

# An Industry Suffering from Mediocrity? Oahu's Real Estate Industry



It is remarkable how much mediocrity we live with. We consistently surround ourselves with daily reminders that the average is acceptable. Our world suffers from terminal mediocrity which often leads us to believe it is the New Standard by which we set our expectations to.

Constant reminders of failed businesses are all around us in Hawaii: Comp U.S.A. on Nimitz is now a Used Car Lot, Circuit City is gone, The Honolulu Symphony has been silenced (again), Aloha Air Lines-gone, The Honolulu Advertiser-gone, Price Busters filed for Bankruptcy, Borders Books is leaving, Circuit City is gone, The Super Ferry (gone before it could even fail!), Tower Records and on and on and on.

Although many of these failed businesses had nothing to do with Mediocrity but probably had more in common with the difficulties of doing business in an often described "Anti-Business" State, the important point here, is that to succeed in Hawaii Business, Mediocrity has to go!



# 2010 Annual Report

## Real Estate Commission

Real Estate Branch  
 Professional and Vocational Licensing Division  
 Department of Commerce and Consumer Affairs  
 State of Hawaii

The Real Estate Commission currently oversees 19,895 licensees Statewide, of which 13,225 are categorized as Active. The Real Estate Commission took disciplinary action against 42 licensees and or Brokerages. The breakdown is as follows:

### ADMINISTRATIVE ACTIONS

**Table 1. Administrative Actions**  
**FY 2010 Administrative Actions**

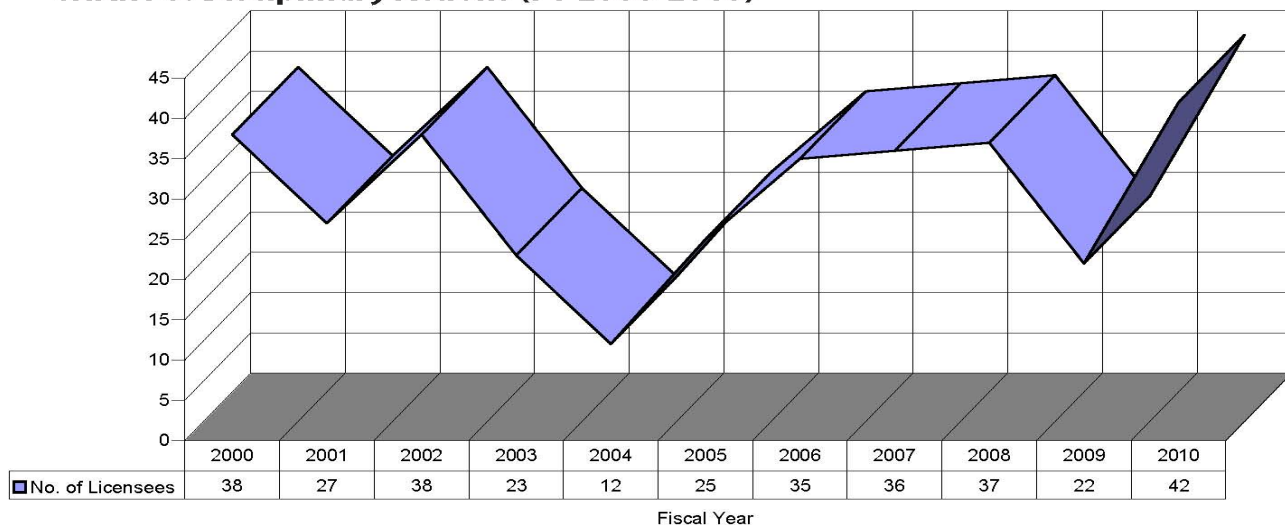
No. of Licensees Disciplined - By Category	
General Brokerage	17
Property Management	1
DUI Conviction	1
Other	22
Taxes	1
<b>Total</b>	<b>42</b>
Licenses Revoked	10
Licenses Suspended	2
Licenses Fined	37
Total fines	\$49,500
Licenses Subject to Other Sanctions	0

### Disciplinary Actions

The Commission took disciplinary action against 42 licensees in FY 2010. This was a 91% increase over the 22 licensees disciplined in FY 2009. Chart 3 provides historical information on the number of licensees disciplined.

Fines totaling \$49,500 were assessed against 37 of the licensees. Nine licensees had their licenses revoked. Table 1 and Chart 4 provide details on disciplinary actions and Chart 5 shows the distribution by the type of real estate activity involved in the case. Of note, the number of licensees fined in 2010, totalling 37, increased 106% compared to last year's total of 18.

**CHART 3. Disciplinary Actions (FY 2000-2010)**

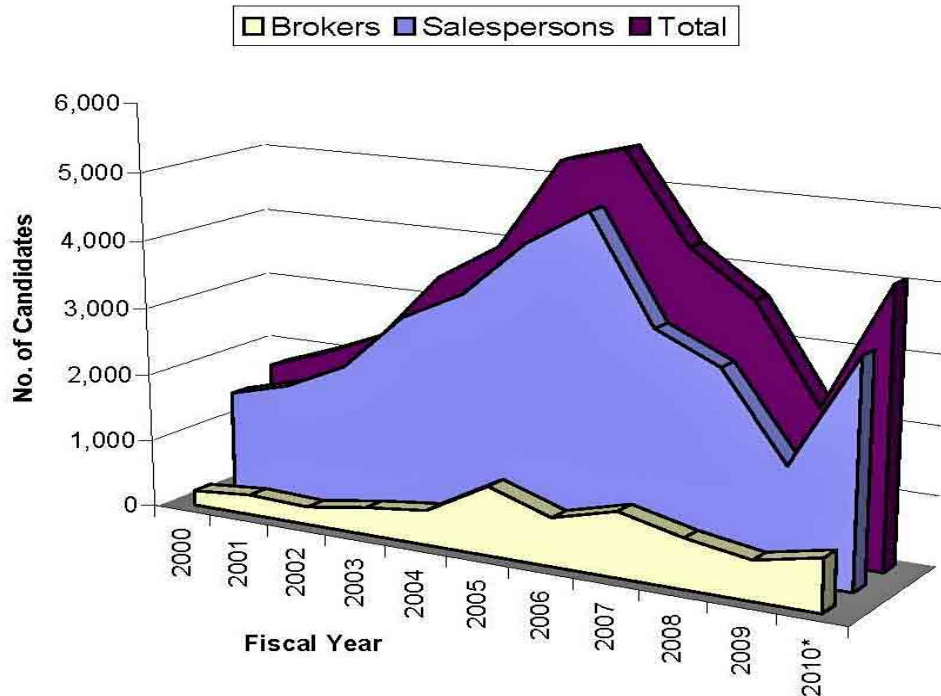


The State of Hawaii continues to monitor the Real Estate Industry through the careful eyes of it's Real Estate Commission which oversees the entire Industry. The breakdown on New Licensees taking Exams sanctioned by the State for licensure is as follows:

## Examination

	FY 2009	FY 2010	% Change
Brokers Tested	583	562	-3.6%
Salespersons Tested	1638	2114	29.1%
<b>Total Tested</b>	<b>2221</b>	<b>2676</b>	<b>20.5%</b>
Brokers Passed	186	197	5.9%
Salespersons Passed	910	728	-20.0%
<b>Total Passed</b>	<b>1096</b>	<b>925</b>	<b>-15.6%</b>
% Brokers Pass	31.9%	35.1%	
% Salespersons Pass	55.6%	34.4%	

**CHART 9. Licensing Examination Candidates (FY 2000-2010)**



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
□ Brokers	224	304	269	409	516	1,022	714	957	735	583	777
■ Salespersons	1,504	1,744	2,158	3,012	3,458	4,283	4,838	3,306	2,884	1,638	3285
■ Total	1,728	2,048	2,427	3,421	3,974	5,305	5,552	4,263	3,619	2221	4062

You do not need to be a member of the Real Estate Profession to read this report and it is available at the D.C.C.A. Office, at the Real Estate Division

<http://hawaii.gov/dcca/real>

Professionally, I believe the Real Estate Commission in Hawaii does an outstanding job, but then I am biased. But then again, I am also knowledgeable, having worked in this industry for over 10 years and as a member of the Honolulu Board of Realtors Ethics Complaints Committee.

The Education and continuing Education, handling of complaints, licensee reviews, Communications with the Honolulu Board of Realtors as well as the Real Estate Commission are all in my humble opinion, excellent as well.

Background checks for licensees are now done, Complaints are handled in an expeditious manner and mandatory Continuing Education has been doubled in the number of hours over year 2009 as a requirement going forward.

The point I am making is not with the quality of the Agents and Brokerages in the Hawaii Real Estate Industry, it is more about the Agents who do their 'minimum' and continue to demonstrate Mediocrity in this profession. Eventually the news of mediocre performance of a few agents spreads like "Wildfire" and becomes the 'generalization' for all Real Estate Agents held by a percentage of the Public.

Here is the latest survey I could find on what most folks think of Real Estate Professionals:

**HarrisInteractive®**  
FOR IMMEDIATE RELEASE

## **Firefighters, Scientists and Doctors Seen as Most Prestigious Occupations**

*Real estate brokers, Accountants and Stockbrokers are at the bottom of the list*

### **Least Prestigious Occupations**

Looking at the other side of the list, only 15% or fewer adults regard the following occupations as having very great prestige:

- Real estate agent/broker (5%),
- Accountant (11%),
- Stock broker (13%),
- Actor (15%).


Wow! Dead last, I would not have guessed that answer, did you? Too bad, but then this survey was only administered to 1,010 people back in July of 2009. Maybe it had come up some? I can only hope.

**Following are examples from Blogs and various Websites of what people are saying about Real Estate Agents:**

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1. **Re: Real Estate and the web!**

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 **Mason**, Jun 8th, 2007 @ 11:58am


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*Realtors are for the most part middle-men that charge for access to MLS listings. As information gets easier to access on the web (and it will), the cut that these folks want to take is going to look increasingly disproportionate to the service they provide. I don't think that the lower and middle markets are going to tolerate the 5% or so that these folks demand for much longer.*

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2.

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 **Lord**, Jun 8th, 2007 @ 11:59am


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*Did anyone really expect that? On the other hand, they hired someone to do much of the work of selling their house and it didn't cost them anything in net. Sounds like a success story to me. There is a large gray area of indirect costs, correct pricing, efficiency of selling, learning and making mistakes, market knowledge, and time to sell, that can shift the balance. The most common problem is sellers thinking they can save and pocket the commission themselves which this study refutes.*

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3.

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 **moder**, Jun 8th, 2007 @ 11:59am

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*good. real estate people are devil's spawn, may they all starve and die....*

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4.

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**Re: Re: Real Estate and the web!**

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 [David Binkowski](#), Jun 8th, 2007 @ 12:14pm

*Agreed. Most realtors are door openers and process paperwork, very few EVER have the buyer's best interest in mind.*

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5.

**Re:**

 [Matt](#), Jun 8th, 2007 @ 12:34pm

*Well that's surely an ignorant comment if there ever were one! Look at the study; prices were a wash factoring in the commission. That would seem to numerically prove the benefit a Realtor(R) can provide to a seller. Good agents know their market, know how to present a home, know how to handle the transaction properly, and often spend quite a bit of time and money marketing the property.*


*I maintain an active real estate license. After going thru all the necessary course work and continuing education and seeing firsthand the many things that can go awry with a real estate transaction, I would never "go it alone." You get what you pay for with the 'discount' brokers that charge 1-2%.*

*A \*good\* Realtor(R) is absolutely worth the money.*

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6.

**Re: Real Estate and the web!**

 [Anon](#), Jun 8th, 2007 @ 12:42pm

*Realtor and Realtors with that registered symbol next to them is nothing more than legalize racketeering.*

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7.

 [Anonymous Coward](#), Jun 8th, 2007 @ 12:43pm

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*Realtors should all just go back to school and start over. You are a dieing bread that should have been put down a long time ago. Theives.*

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8.

 **Realtors need to get Real**, Jun 8th, 2007 @ 12:50pm

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*I hate realtors they are mostly money grabbing opportunists. Charge a set fee for your services instead of a percentage maybe people would hate you some much.*

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9.

## **Real Estate and the Web!**

 **Realtor\_in\_VA**, Jun 8th, 2007 @ 12:51pm

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*I'm a Realtor, and take objection with several points:*

*1. The 5 or 6% that Realtors take on a commission is split between the two agents doing the deal. After all the costs associated with being a Realtor (advertising, office expenses), the vast majority make about the same as any middle-class work.*

*2. "Most realtors are door openers and process paperwork, very few EVER have the buyer's best interest in mind". Most business is repeat/referral business. I can't speak for all Realtors, but there is a very strict code of Ethics which must be followed that I follow religiously, and I always have my clients best interests in mind. Why would I possibly want to screw a client, when chances are if I do my job well, I may have them as a client again, as well as any friends/colleagues they may refer me to.*

*3. Commission on a sale pays for among other things, the advertising of a sellers house. In my particular case, we have websites, we are in multiple*

*monthly magazines (Yeah, you know those ones in the supermarket that everyone picks up and thumbs through), newspapers, van tours, radio and TV ads. Can some Joe Schmoe who decides to sell his house himself get that kind of exposure on the local market? No.*

*Again I can't speak for all Realtors, but most of the ones I know work damn hard for their money and deserve every bit of it.*

*The hardworking "middle-men" are there to protect your ungrateful asses should anything happen along the way of the transaction.*

*Guess who takes the heat if there is a false claim in a transaction, and Realtors were involved? The Realtor.*

*Who takes the heat in the same situation if it's a handshake deal? Well, unfortunately you. Hope you have money saved and a good lawyer.*

*Oh, and modaf, I'll pass along to my children (one of whom will be here in 2 weeks or so) that Daddy is devil's spawn, and that we'll all starve and die.*

**And On and On it goes...**

### **The Problem Here is the Perception!**

Here are excerpts from a great article written about a Realtor pertaining to the Public perception of Real Estate Agents:

#### **Why Do People Hate Real Estate Agents?**

*April 18th, 2008 .*

*A few years back I heard about a public opinion poll that had rated real estate agents only one spot ahead of used car salesmen in trustworthiness and likeability. At first I wanted to deny the results. "Show me proof of this poll!" I very quickly realized, however, that the existence of this poll was irrelevant. If such an idea could remain alive and circulate freely through the general public without being quashed, it's clearly not so far-fetched.*

*Most importantly, I sought to understand precisely which behaviors led to the public's perception of my chosen path. In any service industry, the best way to learn how to improve one's performance and one's image is by understanding where we fall short*

*I've interviewed hundreds of people on this topic and few common complaints surface again and again.*

***Home buyers** most often report that their agent "didn't listen" to them with regard to property characteristics. "We told him we wanted a house with a large kitchen, but he kept showing us houses with small, galley-style kitchens!" Or "We said our home **MUST** be in a certain community, but he continued to send us property listings for homes in other areas! He didn't listen to us!" Many of these buyers ended up ditching their agents to take their searches into their own hands.*

*Hands-down, the most common complaint among **home sellers** is, "My agent took my listing and I never heard from her again, except to suggest price reductions! I have no idea what she was doing to sell my house!"*

*Back to my original question, why do people hate real estate agents? I believe it boils down to a few key reasons, all centered around consistency and quality:*

- *Low barriers to entry and perception of 'easy money' have flooded the market with agents, resulting in erratic service at best;*
- *There are no standardized systems for running a real estate business - agents are independent contractors who are responsible for developing their own business and service models. This results in inconsistent (often incompetent!) service because it's beyond their expertise to build them;*
- *There are no systematic mechanisms in place to regulate real estate agent performance - we're free to practice at any level of competence as long as we retain our licenses, which involves 48 hours of continuing education training every 4 years and not running afoul of the law. Only public complaints filed with the Department of Real Estate or legal troubles separate the professionals from the rest. Otherwise, we all look the same.*

*The good news is that high quality real estate professionals will thrive in all market conditions, while those who aren't, won't. Every decade or so the*

*housing market will 'correct' and the least capable agents will be forced from the business, leaving it a better place, at least temporarily.*

I could not have said the above any more eloquently. I believe this author had a good grasp of the situation.

**Following are Excerpts from the National Association of Realtors (N.A.R.) article titled:**

### **NAR Survey Shows First-Time Home Buyers Set Record in Past Year**

San Diego, November 13, 2009 / **Walter Molony**

*"Eighty-five percent of sellers used a real estate professional, and 64 percent of sellers chose their agent based on a referral or had used the same agent in the past. Eighty-one percent of sellers are likely to use the same agent again or recommend to others."*

*"Of sellers working with real estate agents, the study found that 80 percent used full-service brokerage, in which agents provide a range of services that include managing most of the process of selling a home from listing to closing. Nine percent of sellers chose limited services, which may include discount brokerage, and 11 percent used minimal service, such as simply listing a property on a multiple listing service."*

*"Less than 1 percent of sellers chose an agent based on his or her commission."*

*"Sellers largely want agents to price their home competitively, find a buyer, market the property and sell within a specific timeframe. Reputation was the most important factor in choosing an agent, cited by 36 percent of respondents, followed by trustworthiness at 21 percent."*

*"Buyers use a wide variety of resources in searching for a home: 90 percent use the Internet, 87 percent rely on real estate agents, 59 percent yard signs, 46 percent attend open houses and 40 percent look at print or newspaper ads. Although buyers also use other resources, they generally start the search process online and then contact an agent."*

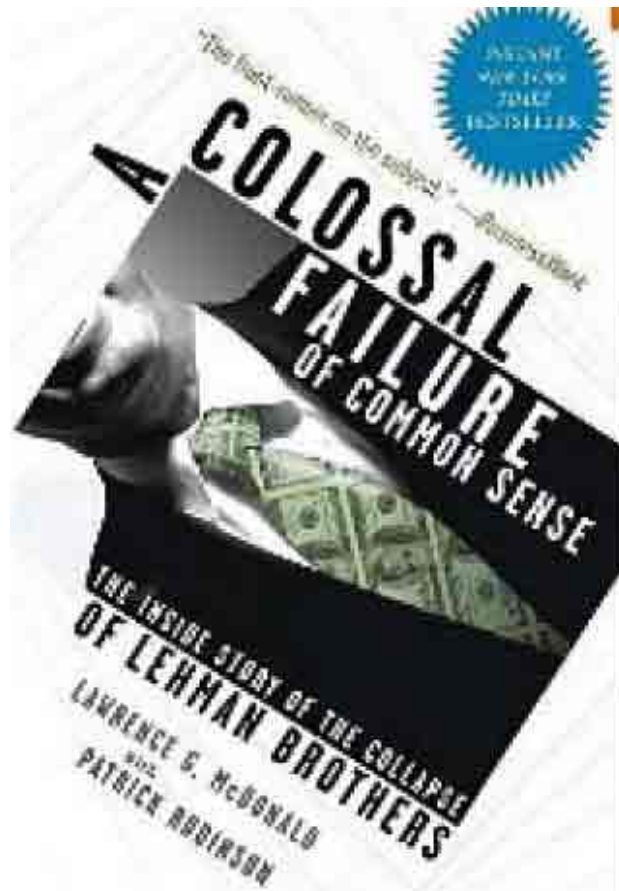
*"When asked where they first learned about the home purchased, 36 percent of buyers said a real estate agent; 36 percent the Internet; 12 percent from yard signs; 6 percent from a friend, neighbor or relative; 5 percent home builders; 2 percent a print or newspaper ad; 2 percent directly from the seller; and less than 1 percent a home book or magazine."*

*"Eight out of 10 home buyers who used the Internet to search for a home purchased through a real estate agent, in contrast with 63 percent of non-Internet users who were more likely to purchase directly from a builder or from an owner they already knew in a private transaction."*

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I surmise that there is still a majority of the public who believe Realtors and Real Estate Agents provide a valued service worthy of their commissions. I am not going into a 'sales pitch' here so do not expect one. I only want to point out that every Industry has mediocrity and it is an injustice to generalize poor performance and equate it to the majority of Real Estate Professionals.

I recently had the opportunity to read this outstanding book as I wanted to know more about the Housing Bubble and subsequent crash:



If you 'really' want to know what went Up and then Down in the Housing Bubble and why I suggest you read this book. I found it to be an absolutely amazing, often humorous, first hand account, written by two of Lehman Brothers best Convertible Bonds experts on exactly how Wall Street slipped under the Fed Radar and was able to sell Billions of dollars in Mortgages around the World backed by absolutely nothing!

I believe it illustrates the point in every profession that when in times of making unbelievable money to the point where it defies logic, when it is "Too Good To Be True", everyone wants in on it.

This story was about Real Estate. Not Real Estate Professionals so much but let's take a look at when this bubble ended in December of 2005. A few days before Christmas the C.E.O. of Fannie Mae, Franklin Delano Raines rushed to Wall Street to seek a massive amount of cash in form of a Bond Sale. Why? The story is amazing, especially in light of his resignation and **departure taking with him Millions of Dollars in bonuses.**

By [MARCY GORDON](#)  
The Associated Press

*WASHINGTON — Former Fannie Mae chief Franklin Raines and two other top executives have agreed to a \$31.4 million settlement with the government announced today over their roles in a 2004 accounting scandal.*

*Raines, former Fannie chief financial officer Timothy Howard and former controller Leanne Spencer were accused in a civil lawsuit in December 2006 with manipulating earnings over a six-year period at the company, the largest U.S. financier and guarantor of home mortgages.*

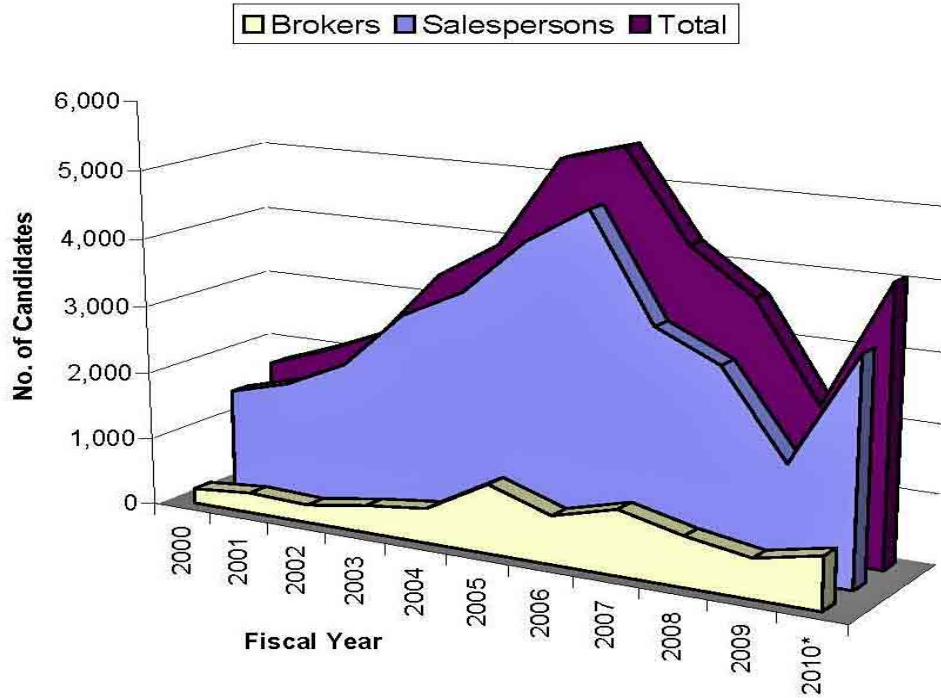
*Raines, a Seattle native and prominent Washington figure who was President Clinton's budget director, is relinquishing company stock options, proceeds from stock sales and other benefits. His part of the settlement is worth \$24.7 million,*

*The amounts that Raines, Howard and Spencer are paying under the settlement are far less than what the government was seeking when it sued them in December 2006. OFHEO sought fines of around \$100 million against the three and restitution totaling more than \$115 million in bonus money tied to an improper accounting scheme.*

OFHEO is The Office of Federal Housing Enterprise Oversight of the U.S. Government.

Let's go back to the amount of agents Honolulu had back when this all happened:

**CHART 9. Licensing Examination Candidates (FY 2000-2010)**



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Brokers	224	304	269	409	516	1,022	714	957	735	583	777
Salespersons	1,504	1,744	2,158	3,012	3,458	4,283	4,838	3,306	2,884	1,638	3,285
Total	1,728	2,048	2,427	3,421	3,974	5,305	5,552	4,263	3,619	2,221	4,062

The amount of agents in Hawaii was at an all time high. You should have seen what it was in California, Nevada and Florida!

## California Has a Real Estate Agent for Every 52 Adults

by Tom Royce on May 24, 2006

*If you live in California you should have no trouble finding a real estate agent. A new report from the California Department of Real Estate says there is a real estate agent for every 52 adults in the state. This is a 57 percent increase over the last 5 years.*

*As of April, the trend continued with the number of licensees climbing to 495,000.*

*To accommodate the demand for real estate licenses, the DRE conducted numerous "mega-exams" in which thousands of applicants took the real estate license examination. The department also increased the services available through its online licensing system, which has issued licenses to more than 70,000 people since March 1, 2005.*

# Real estate exodus in LV?

BY HUBBLE SMITH  
REVIEW-JOURNAL

Posted: Apr. 9, 2007 | 10:00 p.m.

Updated: Sep. 26, 2008 | 3:25 p.m.

*A few years ago, it seemed as if everyone knew someone in Las Vegas who was getting their real estate license and cashing in on the housing boom.*

*It was a time when all an agent had to do was stick a "For Sale" sign in the front yard and wait for offers to roll in.*

*Membership in the Greater Las Vegas Association of Realtors grew from 7,959 in January 2003 to 16,379 in January 2007, gaining 1,700 to 2,500 members a year. Statewide, the number of licensed real estate agents jumped from 17,718 in 2000 to 36,785 in 2006.*

After extensive research all over the Web the only thing I can find on Real Estate Licensing from the Florida Real Estate Commission was that in 2005 to 2006 there were approximately **336,496** licensed Real Estate Professionals and there were 5,797 complaints received of which 2,038 were deemed justified.

Generalizations by the Public, whether justified or not, exist. It is up to every licensed Real Estate Professional to be just that: PROFESSIONAL. I think all Real Estate agents should take a "Step Back" and look at what we can do to increase our professionalism, advance our education, be the absolute best we can be. Otherwise...you should get out the profession. That is just my opinion, but I will bet there are bunch of Real Estate Agents who have the same opinion.



Or...



Maybe it's just some of the members "Shooting Us All In The Foot" when they do stuff like this:



Need I say More?

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