

# GROWTHWORKS

INSIGHTS FROM THE WORLD'S LARGEST REAL ESTATE FRANCHISOR

## Growing Your Business

Industry Viewpoint —  
Affiliation as a  
Competitive Edge

Is M&A Part of  
Your Business Plan?

Planting American  
Dreams in World Markets

Pass or Fail?

Take the Savvy  
Broker Business Test

*HOT ZONE*

Rolling the  
Competition

# REALOGY

THE BUSINESS OF REAL ESTATE



# GROWTHWORKS

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## Industry Viewpoint — Affiliation as a Competitive Edge



**By Alex Perriello**  
President & CEO  
Realogy Franchise Group

*Since April 2004, Alex Perriello has been overseeing Realogy's five real estate brands. With more than 25 years in the real estate industry, Perriello is widely recognized as a real estate industry leader and keen observer in the areas of policy and market trends.*

If you speak to any unaffiliated broker today, they would tell you that competition in the real estate industry is fierce. There is an increasing demand for innovative systems, tools and technology. The battle for recruiting and retaining the best sales people is never ending and well-informed consumers demand more from their real estate professionals than ever before. The bottom line is that, for many, going it alone is less and less attractive.

This reality has resulted in a significant talent migration to franchised brokerages as more and more sales associates have demonstrated a desire to gain access to what they need to be more competitive. According to NAR, while just 38 percent of sales agents had an affiliation with a franchise in 1999, that figure grew to 55 percent by 2006.

### *Beneficial Effects of Franchise Affiliation*

88% of surveyed firms reported their franchise affiliation improved their name recognition.

83% report a beneficial impact on ability to acquire listings.

72% report affiliation contributed to an increase in profits.

Source: NAR 2006 Profile of Real Estate Firms: An Industry Overview

The benefits of franchise affiliation are readily apparent to firms as well. NAR's 2006 Profile of Real Estate Firms pointed out that nearly 80 percent of large residential brokerage firms reported that their franchise affiliation improved their profitability. Fully 83 percent of firms reported a beneficial impact on their ability to acquire listings, and 88 percent said their franchise affiliation improved their name recognition.

The point is, if a real estate entrepreneur is looking for solutions to the challenges posed by today's marketplace, the advantages of affiliation are hard to beat. The professionals at Realogy understand this fully, which is why we work hard to provide our affiliated network members what they need to be more successful. We are invested in our customers' success and we will continue to demonstrate our value day after day, month after month, and year after year.

## ON THE COVER



Leading the growth for the Realogy Franchise Group and its esteemed brands are three dynamic individuals: (center) Alex Perriello, president & CEO, Realogy Franchise Group; (on left) Brien McMahan, executive vice president, franchise sales; and (on right) Javier Parraga, executive vice president, international development and services. Each of these leaders has a unique perspective on the industry and shares his thoughts on what is shaping real estate in 2007 and beyond.

## Is M&A Part of Your Business Plan?



**By Brien McMahon**  
Executive Vice President  
Franchise Sales  
Realogy Franchise Group

*Brien McMahon is responsible for the expansion of the Realogy brands' franchise networks, including NRT, across the United States. McMahon began his career at the company 20 years ago and oversees a sales force of 125.*

Growth is the engine that drives prosperity and sustainable competitive advantage. Fortunately, the real estate industry has seen tremendous growth in sales volume during the past decade. However, even though sales levels have generally increased, the number of real estate offices has been shrinking. Statistics from the Association of Real Estate License Law Officials show a drop to just over 98,000 U.S. real estate offices in 2006 from 116,000 U.S. real estate offices in 2001. The fundamental forces behind this consolidation are the shifting market conditions and changing demographics.

Intense competition in the industry and shrinking profit margins are having a definite impact. The market shift from the record highs of 2005 to the normalizing markets of today have caused many business owners to re-evaluate their business plans going forward.

Naturally, larger businesses are better positioned to make size and scale work to their advantage.

Meanwhile, many brokers are considering new ways to leverage the equity they have built up in their businesses over the years. With the median age of today's broker now 53, there are many brokers who are thinking ahead and evaluating long-term succession planning and exit strategies.

In light of the current business climate, mergers and acquisitions (M&A) can be a viable business strategy to help businesses achieve their goals. While often providing many benefits to the parties involved, M&As are complex transactions that need to be well planned and well executed.

The professionals at Realogy have a great deal of experience in this field. In 2005 and 2006, franchisees across our networks successfully executed more than 250 M&A transactions. We have also provided valuable knowledge to over 200 of our system brokers across our brand networks with our M&A Academy program. Whether looking to stay relevant in a consolidating industry, or looking to reap the rewards of years of labor, it pays business owners to consider how an M&A transaction could help them reach their goals.

*Contact Realogy's "M&A Line" at (973) 407-2727.*

## BUSINESS BUILDER



**Jose Perez**  
Senior Vice President  
Southern Region  
(404) 272-4646

Jose Perez is responsible for growth through affiliation, mergers and acquisitions of the CENTURY 21®, Coldwell Banker® and ERA® franchise systems. With his 13 years of experience in the field of mergers and acquisitions, Perez is frequently asked to address franchisees who are interested in growing their business in this manner. He is a frequent presenter on the topic at each brand's conferences throughout the country. Perez has an MBA in real estate from the University of Texas at Austin and is a past board member for the National Association of Hispanic Real Estate Professionals.

*"We hold ourselves to a gold standard."*

— Thomas Kunz



With more than 146,000 brokers and sales associates worldwide, the CENTURY 21® System is the world's largest residential real estate organization, providing franchisees with world-class financial, management and marketing tools and programs. Members also benefit from access to the award-winning CENTURY 21 Learning System®.

One of the most recognized names in the real estate industry, the essence of the CENTURY 21 brand is its gold standard of service. System members strive every day to use their understanding of customer needs to help them buy and sell real estate. The strength of the brand name is highlighted through national television, radio, print and online marketing campaigns. CENTURY 21 brokers benefit from advertising programs that are tailored to different segments of the market, including residential, commercial and fine estates. Property listings receive maximum exposure as the brand Web site attracts almost 3 million visitors per month.



**Thomas R. Kunz**  
President & CEO  
Century 21 Real Estate LLC.

*"We hold ourselves to a gold standard in the CENTURY 21 System. It is our top priority to treat our customers like family and, through our franchisees, help all buyers and sellers achieve their dreams."*

## Planting American Dreams in World Markets



**By Javier Parraga**  
Executive Vice President  
International Development & Services  
Realogy Franchise Group

*Javier Parraga has achieved substantial international network growth for Realogy's five franchise brands. Since joining the Company in 1996, he has successfully negotiated and signed over 60 master franchise agreements covering more than 100 countries and territories. Parraga's team is responsible*

*for the international expansion of Realogy's real estate brands by offering master franchise rights and providing ongoing support and service.*

America has long been an exporter of dreams. One dream that has taken hold across the globe is the American dream of homeownership. The Realogy brands are making this dream possible in both established and emerging markets by sharing the franchise business model with international entrepreneurs who can then model their own success using a proven system.

**Established Markets** – Globalization is resulting in an explosion of growth in resort markets and capital cities all over the world. Owners of real estate, including developers, are now benefiting from available technology and international brand networks that expand their pool of potential buyers beyond their local borders. Through the Realogy brand Web sites, master franchisors from around the world provide

information and listings that make connections like never before. For example, the power of our networks enables buyers in China to easily find sellers in Florida. As travel, trade and technology further globalize the world, international real estate networks will continue to grow in value.

**Emerging Markets** – While established markets benefit from the power of international networks to attract business, emerging markets are benefiting from the systems these networks offer as models for establishing markets and institutions that will be the foundation of growth for the future.

To that end, Realogy's master franchisors are playing a considerable role in helping to mature real estate markets around the world that support homeownership, one of the key components for transitioning to an established market. In many developing countries, Realogy's master franchisors act as industry advocates and implement proven tools and systems that make the process for potential buyers easier by offering professional services previously unavailable.

In essence, Realogy's master franchisors are using the power of technology and networks to seed the "American dream" in both established markets and emerging markets around the world. Ultimately though, owning a place to call home is not just America's dream, but the dream of the world.

*For Global Market Insights call: (973) 407-7438.*

## BUSINESS BUILDER



**Tim Henderson**  
Senior Vice President  
Western Region  
(949) 367-3700

Tim Henderson grows the CENTURY 21®, Coldwell Banker®, and ERA® brands in the Western region through affiliations, and mergers and acquisitions. A real estate veteran with more than 20 years of experience, Henderson has held various positions throughout his real estate career, including business consultant, business development and franchise sales, and curriculum developer and trainer. He volunteers with faith-based organizations, social services and law enforcement agencies. Henderson obtained his master's and doctorate degrees from California Coast University and an executive coaching certification from the Wharton School of Business at the University of Pennsylvania.

## Your Perfect Partner in Real Estate®



The Coldwell Banker® organization celebrated its 100th anniversary in 2006 and continues to evolve to meet the needs of the changing consumer. In 2006, Coldwell Banker Real Estate Corporation was again ranked as the No. 1 real estate company — for the seventh straight year — and No. 8 franchisor overall by *Franchise Times* magazine. Coldwell Banker is considered to be the Web pioneer in the industry as the first national brand to offer a national real estate Web site in 1995. Always ahead of the curve, coldwellbanker.com launched such recent innovations as satellite mapping, streaming video, and a home price estimator. The Coldwell Banker System is a leader in such niche markets as resort, new home and luxury properties through its Coldwell Banker Previews International® program.



**Jim Gillespie**  
President & CEO  
Coldwell Banker Real Estate Corporation

"I have been with Coldwell Banker for more than 31 years and have marveled at how the brand has grown. We now have more than 123,700 sales associates in 32 countries and territories around the world. I do not believe any brand can match our rich heritage, distribution network and 24/7 storefront that coldwellbanker.com provides."

# Rolling the Competition

The Realogy 'Value Circle' —  
Greater Than the Sum of Its Parts

Realogy's business model is structured around our unique "value circle" approach. Our value circle makes the best use of our extensive integrated networks of leading real estate brands, company-owned brokerages, worldwide relocation services, and title and settlement services. Combined with our size and scale, we believe our value circle is a key strategic advantage.

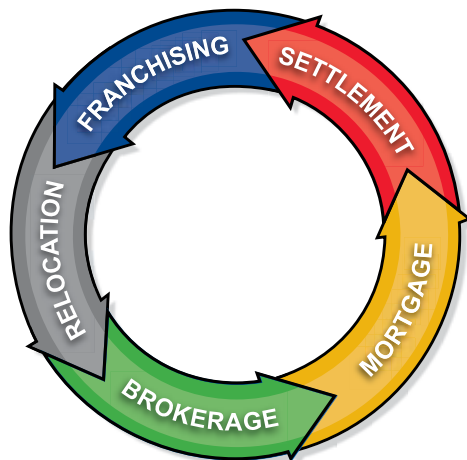
The integration of our company's service offerings provides our franchised affiliate offices with the ability to deliver additional value-added services while enabling customers to enjoy the convenience of a single-source solution for all their real estate needs. Whether consumers are in need of mortgage or settlement services, relocation or home protection plans, the Realogy value circle delivers an array of resources for consumer convenience and peace of mind.

## BUSINESS BUILDER



**Joe Bernardo**  
Senior Vice President  
Northern Region  
(856) 296-3668

With more than a decade in the business, Joe Bernardo leads a team of five regional vice presidents and 25 franchise sales directors responsible for the growth of the CENTURY 21®, Coldwell Banker® and ERA® brands in the Northeast and Midwest regions. Appointed regional vice president of franchise sales for ERA in 2004, Bernardo was named the North Central Region RVP of the year for 2005. Bernardo also has a strong command of the mortgage industry, having led teams at Realogy's joint venture mortgage partner, PHH Corporation.



### Realogy Corporation at a Glance

- ◆ **Realogy Franchise Group**, the leading franchisor of real estate brokerages in the world, including world-renowned brands such as:
  - ❖ CENTURY 21®
  - ❖ Coldwell Banker®
  - ❖ Coldwell Banker Commercial®
  - ❖ ERA®
  - ❖ Sotheby's International Realty®
- ◆ **NRT Incorporated**, the largest owner and operator of residential real estate brokerages in the United States
- ◆ **Cartus Corporation**, a global leader in relocation services
- ◆ **Title Resource Group**, a provider of title and other settlement services

Always There  
For You®



Since 1971, ERA Real Estate has been committed to the development and implementation of "first and only" programs and tools that systemically guide and support consumers through the home buying and selling process. The result is a proven blueprint for affiliate growth and success, a network of dedicated professionals and a complete arsenal of programs and tools that create a true, distinct competitive advantage for our customers.

ERA Real Estate consists of a collaborative international network with franchisees in 35 countries and territories with more than 38,700 brokers and sales associates in approximately 3,000 offices. Through ERA Real Estate's award-winning intranet site, ERA® professionals have access to state-of-the-art training classes and exclusive marketing resources, incentive programs, powerful prospecting tools and other mission critical resources. A comprehensive public relations program and nationwide advertising campaign using the Internet, TV, radio and print, strengthen the brand and give ERA franchisees more exposure and recognition.



**Brenda W. Casserly**  
President & CEO  
ERA Franchise Systems, Inc.

"The goal of ERA Real Estate is to attract and retain consumers by offering a network of ERA professionals who are ethical, forward thinking and results oriented, and embody the spirit of the ERA motto, 'Always There For You'."

## Take the Savvy Broker Business Test

In today's competitive market, business can often be a pass/fail exercise. If just one link in your chain of business is broken, your pulling power is reduced to zero. Can you pass the test? Have you thought about what's driving your business? If you find yourself struggling to answer any of the questions posed here, call for the answer key. Contact a Realogy professional today and start the process of getting the answers you need to help manage a successful business operation.



### Technology

- ◆ What is your return on each "technology dollar" invested?
- ◆ How quickly do your sales associates respond to Internet leads?

### Profitability

- ◆ Are you satisfied with your company's profitability?
- ◆ As a broker, do you still sell? If so, would the company still pay for itself without your sales?

### Recruiting/Retention

- ◆ How many sales associates do you want to recruit this year?
- ◆ What makes your company a place they want to work?

### Operating Systems/Support

- ◆ Do you have a business consultant?
- ◆ What do you pay for such assistance?

### Advertising/Marketing

- ◆ How well is your name known in your market? Outside your market?
- ◆ What is your return on your marketing dollars?

### Growth/Exit Strategies

- ◆ Do you have anyone to help you grow your business?
- ◆ Do you have an exit strategy?

### Training

- ◆ Are your sales associates producing at a level you desire?
- ◆ Who is conducting the training in your offices?

### Referrals/Relocation

- ◆ Are you part of a referral network?
- ◆ How many leads do you get from your network?

For answers call: (973) 407-2727

## BUSINESS BUILDER



**Rich Green**  
Senior Vice President  
Sotheby's International  
Realty Affiliates, Inc.  
(973) 407-5886

Rich Green has managed the domestic growth of the Sotheby's International Realty® network since Realogy acquired the rights to build the brand in 2004. He has helped launch more than 85 new affiliate companies. Green travels to select markets to find companies that offer unique amenities and enjoy significant market share in luxury real estate, then evaluates prospects to ensure they meet strict eligibility requirements. Green and his team also assist affiliates in growing their operations through new locations or mergers and acquisitions. Green holds the Six Sigma Black Belt designation.

Artfully Uniting Extraordinary  
Homes With Extraordinary Lives ...

**Sotheby's**  
INTERNATIONAL REALTY

The Sotheby's International Realty® network was designed to connect the most prestigious clientele in the world with the finest independent real estate companies that understand the unique mindset of upscale clients seeking distinctive homes. Sophisticated, savvy and extensively trained in luxury markets, our professionals have intimate knowledge of properties within their local communities.

The Sotheby's International Realty® luxury real estate network has more than 350 offices worldwide and supports its affiliates with a host of marketing, operational, recruiting, educational and business development resources. In addition, affiliates benefit from an association with the venerable Sotheby's auction house, established in 1744.



**Mike Good**  
President & CEO  
Sotheby's International Realty Affiliates, Inc.

"The Sotheby's International Realty® brand has never been stronger. Since the advantageous affiliation between Realogy and Sotheby's Holdings, Inc. was announced in February 2004, we have been able to dramatically expand our network around the world while strategically positioning the brand. Leading firms in desirable markets continuously seek invitations to our exclusive membership."

## Strike While the Commercial Market is Hot

The commercial real estate industry is three years into a market recovery and many global markets are expanding. Growth in the GDP, net new jobs added to the economy, consumer spending and interest rates are all positive macroeconomic indicators that speak to the future health of the overall commercial real estate market. Outside of the hospitality sector, investors channeled a record \$307 billion to commercial real estate in 2006, up 11 percent from 2005. To capitalize on the thriving commercial real estate market, Realogy has strengthened its position in the industry by adding key talent while broadening its commercial portfolio.

Just over a year ago, Realogy recruited Rick Davidson from his post as the owner of a successful Coldwell Banker Commercial® (CBC<sup>SM</sup>) firm serving the Washington, D.C., metro area to serve in the role of president and COO of the CBC organization. Bringing his passion for the business to his position, Davidson is as vivacious as the commercial real estate market in which his company operates.

In October 2006, Realogy acquired ONCOR International, a global commercial real estate referral network. Realogy brought the ONCOR network into the fold to increase referral traffic and strengthen its ability to provide access to commercial real estate

services on a global basis. Realogy has even formed a special global client solutions group to support the efforts of both the CBC organization and ONCOR International. This group is the single source for new business development opportunities that will translate into corporate real estate assignments, both domestically and internationally.

The commercial real estate market has recently proven itself to be an attractive prospect for investors and entrepreneurs alike. With a dedicated team to drive business to both CBC and ONCOR, Realogy stands poised to be a driving force in the commercial real estate arena in the years ahead.



## BUSINESS BUILDER



**Gregory Sexton**  
Senior Vice President  
Coldwell Banker  
Commercial Affiliates, Inc.  
(615) 390-9165

Greg Sexton oversees the sale of Coldwell Banker Commercial® real estate franchises and facilitates the merger and acquisition activity of existing affiliates for the entire United States. Sexton has built expertise in identifying and affiliating top companies that have an appetite for growth. The result is a mutually beneficial relationship for both the affiliate and the Realogy brand involved. Sexton was awarded The Chairman's Award for Franchise Sales in 2001 and 2002; Regional Vice President of the Year in 2001, 2002 and 2003; and Southern Region Regional Vice President of the Year in 2000.

## Accelerate Success



Success in the commercial real estate business is all about leveraging local market knowledge into opportunities. This means commercial real estate professionals need to be nimble and move at the speed of the market and at the speed of the client. Through the Coldwell Banker Commercial® (CBC<sup>SM</sup>) entrepreneurial platform you can do just that!

CBC is one of the leading franchisors of commercial real estate services with over 500 offices and more than 4,000 professionals in over 30 countries worldwide. Each office around the globe is empowered to provide clients with critical market knowledge and support. Additionally, CBC offices collaborate and leverage their global presence through industry-leading technologies, enabling CBC professionals to effectively serve their clients. CBC combines an institutional process with an entrepreneurial approach to deliver sound real estate solutions.

CBC represents a tremendous concentration of professional talent. Our nimble, united force consistently responds to client needs with speed and precision to ensure our clients' success.



**Rick Davidson**  
President & COO  
Coldwell Banker  
Commercial Affiliates, Inc.

"The key metrics that shape the framework for Coldwell Banker Commercial are: the professionals we associate, the companies we affiliate, the significance of the transactions we complete, and the clients we serve."

# REALOGY

THE BUSINESS OF REAL ESTATE

## *Strong and Growing Stronger*

- ❖ We are four of the leading residential real estate brands.
- ❖ We are a major commercial brand.
- ❖ We are a global commercial referral network.
- ❖ Our affiliates participated in 1 out of every 4 single-family home sale transactions in the U.S. that involved a broker in 2006.
- ❖ We are more than 15,000 offices and 320,000 professionals strong.

*We are Realogy.*



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