

Real-estate company expanding its radius The Columbus Dispatch

FIVE YEARS AFTER FORMING, REAL LIVING IS CLIMBING NATIONAL CHARTS

The Real Living folks are thinking outside the circle.

Once focused primarily on central Ohio, the homegrown real-estate company has broadened its view, expanding into dozens of states with its sights set on becoming a national powerhouse.

In 2002, Chief Executive Harley Rouda Jr. started the company, then called HER Realtors, into a new era by acquiring two Ohio companies and creating the Real Living brand. The logo now reflects Real Living's big plans.

It's double-circle brand at first put the Real Living name in the smaller of two circles, with the local real-estate company's name, such as HER, in the larger one. Beginning January, the company started putting the name Real Living in the big circle.

"We want to be more Real Living than we want to be HER because that's where we're going," Rouda explained.

His wife, company President Kaira Sturdivant Rouda, puts the goal in larger terms. She says jokingly that the goal is "world domination."

"IN 2002, NOBODY KNEW WHO REAL LIVING WAS."

KAIRA STURDIVANT ROUDA
REAL LIVING PRESIDENT

For more than 50 years, the Columbus real-estate company has been the conduit linking thousands of buyers and sellers of houses in central Ohio. Real Living also offers mortgage and title services, relocation assistance and a robust set of online tools for home-buyers and sellers.

Real Living's 28,008 transactions in 2006 were enough to place it seventh among U.S. real-estate brokerages. NRT Inc. led the nation, followed by HomeServices of America, which is controlled by investor Warren Buffett.

To make its way up that ranking, Real Living has signed up franchisees in 14 new states since 2002. Most recently, Real Living opened its first franchised office in North Carolina and in the past year has entered California, Connecticut, Kansas, Massachusetts, Tennessee and Virginia.

Real Living now has 82 franchises and 83 company-owned offices in 17 states. By the end of June, company officials say, they'll be in 20 states. Real Living's agent count has risen to 3,660 and it has 532 non-agent employees.

Rouda said his company has ambitious goals for more growth: 50 new franchise offices this year, 100 more next year and 200 more in 2009. By 2010, he wants the Real Living yard sign in every state, with about 500 offices outside Ohio.

Company executives believe Real Living can continue to expand, even though the country has been mired in a housing slump since 2005.

"There are a lot of companies looking to grow their business and attract agents," said Real Living's Chris Svec, vice president of new market development. "They're looking for marketing and technology solutions that make them and their agents the most productive."

Industry consolidation is driving the national strategy, Harley Rouda said.

HER Realtors began its growth spurt with the 2002 acquisitions of Huff Realty of suburban Cincinnati and Realty One of Cleveland. The deal staked Real Living to 100 offices and more than 3,000 employees in Ohio, Indiana and Kentucky.

Since then, it decided to go the franchise route.

John Featherston, chief executive of RISMedia, an industry news source, said it's the road less traveled. He said the number of national franchise systems in real estate has shrunk from dozens in the 1970s to less than a dozen today.

"Most regional companies expand concentrically from their base by opening new offices, hiring new sales managers," Featherston said. "Some of their growth comes through acquisitions or mergers with smaller firms where the leadership is ready to step down and sell."

"Only a handful of regional leaders have been able to make a transition like Real Living has."

Another analyst acknowledges the challenges facing the company in pursuit of its goal.

"The market's not in their favor, but maybe it's an opportunity to get market share," industry analyst Bran Inman said. "That's usually what the big guys are doing in a down market. It's a hard time for them to grow."

Harley Rouda said Real Living has chosen to grow by franchising because its marketing platform can be replicated easily.

"We were at a crossroads of either grow or end up selling down the road," he said. "Some real-estate firms believed their agents were mere order-takers, while other firms catered to agents but didn't necessarily give them the tools to succeed."

"We believe in being agent-centric and customer-focused, and franchising allowed us to extend it to a larger number of brokers and agents at a faster pace."

When it signs a franchise deal, Real Living receives either a percentage of gross commission income or a flat fee per agent per month. In exchange, the franchise is assigned an exclusive operating territory and is linked to Real Living's marketing platform. That includes customizable marketing materials, relocation and customer support, tech support, training and access to Real Living's Website.

The initiation fee varies depending on the size of the market. Real Living would not disclose the range of franchise fees.

Meanwhile, there have been a few bumps along the way. One local real-estate agent who had worked for Real Living says the intimate feel of a small company has been compromised. Sturdivant Rouda said Real Living simply has increased its emphasis on expansion.

"We had to spend the last four years making Real Living happen in the marketplace," she said. "In 2002, nobody knew who Real Living was."

Real Living not only was competing with other growing regional brokerages, it had to go up against established real-estate names including Century 21, ERA, ReMax and Prudential.

"In the franchise world, they're competing against very successful and well-run brands," Featherston said. "Harley Rouda is selling his vision about what real-estate franchising should be, and he's doing a very good job."

In some cases growth has been slow. For example, Rouda said Real Living wanted to open 25 offices within four years in the Chicago area when it entered that market in 2005. The company still has only two franchisees there with three total offices.

Rouda acknowledges that Chicago has been a tough market to crack and that expansion has not happened as quickly as he wanted. The company recently installed a franchise sales manager to speed up sales.

One of the franchisees thinks that Real Living will succeed there eventually.

"I felt like the franchisers in the Chicago market were more about selling and building a brand name than helping the client and the agent," said Tripti Kasal, who owns Real Living Infinity. "When I found out Real Living was coming to Chicago, I didn't know much about them. But the more I talked to them, I realized their philosophy was similar to mine."

Kasal said she was impressed with Real Living's technology, which long has been one of its calling cards. For example, agents have their own Web site, not only a page on a corporate site. Kasal has been trying out a feature that allows her agents to create podcasts of home listings, which can be viewed by prospective buyers online or on portable media players.

"Their technology is the best in the industry," Kasal said. "They have the best agent Websites."

Real Living was an early user of the Internet for listing real estate and in recent years has forged relationships with third-party providers of real-estate data.

Last year, the company rolled out a consumer portal called MyRealLiving. It allows users to save and share information on houses they like, keep a calendar of open house and track the number of online visits to listed properties.

Real Living strives to create a consistent consumer experience across its markets by downloading 40 multiple-listing services twice daily.

Yet keeping technology on pace with the growing agent and customer base is just another challenge in the company's effort to conquer the world of real estate.

"When HER built this technology platform it was really cool stuff, cutting edge," Harley Rouda said. "But when we built it for HER it supported roughly 400 agents. Today, we support over 4,000 agents."

"Having the infrastructure in place to extend that platform to a rapidly increasing agent population has been a challenge."

THE BIGGEST IN THE BUSINESS

The top real-estate brokers in the U.S. by number of transactions in 2006:

RANK	NAME	LOCATION	TRANSACTIONS
1	NRT Inc.	Parsippany, N.J.	392,452
2	HomeServices of America	Minneapolis	182,786
3	Long & Foster Cos.	Fairfax, Va.	105,679
4	Crye-Leike Realtors	Memphis, Tenn.	32,109
5	Prudential Fox & Roach Realtors	Devon, Pa.	29,798
6	Hanna Holdings	Pittsburgh	28,180
7	Real Living	Columbus	28,008
8	Coldwell Banker United Realtors	Bryan, Texas	27,029
9	Allen Tate Co.	Charlotte, N.C.	24,446
10	John L. Scott Real Estate	Bellevue, Wash.	23,156