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Awash in BIG DATA

Strategies to Chart Your Course

By Bridget McCrea

Here are six ways to turn the tables on information overload and use big data as a business advantage in 2017

Real estate agents and brokers have long relied on networking, personal relationships and feet-on-the-street customer generation and retention tactics to build their business.

But analyzing huge sets of data to figure out human behavior, buyer preferences and community interactions sounds more like the stuff of statisticians, mathematicians and information technology types, right?

No, says Bryan Robertson, CEO of Catarra Real Estate in Los Altos, Calif., and a former business intelligence software developer. Digging into big data may be a newer concept for many real estate professionals, but more are learning how to leverage it to their advantage.

"Agents are using big data to try to figure out how to connect with clients in a faster, easier and lower-cost manner," says Robertson. "That's ultimately the promise that big data brings to the table."

Robertson

What is Big Data Anyway?

Big data is defined as extremely large data sets that may be analyzed with a computer to reveal patterns, trends and associations — especially those relating to human behavior and interactions.

Big data isn't just another passing fad that real estate agents can afford to ignore.

"Big data used in real estate identifies who buys or sells what, when, where, why and how. When real estate markets implement data modeling, it gives an in-depth analysis of consumer behavior as it relates to and impacts the real estate

industry," according to Innovation Enterprise, a business media company specializing in enterprise innovation, including big data.

"As big data usage becomes more standard, agents who practice data analysis will see their revenue surge, their costs drop and their market share increase," according to the Innovation Enterprise article, "Big Data: How Businesses Will Benefit From it in 2016."

These lofty goals could be attained more easily using big data and the actionable analytics it provides. By drilling down into the data, agents and brokers can use the information to make business decisions.

The question is, how can you turn information overload into practical, useful insights that help your everyday business? Here are five practical ways that real estate agents and brokers can start using it right now:

1 Paint a true and accurate picture of your buyers' homeownership costs.

The days when homebuyers had only loan-to-value ratios and rough estimates to go on when determining whether they could afford homeownership are gone. The proliferation of data makes it easier for agents to help their customers truly understand what they'll be paying on an annual, monthly and even weekly basis after those closing documents are signed.

"Big data helps buyers find the type of home — and the related qualities and characteristics — that they can really afford," says John Murray, managing broker at Key Realty, Inc., in Rockford.

For example, agents can develop property-specific reports that include everything from heating bills to utility costs to basic living expenses in the specified area (i.e., fuel costs for someone who commutes to and from work, food bill for a family of four, fitness center memberships, and so forth).

"The mortgage company may know that someone can afford a $250,000 house," says Murray, "but it doesn't take into account how much milk, eggs and gas cost within a specific ZIP code."

2 Geo-target individuals within your local market for optimal marketing ROI.

Big data has literally become a "crystal ball" of sorts for agents, who can use the information to identify the likelihood of a buyer or seller — in any one market — to buy or sell a home. Having this level of insight can be extremely valuable for agents working in competitive markets.

"Instead of blanketing a neighborhood blindly," says Murray, "agents can utilize social data, consumer trend information, transactional data, property histories, and other information to identify the 2,000 out of 10,000 homeowners who have the highest chances of moving within the next year."

That means an agent who would have historically spent $10,000 (e.g., $1 per postcard) to hit the entire area can spend just $2,000 on the postcards and allocate the rest for a follow-up campaign (or, a different approach).

Murray

3 Ditch the old-school real estate mentality and boil the data down into actionable information for customers.

Sellers want to know if their homes are going to sell, in what timeframe, and for how much money…plain and simple. Nobu Hata, director of digital engagement for the National Association of REALTORS®, says agents who can use big data to give homeowners a true and — perhaps more importantly — understandable picture of their home's ability to sell will stand out.

"Think about how you can make data useful for people who don't understand real estate and the data associated with it," says Hata.

Hata says Redfin provides an example of how a brokerage can use MLS data to differentiate itself and create brand loyalty.

Hata

"Redfin takes the MLS data and says, 'There's a 40 percent chance that this home will sell within the next 10 days,'" he says. "That creates a sense of urgency for people to go out and see the property's open house or reach out to the listing agent.

This is something a lot of other brokerages could be doing, but they don't because they're reliant on an old-school mentality."

4 Help buyers and sellers make better decisions.

Kirsten "Kiki" Wanshura, regional director for Realtors Property Resource, LLC (RPR), says agents should urge their clients to think beyond Zillow Zestimate — which uses an automated valuation model (AVM) to come up with a target price — when pricing their homes. "What many people don't understand is that the AVM factors in public records, but not MLS data" says Wanshura.

By marrying MLS data with various other data sources (i.e., public records), RPR provides a "much more accurate value that the general public doesn't have access to." And that, says Wanshura, gives REALTORS® a more powerful position in the marketplace.

Wanshura

Armed with RPR's neighborhood reports (which incorporate housing statistics, population demographics, quality of life data, etc.), trade area reports (for the commercial side of the business) and the mobile app (for accessing while away from the office), agents "get the tools and technology they need to further reiterate their importance in the marketplace," says Wanshura.

"REALTORS® aren't just selling homes; they're selling lifestyles," Wanshura says. "By leveraging big data and drilling down into the key points of interest, agents can help their buyers and sellers make the best possible decisions for their individual situations."

5 Help sellers determine whether those upgrades will translate into a higher selling price (or faster sale).

When listing a home for sale, agents typically focus on two key factors: getting the best possible price and getting the home under contract as quickly as possible. In some cases, both are predicated on a seller's willingness to fix, change and/or upgrade parts of the property to prepare for sale.
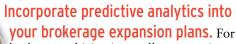
Using big data, agents can help their sellers figure out how to get the most for their money or even advise them not to make an upgrade that isn't going to produce optimal return on investment (ROI).

For example, are potential buyers expecting Viking stoves or will a stainless steel Kenmore appliance suffice?

And, are Formica countertops and carpeting acceptable, or do buyers want granite in their kitchens and hardwood floors throughout?

For best results, Murray advises agents to collect and comb through their local and regional market data to develop intelligence reports that help sellers make the best possible choices.

"I don't think a lot of agents are doing this yet, but as more data is collected and analyzed, more of

them will be using it to help sellers make these decisions," said Murray.

6 **Incorporate predictive analytics into your brokerage expansion plans.** For brokerages, hiring is usually an ongoing effort and physical expansion happens when opportunity arises. Murray sees predictive analytics (i.e., when data and analytics are used to make predictions about unknown future events), as a better way.

A brokerage who wants to establish a presence in a new region in Illinois, for example, can use geo-targeting to figure out which markets are similar to the ones it already serves and what the home prices are in that market. Other key data points to review include transaction volumes and months supply of inventory, both of which can provide important clues about a market's potential.

Murray says this data-driven exercise can also help brokers weed out markets where they may not perform as well.

"Selling homes in downtown Chicago is much different than selling lakefront dwellings or farm houses," says Murray. "When you arm yourself with the data, you can tell pretty quickly whether or not your existing business model and approach will work on your target expansion market."

Big Data Isn't Rocket Science

The value of big data lies not in the information itself, but in how you use it and implement it. The good news is that bridging that gap isn't rocket science. In fact, Carrie Bey-Little, a broker-associate with Baird & Warner in Glen Ellyn, says a good starting point is a quick comparison of recent sales data versus the same period last year.

"If an agent just took one day each month to look at their marketplaces and compare the data to last year's market (at the same time), he or she would already be ahead of the game," says Bey-Little, who speaks frequently on the integration of big data and real estate. "It's all right in the MLS."

Bey-Little   Then, when talking to potential clients, agents have that information at their fingertips and won't have to keep referring to new data sources and/or doing more, time-intensive research.

"By simply taking the time to read and digest the data on a consistent basis," Bey-Little says, "you can quickly become the expert and authority in your marketplace."

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