

BROKERAGE | MARKETING

Why Pacific Union cut deep ties with Christie's International Real Estate

Seven U.S. real estate firms have left CIRE in the past year but CEO says 'state of the union is strong'

THURSDAY, JUNE 8, 2017

Key Takeaways

- In place of its deal with CIRE, Pacific Union is deploying a targeted digital advertising campaign in key international markets.
- Christie's International Real Estate said its number of affiliates had risen from 132 to 140 since 2014 and outlined its strategy for affiliates going forward.

Pacific Union International is cutting ties with Christie's International Real Estate (CIRE), severing a relationship of more than 15 years, effective June 30.

CIRE serves a global network of over 32,000 real estate agents and 140 affiliates who receive exclusive brand licensing, a range of marketing and events services, and international referrals as part of their partnership with the luxury real estate arm of U.K.-based Christie's auction house.

According to Mark McLaughlin, CEO of the San Francisco-based indie brokerage heavyweight, one of the reasons Pacific Union began to re-examine the affiliation was CIRE's request in 2015 for increased fees. McLaughlin felt he could do other things with the money, including investing in the company's own global marketing campaigns.



Mark McLaughlin

In the past year, seven U.S. real estate firms have left CIRE, including Houlihan Lawrence, Howard Hanna, Kentwood Real Estate, Carmel Realty, Allie Beth Allman & Associates and Choi International Hawaii.



Dan Conn

Speaking to Pacific Union and other companies' decision to break ties, New York-based Dan Conn, CEO of CIRE, said his company is not concerned; overall, CIRE's total number of affiliates has risen from 132 to 140 across 46 countries since the beginning of 2014, and some of the affiliates who left in the last year had understandable reasons for leaving such as being sold to large corporates.

"The reality is the state of the union is strong," Conn said. "We are not worried. We have filled in a number of markets with high quality firms, we will be in every major market that we want to be in, and we will do it with the right partner."

On the affiliate fee increase McLaughlin referred to, Conn said: "We looked at the fees that firms paid historically, and there was a lack of parity in terms of what some of the larger firms were paying compared with the smaller ones."

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Pacific Union's digital campaigns to reach international buyers

As Pacific Union aims for \$13 billion in sales volume this year — in coordination with Los Angeles [merger partner John Aaroe Group](#) and sales and marketing firm The Mark Company — the firm has been expanding its international reach over the past couple of years.

"It's our decision," McLaughlin added. "We would rather take those dollars and go direct, and selfishly the results are remarkable.

"It's like the car wash down the street from where I live changed their charges from \$32 to \$56. I don't go to that car wash anymore. At a certain point you price yourself out of the market."

In 2013, Pacific Union established the Beijing-based [China Concierge program](#) for Chinese mainland investors. The company also has a full Chinese language website, [pacificunion.cn](#), to communicate with Chinese homebuyers.

To step up its direct international exposure at the beginning of 2017, Pacific Union and the John Aaroe Group dramatically increased their investment in global digital advertising campaigns in Brazil, India, China, and the U.K., where some of the top foreign buyers of California real estate reside.

The first-quarter campaign results delivered more than 60 million global impressions and 245,000 international unique site visits to [pacificunion.com](#).

The campaign exceeded past initiatives or exposure to Pacific Union through its affiliation with Christie's International Real Estate, said the company.

"Our digital campaign has been executed for less than 50 percent of what Christie's had most recently proposed as our annual fee and we invested 10 times more than our print advertising spend from 2015," McLaughlin said.

McLaughlin found that Christie's didn't respond fast enough to the way Pacific Union wanted to run its business.

"Most of our clients engage in some kind of industry; they are hedge fund managers or in tech, they expect us to have international campaigns and at the pace we move, Christie's just wasn't keeping up with," he said. They are serving 140 companies around the globe, and we want to move at the pace of Silicon Valley."

McLaughlin stressed he was leaving on a positive terms with Christie's, which named Pacific Union global [affiliate of the year in 2013](#): "The relationships we've developed around the globe through Christie's are precious," he said. The relationship included three to five international events a year in places such as Moscow, Miami and London.

"What we kept hoping for was engagement with Christie's auction house client, and it's just not true, the client list is guarded in a significant way," he said.

Christie's affiliate offerings and strategy

To fill the gap left by Pacific Union in the Bay Area, finding a new brokerage partner in San Francisco is high priority for CIRE. The company's been approached by top luxury firms in San Francisco — a market where in addition to New York and Westchester, for example, CIRE has to have a presence — "but we are picking the right firm that want to partner in the right way," Conn added. "We don't go about that casually."

Conn said CIRE, the only global auction house licensed to auction in China, holds events every other business day where agents of affiliate firms get to meet prospective clients. CIRE worked with Pacific Union on events in China involving CIRE's top clients and joint pitches for important listings.

CIRE has meanwhile brought on a couple of new affiliates in Texas, while a number of existing affiliates have expanded their territories elsewhere in the U.S.

Hawaii Life, for instance, has recently become a state-wide affiliate with Christie's after a successful affiliation on several of the main islands since the beginning of 2016. Referrals have been a good part of the arrangement, said Hawaii Life owner Matt Beall.

"Christie's directly refers quite a lot of business to us, whether from the clients of the auction house itself or from other affiliates," he said. "I didn't expect them to deliver quite as they have.

"These referrals would have very likely gone elsewhere had we not joined. And, while they may or may not cover the entire cost of the membership, over time, and especially at this pace, I suspect it will be profitable even at the level of directly sourcing commissions from referrals."

In addition to referrals, CIRE's value proposition includes agent recruiting and retention using the CIRE brand, said Conn.