

September 19, 2008

***Testimony of Lennox Scott
Commission on Fair Housing and Equal Opportunity***

I am pleased to be able to offer testimony for this Commission on Fair Housing and Equal Opportunity.

I am chairman and CEO of John L. Scott Real Estate, which was founded in 1931 by my grandfather. With more than 4,000 sales associates in 140 offices in Washington, Oregon, and Idaho, John L. Scott is considered one of the most productive real estate companies in the nation. Last year, John L. Scott closed over 44,000 transactions for 14.6 billion dollars in volume sales and our award-winning website, www.johnlscott.com, receives over one million user visits a month.

Fair housing is an essential building block for our communities and for the real estate businesses that serve these communities. Fair housing ensures that our ability to own, lease, use and transfer housing is not impeded by discriminatory acts and practices. For the real estate community, the importance of fair housing encompasses two business imperatives: One, strong fair housing laws support our ability to serve our clients and customers, and two, we must constantly be aware of these laws to ensure that we do not engage in practices which discriminate.

Two areas where changes in the real estate market are making it easier for buyers to exercise their right to choose where they live without discrimination involve changing technologies and changes in buyer agency.

One of the most successful tools for fair housing in the past quarter century has been the development of the Multiple Listing Service (MLS). Prior to the MLS, information on homes for sale was not widely available outside the firm that took a listing. With the MLS, all housing for sale in a market area was available to any real estate agent who joined that MLS. As much as this did broaden the availability of this information, the information was still in the hands of the real estate agent, not the consumer.

Today, information on homes for sale is available to everyone through the internet. From their homes or from libraries, anyone can search for homes available anywhere in the country and find out not only locations and prices, but also information about the configuration of the home, which community and school district the home is located in and more. The research of the NATIONAL ASSOCIATION OF REALTORS® shows that in 2007, 29% of buyers found the home they purchased through the internet, compared to 34% who learned of the home from their real estate agent. Just ten years ago, only 4% of buyers found their home to purchase on the internet.¹ In fact, over 80% of homebuyers use the internet to search for homes.

Where buyer found the home they purchased, 1997-2007
(Percentage distribution)

| | 1997 | 1999 | 2001 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------|------|------|------|------|------|------|------|------|
| Real Estate Agent | 50% | 49% | 48% | 41% | 38% | 36% | 36% | 34% |
| Internet | 2 | 4 | 8 | 11 | 15 | 24 | 24 | 29 |

| | | | | | | | | |
|--|----|----|----|----|----|----|----|----|
| Yard sign/Open house sign | 17 | 15 | 15 | 16 | 16 | 15 | 15 | 14 |
| Home builder or their agent | 3 | 4 | 3 | 7 | 7 | 7 | 8 | 8 |
| Friend, relative or neighbor | 9 | 8 | 8 | 7 | 7 | 7 | 8 | 8 |
| Print newspaper advertisement | 8 | 8 | 7 | 7 | 5 | 5 | 5 | 3 |
| Directly from sellers/knew the sellers | 4 | 3 | 4 | 4 | 5 | 3 | 3 | 3 |
| Home book or magazine | 3 | 3 | 2 | 1 | 2 | 1 | 1 | 1 |
| Other | * | 4 | 3 | 6 | 4 | - | - | - |

**less than one percent*

NATIONAL ASSOCIATION OF REALTORS® Profile of Home Buyers and Sellers - 2007

At John L. Scott, we built our website in a way that provides an individual, customized user experience for buyers, sellers, and homeowners. Buyers know that when they come to JohnLScott.com they can see all homes for sale, not just those listed by John L. Scott (IDX). They can also set up a Property Tracker account which enables them to save all of their preferences, such as search parameters, email delivery of new properties, and their agent's contact information. We also have financing information available through our partner mortgage company, Response Mortgage Services. Through our partnership with Microsoft, buyers can also take a virtual walk around neighborhoods that they're interested in using the Virtual Earth mapping system with Bird's Eye technology. They also have access to community information, such as schools, local amenities, and demographics such as income, education level and commuting time.

The NATIONAL ASSOCIATION OF REALTORS® 2007 Profile of Home Buyers and Sellers also shows that 26% of first time homebuyers use the internet as their first step in their search for homes. 96% were looking for information on properties for sale, while 21% were looking for general information about an area. When asked about the usefulness of information in their search, 82% felt that information about properties for sale was very useful, and 37% found that information on neighborhoods was very useful.

Consumers today are coming to the real estate agent having already identified the community or communities they wish to consider, along with specific homes they wish to view. Buyers want a trusted advisor to help them make the transaction go as smoothly as possible. In fact, 79% of homebuyers purchase a home through a real estate agent or broker, and 43% of buyers have a written agreement with a buyer representative. In our firm, we believe that 80% of our buyers are familiar with the neighborhood and surrounding community by the time they connect with one of our agents. This high number is possible because of the large amount of neighborhood and community information that we provide on our website and that is available through other online sources.

Buyer agency also impacts the future of fair housing. When buyers are represented in the transaction, the agent's duties to the buyer preclude limiting the buyer's choices or directing the buyer. Instead they reinforce the model of equal professional service developed by the National Association of REALTORS which outlines that the buyer must set the limits of the housing search and the agent should provide a variety of choices to the buyer. Traditional training advises real estate agents to be cautious when discussing neighborhoods or schools with homebuyers, and clearly advises against any discussion on demographics.

These two changes over the last decade in the way the way Americans buy homes have great potential to further fair housing. As consumers look to the internet to find housing, they also look for information on neighborhoods and schools. Buyer representatives also have a duty to let the buyer decide where she or he wants to live and to offer a variety of choices meeting the buyers' needs. More training is needed to help REALTORS® navigate these changes in our business, particularly regarding fair housing. Cooperation with fair housing organizations, government agencies is an essential part of developing training materials. Real estate agents may be caught between our desire and obligation to the Fair Housing Act and the reality of the prejudices that some homebuyers may express and their expectation that the agent will act on the same prejudices.

On the other hand, the internet can be a powerful source of positive information about communities, particularly communities that have diverse populations. Since homebuyers want information about neighborhoods and schools, having resources available that support fair housing and diversity can be of great service to homebuyers. One such website is livebaltimore.com. Information is available about neighborhoods across Baltimore as well as about the schools.

At John L. Scott Real Estate, we have made it a priority to provide consumers with comprehensive information about neighborhoods, schools, housing prices, local amenities, and more. We also feature Microsoft Virtual Earth which enables visitors to our site to take a virtual walk around a specific neighborhood. When purchasing a home, consumers are buying into a specific community as well, so it's critical to provide them with the information they need to make informed decisions.

There are many causes of continuing discrimination in our housing markets. While we have made progress over the past 40 years, there is much work to do. Understanding how we buy homes today is as critical to finding a solution as is understanding where our enforcement efforts have succeeded or failed. As you look at these important issues, I urge you to remember that solutions that work well in the market place will result in needing less enforcement to correct mistakes, allowing more enforcement efforts to be focused on those who are intent on discriminating.

Sincerely,

A handwritten signature in black ink, reading "J. Lennox Scott". The signature is fluid and cursive, with the first name "J." and last name "Lennox Scott" clearly legible.

*J. Lennox Scott
Chairman and CEO
John L. Scott Real Estate*