out of the shower this game will be forgotten ... I do however have a long memory for all of the good things I have done." Since that time, I

have heard many NFL commentators say during games, "I hope that quarterback has a short memory."

Let's think about all of the daily experiences we have in Real Estate ... the good and the bad ... the positive and the negative ... the exciting and depressing ... which ones do we normally hold on to, keep foremost in our minds and think about a good portion of the time. The answer is the negative ones because we don't have short memories. We have to develop the ability to black-out negative conversations and situations. We have to develop the ability to erase the tape that is running in our head per Bob Kriegal, the author of "If It Ain't Broke, Brake It". We have to develop the ability to get rid of things that don't matter ... shed those few extra pounds ... clean out the closet ... throw away the food that we are never going to eat. These are examples of holding onto things that are not productive, nor will they ever help us build our business.

I can't ever begin to tell you how many times people have objected loudly to the things I have said and the things I teach ... I virtually forget them within moments. People will say to me, "Remember the time when that person said blank and blank to you ..." I smile and say no because our focus has to be on the things we have done that are right, the things that we are doing to achieve and focus on that one person that did sign a contract that we can help today.

You may have noticed by now that a lot of key points from the top producers we have identified all tie together. Work on developing a very short memory starting today.

“THE GAP” ... is widening every day. The Gap I am referring to is that Gap between productive people and non-productive people ... the Gap between having an income and not having an income ... the Gap

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between building an enormous Real Estate business and failure. All of these gaps are widening quickly as we speak.

Between 1995-2005 we had two large groups of people selling Real Estate and very few that couldn't sell Real Estate. During that period of time, 75-80% of the Agents could do enough deals to make enough money so they could last in the business and feel like they were successful. The reason they felt successful was that prices were increasing rapidly which means the average commission was increasing dramatically and at the same time, the percentage of commission that Agents received from Brokers was increasing. Remember that in 1995 if a home sold for \$200,000 and the sales side received a \$6,000 gross commission, the Agent on a 70% split would earn about \$4,200. In 2005 that \$200,000 home was selling for \$500,000 of which a 3% gross commission totaled \$15,000 and the Agent who had not improved their skills in that 10 year period of time was now on 90% split and earned \$13,500 ... for the exact home they sold 10 years before.

What happened was prices and commissions rose. Instead of selling 20 homes and making \$75,000 and \$80,000, they could now sell 6 homes and earn the same money ... so guess what, they did. They sold less, made the same, their skills decreased and then when the market turned, their confidence went to "0" and the Gap between productivity and non-productivity widened to the highest level.

Today, 3-4 % of the Agents are selling 95% of the properties and the Gap is widening as we read this Report. Why is the Gap widening? The answer is we are lacking the proper skill sets ... we are not involved in productive activities when we don't have a strong mindset, which results in our lacking self confidence ... so we can't build a large inventory ... because we have long memories of negative situations, so the Gap between the good and the bad is widening. Our job is not to narrow the Gap, but to make sure we are on the right side of it.

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EGO ... More than ever, we have to remove our egos from the Real Estate Industry in 2008. Yes, our ego drives us forward, but it also holds us back and creates an enormous expense for us. We don't have time nor do buyers and sellers have the desire to sit with ego-driven Agents when buyers and sellers need reality based salespeople. As importantly, we have to do a very serious self-evaluation ... there are certain stories you have been telling yourself for a long time about the market and about yourself. There are certain problems that you have created that are stopping you from moving forward... besides our enormous egos. We have to stop this type of thinking if we expect to progress. We have to believe there is a simple solution for every problem whether it is ego-based or not ... We have to have the courage to ask somebody to help us create a solution or spend the time individually creating the solution ... because the solution is there ... if we remove our ego.

THE MARKET NEEDS ... From 1995 to 2005, the Real Estate business moved forward in spite of Real Estate sales people. As each of us knows, a FSBO could in most cases sell their home faster than we could ... they had very little need for us. The Mortgage Industry did not need our resale business because the re-fi business was so strong. Buyers did not need our services because they knew whatever they bought would appreciate and they could move forward without us. Now things have changed dramatically. If we are good at what we do, buyers and sellers need us desperately because there are so few that actually know what they are doing. As we have stated many times in this Report, when we are talking to a prospect or making a presentation, the customer can quickly determine whether we are good at what we do or if we are not good at what we do. When we are good at what we do, they recognize it and need to sign a contract with us immediately. The need for skilled sales people is at its highest level ... don't disappoint the public by not being as good as you can be.

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THE MAGIC ANSWERS ... If you watch TV today, you are suddenly seeing numerous infomercials on “How to Get Rich in Real Estate.” Isn’t it interesting how somebody always wants to take advantage of someone else during a difficult time? These infomercials are stating that using their system you can buy and sell properties ... or almost “steal” properties from lenders and make a fortune using there magic formulas/magic systems. How about the “short sale seminars” that are being offered to Real Estate Agents today? During the past several weeks I have talked to numerous Agents who got involved in short sales and in some cases, have already waited 3-4 months for an answerer from the lender and still don’t have one and in most cases, when they finally get a short sale through only 1 out of every 7 closes. But short sales are being presented as the magic answer. During the 1st week of January of 2008 the USA Today reported that the FBI is assigning thousands of agents to all of the Real Estate scams that are taking place due to the depressed market ... more magic answers.

Our competitors are pumping Agents with all types of information which makes absolutely no sense at this time. Buy this “magic formula system” and you can generate new, qualified leads per week. Spend money on this new internet lead system and generate hundreds of leads per week. At some point as an Industry we have to grow up ... mature ... get real ... tell ourselves the truth ... not listen to the B ... and get to work on getting to be a great sales person and at that point, magic answers will not be an issue.

As the leader of The Mike Ferry Organization, I am willing to commit 100% of both mine and my companies time and energies toward building you in to the sales person you want to become so you can be on the right side of the Gap ... this requires only one ingredient besides us ... that is you. Are you willing to commit 100% to what we are teaching, what we are asking you to do so you can get the results you want in

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2008, 2009 and 2010? If you are willing to make this commitment today, when the market returns to some degree of being considered good in 2010, you will be miles ahead of your competition and will virtually become the most productive Agent in your town or marketplace. Don't let the opportunity you have today go by.

Don't let the negative influences of others, don't let your spouse and family, don't let your peers, don't let the media, don't let the negative comments from buyers and sellers and prospects and most importantly, do not allow yourself not to become all that you can become. Let's make '08, '09 and '10 the greatest three years of your life.

Mike