

Real Estate

Lead Intelligence Study



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Introduction

The landscape of online lead generation and conversion in residential real estate is rapidly evolving, driven by technological advances and changing consumer behaviors. In this context, T3 Sixty decided to study the current online lead strategy and practices employed by brokerages.

To do this, T3, with feedback from study sponsor PrimeStreet, designed a survey on online business development and sent it to a representative sample among the nation's 1,000 largest brokerages. By analyzing the results, the survey reveals insights into the relationship between brokerage size, lead generation volume, conversion rates and the utilization of technology and processes.

By pairing the results with T3's operational insight gathered from consulting with many leading real estate brokerage and technology companies, some actionable recommendations for allowing brokerage ownership and senior leaders to sharpen their competitive edge and enhance their profitability.

This study focuses on leads generated and converted by brokerages online. Brokerages, teams and agents generate lots of business from other sources including yard signs and the all-important sphere of influence, but these are outside the scope of this study, and will be considered in future studies.

The increasing complexity and competitiveness of generating online leads are leading brokerages to consider alternatives. These alternatives range from reducing the importance of lead provision to outsourcing lead generation, conversion and reporting responsibilities. This study provides some valuable insight into the lead generation and conversion strategies employed by residential real estate brokerages, and leads to some actionable recommendations T3 has for brokerages regarding their online lead programs.

This study defines an online lead as: An unknown, unaffiliated consumer from an online source who provides at least one piece of contact information and intends to buy or sell real estate or utilize ancillary services.

About the Sponsor: PrimeStreet AI

PrimeStreet AI (primestreet.ai) provides lead qualification and agent performance management for brokerages across the U.S. The firm leverages AI paired with human support to help brokerages increase their conversion rates of online leads.

Executive Summary

Online lead generation and conversion are specialized skill sets that provide real estate brokerages with additional return on investment.

Insights for Leaders

1. Generating leads is easier for larger firms, but smaller firms can compete by diversifying their lead sources and including paid sources.
2. Converting leads is a developed skill and can be accomplished despite a brokerage's size. Smaller brokerages are often more nimble and can outperform larger firms at conversion.
3. Technology tools such as AI can mitigate agents' shortcomings and improve ROI, but cannot compensate for a poorly defined process.
2. Use technology to build quick initial responses followed by consistent and ongoing follow-up. Most agents are ill-equipped to perform these functions.
3. Revisit my-listing-my-lead business rules to determine if the tactic best meets the needs of the brokerage and agents. If not, consider offering a referral incentive to encourage listing agents to forego the leads generated by their property listings.
4. If leads are not a core component of the brokerage's value proposition and are resourced accordingly, then outsource your lead generation and conversion to a specialist.

Actionable Recommendations

1. Create a defined process that includes tracking the following core performance metrics:
 - a. Cost per lead
 - b. Lead response rate by source
 - c. Conversion rate by agent
 - d. Conversion rate by source
 - e. Cost per acquisition (closed transaction)



Methodology

The study included a 20-question, self-reported survey distributed to 600 residential real estate brokerages of varying sizes, affiliations and levels of success in online lead generation and conversion. Fifty-four brokerages responded to the survey, which was conducted January and February of 2024.

The analysis of the survey data from the brokerages, which represent over 21,000 agents, with a collective 2023 sales volume of over \$60 billion and unit count of over 155,000.

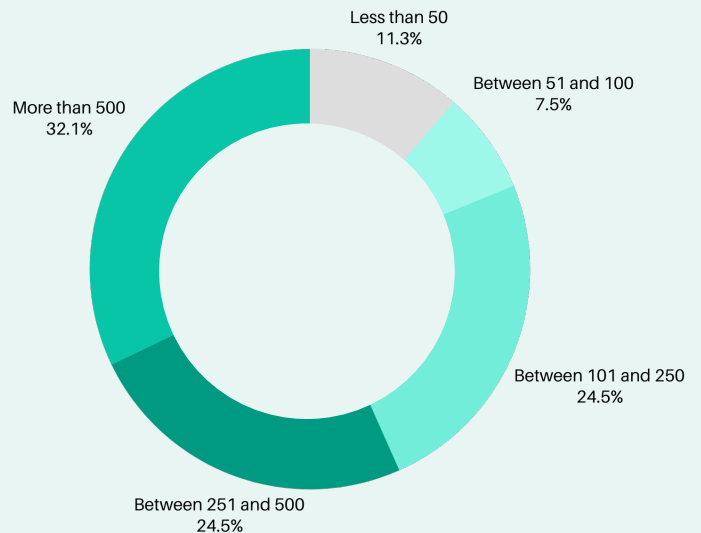
The survey encompassed questions designed to elicit insights into the volume of leads generated, the sources of these leads, conversion rates, and the strategies and tools used for lead management and conversion.

T3 Sixty, with feedback from study sponsor PrimeStreet, tailored data collection and analysis methods to explore the relationship between brokerage characteristics and their online lead management effectiveness. The questions in the survey sought to reveal actionable insights for optimizing lead generation and conversion strategies, and you can find these questions at the end of the paper.

Brokerage Cohort Surveyed

Distribution of Active Agents in Brokerages

Count of How many active agents are currently affiliated with your brokerage?



The distribution highlights a diverse range of brokerage sizes, indicating that the sample includes a mix of small, medium and large firms. This diversity is crucial for understanding how the size of a brokerage might impact its experience with and strategies for lead generation and conversion.

The data shows variability in the number of online leads generated monthly by these brokerages, reflecting differences in lead generation capacity and effectiveness. Some brokerages generate fewer than 100 leads per month, while others generate over 500, pointing to significant differences in marketing strategies, resource allocation and digital presence.

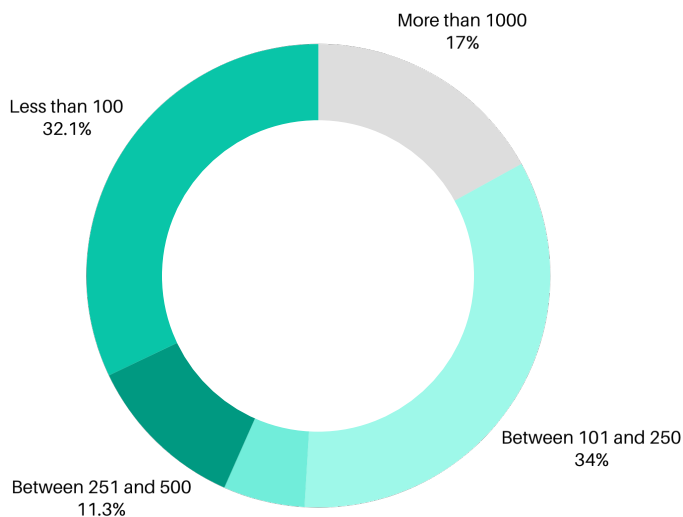


Analysis + Findings

This study presents an examination of the lead generation and conversion strategies employed by residential real estate brokerages. By analyzing the interplay among brokerage size, lead generation volume, conversion rates and the adoption of technology and processes, the study presents actionable insights for real estate leaders to optimize lead management frameworks to enhance competitiveness and profitability.

Distribution of Active Agents in Surveyed Brokerages

Count of how many active agents are currently affiliated with the brokerage?



The data shows variability in the number of online leads generated monthly by these brokerages, reflecting differences in lead generation capacity and effectiveness. Some brokerages generate fewer than 100 leads per month, while others generate over 500, pointing to significant differences in marketing strategies, resource allocation and digital presence.

Online Lead Generation

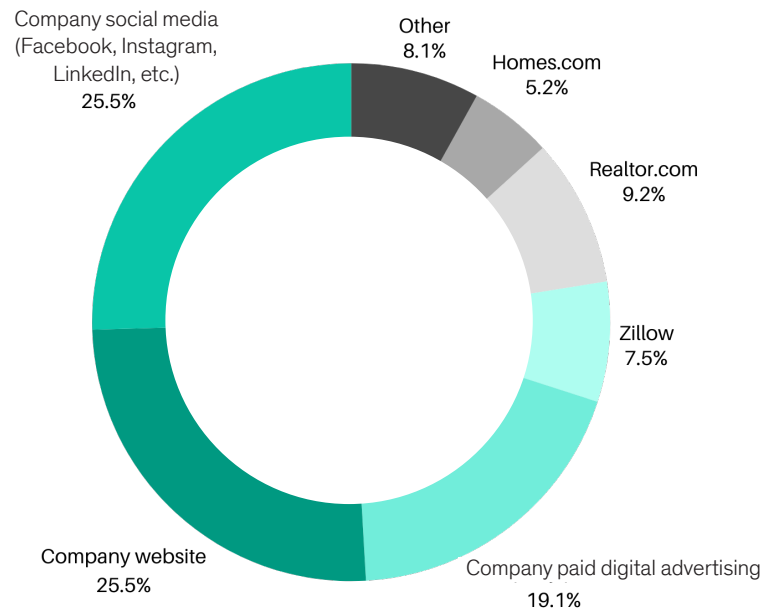
Online lead generation is a powerful tool in a brokerage's arsenal but it is expensive and comes with a host of challenges and requirements that require mastery for the achievement of ROI and profitability. Some of the survey results related to online lead generation are presented below.

Online Leads as a Percentage of Overall Business

A majority (56.6%) of the brokerages reported that under 10% of their total sales volume comes from leads generated online and passed to agents.

This finding indicates that for most brokerages, internally generated leads constitute a small fraction of their overall sales. Just 21% of brokerages reported that online leads contributed more than 26% of their sales volume.

Lead Sources



The company's website was the most popular online lead source of brokerages in the survey, used by approximately 28.9% of the brokerages, followed by the company's social media channels, used by 24.3%. Finally, the company's paid digital advertising generated about 22%.

Third-party sources such as Realtor.com and Zillow accounted for 11% or less of a brokerage's online leads, underscoring the relatively minor role major real estate portals play in the brokerage lead generation ecosystem.

The data suggests a diverse approach to online lead generation, heavily relying on the company's website, social media and paid digital advertising.

Generation Volume and Sources

The survey results suggest a correlation exists between brokerage size (by active agent count) and online lead generation capacity. Larger brokerages might have more resources for online lead generation efforts, but efficiency and effectiveness vary.

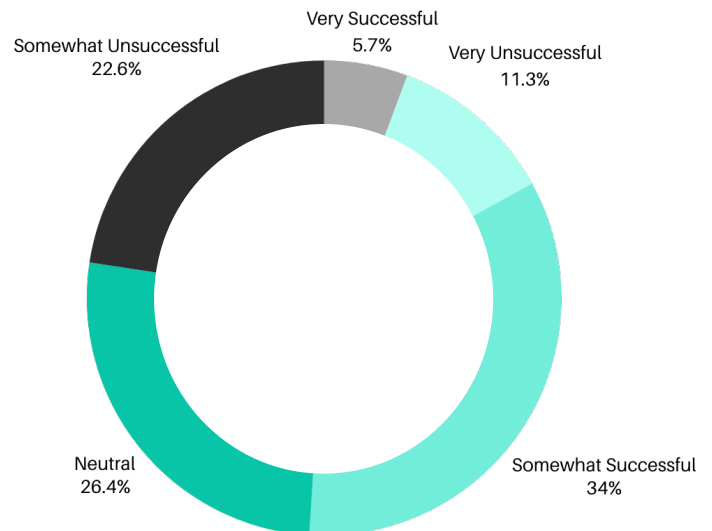
The significant variability in monthly online lead generation indicates differences in the effectiveness of marketing strategies and digital tools. While some brokerages have mastered online lead generation, others struggle to generate sufficient leads.

Online Lead Conversion

Lead conversion is the all-important and sometimes overlooked activity that requires diligence, a careful strategy, smart, integrated technology, and consistency. Some survey results show distinct patterns by brokerage sales volume.

Measurement

Company's Ability to Convert Leads



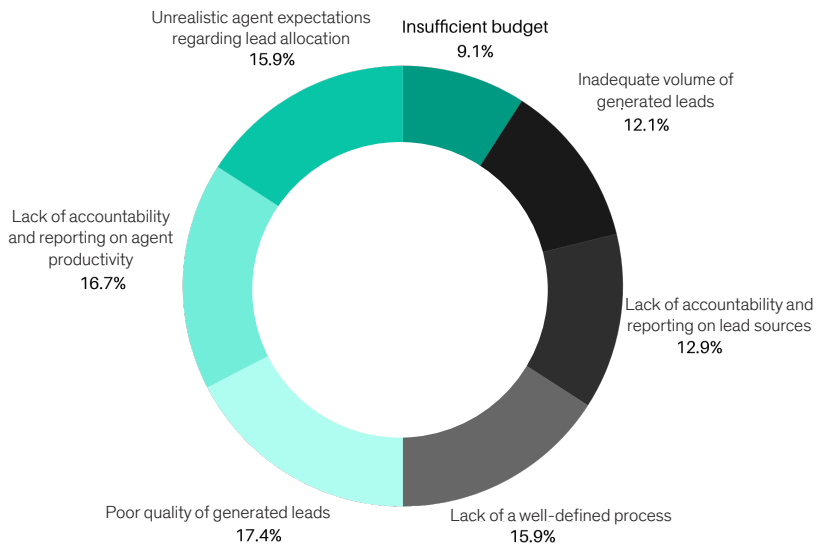
This report's analysis reveals a relationship between a brokerage's perception of its ability to convert online leads and the number of metrics it tracks. Brokerages that perceive themselves as very successful in converting leads track an average of 3.3 metrics, while brokerages reporting a lower lead generation efficacy used fewer tools.

The most commonly tracked metrics were conversion rate by source, average cost per lead and conversion rate by agent.

Responses indicate a spectrum of perceived effectiveness in both lead generation and conversion. While some brokerages view themselves as successful, a notable portion considers their efforts neutral or unsuccessful.

This variance underscores the need for continuous improvement and adaptation in lead management practices.

Challenges



The most cited challenges include poor lead quality, inadequate volume and the need for a well-defined process. It is worth noting that the perception of lead quality is frequently associated with a need for a well-defined process, refined measurement, and performance evaluation and accountability measures.

In many markets, there is at least one firm or agent team that has earned a commanding advantage by being able to master these business processes.

Outsourced Lead Conversion

Approximately 51% of the surveyed brokerage firms expressed willingness to outsource their lead conversion efforts for a set referral fee.

The study's results suggest the majority prefer lower referral fee ranges, especially for leads they have generated themselves. However, a noticeable increase in the willingness to pay higher referral fees for leads generated externally indicates a perceived higher value or lower risk in paying for conversion on leads they didn't have to generate initially.

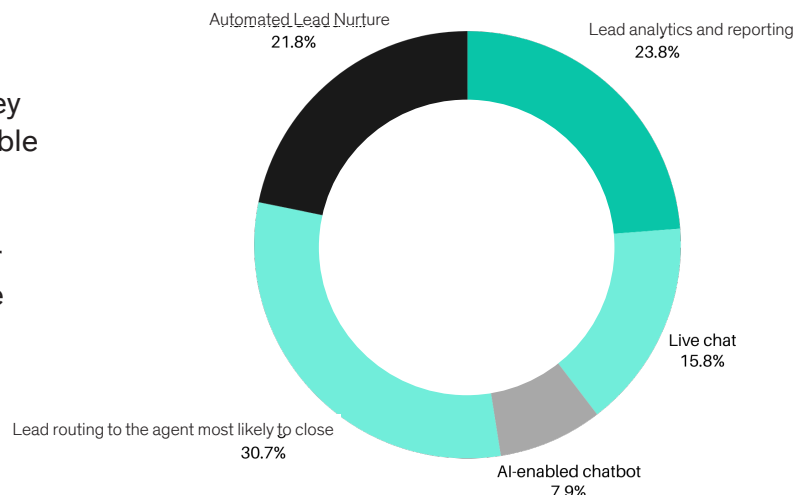
The referral ranges are as follows:

- A significant majority (77.4%) of the firms willing to outsource are comfortable paying a referral fee up to 20% for a self-generated, transaction-ready opportunity.
- Approximately 17% are willing to pay a referral fee between 21%-30%, and a smaller fraction (5.7%) would consider paying between 31%-50% for a self-generated, transaction-ready opportunity.
- For leads generated by someone else, 60.4% of the firms are willing to pay a referral fee within the 0%-20% range.
- A substantial proportion (35.8%) would be willing to pay between 21%-30%, and only 3.8% are open to paying between 31%-50% for leads generated by someone else.

For those who view lead provision as less critical, it is essential to clearly articulate and leverage other elements of their value proposition, ensuring that agents have the support, tools, and resources needed to succeed independently.

Across all brokerages, understanding the needs and preferences of their agents is critical. Tailoring support and resources to meet those needs can help brokerages strengthen their value proposition, whether it centers on lead provision or other areas of competitive advantage.

Tools





The survey revealed the following about the relationship between tool use and online lead conversion aptitude:

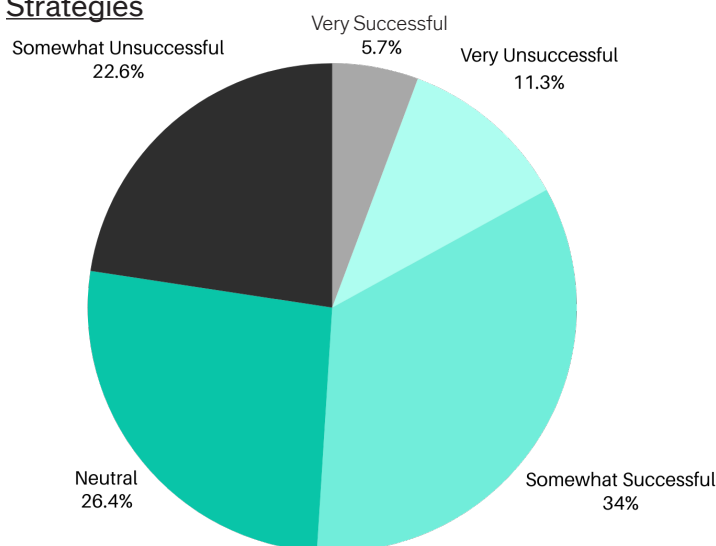
- Live chat sees varied adoption, with “somewhat successful” brokerages using it more (38.9%) than “neutral” (21.4%).
- AI-enabled chatbots are less commonly used.
- Lead routing shows high usage across the board, particularly effective in “very successful” brokerages (66.7%).
- Automated lead nurture, and lead analytics and reporting have a notable presence, with 100% of “very successful” brokerages utilizing lead analytics and reporting, suggesting a strong correlation between analytical tool usage and conversion success.

The findings of this study indicate that specific lead management tools, particularly lead routing, automated lead nurture, and lead analytics correlate with higher self-reported conversion success.

Online Lead Management

Lead management involves the overall strategy and process by which brokerages generate, organize, manage, distribute, measure, nurture, and, finally, convert leads.

Strategies



Many surveyed brokerages considered themselves only “somewhat successful” or “neutral” in converting leads, indicating potential areas for improvement. The spread of responses suggests that many brokerages may not fully optimize their lead conversion processes, with a notable portion experiencing challenges. A broader data set might reveal more meaningful differences.

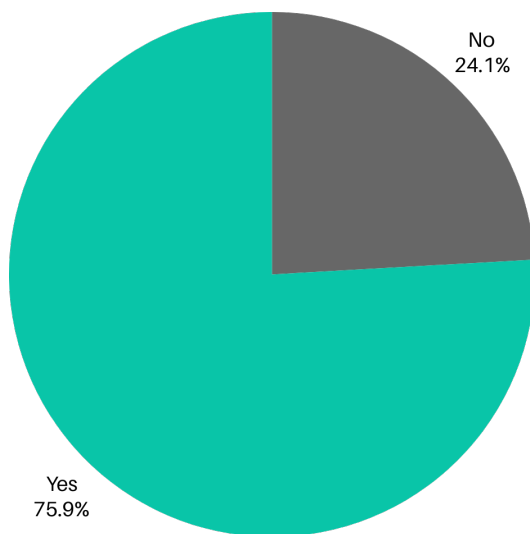
The lead management strategies deployed by the subject companies show varying degrees of adoption:

- Lead nurturing past 30 days: The most common strategy, used by 16.5% of respondents, highlighting the importance of long-term engagement.

- Contacting leads within 5 minutes: Used by 15.8% of respondents, emphasizing the value of quick response times.
- Specializing agents in lead follow-up: Significant use by respondents with 15.1% using this strategy, suggesting the effectiveness of dedicated follow-up teams.
- Agent performance management system: About 13% use this, focusing on agent accountability and performance improvement.

The top strategies reflect a balanced mix of promptness in lead engagement, long-term nurturing and specialization in follow-up processes. When compared to a brokerage's confidence in converting leads, certain strategies show a higher prevalence among firms that self-report as "somewhat successful" and "very successful" in converting leads.

My Listing, My Lead



My Listing, My Lead, in which brokerages automatically and largely exclusively route the leads generated from the detail page of listings on their websites to the listing agent, is one of the industry's most ubiquitous lead management strategies.

Brokerages have traditionally employed this strategy as a loyalty and incentive mechanism for listing agents who tend to be among a brokerage's most productive agents. The practice assumes that this strategy encourages agents to secure more listings by offering them first dibs on any leads their listings generate. However, T3 Sixty's consulting practice has learned that the practice encourages listing agents to waste all but the most immediate opportunities. To maximize ROI, brokerages should consider alternative strategies.

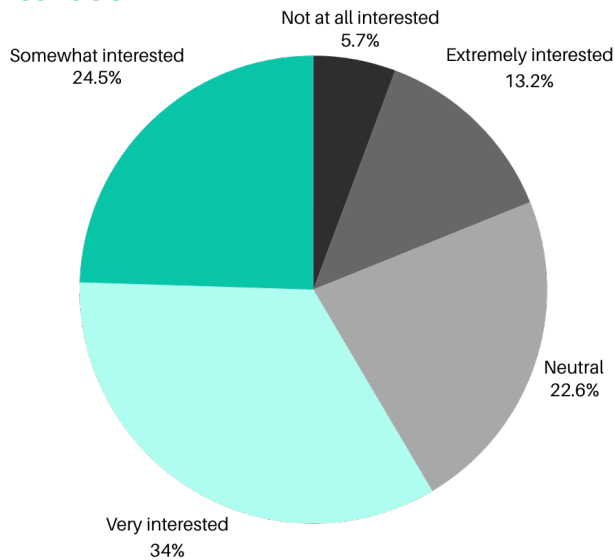
From the data gathered in this survey, there appears to be a relationship between sending leads directly to the listing agent and perceived effectiveness in lead conversion; the data suggests that this practice is associated with moderate success ("somewhat successful") rather than highest or lowest extremes of conversion effectiveness.

For brokerages that do not adhere to the My Listing, My Lead business practice, the approach reflects a strategic decision to maximize lead conversion rates by assigning leads to agents best equipped to handle them, regardless of listing ownership.

Measurement

Brokerages identifying themselves as "Very Successful" at online lead conversion significantly leverage lead analytics and reporting, suggesting that a data-driven approach to lead management can improve conversion rates.

Interest in AI



The data suggests that interest in AI varies with brokerage size, with mid- to large-sized brokerages showing a strong inclination toward adopting AI technologies. The largest brokerages, while somewhat interested, might be weighing the benefits against the implementation challenges or costs associated with AI. Smaller brokerages, particularly those with fewer than 50 agents, appear to have reservations about AI, possibly due to resource constraints or a lack of perceived need.

Just under half (47.2%) of the surveyed brokerages showed a positive inclination toward incorporating AI in their lead generation and conversion strategies, indicating they were “Very Interested” or “Extremely Interested” in leveraging AI to increase closings in 2024.



ACTIONABLE RECOMMENDATIONS

This study contributes to a broader understanding of how technological advancements and strategic management can significantly impact a brokerage's success generating revenue from online leads.

Audit Current Online Lead System

Brokerages should analyze the percentage of total sales volume that comes from leads they generate online, their lead conversion rates and identify the challenges in converting online leads. Understanding these aspects can help brokerages refine their lead generation strategies, allocate resources more effectively and adopt optimal lead management and conversion practices.

Brokerages should also benchmark their lead generation efforts against similar-sized firms to identify areas for improvement. Smaller firms could focus on niche marketing strategies to maximize ROI, while larger firms might invest in scaling successful lead sources.

Optimize Lead Capture

For brokerages looking to increase their sales volume from leads generated online, optimizing their website for lead capture, engaging more effectively on social media and refining paid advertising strategies are good places to start.

Creating a steady and meaningful online lead flow from organic sources can take considerable focus and resources. Brokerages should consider the role of platforms such as Realtor.com and Zillow to augment their organic efforts. Outsourcing lead generation can be an effective way for smaller firms to de-risk their online business acquisition activities.

Measure Performance

Brokerages that track more metrics tend to have a more favorable view of their conversion effectiveness, which indicates that a more detailed and comprehensive approach to tracking performance and financial metrics can improve conversion rates by enabling more informed decisions and optimizations in lead management strategies.

This approach should include tracking multiple metrics, developing a structured process and constantly reevaluating lead sources and conversion tactics.

Leverage Advanced Analytics

Brokerages should invest in refining their lead generation strategies to increase the quality and volume of leads they receive. Efforts in this area involve leveraging advanced analytics to target potential clients better and optimizing marketing campaigns for higher engagement.

To tackle the issue of poor lead quality, brokerages could enhance their lead qualification processes, possibly through AI and machine learning technologies that can predict lead quality more accurately. They could increase lead volumes by testing and diversifying lead sources and increasing investment in successful channels.

Developing a well-defined lead management process, including clear steps for automated behaviorally intelligent nurturing, follow-up and engagement, can mitigate the risks of these larger investments.



Leverage Lead Conversion Best Practices

Implementing more effective follow-up processes and leveraging technology for better lead management will benefit most firms.

Brokerages looking to improve their conversion rates should consider adopting or enhancing these top strategies:

- Optimizing a system for quick lead contact
- Establishing a dedicated follow-up team
- Using a systematized long-term lead nurturing plan for all company-generated leads

Revisit My Listing, My Lead

For brokerages that employ the My Listing, My Lead approach, it is critical to ensure that listing agents have the necessary skills and tools to promptly and effectively engage these leads.

Brokerages that want to maximize ROI on their collective lead generation, their leadership should consider alternative or hybrid routing strategies. One effective hybrid strategy is to share internally generated referral fees with listing agents as an incentive to forego the online leads generated from their listings.

Adopt Useful Tools

Technologies like AI and CRM tools are reshaping how leads are managed and converted, allowing brokerage leaders to measure, iterate and improve in ways and at scales not possible before. These tools also can generate valuable performance data that firms could use to refine and optimize their strategies.

This data-driven and automated approach could help identify high-potential leads, optimize resource allocation and, ultimately, increase the effectiveness of converting leads generated online into paying clients.

Leverage Technology for Scalability and Personalization

Larger brokerages should look to AI solutions to achieve automation and scale their operations. Using AI for lead scoring and engagement would be a fruitful start.

Smaller brokerages can use AI to maximize the personalization and niche focus of inbound marketing efforts.

It should be noted that effectively incorporating AI into workflows requires care and knowledge; AI is useful, but the technology must be properly selected and implemented.



Takeaway

The survey underscores the importance of a data-driven approach and the adoption of advanced technologies, such as AI and CRM tools, in enhancing the effectiveness of online lead management strategies.

By embracing these recommendations, brokerages can significantly improve their lead quality, conversion rates, and, ultimately, their profitability.

When brokerage culture and precedent make it difficult for a brokerage to move toward an emphasis on maximizing ROI, they might consider external partnerships or tools for specific challenges, such as outsourcing lead qualification to specialized providers to ensure high-quality leads reach their agents.

Brokerages should regularly review and adjust their online lead generation and conversion strategies based on performance data and agent feedback.

This includes reevaluating online lead sources and marketing tactics and the effectiveness of adopted technologies.

For brokerages overwhelmed by the demands of online lead generation and conversion or those preferring to focus their value proposition on other aspects of their business, outsourcing these tasks can be a viable solution.

This approach allows brokerages to benefit from specialized expertise and technologies, potentially leading to higher conversion rates and freeing up resources to concentrate on core competencies. It's crucial, however, to choose partners that align with the brokerage's goals and values to ensure consistency in customer experience and brand messaging.



Survey Questions

1. How many active agents are currently affiliated with your brokerage?

- Less than 50
- Between 51 and 100
- Between 101 and 250
- between 251 and 500
- More than 500

2. On average, how many leads does your brokerage generate each month? (Online Lead = An unknown, unaffiliated consumer from an online source who provides at least one piece of contact information and intends to buy or sell real estate or utilize ancillary services)

- Less than 100
- 101-250
- 251-500
- 501-1000
- More than 1000

3. Roughly, what share of your company's total sales volume comes from leads generated and passed to agents?

- Under 10%
- 11-25%
- 26-50%
- 51-75%
- over 75%

4. Which online lead sources does your brokerage use to add leads to your agents' pipelines?

- Company website
- Company social media
- Company paid digital advertising
- Zillow
- Realtor.com
- Homes.com, other

5. Which lead metrics does your brokerage calculate and track? (Place N/A next to any you do not track):

- Average cost per lead
- Average cost per acquisition by source
- Conversion rate by lead source
- Conversion rate by agent

6. How would you describe your brokerage's ability to generate leads for your agents?

- Very unsuccessful
- Somewhat unsuccessful
- Neutral
- Somewhat successful
- Very successful

7. How would you describe your brokerage's ability to convert the leads it generates into paying clients?

- Very unsuccessful
- Somewhat unsuccessful
- Neutral
- Somewhat successful
- Very successful

8. What are the primary challenges limiting your success with converting online leads? (Select all that apply)

- Insufficient budget
- Lack of accountability and reporting on lead sources
- Lack of accountability and reporting on agent productivity
- Unrealistic agent expectations regarding lead allocation
- Inadequate volume of generated leads
- Poor quality of generated leads
- Lack of a well-defined process, other

9. Do you send leads generated from your agent's listings directly to the listing agent?

- Yes
- No

10A. How important is providing leads to your agents for your brokerage's value proposition?

- Not important at all
- Slightly important
- Moderately important
- Very important
- Extremely important

10B. If selected Not Important At All or, Slightly Important or Moderately Important, would you like it to be more important?

- Yes
- No

11A. Would you be willing to outsource your lead conversion efforts for a set referral fee?

- Yes
- No

11B. If yes, what is the highest referral fee you would be willing to pay for a transaction-ready opportunity for a lead you generated?

- 0%-20%
- 21%-30%
- 31%-50%
- More than 50%]

12. Which strategies do you use in lead management? (Select all that apply)

- Lead qualification by in-house staff
- Pre-call text message to all leads
- Contacting all leads within 5 minutes
- At least 6 outreach attempts per lead
- Live transfer from in-house lead qualification staff to agent
- Agent performance management system
- Lead nurturing process past 30 days, multichannel follow-up attempts
- Select a group of agents specializing in lead follow-up

13. Which categories of lead management tools are currently in use at your brokerage? (Select all that apply)

- Live chat
- AI-enable chatbot
- Lead routing to the agent most likely to close
- Automated lead nurture
- Lead analytics and reporting

14. How interested are you in incorporating AI to increase closings in 2024?

- No at all interested
- Somewhat interested
- Neutral
- Very interested
- Extremely interested

15. Is your brokerage currently using AI?

- Not at all
- On a single use case
- On multiple use cases



About T3 Sixty's Research Reports

T3 Sixty conducts a variety of research and intelligence to the residential real estate industry, including the following:

- **Analysis:** Analysis features an examination of an industry trend, developments and more.
- **Study:** A study involves original research in the form of in-depth interviews and data gathering through surveys and other sources.
- **Reports:** A report involves significant data gathering, processing, research and analysis. Examples include the annual Swanepoel Trends Report and the Real Estate Almanac.

About T3 Sixty

T3 Sixty serves as a key consulting + intelligence partner to residential real estate brokerage industry leaders. The company provides services tailored to real estate brokerages, franchisors, MLSs, Realtor associations and technology providers, and includes full-service events and talent support and operations.

Real estate leaders rely on T3 Sixty for its unbiased, experienced approach, whether they are looking to grow their market share, optimize their profitability or entering new markets. Visit t360.com to learn more.