

# The First Economic Wave

by Donald Teel



Since the founding of the United States property ownership has been one of the fundamental rights of the people. Buying and selling real property has become as American as apple pie and baseball.

The evolution and development of the real estate industry's business model can be divided into three Waves or Eras, each with its own dominant feature.

ECONOMIC WAVE	YEARS	TRAIT	DESCRIPTION
First Economic Wave	1776 - 1976	Broker-Centric	For 200 years the brokers were the controlling party in the industry.
Second Economic Wave	1977 - 1993	Agent-Centric	With the advent of the modern franchise, the industry became agent-centric.
Third Economic Wave	1994 - Today	Consumer-Centric	Access to property information via the Internet has empowered the consumer as the central force.

These three Eras, as I have termed them, actually overlap a great deal so that the fading trends in one era give rise to the new characteristics of the next era. As the industry took on new business models, the new models supplanted the old over time. A more accurate timeline of the eras might look something like this:



The Broker-Centric Era of the real estate industry was two centuries in the making and was the dominant business model in the timeline. At its apex the cultural and business model characteristics of the Broker-Centric Era were truly amazing.

Through the mechanisms of the local Board of Realtors a primary or “Designated” Broker of a real estate company exercised enormous control of literally all property information. Real estate agents themselves had no access to the information unless such access was approved by the Broker.

Local Boards of Realtors compiled all of the property information for those properties listed by the Brokers and printed Multiple Listing Service Books that were distributed to only the “Members” of the local Board. The MLS book was the holy bible of the Brokerage industry and its information guaranteed that consumers who sought property information in a given locale had to talk to a member of the local Board of

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Realtors in that locale. The mantra of the Broker-Centric Era might be “books, boards and brokers.”

Without the local brokers, who were the actual owners of the Multiple Listing Service property information, there could be no board and without the board there could be no book containing the precious property information sought by consumers.

I do not wish to convey that throughout the entire 200-year Broker-Centric Era that books, boards and brokers were controlling all of the market information. Such an assertion would be inaccurate. The Board of Realtors model did not come into play until 1908, with the founding of the National Association of Real Estate Exchanges (later N.A.R.) on May 12, 1908 at the YMCA Auditorium in Chicago, IL. The Association began with 120 founding members, 19 Boards, and one State Association. The objective of the association will demonstrate clearly the intention of what would later become NAR:

*"to unite the real estate men of America for the purpose of effectively exerting a combined influence upon matters affecting real estate interests."*

From 1908 until the present the mission of the National Association of Realtors has been the establishment of State and local associations working to control property information and provide industry services to its members, including the Code of Ethics, first published in 1913.

To give you an idea of how powerful NAR has become, the association has grown from 20 associations and 1646 members in 1908 to a high of 2,026 associations in 1985 and a 2005 membership roster of nearly 1,300,000 members. What makes this growth to power significant is that in 1900 approximately 75% of all Americans lived in flats or apartments. In 2006, we have a 75% home ownership rate. In approximately 100 years the real estate industry has had perhaps the most significant impact on American living standards than any other professional organization in the United States.

NAR played a central role in the first Economic Wave by setting up policies, procedures and practices for the industry and making adherence to these mandatory for all members. The most single most significant aspect of the First Economic Wave was the control of property information through local Boards of Realtors and their Multiple Listing Services.

The MLS system was not challenged until the beginning of the Second Economic Wave, known as the Agent-Centric Era. In the Agent-Centric Era three important developments would change the face of the real estate industry, franchising, computerization of the local MLS and the use of the personal computer (PC) by real estate practitioners. These events would create the climate for the Agent-Centric Era, which will be discussed in the article entitled *The Second Economic Wave*.