



FOUNDERS FIELD NOTES

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FIELD NOTE

The Middle Is Getting Harder to Defend

As the largest firms organize around data and the smallest around identity, the mid-sized brokerage has a harder question to answer.

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Filed from the brokerage frontier

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| There is a kind of brokerage I keep running into lately. It has been around for decades, usually with a family name or a long local history behind it.

It has somewhere between 150 and 400 agents and four to seven offices. It is respected, profitable in good years, and well known in its market.

For a long time, it didn't need to change very much. A good share of its economics came from affiliated businesses, most often title and mortgage, and that revenue quietly paid for a lot: office leases, a marketing team, a training program, the occasional technology upgrade, and enough flexibility in compensation to keep good agents from leaving.

What I'm seeing now is a firm discovering, fairly suddenly, that this arrangement may not be enough. The affiliated revenue is thinner than it used to be. Agents compare splits, caps and tools more openly than ever. And even when they aren't sharing their own numbers with one another, they're bombarded on social media with how other brokerages and teams operate. For this sort of brokerage, the national conversations about data, scale and AI feel like they're about someone else's business, until one day they aren't.

I don't think this is a story about one brokerage. I think it describes the middle of the market.

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Both ends of the market are getting clearer.

By count, most real estate firms in this country are very small. According to the National Association of Realtors, 81% operate from a single office, and the average firm has about two full-time licensees.

I think that "two licensees" figure is a little misleading, so for this piece, let's define a small brokerage as one with roughly 15 to 50 agents, most likely working from a single (or virtual) office. Even by that measure, a 300-agent firm with several offices is already larger than nearly every brokerage in the country. It only looks mid-sized next to the national platforms, and most of the headlines are about them.

A quick word about franchised firms, too. Don't assume that a Coldwell Banker office, or any other franchise office, is large or mid-sized because of the name on the sign. Many local franchise offices are fairly small operations owned by a single broker-owner who is often still selling real estate to make a living.

Over the past year, Compass completed its acquisition of Anywhere. Rocket now owns Redfin and Mr. Cooper. Real has agreed to acquire RE/MAX. Questions about who can use listing, sales and mortgage information, and on what terms, are being argued online and on conference stages, and some are headed to court.

I'm not going to weigh in on who is right in those disputes. Reasonable people in this industry see them very differently, and the outcomes are still unsettled. What interests me is what all of that activity says about strategy.

At the largest scale, the product increasingly looks like the platform itself: listings, consumer traffic, mortgage, title, data and technology connected under one roof. The bet is that size and access to information become the thing agents and consumers choose. Whether or not that bet pays off, it is a clear answer to the question of what the company is.

At the other end, many of the smallest firms answer the same question in a completely different way. I work with a small brokerage whose agents could join almost anyone. They stay because the firm stands for something specific: a particular kind of neighborhood, a particular kind of client, a culture they recognize. Its product is focus. Data matters to a firm like that, but it isn't what the firm competes on. Local knowledge and a reputation earned in one place are hard to acquire through a merger.

Both ends have decided what they're selling. One is selling the reach of a platform. The other is selling an identity. Neither is really selling "a brokerage" in the way the industry has traditionally meant it.

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The middle was built for a different economy.

The mid-sized firm usually offers something in between. Some technology, some leads, a recognized local brand, an office network, a training program, a competitive split. Each piece made sense when it was added. Together they are the result of decades of reasonable decisions.

The difficulty is that each of those pieces is now offered more cheaply, or more completely, by someone else. The largest firms can fund more technology, more consumer reach and more integrated services than a 300-agent company can. Small firms offer a clearer sense of belonging and lower overhead. And agents can increasingly buy coaching, transaction coordination and marketing on their own.

A firm that is a little of everything ends up compared, piece by piece, against specialists on every side.

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AI pushes in both directions at once.

This is the part I think is new.

AI makes many capabilities cheap. I wrote about this in Field Note No. 04. Work that once required a marketing department, a reporting team or custom software is increasingly available to a small firm with a handful of good tools. That erodes one of the traditional advantages of mid-sized scale: being able to afford the staff and systems that smaller competitors couldn't.

At the same time, AI tends to reward whoever has the most useful data underneath it. The models are widely available. Large, well-organized sets of information about listings, transactions, consumers and financing are not. So the same technology that hands capability down to small firms may concentrate advantage among the companies with the most data.

Put those together and the middle feels pressure from both sides.

Capability is spreading down the market. Data advantage is gathering at the top.

The mid-sized firm's traditional argument, that it is big enough to afford good things and small enough to feel local, gets harder to make on both counts.



What affiliated revenue was really paying for.

Back to that longstanding firm. For many companies like it, title and mortgage were never just side businesses. They often funded the agent experience. When that revenue thins, whether because of rates, volume, competition or consumers shopping more independently, the firm finds out how much of its value to agents was being subsidized.

That is an uncomfortable discovery, but a useful one. It forces a question many mid-sized firms haven't had to answer directly. If every service had to justify itself on its own, which ones would agents actually choose to pay for, and which ones do we offer because we always have?



A word about the MLS.

It's hard to write about this without mentioning the MLS, and it is one of the more sensitive subjects in the industry right now, so I'll keep my point narrow.

For most of the industry's history, the MLS has functioned as shared infrastructure: a common set of information that firms of very different sizes could all rely on. However the current debates resolve, firms in the middle have an especially large stake in how that infrastructure evolves, because they have the least ability to replace it on their own. That seems worth every mid-sized broker following closely, wherever they land on the specific questions.



The options are real.

None of this means the mid-sized brokerage is finished. I don't think it is. But I do think staying roughly as it is has become the riskiest choice available, because it depends on economics that are shifting underneath it.

The firms in the middle I'd bet on are choosing something deliberately. Some are narrowing, accepting that they won't be everything to every agent and becoming very clear about who they're for. Some are going deeper in their home market, where local share and local information can be a real advantage even against national players. Some

are finding ways to share costs, data or services with similar firms without giving up their names. And some will decide that their best move is to join a larger platform while scale still commands a premium.

Each of those is a legitimate strategy. What they have in common is that someone made a decision.



The question worth asking.

When I sit down with leaders of firms this size, the most useful question I've found is a simple one.

If an agent could buy every piece of what we offer somewhere else, what would they still come to us for?

The largest firms have an answer. So do the smallest. The middle has always had an answer too, but it was often supplied by circumstances: a strong local name, steady affiliated revenue, a market that didn't move very fast.

Those circumstances are changing. The firms in the middle that do well from here will probably be the ones that write the answer down for themselves.

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Founders Field Notes are short essays from the operators behind Pickup Studios: observations from the brokerage frontier, written for leaders shaping what comes next.

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