

'Out-of-Area Expertise' and Brokerage Liability

Open Letter to PAAR

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First and foremost, my position has always been that this move to switch our MLS service from PMLS to ARMLS should be approved only by a vote of membership. One burning question remains: "Is this the right choice to make?"

We, as an association, have not conducted adequate due diligence and are looking for reasons to rush to join ARMLS! Despite the lack of sufficient information and evaluation, the Board put forth during a recent presentation a number of arguments in favor of the change. Positive email comments from supporters also have been circulated. What has been overlooked is an open dialogue presenting and qualifying all the pros and cons of merging into ARMLS, so that each member can make an informed decision.

"Out-of-Area Expertise" is just one of the many critical areas in which our Board has fallen short in overseeing due diligence on our behalf. The following concepts surrounding "Out-of-Area Expertise" are provided to ensure balanced consideration prior to the anticipated must-be present membership vote:

- 1. Just a small increase in ARMLS agents acting in Prescott would have a huge effect on our market.** ARMLS has about 34,000 members, and if less than 1% of these agents choose to list or sell in Prescott, out-of-area sales in the PAAR MLS would more than double. The Board has cited rumors of a "sudden onslaught of Phoenix agents who think they can work in the Prescott area." I believe it will not be an onslaught, but rather a steady increase. Roughly 28% to 32% of all real estate sales in Prescott currently originate in Phoenix. To illustrate, here is just one example of how this could play out: a Phoenix/Casa Grande agent takes a listing and the sellers intend to relocate to Prescott. The Phoenix/Casa Grande agent already has established a like/trust relationship, which probably culminates in the sellers asking if that agent can assist with a purchase in Prescott. Under the new ARMLS proposal, that out-of-area agent with no expertise in the Arizona High Desert would find it much easier to practice real estate in the Prescott area with lockbox and MLS access and no requirement to be a PAAR member.
- 2. The argument has been presented that "out-of-area expertise" is more of a concern in our own market than among agents from other geographic areas.** I personally have never understood the logic which acknowledges that we already have this scenario in the Prescott area, and therefore, it is acceptable to exponentially expand the problem. The only question any PAAR member should ask is whether opening to 34,000 agents would magnify the problem or not?
- 3. The PAAR Board of Director's recent presentation attempted to minimize the concern by addressing physical location in the practice of real estate.** The presentation states that "the average ARMLS Listing agent has a sales radius of 6.65 miles" and "the average ARMLS buyer's agent has a sales radius of 7.25 miles." A much more meaningful question relevant to areas outside Phoenix to ask is how many ARMLS agents have made a sale or taken a listing more than 20 miles from their office. Additionally, the ARMLS statistics are deeply flawed because they only sample transactions that take place in ARMLS, and not PAAR or other MLS systems.

4. **It is the Broker's responsibility to address the risks of "out-of-area" expertise.** Agreed, it is always the Broker's responsibility, but that is not the point. The issue is how a Broker can take reasonable steps to monitor "out-of-area" activity. The current system enables a supervising Broker the ability to know where there may be potential "out-of-area expertise" liabilities with the brokerage and take necessary action. If we make this move to ARMLS, we would all be in the great collective ARMLS and the only way a responsible Broker could address this situation would be through company policy. If policy were to be overlooked or ignored, the Broker might not be aware until receiving a sale or listing contract and the liability clock already has been ticking.
5. **"They are already here."** Actually, they are not already here! As of July, there are only 235 secondary members in the PAAR MLS. An overwhelming number of these secondary members are from the Phoenix area, and the vast majority has area knowledge or a business reason to be a PAAR MLS member.
6. **The data is already available.** Indeed, property information is readily accessible from multiple external sources. But is that data accurate, reliable and up-to-date? Most of us would agree that it is not the latter, and that this fact is widely understood.

Every agent needs all the facts to decide the future of our MLS offering and real estate sales and service in the Prescott area.

Let your needs, wants and voice be heard and counted. Carefully consider the pros and cons. **I am voting against.**

NOTE: This email is another in a series by Prescott area REALTORS® working diligently to ensure that every member of PAAR is aware of the magnitude of the decision before us and the importance of everyone taking action so that their voices are heard and counted. Watch for additional emails with details about the ARMLS issue and its implications.

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