MEMORANDUM

Date: July 13, 2009

Subject: Real estate industry analysis

To: Fortress Investment Group

From: Ashley Webster, Steve Linde, Robbie Prince, Kenny Wilson, Brad Barton

Industry Description
The real estate industry encompasses single family and multi-family residential real estate brokerage. A real estate broker is a person who is licensed by the state to arrange the purchase or sale of land or real property.1 A single home is defined as a free-standing, residential structure, designed to accommodate one family2 and a multi-family establishment is defined as properties, such as apartments, duplexes and others that are constructed for use by multiple family groups. Condominiums are also considered multi-family properties for some purposes.3

Industry Classification
531210 Offices of Real Estate Agents and Brokers: This industry comprises establishments primarily engaged in acting as agents and/or brokers in one or more of the following: (1) selling real estate for others; (2) buying real estate for others; and (3) renting real estate for others.4

Output Description
The primary responsibility of a broker is to match residential property buyers with sellers, negotiate terms/contractual obligations, act as intermediaries in price negotiations between buyers and sellers, and finalize the sale or purchase of the property. When selling property, brokers arrange for title searches to verify ownership and for meetings between buyers and sellers. They also may help to arrange favorable financing from a lender for the prospective buyer; often, this makes the difference between success and failure in closing a sale.

Geographic Scope
The region consists of 15 counties that cover three states: Ohio, Kentucky, and Indiana. (Ohio; Brown, Butler, Clermont, Hamilton, and Warren, Kentucky; Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton, Indiana; Dearborn, Franklin, and Ohio).

1 http://www.homesalediy.com/others/realestatetermins.jsp
2 http://www.mongolia-properties.com/option,com_rd_glossary/task,showpart/part,S/Itemid,81/
3 http://realestate.about.com/od/mo/g/defmultifam.htm
4 http://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=531210&search=2007
Counties in the Greater Cincinnati Area

Supply chain

**Inputs**
- Agents
- Listing services
- Local Service Providers

**Process**
- Mortgage services
- Home services
- Insurance Services
- Title services

**Output**
- Purchased home
- Sold home

*Input:* The core input for the real estate brokerage industry is the real estate agent. Their contacts, industry knowledge, and experience impact the service offerings of their respective firm. Another key input is the listing services; they provide agents with databases, search engines, and regional information for efficiently completing sales. The final key input into the industry comes from licensed local providers of financing, licensing, title, contractor, appraisal, and legal services.
**Process:** This is when the brokerage firm is in the act of passing the local service provider’s services onto their customer. During this stage their real estate agents are also in the act of listing and showing properties and positioning themselves for potential sales.

**Output:** The out product of this supply chain is a finalized purchase or sale of a property by one the firm’s real estate agents.

**Industry Summary**

The Greater Cincinnati real estate brokerage industry had a market value of over 6 billion dollars in 2008.\(^5\) The industry primarily consists of 22 firms with the top firm generating $1.65 billion in revenue during 2008. A summary of revenues, firm size, average price sold for each firm can be seen in Table 1:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Sales Volume</th>
<th>Avg. Price Sold</th>
<th>Employees (local)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sibcy Cline Realtors</td>
<td>$1.65 billion</td>
<td>$195,500</td>
<td>137</td>
</tr>
<tr>
<td>2</td>
<td>Re/MAX Unlimited</td>
<td>$992 million</td>
<td>$167,000</td>
<td>38</td>
</tr>
<tr>
<td>3</td>
<td>Huff Realty Inc.</td>
<td>$804 million</td>
<td>$147,700</td>
<td>DND</td>
</tr>
<tr>
<td>4</td>
<td>Coldwell Banker West Shell</td>
<td>$780 million</td>
<td>$183,000</td>
<td>692</td>
</tr>
<tr>
<td>5</td>
<td>Comey &amp; Shepherd Realtors</td>
<td>$648 million</td>
<td>$202,000</td>
<td>30</td>
</tr>
<tr>
<td>6</td>
<td>Star One Realtors</td>
<td>$434 million</td>
<td>$167,000</td>
<td>282</td>
</tr>
<tr>
<td>7</td>
<td>Re/MAX Affiliates</td>
<td>$255 million</td>
<td>$144,000</td>
<td>107</td>
</tr>
<tr>
<td>8</td>
<td>Keller Williams Realty</td>
<td>$100 million</td>
<td>$210,000</td>
<td>90</td>
</tr>
<tr>
<td>9</td>
<td>Cagney, Weisker &amp; Assoc.</td>
<td>$65 million</td>
<td>$157,000</td>
<td>40</td>
</tr>
<tr>
<td>10</td>
<td>Re/Max Preferred Group</td>
<td>$59 million</td>
<td>$164,000</td>
<td>51</td>
</tr>
<tr>
<td>11</td>
<td>Century 21 Steller</td>
<td>$39 million</td>
<td>$164,000</td>
<td>47</td>
</tr>
<tr>
<td>12</td>
<td>HHB Partners Inc.</td>
<td>$38 million</td>
<td>DND</td>
<td>13</td>
</tr>
</tbody>
</table>

\(^5\) Cincinnatibizjournals.com Largest Tri-State Residential Real Estate Firms. May 15, 2009
<table>
<thead>
<tr>
<th>Rank</th>
<th>Brokerage Firm</th>
<th>Year Founded (Cincinnati)</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Re/MAX 100</td>
<td>$31 million</td>
<td>$195,500</td>
</tr>
<tr>
<td>14</td>
<td>Robinson Realtors</td>
<td>$30 million</td>
<td>$167,000</td>
</tr>
<tr>
<td>15</td>
<td>Century 21 garner</td>
<td>$29 million</td>
<td>$147,700</td>
</tr>
<tr>
<td>16</td>
<td>Group Realtors</td>
<td>$28 million</td>
<td>$183,000</td>
</tr>
<tr>
<td>17</td>
<td>Park Realtors</td>
<td>$24 million</td>
<td>$202,000</td>
</tr>
<tr>
<td>18</td>
<td>Jordan Realtors</td>
<td>$24 million</td>
<td>$167,000</td>
</tr>
<tr>
<td>19</td>
<td>Ken Perry Realty</td>
<td>$15 million</td>
<td>$144,000</td>
</tr>
<tr>
<td>20</td>
<td>Kooger-Eyre Realtors</td>
<td>$11 million</td>
<td>$210,000</td>
</tr>
<tr>
<td>21</td>
<td>Premier Properties Real Estate</td>
<td>$9 million</td>
<td>$157,000</td>
</tr>
<tr>
<td>22</td>
<td>Martha Baker Realty</td>
<td>$8 million</td>
<td>$164,000</td>
</tr>
</tbody>
</table>

**Industry Age**

The current real estate brokerage industry is over 100 years old, with the oldest competitor being established in 1906 (103 years ago). The date founded for each firm was selected from each of their corporate websites.

Table 2: Select Firms: Founding Date & Website

<table>
<thead>
<tr>
<th>Brokerage Firm</th>
<th>Year Founded (Cincinnati)</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sibcy Cline Realtors</td>
<td>1931</td>
<td><a href="http://www.sibcy.com">www.sibcy.com</a></td>
</tr>
<tr>
<td>Re/MAX Unlimited</td>
<td>1973</td>
<td><a href="http://www.Re/MaxUnlimited.com">www.Re/MaxUnlimited.com</a></td>
</tr>
<tr>
<td>Coldwell Banker West Shell</td>
<td>1906</td>
<td><a href="http://www.ColdwellBankerWestShell.com">www.ColdwellBankerWestShell.com</a></td>
</tr>
<tr>
<td>Comey &amp; Shepherd Realtors</td>
<td>1946</td>
<td><a href="http://www.ComeyShepherdRealtors.com">www.ComeyShepherdRealtors.com</a></td>
</tr>
<tr>
<td>HHB Partners Inc</td>
<td>1983</td>
<td><a href="http://www.HHBPartnersInc.com">www.HHBPartnersInc.com</a></td>
</tr>
</tbody>
</table>
F1) Intensity of Rivalry

Price-based rivalry.
According to ForSaleByOwner.com, nationally, “full-service real estate agents and brokers collected an estimated $46.6 billion in commissions in 2008, down 8.6 percent from the year before and 34.6 percent from a peak of $71 billion at the height of the housing boom.” This is evidenced in Greater Cincinnati by home value declines of -1.7%, -1.3%, and -8.2% in a year over year comparison for 2006, 2007, and 2008. It would appear that commissions are declining, intensifying rivalry within the industry; however, results are inconclusive as commissions as a percentage of home sale price are not posted by brokers in accordance with law.

Non price-based rivalry.
Non price-based rivalry includes those factors other than price that can lead to more intense rivalry among industry competitors. One factor is product innovation. For instance, in the Greater Cincinnati market, Sibcy Cline offers a variety of services including real estate brokerage, with affiliates in mortgage, title, insurance, relocation, and home services.

Industry concentration.
A highly concentrated industry decreases an industry’s profitability over time through increased rivalry. The Greater Cincinnati market has 22 residential real estate firms. The CR4, which measures industry concentration according to (in this case) 2008 home sales volume is 59.96% as indicated in Table 3. Juxtaposing this with the benchmark of 60%, it would appear that there is potential for cooperation among competitors within the industry. This is good for long term profitability of the industry. To show how concentrated the top 10 players are in the industry, the CR10 = 95.28%, leaving about 5% of the market to split between the bottom 12.

Table 3: CR4 for Residential Real Estate Firms in Greater Cincinnati

<table>
<thead>
<tr>
<th>Real Estate Firm</th>
<th>2008 home sales volume (in $ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sibcy Cline Realtors</td>
<td>1650</td>
</tr>
<tr>
<td>Re/MAX Unlimited</td>
<td>992.1</td>
</tr>
<tr>
<td>Huff Realty Inc.</td>
<td>804.3</td>
</tr>
<tr>
<td>Coldwell Banker West Shell</td>
<td>779.6</td>
</tr>
<tr>
<td>Comey &amp; Shepherd Realtors</td>
<td>648</td>
</tr>
<tr>
<td>Others</td>
<td>1198.4</td>
</tr>
<tr>
<td>Total</td>
<td>6072.4</td>
</tr>
</tbody>
</table>

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7 http://www.viewcincinnati.com/marketupdate#tables
Another benchmark used for industry concentration according to market share is the Herfindahl index. A HI of greater than 1800 suggests also that there is reduced rivalry potential within a given industry. The HI for the real estate industry in Greater Cincinnati as shown in Table 4 is 1844, indicating that the potential for reduced rivalry within the industry is present. A noteworthy point is when the HI is taken for all 22 firms within the industry, the index drops to 1535, indicating that the Herfindahl index is biased toward the larger firms in the industry.

Table 4: Herfindahl Index for Residential Real Estate Firms in Cincinnati

<table>
<thead>
<tr>
<th>Real Estate Firm</th>
<th>2008 market share (according to home sales volume)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sibcy Cline Realtors</td>
<td>.27</td>
</tr>
<tr>
<td>Re/MAX Unlimited</td>
<td>.16</td>
</tr>
<tr>
<td>Huff Realty Inc.</td>
<td>.13</td>
</tr>
<tr>
<td>Coldwell Banker West Shell</td>
<td>.13</td>
</tr>
<tr>
<td>Comey &amp; Shepherd Realtors</td>
<td>.11</td>
</tr>
<tr>
<td>Others</td>
<td>.20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1</strong></td>
</tr>
</tbody>
</table>

HI = 10,000(.27^2 + .16^2 + .13^2 + .13^2 + .11^2 + .20^2) = 1844
HI for ith firm (i=22) = 1535

**Specific assets.**
Porter describes specific assets as “highly specialized to the particular business or location [that] have low liquidation values or high costs of transfer or conversion.” These are one of many exit barriers, which are “economic, strategic, and emotional factors that keep companies competing in businesses even though they may be earning low or even negative returns on investment.”

This tends to have a negative impact on an industry’s profit potential. The realty industry in Greater Cincinnati does not pose any high exit barriers related to specific assets as they are not required to enter the industry.

**Stability of demand.**
Demand in the real estate industry is dependent on the housing market and how many home buyers and sellers are demanding the services of the real estate broker. Real estate agents are, in general, independent contractors to real estate brokers that they serve. Supply of agents can be

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saturated in recessionary periods, however; the cost of being a real estate agent is borne by the agent and not the manager of the real estate broker. This provides a neutral effect to the industry.

Product differentiation.
Referencing the list from the industry description, real estate brokers attempt to differentiate their product by offering other ancillary services that are required when a real estate transaction takes place. Aforementioned, Sibcy Cline would be considered a full service broker offering real estate brokerage as well as mortgage, title, and relocation services. Conversely, Century 21 Stellar Real Estate (#11 on the list of competitors) offers basic real estate brokerage service.10

Buyer switching costs.
Buyer switching costs are low as buyers can easily switch between real estate brokers. The only switching costs that may apply are convenience costs in switching from a broker that offers basic real estate brokerage service to a full service broker that can provide a “one stop shop.”

F2) Availability of Substitutes

Type and number of substitutes.
With technology expanding and the growth of the internet, consumers are becoming more savvy and are able to save their real estate broker fees by posting their homes for sale in other places available to many home buyers. Craigslist and eBay are two of the largest sites for consumer trading. Not only can consumers list their homes on craigslist or eBay, but also their belongings, cars, and services, such as home painting and repair. The problem with these types of sites is that they are very broad and the ability to refine a search to a certain part of town or school district is not yet possible as far as real estate sales are concerned.

Profitability of substitute industries.
The profitability can be either the entire real estate broker’s commission fee, or at least half of it depending on the structure of the sale. Real estate agents also use these sites to find homes for their clients, so a home seller may have to pay the three percent agent fee at a minimum. If there is no agent involved, the only cost would be closing costs and the fee for an attorney to perform the sale transaction. Depending on the sale price of the home, this could add up to be several thousand dollars that the sellers will be able to keep in addition to any profit made in the sale of their home.

Switching costs.
There are virtually no switching costs other than the cost of a sign for the front yard of the home.

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F3) Bargaining Power of Suppliers.

Supplier overview.
Suppliers to a real estate brokerage can be thought of as many elements, but this discussion is
limited to three key elements that supply a real estate broker such as Sibcy Cline. This research
is focused on the real estate agents that make up the majority workforce, the Multiple Listing
Services that the broker must have a license to subscribe to, and the local service providers for all
the professional services that go into buying and selling a home.

Bargaining power of real estate agents are normally fairly low considering that most cases
involve the real estate agent meeting licensing requirements of the state and then further trained
by the broker. In some cases the bargaining power of the real estate agent might increase when
their reputation and strength of marketing power is significant within the operating region. Once
a real estate agent has gained the resume worthy of notice they balance the bargaining power in
their favor.11

MLS is a sharing of comprehensive home information among real estate professionals. Listings
brokers enter the data about a home for sale and offer to share the commission with a broker who
brings a buyer. It is online software that contains all the specifics about a home, from the
address, age, square footage, number of bedrooms, baths, upgrades and schools districts to types
of financing the seller will consider, and more. There are generally at least one to a dozen
photographs of the home.12

The MLS holds significant bargaining power over real estate brokers as it is managed by the
realtor board and requires subscribing brokers to follow all the rules that govern the MLS and
meet all the below requirements:

1. Must hold a valid real estate broker's license with the state.
   (a) To obtain the license one must complete the required number of hours of training &
   pass state and national exams.
   (b) The state keeps finger prints on file & runs a criminal check via the state's BI
   (c) Must then complete required courses with the local board of realtors - who own the
   local MLS.
2. Must hold and keep current insurance.
3. Must pay annual membership fees
4. Must pay monthly fees
5. Must participate in the local MLS and uphold the rules that govern the MLS13

11 About.com, by Elizabeth Weintraub, http://homebuying.about.com/od/marketfactstrends/qt/0407MLS.htm
12 About.com, by Elizabeth Weintraub, http://homebuying.about.com/od/marketfactstrends/qt/0407MLS.htm
13 Cincinnati Area Board of Realtors, http://www.cabr.org/
Many Brokerage firms attempt to make buying and selling a home a “one stop shop” service by having many of the services contracted through licensed local businesses. Many local professionals such as mortgage brokers, title clerks, insurance providers, appraisers, and contractors benefit from doing business with these real estate brokers as it centralizes much of their business. Therefore, many of these local service providers do not hold significant bargaining power over more mature real estate brokers.\(^\text{14}\)

**F4) Bargaining power of buyers**

**Single property buyers and sellers.**

Individuals seeking to sell a property are met with a saturated market that currently has more supply than demand. This excess supply has prevented commissions from falling and has kept them stable around 6%. In some cases brokers are even able to raise commissions by as much as 2% by providing the home seller with a wider range of services such as an advertising blitz or a guaranteed sale in 39 days.\(^\text{15}\) On the contrary, the excess supply of available property has empowered buyers. This is evident in the declining home prices over the past 3 years as well as the declining sales volume. When the transactions slow and housing prices fall brokers collect less money and this has a negative impact on the industry. Also contributing to the power of buyers and sellers is the value of the property. Buyers and sellers who are looking for high valued property tend to have higher bargaining power that get them lower rates and additional services.\(^\text{16}\)

**Home builders/developers.**

Home builders leverage buying power over local real estate brokers in the same fashion as do home buyers and sellers, but home builders have more buying power in sheer volume to sale. Home builders supply the demand of the housing market but they too have to use real estate brokers to market their homes to those buyers. Since home builders can bring anywhere from a single house to thousands of homes to a broker to list and market, their buying power is determined upon the volume of homes being negotiated. For instance, Fort Mitchell-based Drees, Inc. is the only private residential home-building company to be ranked by Forbes magazine in 2007 as 388\(^\text{th}\) of 500 businesses. Drees had 1,226 employees and $1.12 billion in revenue in 2006, and no Cincinnati companies made the list that year.\(^\text{17}\)

Depending upon the sway of power in the housing market from buyer to seller affects the buying power from either the home buyer or home seller/providers which use real estate brokers. In a

\(^{14}\) Stephen Linde: Licensed Realtor with Sibcy Cline  
\(^{15}\) *Paying a Broker to Sell Your Home Faster.* By: Gopal, Prashant, Business Week Online, 3/21/2008  
\(^{16}\) *Can I Still Lower an Agent’s Commission?* By: Max, Sarah, Money, 01494953, Nov2006, Vol. 35, Issue 11  
down market when there is plenty of inventory to be sold. Brokers use the swing of buying power in the economy to offset the leverage of buying power these large home builders may have when negotiating with real estate brokers in terms of commission rates or incentives. Since the homes are difficult to sell, the brokers are able to actually raise their commission in order to put in more leg work for the seller.\(^{18}\)

**Relocation Buyers.**
The U.S. General Services Administration assists federal agencies with federal employee relocation. They do over 60,000 national moves annually through contracted agents. This large volume of guaranteed transactions allows the GSA to exercise a large amount of power over the contracted firm. Another significant buyer is relocation services for corporate clients that are looking to relocate employees. In this instance, the volume of employee transfers determines the amount of buying power that the corporation has. In 2008, the Greater Cincinnati market had over 3,000 transferees that required relocation services.

**Switching costs.**
In the Greater Cincinnati region, there are many firms that offer similar services. The cost to buyers for switching from broker to broker is low considering they do not have to invest anything up front when deciding to buy their services. The only thing that prevents a buyer from switching is a listing contract that has a limited time frame. Oftentimes, buyers develop personal relationships with agents and this can be a limiting factor when deciding to switch to a different broker.

**Threat of backward integration.**
The threat of home sellers integrating into this industry is becoming more of a concern and for sale buy owners listing are increasing and access to information and websites are also increasing.\(^{19}\) Today, there is a wealth of information to be found on the internet through websites like zillow.com and there are many sites that allow property owners to list and sale their own properties. As the internet expands and economy worsens it is a likely possibility that property owners will began to start selling their own properties.

**F5) Threat of entry**
This occupation is relatively easy to enter as far as requirements go and is attractive because of its flexible working conditions, but to be successful, the entrant must have a good understanding of the local real estate markets. The most recent entrant to become substantially successful was 17 years ago with Robinson Realtors. The majority of Brokers on the list of 22 have been in the real estate industry for almost 100 years; well into the mature phase of the business life cycle. Therefore, although gaining a job as a real estate agent or broker may be relatively easy,\(^{18}\)

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\(^{19}\) [http://www.buzzle.com/articles/for-sale-by-owner-a-growing-trend.html](http://www.buzzle.com/articles/for-sale-by-owner-a-growing-trend.html)
beginning agents and brokers face competition from their well-established, more experienced counterparts in obtaining listings and in closing an adequate number of sales.  

**Differentiation.**
Established firms have developed a portfolio of services as well as a large network of agents. These large networks and extensive service offerings make them more appealing to home buyers and sellers because they will be able to reach prospective buyers and sellers more effectively.

**Learning Curve.**
Income usually increases as an agent gains experience, but individual motivation, economic conditions, and the type and location of the property affect earnings, too. Sales workers who are active in community organizations and in local real estate associations can broaden their contacts and increase their earnings. A beginner’s earnings often are irregular because a few weeks or even months may go by without a sale. Although some brokers allow an agent to draw against future earnings from a special account, the practice is not common with new employees. The beginner, therefore, should have enough money to live for about 6 months or until commissions increase.

**Licensing.**
In every State and the District of Columbia, real estate brokers must pass a written examination to be licensed. The examination is more comprehensive for brokers than it is for agents and it includes questions on basic real estate transactions and laws affecting the sale of property. Most States also require 60 and 90 hours of formal training and a specific amount of experience selling real estate, usually 1 to 3 years.

**Education Requirements for Ohio:**

1. Ohio Real Estate Law (40 hours)
2. Ohio Real Estate Principles & Practices (40 hours)
3. Real Estate Appraisal (20 hours)
4. Real Estate Finance (20 hours)
5. A Financial Management course
6. A Human Resources or Personnel Management course
7. An Applied Business Economics course
8. A Business Law course
9. A minimum of two years of post-secondary education

Ohio also requires real estate brokers to have held a salesperson license for 2 of the past 5 years and to have completed 20 transactions.

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20 http://www.bls.gov/oco/ocos120.htm#earnings
21 http://www.bls.gov/oco/ocos120.htm#earnings
22 http://www.bls.gov/oco/ocos120.htm#earnings
23 http://www.com.ohio.gov/real/docs/real%20estate%20broker%20license.pdf
Porter’s Five Forces Framework.
Table 5 shows how Porter’s Five Forces apply to the real estate industry. A “+” “0” “-“ system is used to determine if the force has a positive or negative effect on long term profitability of the real estate industry.

Table 5: Porter’s Five Forces and the Real Estate Industry

<table>
<thead>
<tr>
<th>Force</th>
<th>Highlights</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1 Intensity of Rivalry</td>
<td>- stable commission rates</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>- CR4 = 60%; CR10 = 95%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- HI (i=6) = 1844; HI (i=22) = 1535</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- low exit barriers</td>
<td></td>
</tr>
<tr>
<td>F2 Threat of Substitutes</td>
<td>- Craigslist</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>- Ebay</td>
<td></td>
</tr>
<tr>
<td>F3 Bargaining Power of Suppliers</td>
<td>- MLS subscription</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>- “One stop shop” brokers</td>
<td></td>
</tr>
<tr>
<td>F4 Bargaining Power of Buyers</td>
<td>- Excess supply single family residences</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>- Homebuilders/developers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Low switching costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Backward integration – zillow.com</td>
<td></td>
</tr>
<tr>
<td>F5 Threat of Entry</td>
<td>- State licensure</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>- NAR and local board dues</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Government regulations</td>
<td></td>
</tr>
</tbody>
</table>

Applying Porter’s Five Forces framework indicates that the real estate market in Greater Cincinnati is a “1+” industry. This suggests that sustained profitability is achievable. It is recommended that Fortress Investment Group consider the real estate industry as a potential industry in which to invest. To that end, it is also recommended that the Fortress Investment Group explore other industries that may show a greater potential for sustained profitability with the outlook to earn greater return on investment.

Strategic Map.
A strategic map that shows ‘clusters’ and ‘openings’ within the real estate industry is shown below. The dimensions used for the axes are market served and affiliate services.
Strategic Map

Markets Served

High Value

Low Value

Limited

Affiliate Services

Full Service

High-end, specialized

Low-end, specialized

Mass market, full service

Grp

Jrdn

Huff

RMX UN

CBWS

SCR

Rbsn

Cmy

HH

B