

# EXPANSION TEAMS

As buyers push into new markets, brokerages take their growth strategies on the road

By SASHA JONES



In February, Douglas Elliman signaled its arrival in Vero Beach, a small Florida city about 75 miles up the coast from Palm Beach, by scooping up Daley and Company, a local brokerage that it said had closed more than \$232 million in sales since 2020.

Founder Sally Daley said that her firm has always made an effort to target buyers from the city's feeder markets, including Connecticut, Michigan and Canada, but operating as an independent brokerage had stifled its efforts.

Joining a larger operation like Elliman's is "a way to strengthen our outreach and get exposure in front of brokers and clients when they're up in, say, Connecticut, and they're thinking about coming to Florida," she said.

Elliman's expansion to the area is part of a larger push into what chairman Howard Lorber described in March as "low-cost states," including Florida, Arizona and Nevada, as the pandemic has driven more of its clients to seek homes in different parts of the country.

"We always go where our clients go," said Scott Durkin, CEO of Douglas Elliman Real Estate, who noted that the firm has

opened offices in Austin and Dallas and plans to expand to Scottsdale, Las Vegas and Nashville while bolstering its presence in markets closer to its core, including Fairfield County, Nantucket and the Hudson Valley.

Beyond the need to follow buyers, another factor encouraging brokerages' forays into new markets is reduced overhead costs in a largely work-from-home world.

"Agents are out in the field much more," Durkin said. "As long as you're licensed within a state, you can sell real estate anywhere. It's all mobile, and you really never have to go into a brick-and-mortar space ever again if you don't want to."

"It's much more economical now to expand," he added.

## New frontiers

Elliman is not alone. As markets like Texas emerge as destinations for buyers with newfound freedom to work remotely, brokerages that have historically focused on larger, more established markets are hoping to capitalize.

Compass, which said it entered 25 new markets last year, further expanded to Richmond, Virginia, and Chapel Hill, North

Carolina, in March and opened its first permanent office in Sacramento. In both Richmond and Chapel Hill, the brokerage launched its presence by bringing on established local teams totaling at least 30 agents.

Los Angeles-based luxury specialist The Agency, which launched 11 additional franchises last year, recently announced a new division that focuses on selling single-family homes in the suburbs. The operation will start by catering to homebuilders on the West Coast before expanding nationally.

"I don't think there's any big secrets on the list of luxury markets around the globe in terms of what's hot," The Agency's founder and CEO, Mauricio Umansky, said. "But it's about making a sustainable business and not just following the hot new thing."

When it comes to recruitment, brokerages can plow ahead by luring individual agents or teams or "acqui-hiring" — buying independent brokerages or scooping up franchises wholesale.

Late last year, Chicago-based @properties acquired the brand assets of Christie's International Real Estate, a deal that saw approximately 900 Christie's-affiliated offices around the world transferred to @properties.

"The Christie's brand was the body of a Ferrari, a beautiful frame body of a car, and we have the best motor and best engine, which was our technology, marketing, training and coaching," said Thad Wong, co-CEO of @properties. "So by combining the two, we thought we'd have the best value proposition to help independent brokers grow."

To keep and attract talent, Keller Williams launched the KW Expansion Network, which standardizes compensation plans for agent teams that want to grow beyond their local markets and connects them with resources at its franchise locations across the country. The arrangement means that as its top agents expand, Keller Williams does too.

"We're literally trying to offer a way to have your cake and eat it too," said Cody Gibson, director of expansion and growth at Keller Williams.

Luring new agents can be more difficult.

"The majority of strong top producers aren't going to leave a company for just a couple more bucks," Wong said.

Wong referenced the "Compass effect," whereby the venture-funded brokerage rapidly gained market share by attracting top brokers with generous incentive packages, including stock options.

"Nobody joined Compass for their culture or anything," Wong said. "They really joined because they were given more money."

When a firm establishes a culture based on signing bonuses and high commission splits, Wong said, it's difficult to "shift that to something more meaningful."

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Still, there's no denying Compass' continued success in increasing its market share, even if those efforts contributed to its nearly \$500 million net loss last year. The brokerage, which declined to comment for this story, reported that its agent count had swelled to more than 26,000 by the end of last year. In its full-year earnings report, Compass claimed that most who joined in the fourth quarter "took a less favorable split than at their previous brokerage."

Umansky said The Agency looks to recruit agents that will fit well with its organizational culture rather than simply targeting brokers with top sales totals.

"We do not have recruiting managers that are just out there dialing for dollars to see who they can get," he said. "We don't count how many agents we have. We count our market share." **TRD**