
National Association of REALTORS®

2016 Profile of Real Estate Firms

2016 Profile of Real Estate Firms

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Highlights

Characteristics of Real Estate Firms

- Seventy-eight percent of real estate firms have a single office, typically with three full-time real estate licensees, up from two in 2015.
- Eighty-three percent of firms are independent non-franchised firms, and 15 percent are independent franchised firms.
- Eighty-five percent of firms specialize in residential brokerage.
- Thirty-six percent of firms are LLCs, 24 percent are sole proprietorship, 27 percent are S-Corps, and 10 percent are C-Corps.
- The typical residential firm has been operating for 13 years, while the typical commercial firm has been operating for 20 years.
- Fifty-seven percent of firms have a market area of a metropolitan area or region and 30 percent have a market area of a rural area or small town.

Business Activity of Firms

- Firms with only one office had a median brokerage sales volume of \$4.5 million in 2015, while firms with four or more offices had a median brokerage sales volume of \$203.8 million in 2015.
- Firms with one office had a total of 21 real estate transaction sides in 2015, while firms with four or more offices typically had 900 transaction sides.

- Firms typically had 30 percent of their customer inquiries from past client referrals, 30 percent from repeat business from past clients, and 10 percent from their website, seven percent through social media, and two percent through open houses.
- Firms typically had 30 percent of their sales volume from past client referrals, 30 percent from repeat business from past clients, and 10 percent from their website, five percent through social media, and two percent through open houses.
- Many firms have the capability to offer in-house ancillary services to real estate clients. The most common in-house service is business brokerage.
- Only six percent of firms are aware of wire fraud happening at their firm at closing and 49 percent provide education to clients on wire fraud.

Benefits

- The most common benefit that firms offer to independent contractors, licensees, and agents is errors and omissions/liability insurance at 37 percent.
- While this is also the most common benefit for salaried licensees and agents, only 26 percent have this benefit.



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- Among administrative staff, 35 percent receive vacation/sick days, 36 percent have errors and omissions/liability insurance (up from 33 percent in 2015), and 11 percent have health insurance.
- Forty-five percent of senior management has errors and omissions/liability insurance (up from 42 percent in 2015), 22 percent have vacation/sick days, and 15 percent have health insurance.

Future Outlook of Firms

- Forty-seven percent of firms reported they are actively recruiting sales agents in 2016, up from 44 percent in 2015.
 - Sixty-four percent of firms expect profitability (net income) from all real estate activities to increase in the next year, down from 68 percent in 2015.
 - Forty-three percent of firms expect competition to increase in the next year from non-traditional market participants, down from 45 percent in 2015.
 - Forty-six percent of firms expect competition during the same time period to increase from virtual firms (up from 41 percent in 2015), while only 17 percent expect competition will increase from traditional brick and mortar firms.
 - Profitability, keeping up with technology, maintaining sufficient inventory, and recruiting younger agents are among the biggest challenges cited for firms in the next two years.
- Forty-eight percent of firms are concerned with Gen Y's ability to buy a home, 46 percent of firms are concerned about the recruitment of Gen Y and Gen X real estate professionals, and 44 percent of firms are concerned with Baby Boomers retiring from real estate as a profession.
 - Thirty-eight percent of all firms said they have an exit plan for when they decide to retire or exit the real estate industry.
 - Fifty percent of firms have no internal family relationships compared to seven percent where everyone is related in a family-owned and operated firm.
 - The most common relationships at firms are among spouses/partners followed by parent/child relationships.
 - Eighty-two percent of firms encourage their agents to volunteer in the local community and 48 percent at their local association of REALTORS®.



Summary

Seventy-eight percent of real estate firms have a single office, typically with three full-time real estate licensees (up from 2 in 2015) and 85 percent specialize in residential brokerage, up from 82 percent in 2015. Thirty-six percent of firms are LLCs, 24 percent are sole proprietorship, 27 percent are S-Corps, and 10 percent are C-Corps. Fifty-seven percent of firms cover a geographic market area of a metropolitan area or region, 30 percent cover a rural area or small town, seven percent cover a resort area or small town, and four percent cover a multi-state area. Only one percent are nationwide firms.

Eighty-three percent of firms are independent, non-franchised companies and 15 percent are independent franchised companies. The typical residential firm has been operating for 13 years, while the typical commercial firm has been operating for 20 years. Franchised firms are typically larger companies, thus 55 percent of firms with four or more offices are franchised companies. Franchised firms are also more common among residential real estate firms as 19 percent of residential firms are franchised compared to only eight percent of commercial real estate firms.

Eighty-eight percent of firms reported that the number of mergers and acquisitions for the firm has remained the same from 2005 to 2010 and 2011 to 2016. However, nine percent of firms indicated that mergers and acquisitions have increased in that time period.

While the typical firm has three full-time real estate licensees, larger firms reported having a

median of 120 full-time real estate licensees (down from 125 in 2015), five part-time licenses who work less than 30 hours a week (up from three in 2015), 10 non-licensee full-time staff, and one non-licensee part-time staff. The typical firm did not have a new licensee or a licensee who left the firm, but those who had four or more offices typically had 15 new licensees join their firm in 2015 and five licensees who left their firm in the same year. Firms with four or more offices also saw a gain in staff who are not licensees—typically one staff member.

A median of 97 percent of firms' revenue was derived from real estate business activity. Forty-two percent of other real estate business activity was derived from commercial brokerage.

The typical residential real estate firm's brokerage sales volume was \$6.3 million in 2015, while the typical commercial real estate firm's brokerage sales volume was \$4.5 million in 2015. There was a wide range for the median brokerage sales volume by the number of offices at a firm. Those with only one office had a median brokerage sales volume of \$4.5 million in 2015, while those with four or more offices had a median brokerage sales volume of \$203.8 million in 2015. Similarly, those with one office had a total of 21 real estate transaction sides in 2015, while those with four or more offices typically had 900 real estate transaction sides in 2015.

Many firms have the capability to offer in-house ancillary services to real estate clients. The most common in-house service is business brokerage, followed by relocation services, and home



improvement. Among firms with four or more offices, 55 percent offer relocation services, 48 percent offer business brokerage, 25 percent offer title or escrow services in house, and 20 percent offer mortgage lending. The typical firm makes less than one percent of their net revenue from ancillary services. However, those with four or more offices typically make five percent of their net revenue from these services.

Firms typically had 30 percent of their customer inquiries from past client referrals, 30 percent from repeat business from past clients, and 10 percent from their website, seven percent through social media, and two percent through open houses. Firms typically had 30 percent of their sales volume from past client referrals, 30 percent from repeat business from past clients, and 10 percent from their website, and five percent through social media. Firms report their current competition is most likely to come from traditional brick and mortar firms, followed by non-traditional market participants, and virtual firms.

The most common feature on firm's websites are property listings, agent/staff profiles, links to social media accounts, mortgage/financial calculators, information about the home buying and selling process, and community information/demographics. Firms provide or encourage use of specific software. The most common software that is provided or encouraged to use by agents/brokers is multiple listing services, comparative market analysis, electronic contracts/forms, and e-signature.

The most common benefit that firms offer to independent contractors, licensees, and agents

is errors and omissions/liability insurance at 81 percent. However, many share the cost of the insurance with their employees. Only 20 percent of firms offer their independent contractors, licensees, and agents health insurance and in most cases the employee pays for the benefit. Among salaried licensees and agents, administrative staff, and senior management there are a larger share of firms who pay for errors and omissions/liability insurance, vacation/sick days, and health insurance.

Forty-seven percent of firms reported they are actively recruiting sales agents in 2016, up from 44 percent in 2015. This is more common among residential firms (51 percent) than commercial firms (32 percent) and more common among firms with four offices or more (88 percent) than firms with one office (39 percent). Eighty-six percent of firms reported the reason for recruitment is growth in primary business followed by the desire for younger agents at 40 percent. This is consistent for residential firms. Commercial firms, however, are more likely to recruit to expand into new markets and into new lines of business or specialty areas. Larger firms are much more likely to recruit for the desire for younger agents and to replace agents who are leaving the firm.

Sixty-four percent of firms expect profitability (net income) from all real estate activities to increase in the next year, down from 68 percent in 2015. Commercial real estate firms are more optimistic as 67 percent expect profitability to improve (down from 75 percent in 2015), as well as large firms with four or more offices—70 percent expect profitability to improve (down



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from 79 percent in the previous year).

Forty-three percent of firms expect competition to increase in the next year (mid-2016 to mid-2017) from non-traditional market participants, down from 45 percent in 2015. Forty-six percent of firms expect competition during the same time period to increase from virtual firms (up from 41 percent in 2015), [while only 17 percent expect competition will increase from traditional brick and mortar firms.](#)

Profitability, keeping up with technology, maintaining sufficient inventory, and recruiting younger agents are among the biggest challenges cited for firms in the next two years. Commercial firms are more likely than residential firms to site state and local or regional economic conditions, while residential firms are more likely to site recruiting younger agents, competition from non-traditional market participants, and agent retention.

When firms are asked to predict the effect of generations on the industry for the next two years, [the most common concern was Gen Y's ability to buy a home due to stagnant wage growth, a slow job market, and their debt to income ratios—48 percent of firms cited this as a concern,](#) down from 54 percent in 2015. This was followed by the recruitment of Gen Y and Gen X into the real estate profession and conversely Baby Boomers retiring from the real estate industry. Commercial firms were more concerned than residential firms about too many younger real estate professionals joining the industry. Firms with four or more offices were most concerned with the recruitment of Gen Y and Gen X into the industry at 74 percent and Baby Boomers retiring at 62 percent, both

up from 59 percent each in the previous year.

[Thirty-eight percent of all firms said they have an exit plan for when they decide to retire or exit the real estate industry.](#) Twenty-two percent said they do not plan on retiring and 17 said they do not plan on leave the real estate business, compared to 26 percent that do not have an exit plan in place. Thirty-one percent of commercial firms said they do not plan on retiring compared to 22 percent of residential firms. Twenty-seven percent of residential firms to not have an exit plan in place compared to only 18 percent of commercial firms. Larger firms are more likely to have an exit plan in place compared to firms with only one office and that were more likely to not plan on retiring yet.

Fifty percent of firms have no internal family relationships compared to seven percent where everyone is related in a family-owned and operated firm. [Forty-three percent of firms have some family relationships within in the firms.](#) Residential firms are more likely to have some family relationships and commercial firms were slightly more likely to have no family relationships. Smaller, one-office firms are more likely to have everyone related at nine percent compared to larger firms with four or more offices that cited no family relationships at 32 percent. Sixty-two percent of firms who have a family relationship at the firm cited a spouse or partner family relationships and 55 percent cited a parent-child relationship. Residential firms are more likely to have a spouse or partner relationship and commercial firms are more likely to have a sibling relationship. Larger firms with four or more offices are more likely to have a parent-child or sibling relationship



and small firms are more likely to have a spouse or partner relationship.

Eighty-two percent of firms encourage their agents to volunteer in the local community, 48 percent at the local association of REALTORS®, 28 percent of firms encourage agents to volunteer at their state association of REALTORS® and 19 percent encourage volunteering at the National Association of REALTORS®. Residential firms are more likely than commercial firms to encourage agents to volunteer. Ninety-five percent of firms with four or more office encourage their agents to volunteer in the local community and 77 percent encourage involvement at the local association of REALTORS®. In comparison, 80 percent of firms with one office encourage their agents to volunteer in the local community and 43 percent encourage involvement at the local association of REALTORS®.

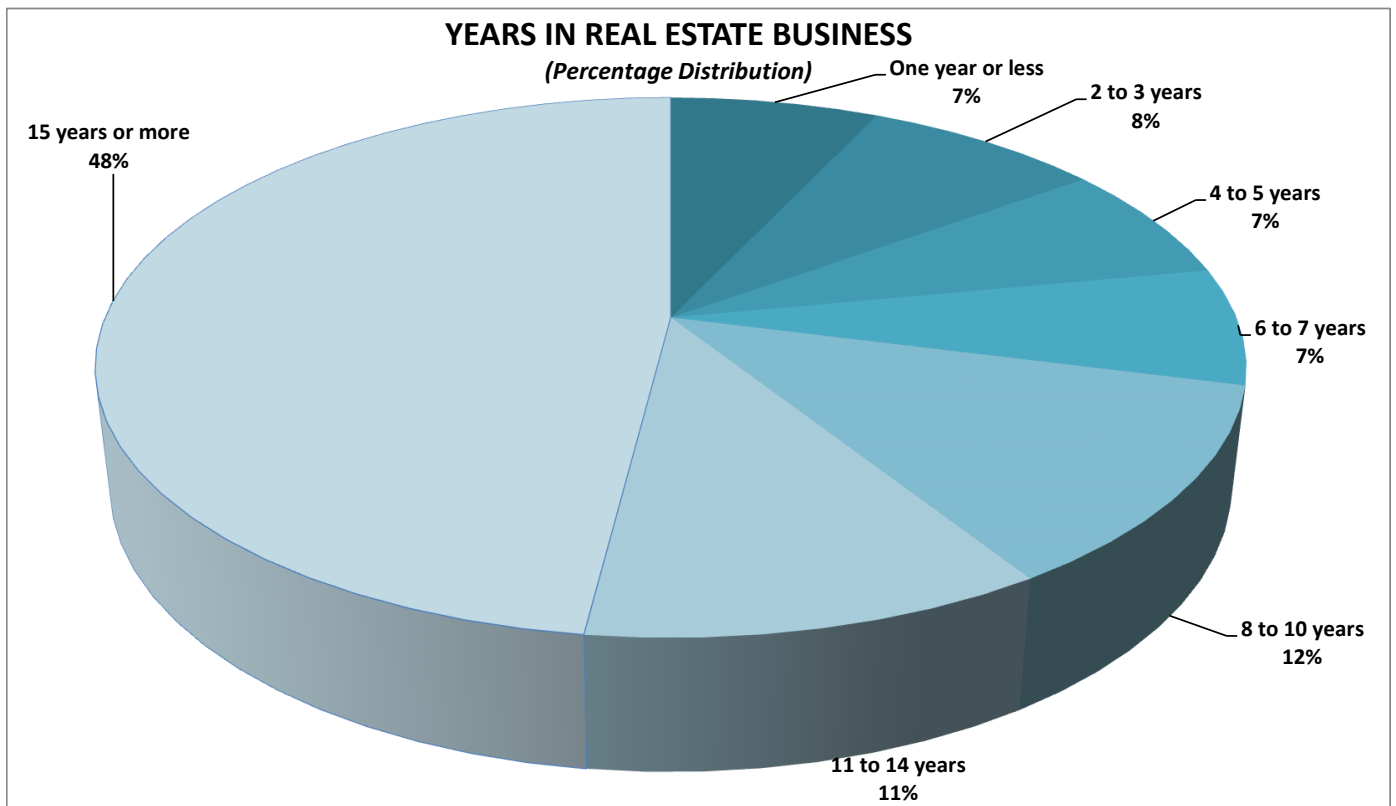


CHARACTERISTICS OF REAL ESTATE FIRMS

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Exhibit 1-4	NUMBER OF OFFICES
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CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-1
YEARS IN REAL ESTATE BUSINESS
(Percentage Distribution)

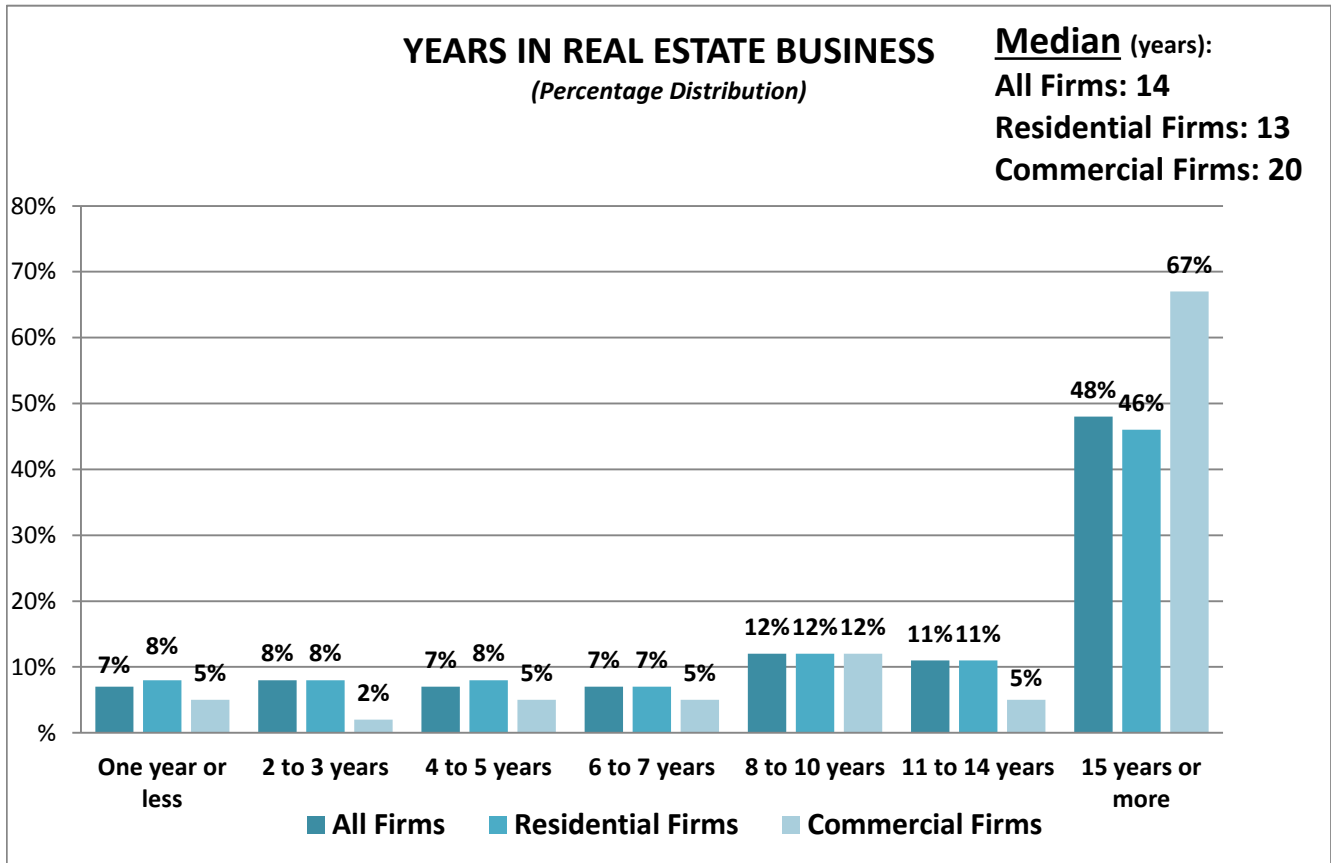


CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-2

YEARS IN REAL ESTATE BUSINESS

(Percentage Distribution)

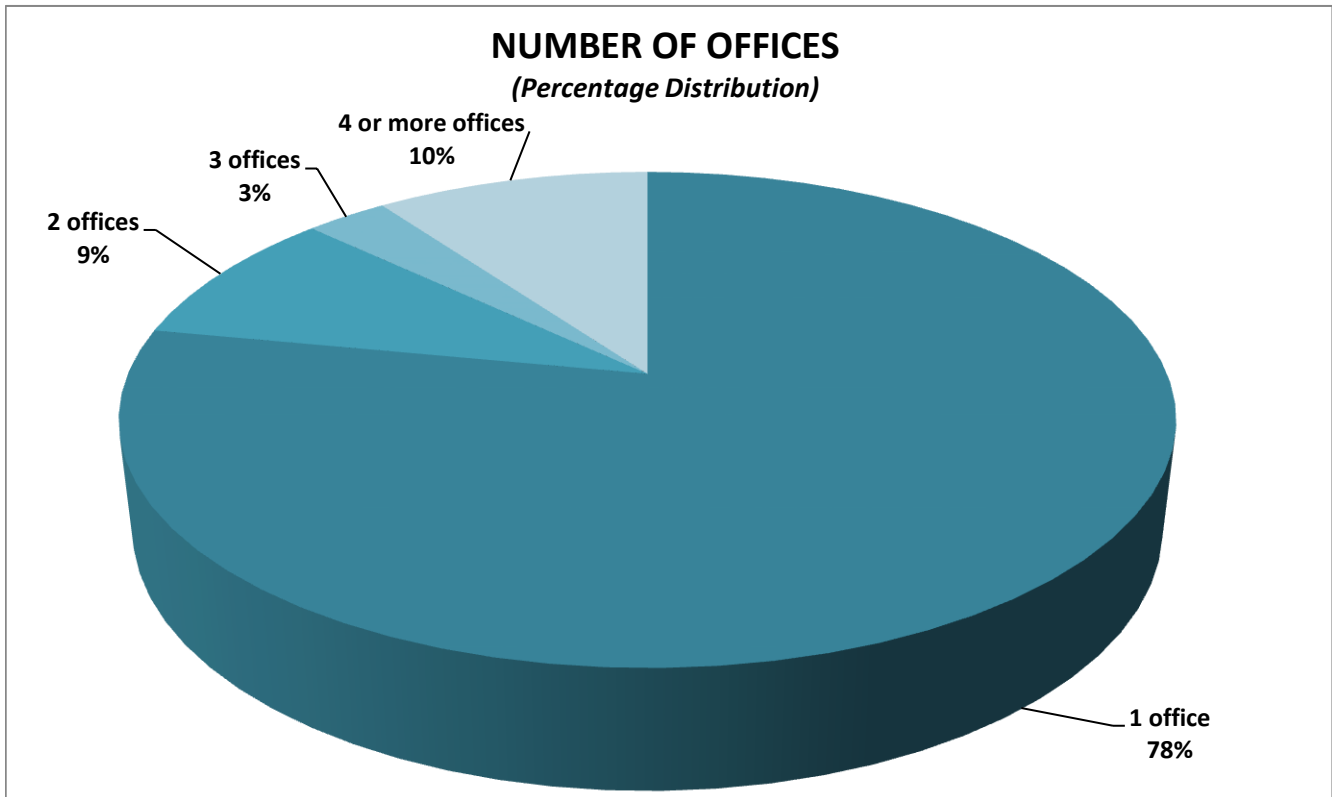


CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-3

NUMBER OF OFFICES

(Percentage Distribution)

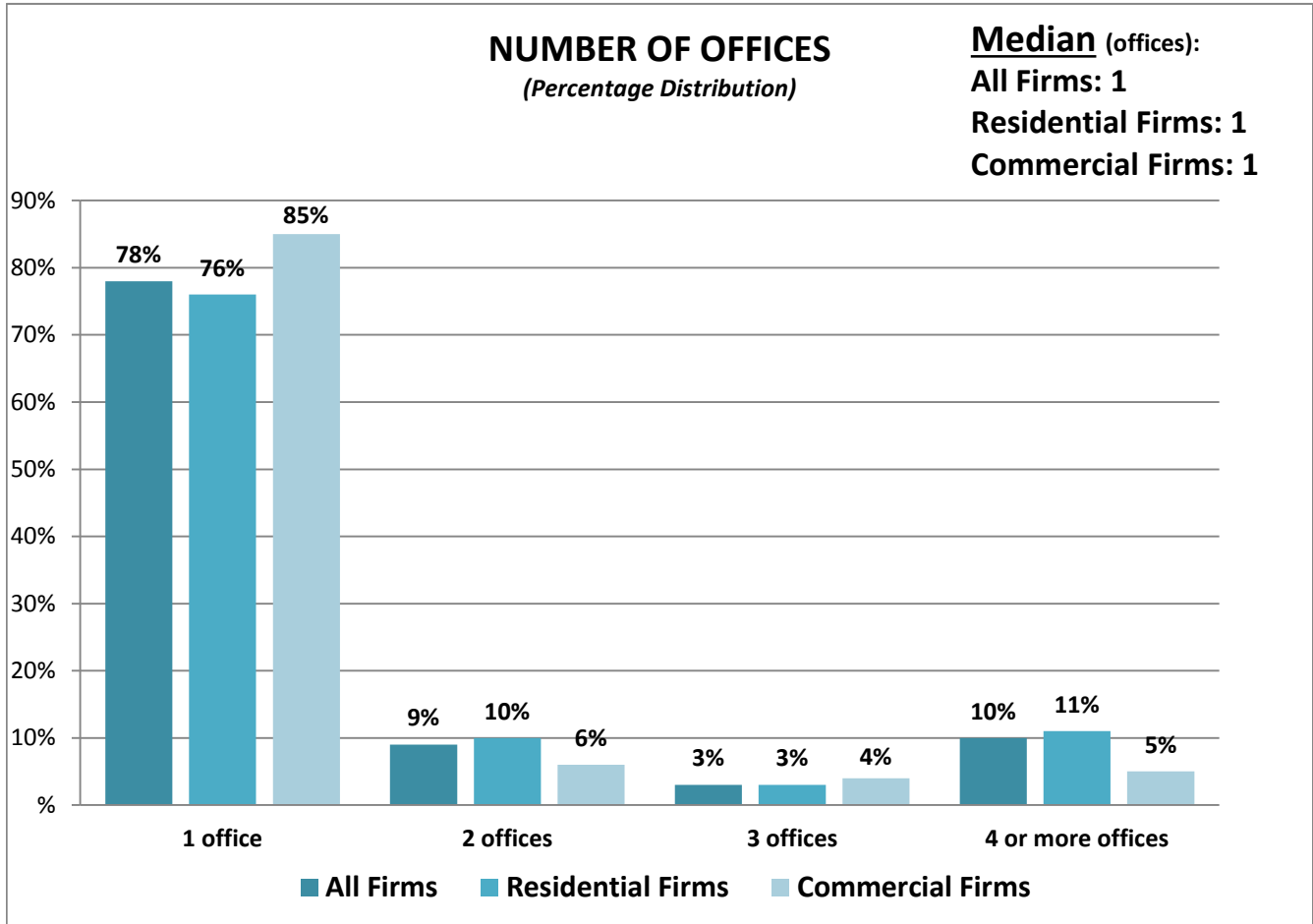


CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-4

NUMBER OF OFFICES

(Percentage Distribution)



CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-5

OFFICE OPENINGS AND CLOSINGS

(Medians)

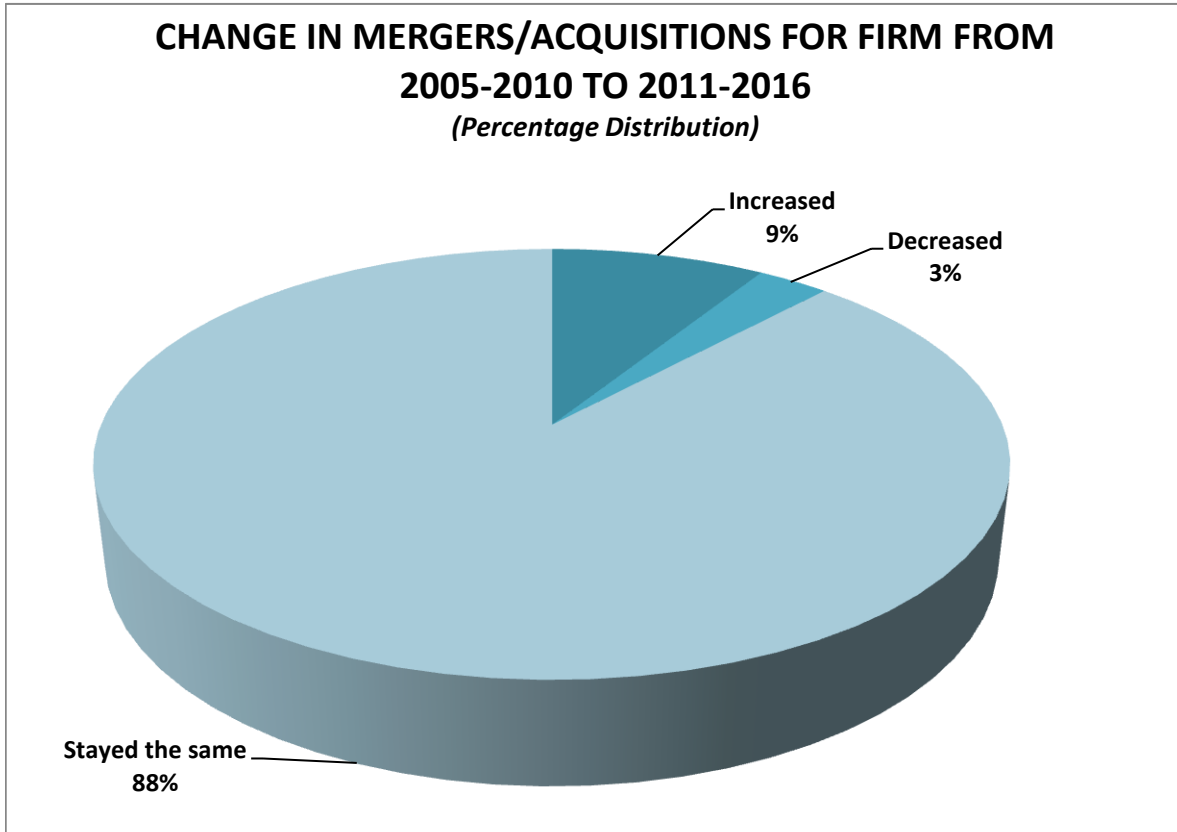
	All Firms	Residential Firms	Commercial Firms
Number of offices affiliated with your firm at year-end in 2015	1	1	1
Number of new offices opened in 2015	0	0	0
Number of offices acquired through purchase or merger with another firm in 2015	0	0	0
Number of offices acquired through purchase or merger with another firm from 2014-2007	0	0	0
Number of offices closed in 2015	0	0	0

CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-6

CHANGE IN MERGERS/ACQUISITIONS FOR FIRM FROM 2005-2010 TO 2011-2016

(Percentage Distribution)

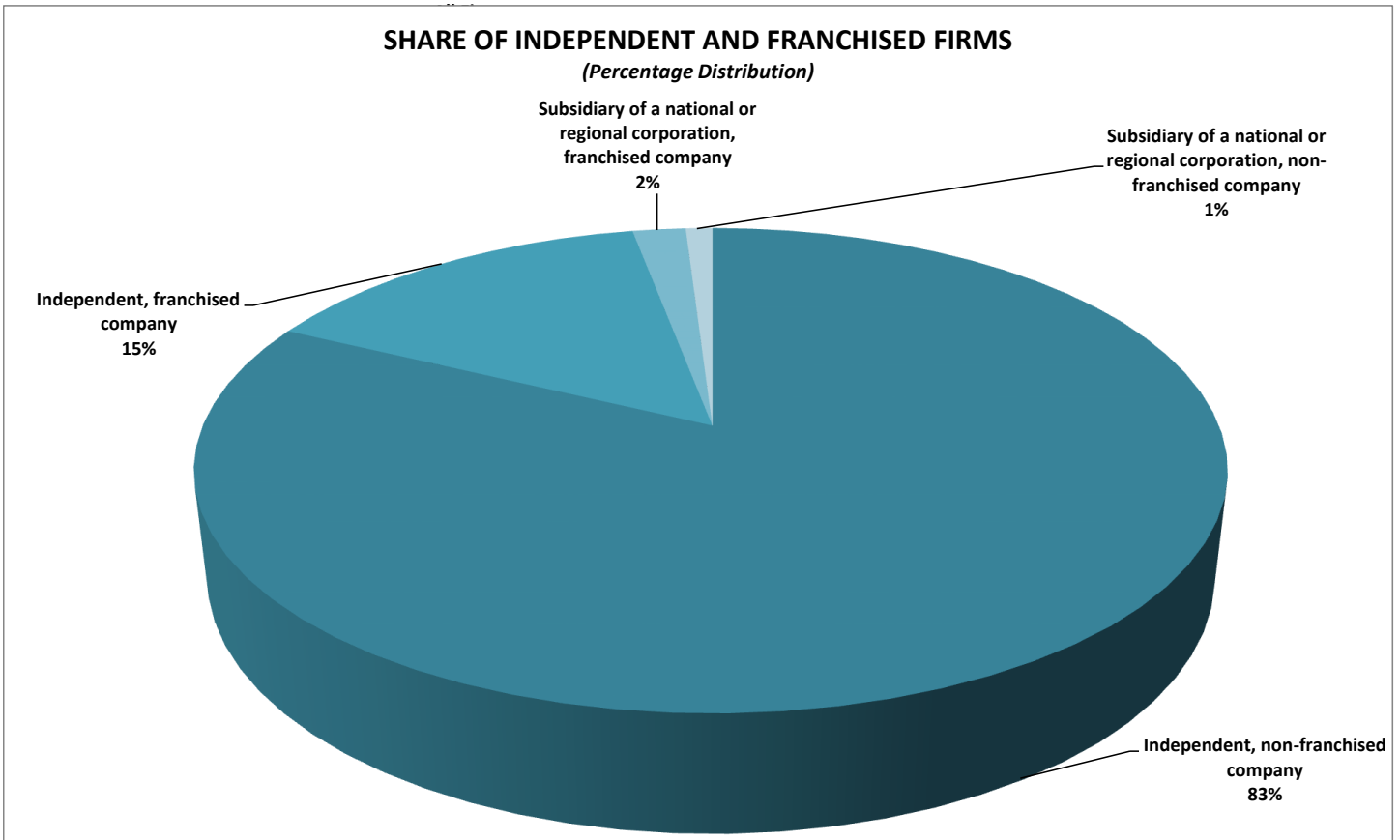


CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-7

SHARE OF INDEPENDENT AND FRANCHISED FIRMS

(Percentage Distribution)

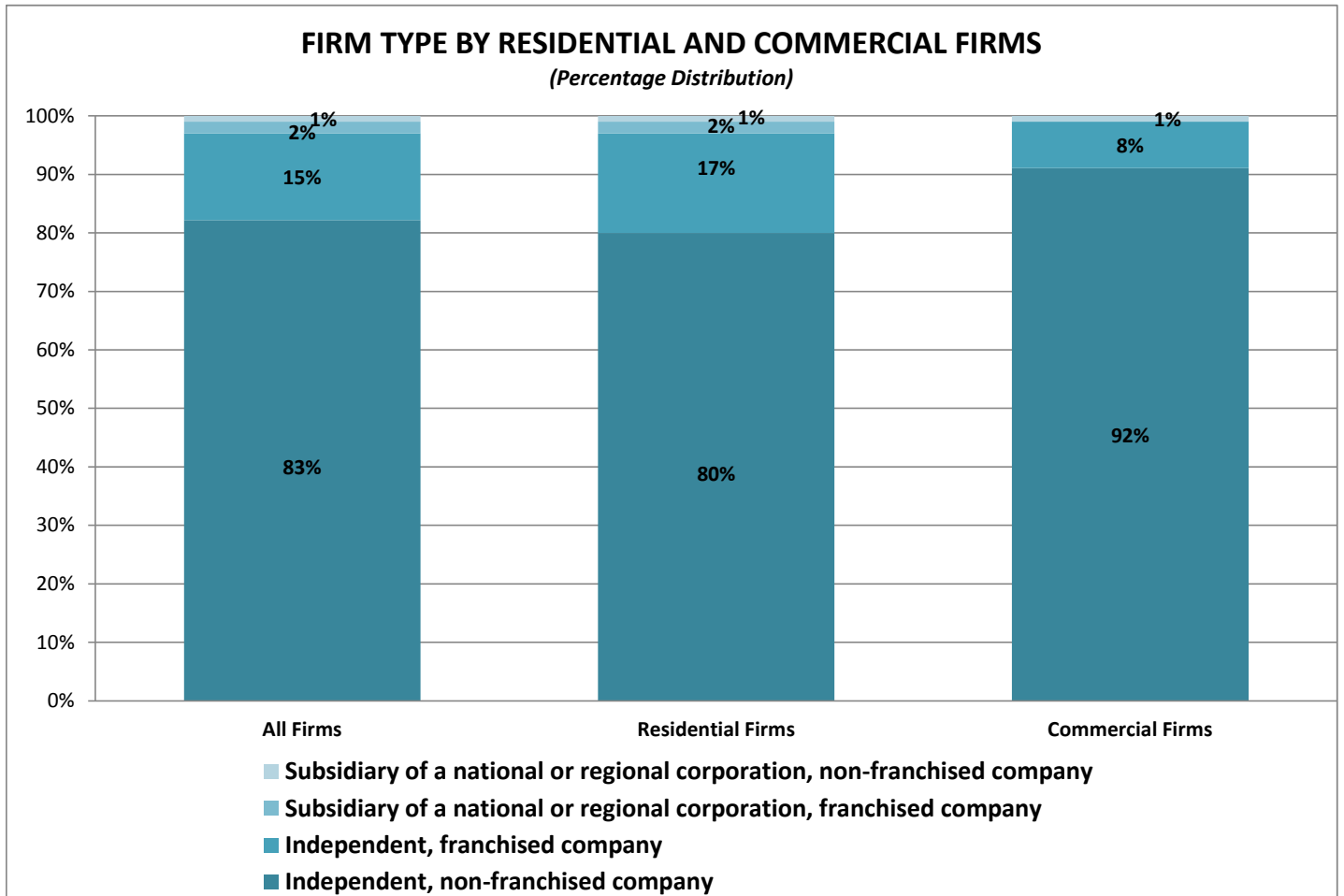


CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-8

FIRM TYPE BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percentage Distribution)

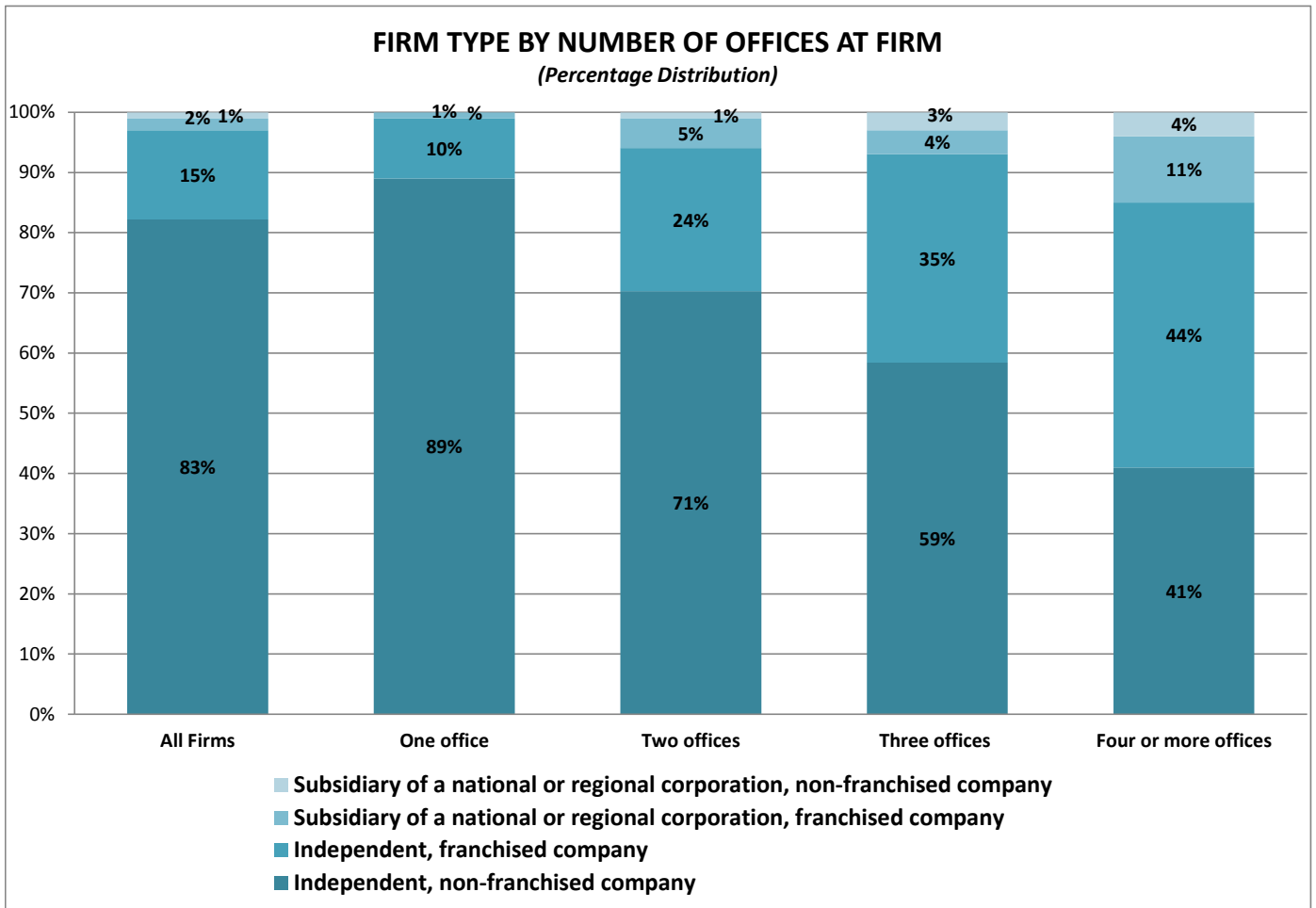


CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-9

FIRM TYPE BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

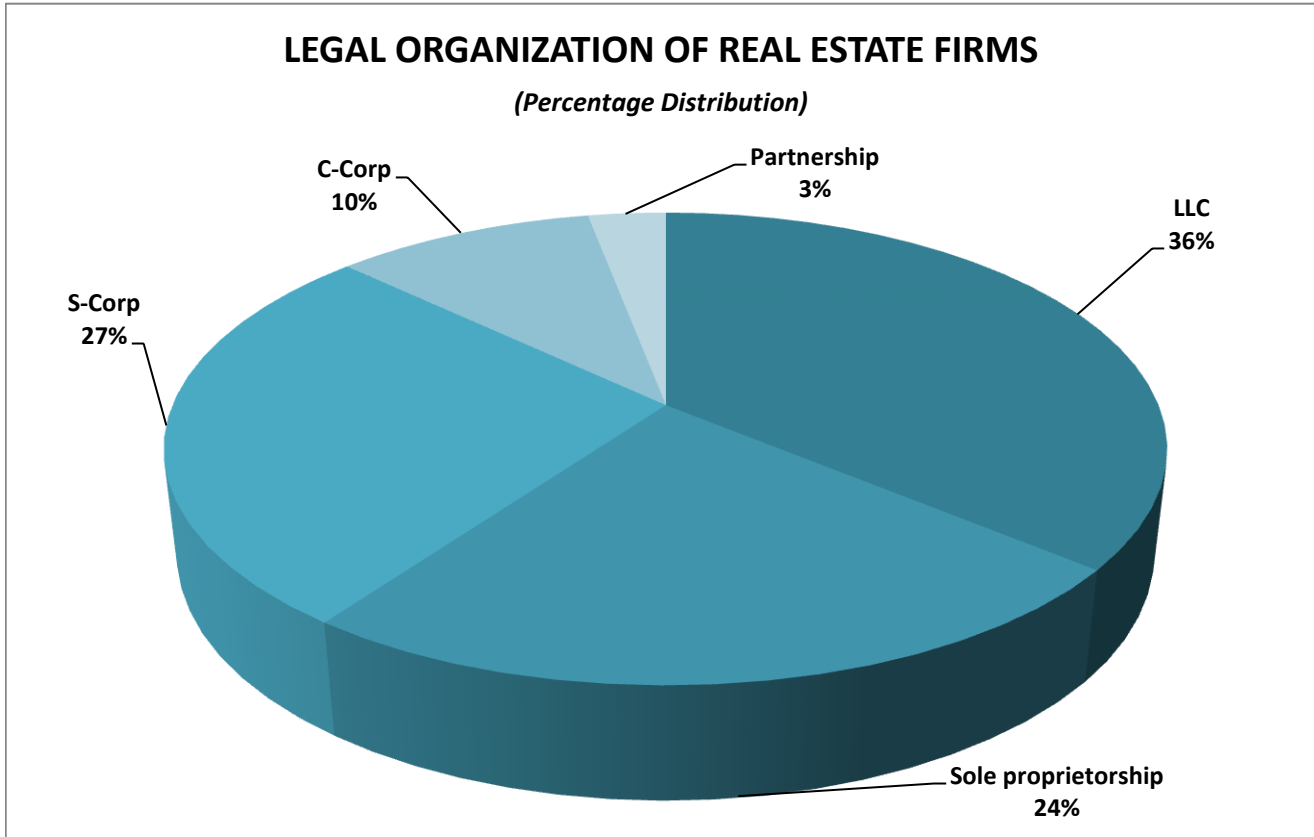


CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-10

LEGAL ORGANIZATION OF REAL ESTATE FIRMS

(Percentage Distribution)



CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-11

STAFF AT FIRMS BY NUMBER OF OFFICES AT FIRM

(Medians)

	Number of Offices at Firm				
	All Firms	One office	Two offices	Three offices	Four or more offices
Number of full-time real estate licensees	3	2	10	30	120
Number of full-time licensees who are independent contractors	3	2	9	30	118
Number of part-time real estate licensees (work fewer than 30 hours a week) who are salaried	0	0	0	0	0
Number of part-time licensees (work fewer than 30 hours a week) who are independent contractors	0	0	1	2	5
Number of full-time staff (non-licensees)	0	0	1	3	10
Number of part-time staff (non-licensees)	0	0	0	0	1
Number of part-time staff (non-licensees) who work fewer than 30 hours a week	0	0	0	0	1

CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-12

CHANGE IN STAFF AT FIRMS BY NUMBER OF OFFICES AT FIRM

(Medians)

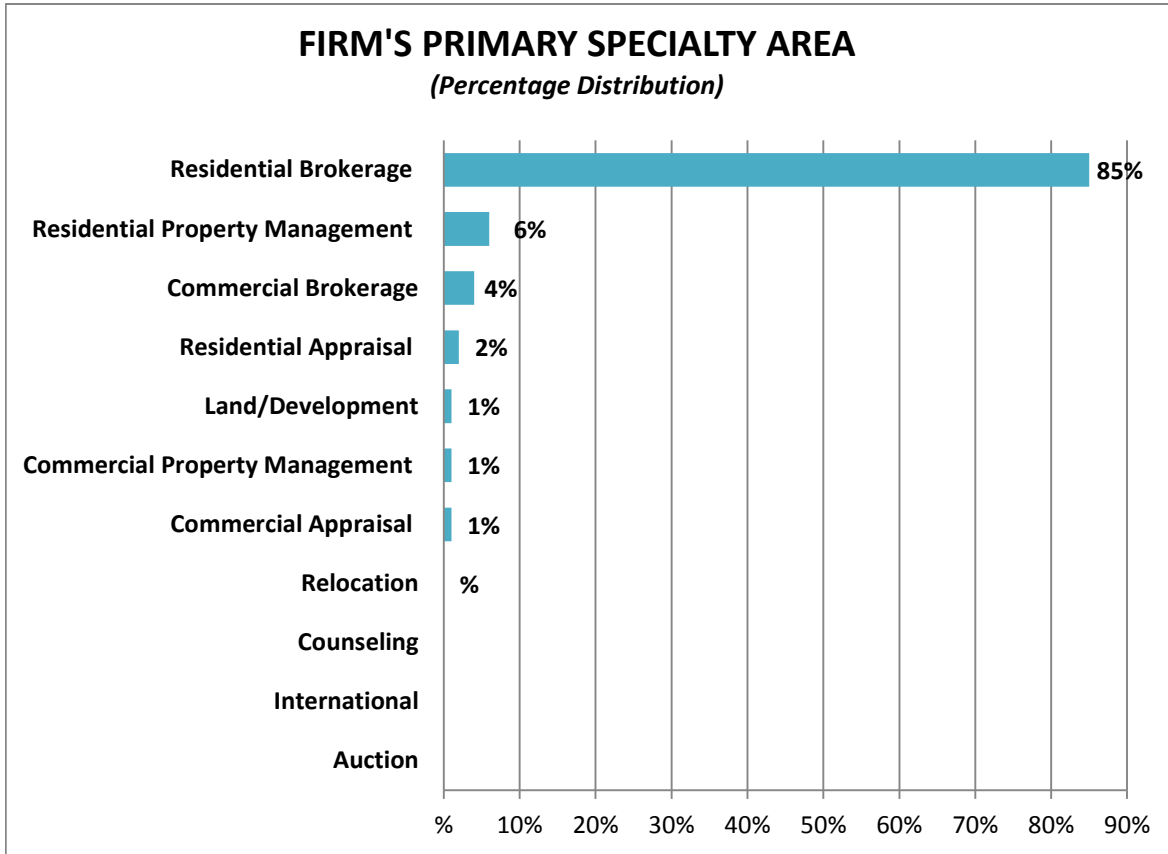
	Number of Offices at Firm				
	All Firms	One office	Two offices	Three offices	Four or more offices
Number of licensees who joined firm in 2015	1	0	2	5	15
Number of licensees who left firm in 2015	0	0	1	2	5
Number of staff (non-licensees) who joined firm in 2015	0	0	0	0	1
Number of staff (non-licensees) who left firm in 2015	0	0	0	0	1

CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-13

FIRM'S PRIMARY SPECIALTY AREA

(Percentage Distribution)

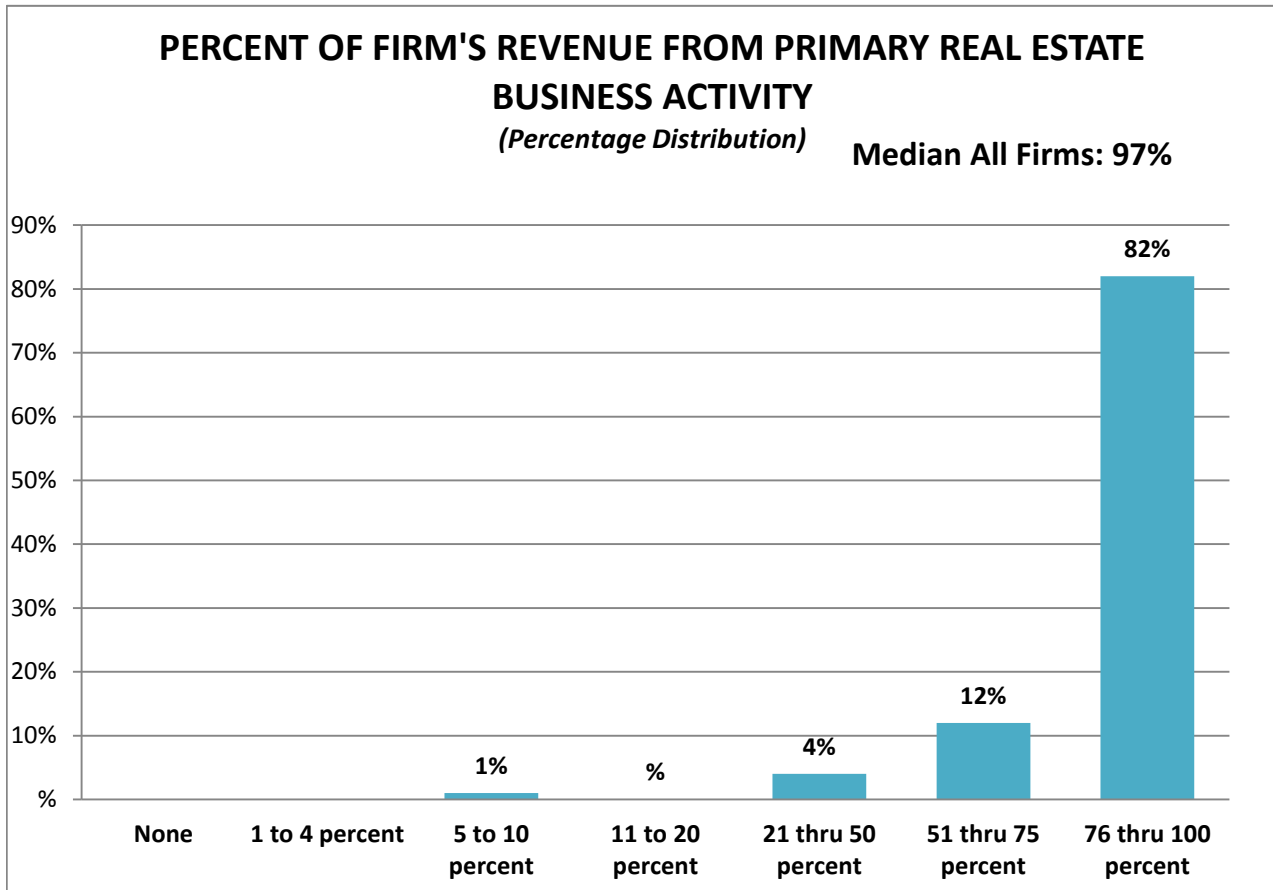


CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-14

PERCENT OF FIRM'S REVENUE FROM PRIMARY REAL ESTATE BUSINESS ACTIVITY

(Percentage Distribution)

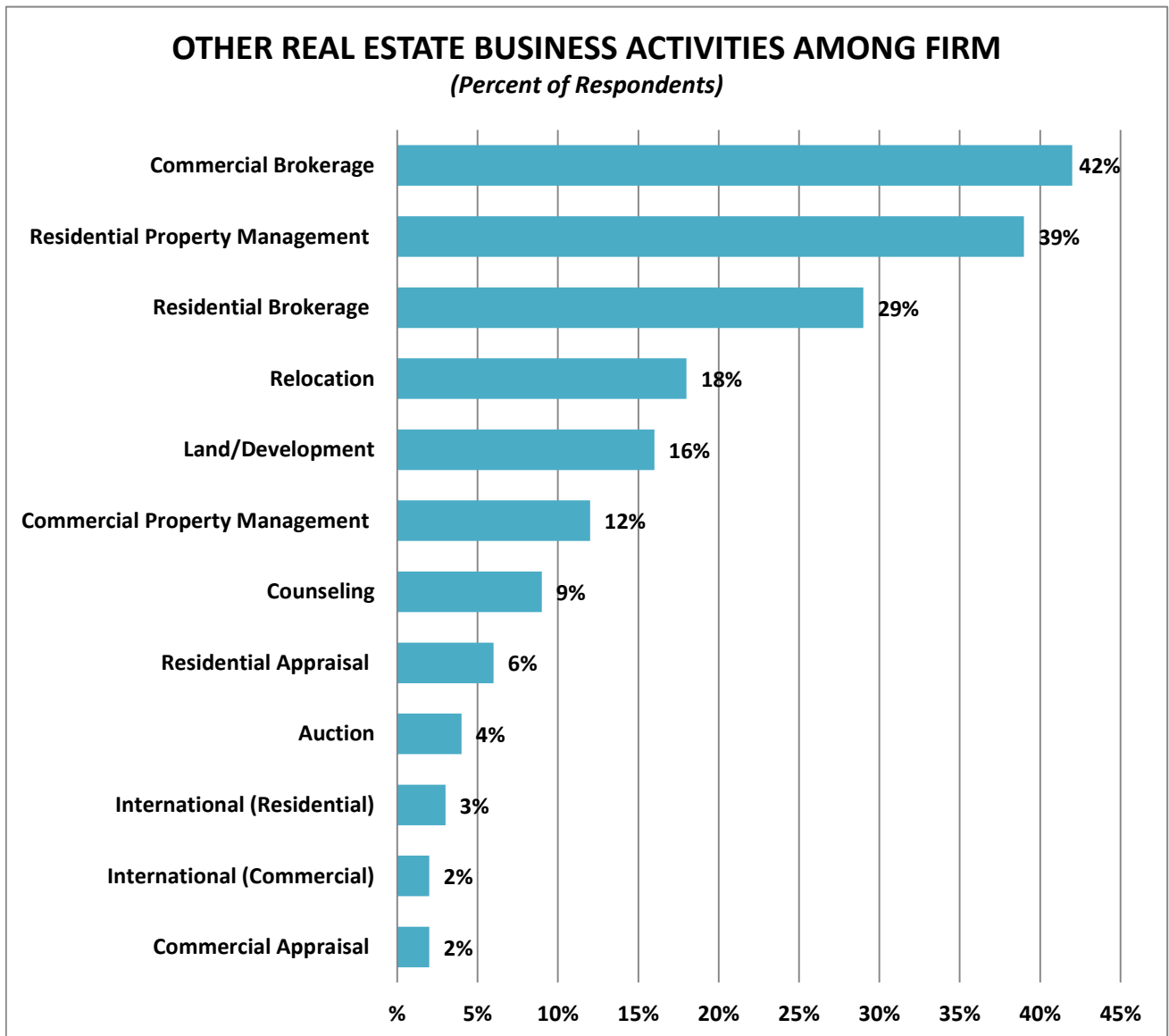


CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-15

OTHER REAL ESTATE BUSINESS ACTIVITIES AMONG FIRM

(Percent of Respondents)

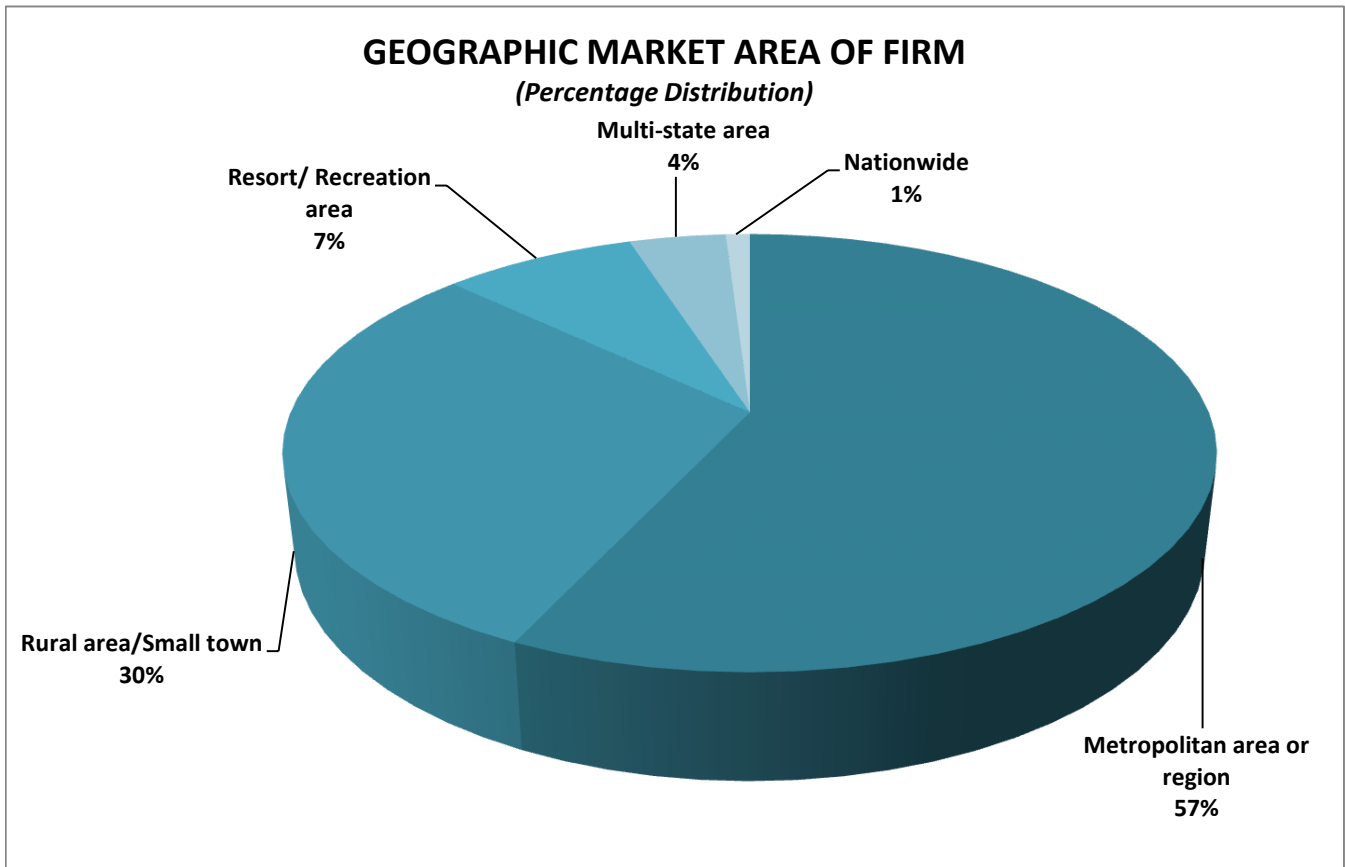


CHARACTERISTICS OF REAL ESTATE FIRMS

Exhibit 1-16

GEOGRAPHIC MARKET AREA OF FIRM

(Percentage Distribution)



BUSINESS ACTIVITY OF FIRMS

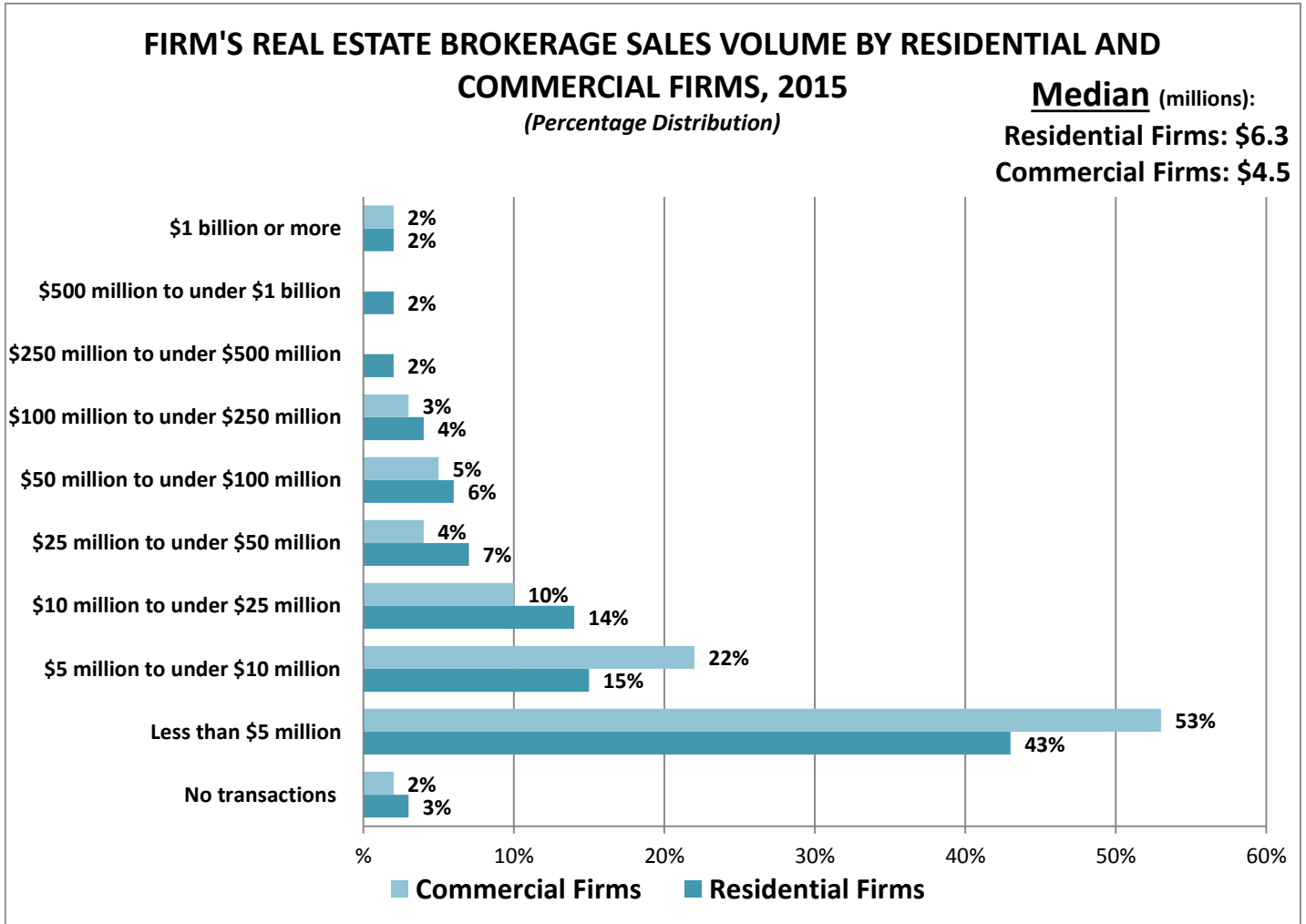
Exhibit 2-1	FIRM'S REAL ESTATE BROKERAGE SALES VOLUME BY RESIDENTIAL AND COMMERCIAL FIRMS, 2015
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Exhibit 2-21	FIRM USE OF CLOSED COMMUNICATION GROUP, BY NUMBER OF OFFICES AT FIRM
Exhibit 2-22	FIRM VIRTUAL OFFICE, BY RESIDENTIAL AND COMMERCIAL FIRMS
Exhibit 2-23	FIRM VIRTUAL OFFICE, BY NUMBER OF OFFICES AT FIRM

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-1

FIRM'S REAL ESTATE BROKERAGE SALES VOLUME BY RESIDENTIAL AND COMMERCIAL FIRMS, 2015

(Percentage Distribution)

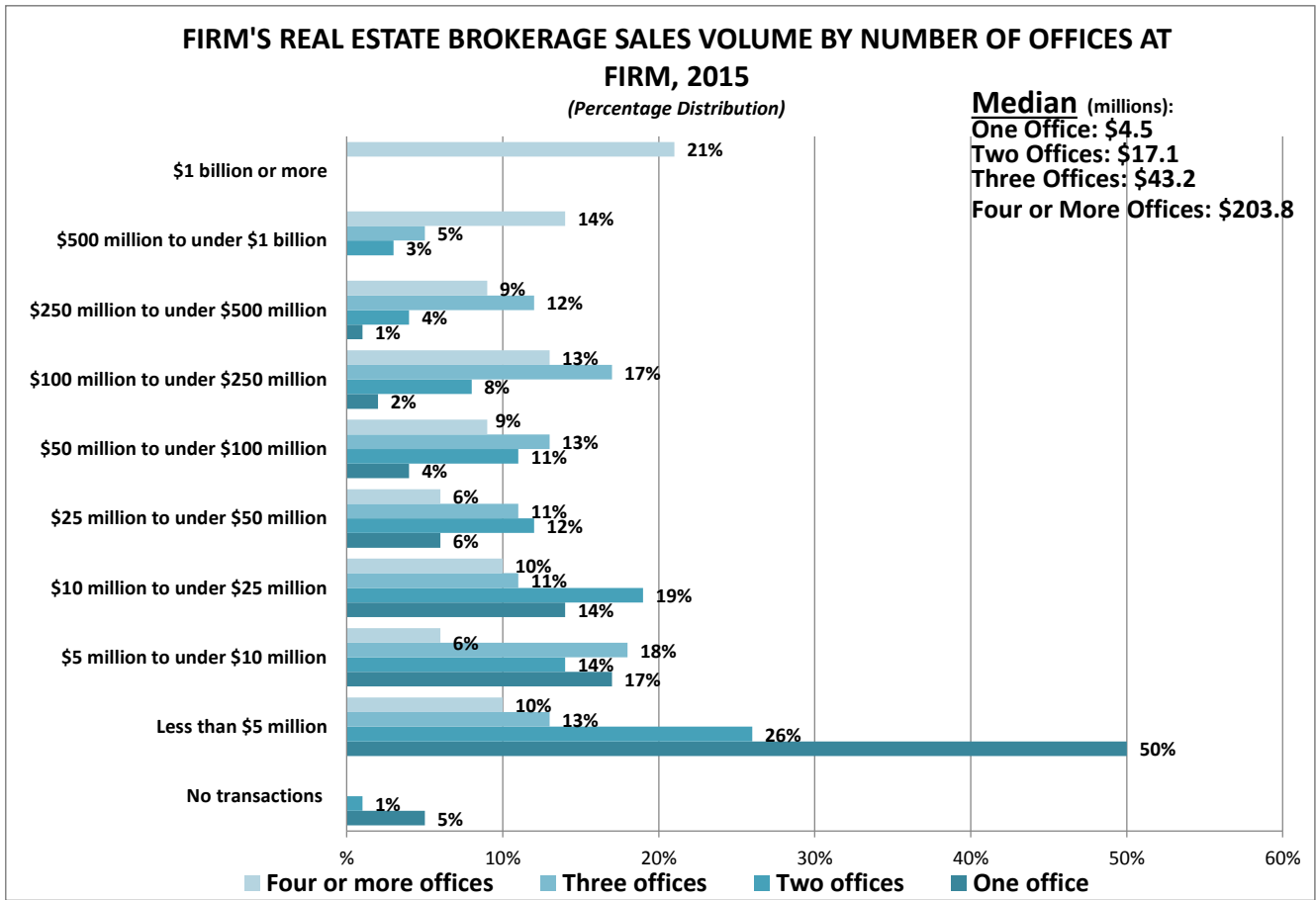


BUSINESS ACTIVITY OF FIRMS

Exhibit 2-2

FIRM'S REAL ESTATE BROKERAGE SALES VOLUME BY NUMBER OF OFFICES AT FIRM, 2015

(Percentage Distribution)

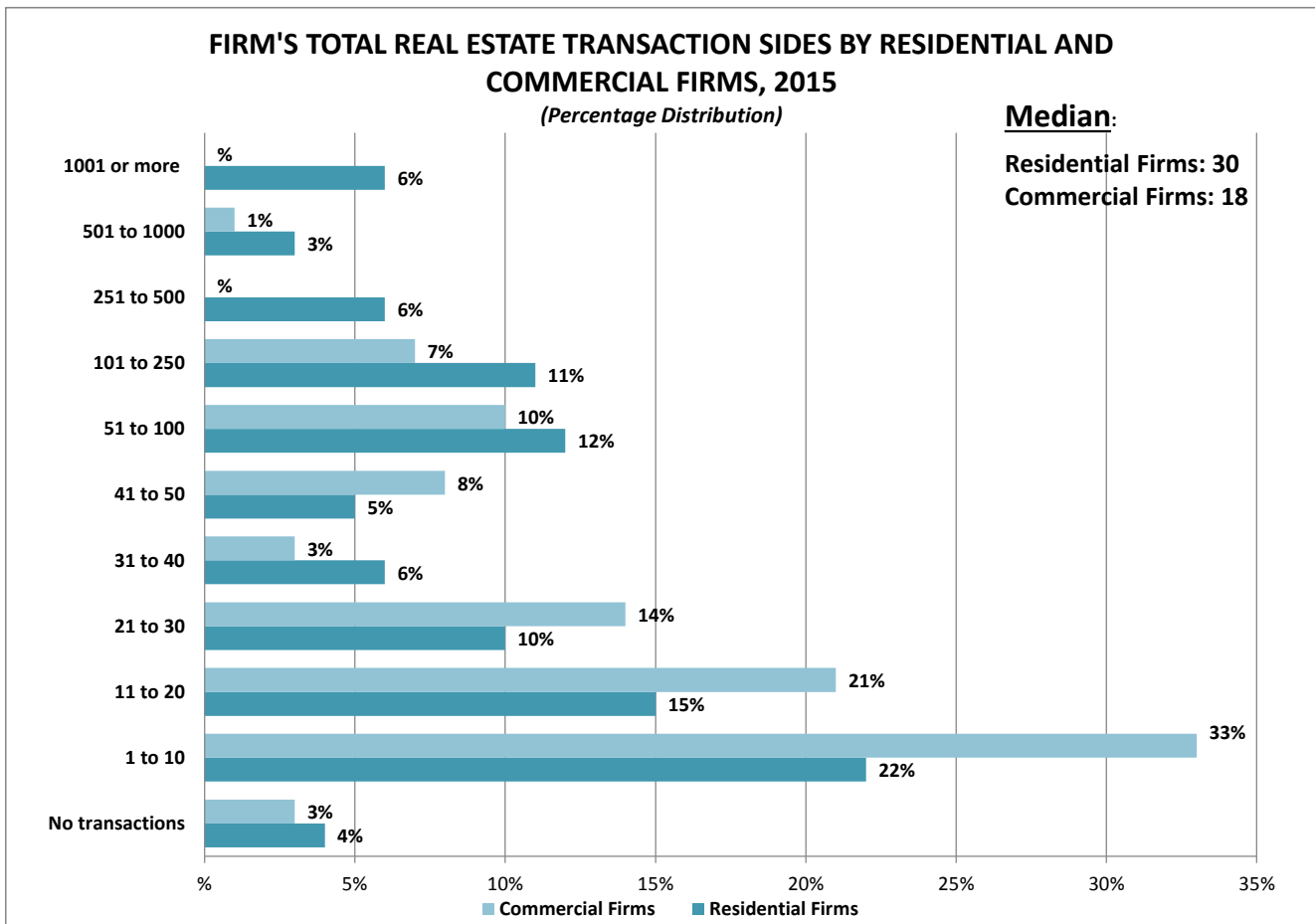


BUSINESS ACTIVITY OF FIRMS

Exhibit 2-3

FIRM'S TOTAL REAL ESTATE TRANSACTION SIDES BY RESIDENTIAL AND COMMERCIAL FIRMS, 2015

(Percentage Distribution)

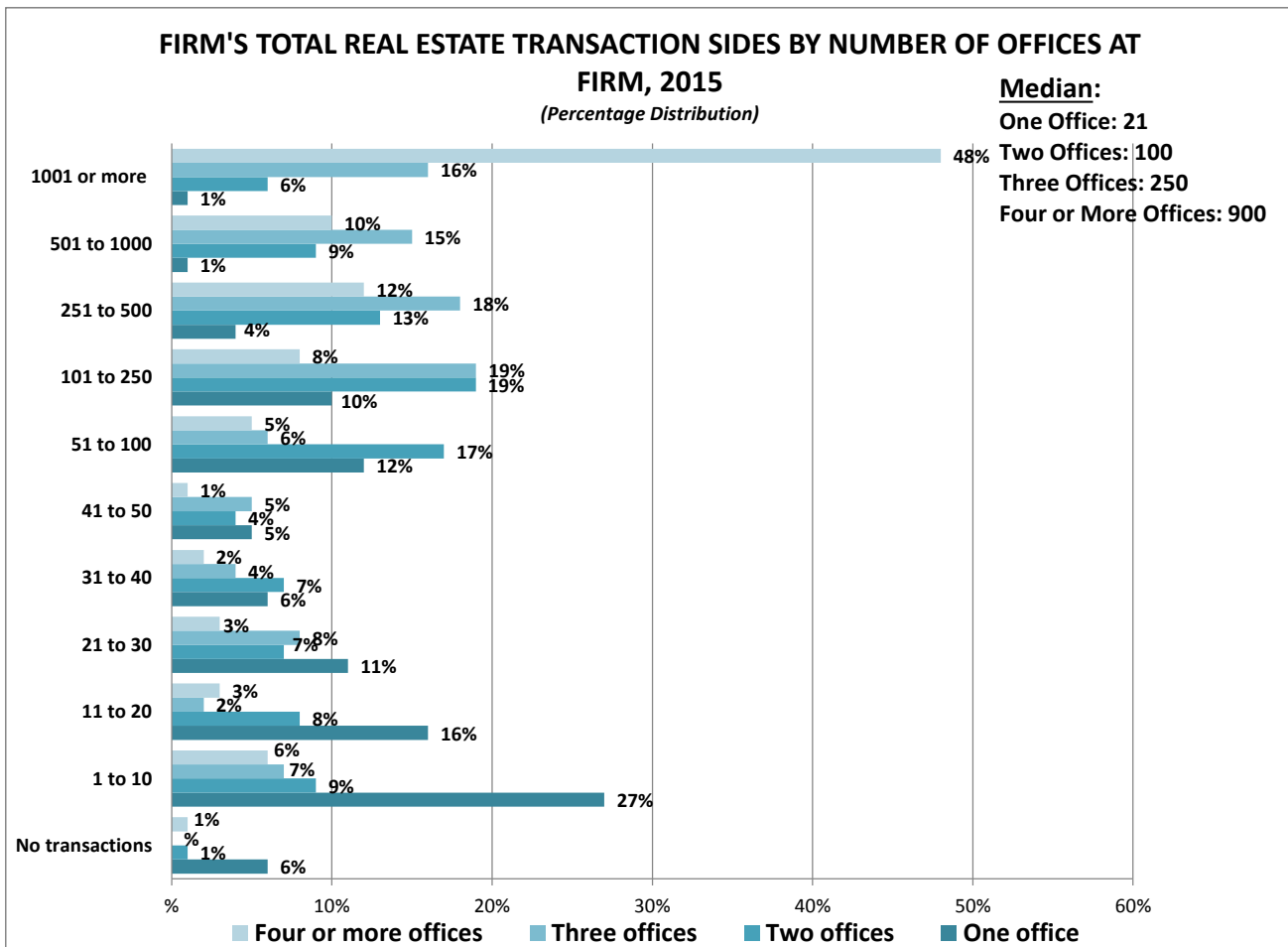


BUSINESS ACTIVITY OF FIRMS

Exhibit 2-4

FIRM'S TOTAL REAL ESTATE TRANSACTION SIDES BY NUMBER OF OFFICES AT FIRM, 2015

(Percentage Distribution)



BUSINESS ACTIVITY OF FIRMS

Exhibit 2-5

ANCILLARY SERVICES OFFERED AT FIRMS BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

	Offer this service in-house	Offer this service outsourced or with a business relationship	Do not currently offer this service	Do not currently offer this service, but plan to in the future
Business brokerage	31%	7%	55%	6%
Relocation services	17	15	61	7
Home improvement	6	24	65	6
Mortgage lending	5	40	51	5
Home warranty	5	44	46	5
Title or escrow services	4	36	54	5
Homeowners insurance	3	29	63	6
Settlement services	4	26	64	6
Other insurance	2	20	72	6
Home inspection	2	37	57	4
Moving services	1	21	72	6
Securities services	*	8	85	7
One office				
Business brokerage	29%	7%	58%	6%
Relocation services	13	15	65	8
Home improvement	5	24	66	6
Mortgage lending	3	37	55	5
Home warranty	5	41	50	5
Title or escrow services	2	35	58	5
Homeowners insurance	1	28	65	5
Settlement services	2	25	67	5
Other insurance	1	19	74	6
Home inspection	2	36	58	4
Moving services	1	19	74	6
Securities services	*	7	86	7
Two offices				
Business brokerage	35%	9%	50%	6%
Relocation services	20	15	59	6
Home improvement	7	23	67	4
Mortgage lending	5	42	49	3
Home warranty	6	47	43	4
Title or escrow services	5	38	52	5
Homeowners insurance	4	30	61	5
Settlement services	7	27	61	5
Other insurance	4	20	72	5
Home inspection	3	38	56	4
Moving services	1	24	71	5
Securities services	1	7	86	6
Three offices				
Business brokerage	35%	4%	53%	9%
Relocation services	29	18	46	6
Home improvement	5	21	65	9
Mortgage lending	12	44	40	5
Home warranty	5	51	38	7
Title or escrow services	9	35	48	7
Homeowners insurance	4	28	60	8
Settlement services	4	28	61	7
Other insurance	3	17	71	10
Home inspection	*	35	58	7
Moving services	*	23	69	9
Securities services	1	7	84	8
Four or more offices				
Business brokerage	48%	11%	38%	3%
Relocation services	55	17	26	2
Home improvement	6	24	65	6
Mortgage lending	20	53	25	1
Home warranty	10	63	25	2
Title or escrow services	25	41	32	2

Homeowners insurance	11	35	50	5
Settlement services	20	29	46	6
Other insurance	8	29	58	6
Home inspection	2	35	60	3
Moving services	1	31	61	6
Securities services	1	10	83	8

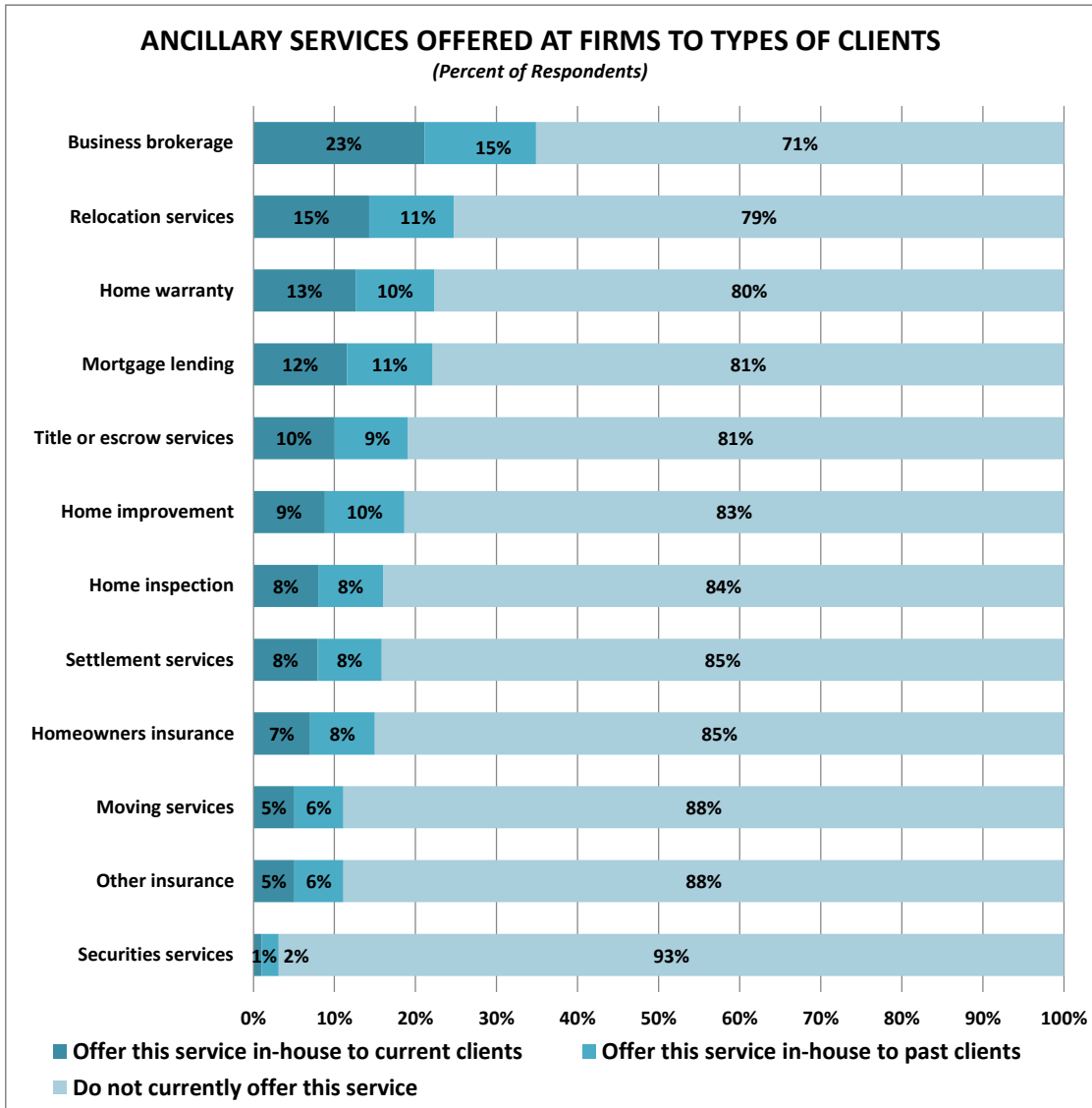
* Less than 1 percent

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-6

ANCILLARY SERVICES OFFERED AT FIRMS TO TYPES OF CLIENTS

(Percent of Respondents)

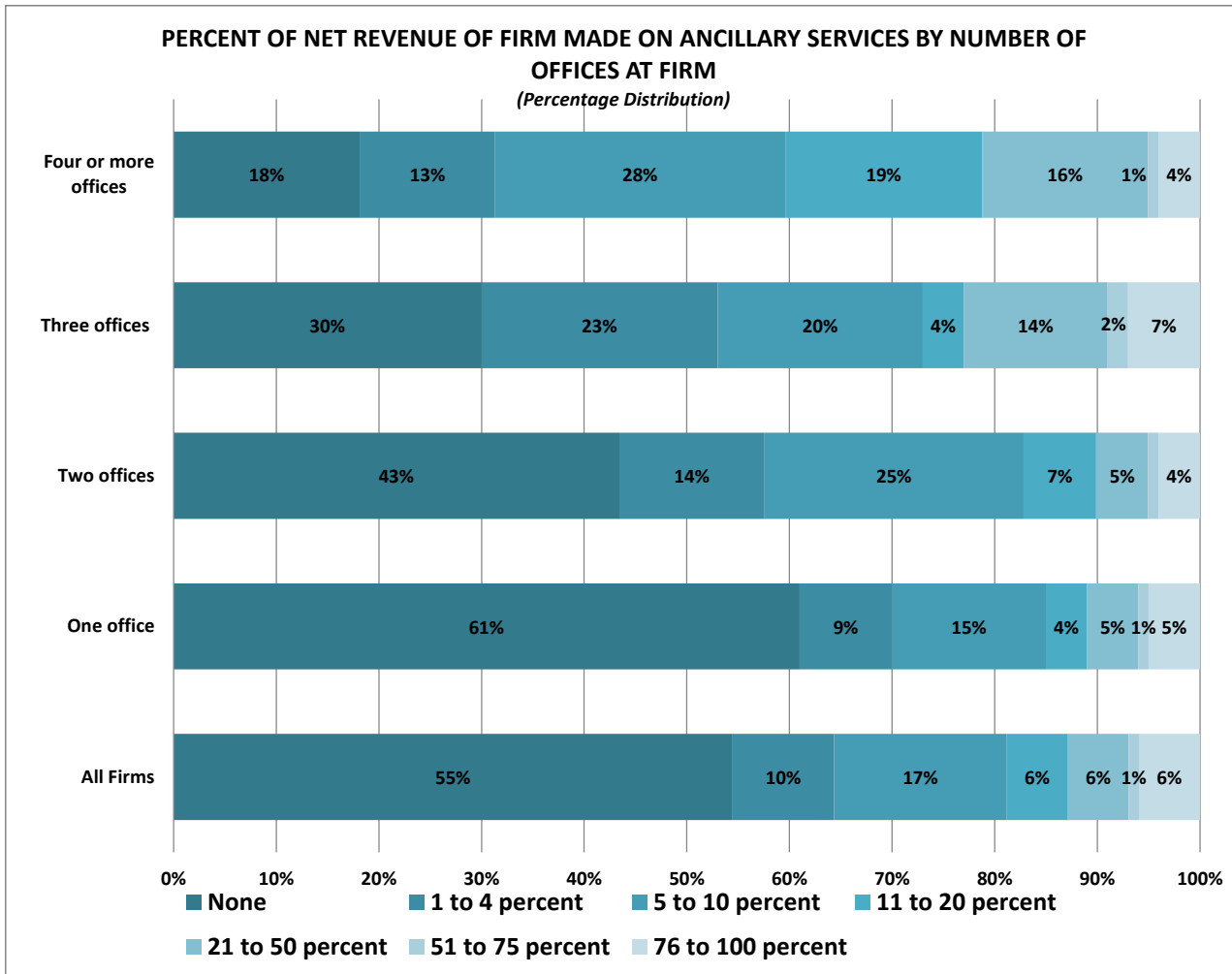


BUSINESS ACTIVITY OF FIRMS

Exhibit 2-7

PERCENT OF NET REVENUE OF FIRM MADE ON ANCILLARY SERVICES BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

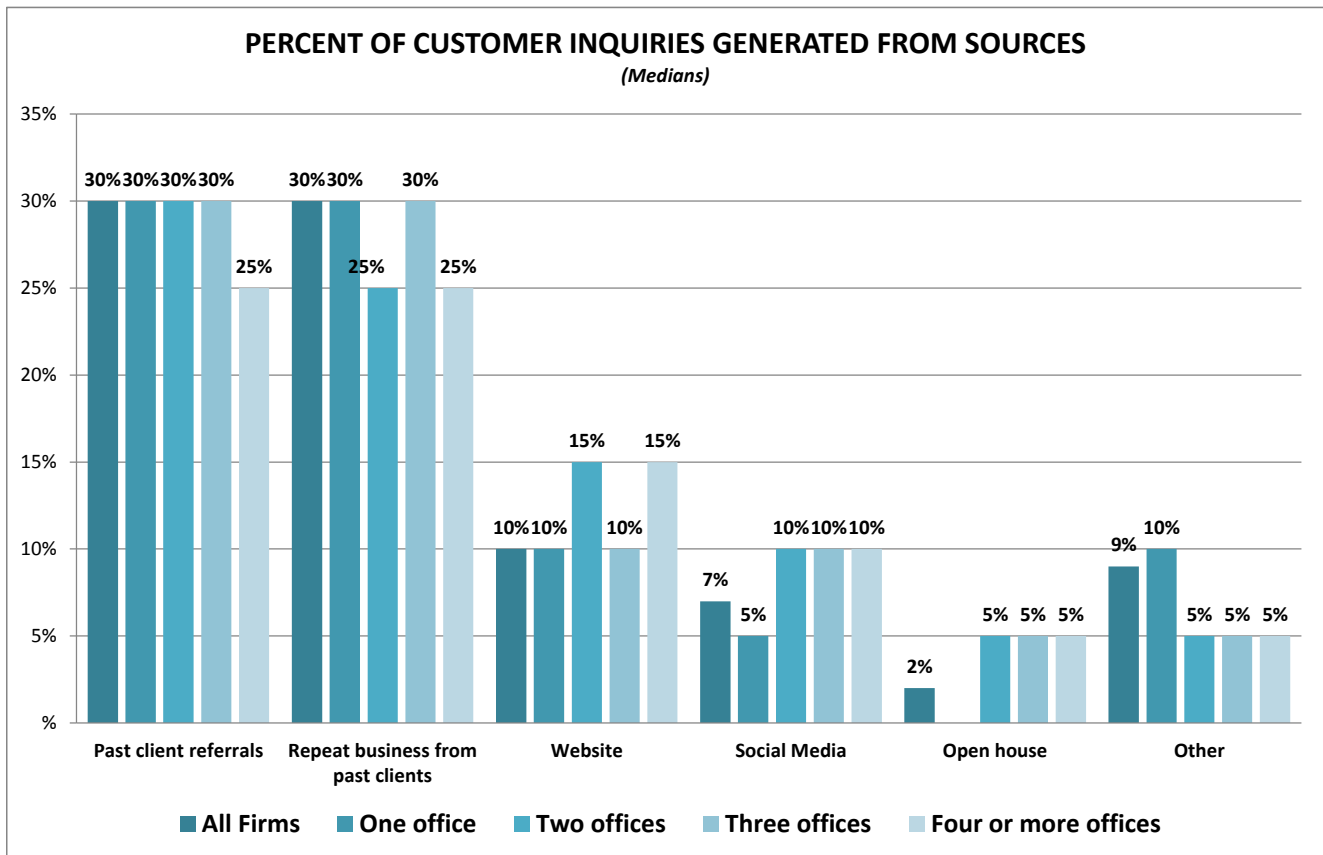


BUSINESS ACTIVITY OF FIRMS

Exhibit 2-8

PERCENT OF CUSTOMER INQUIRIES GENERATED FROM SOURCES

(Medians)

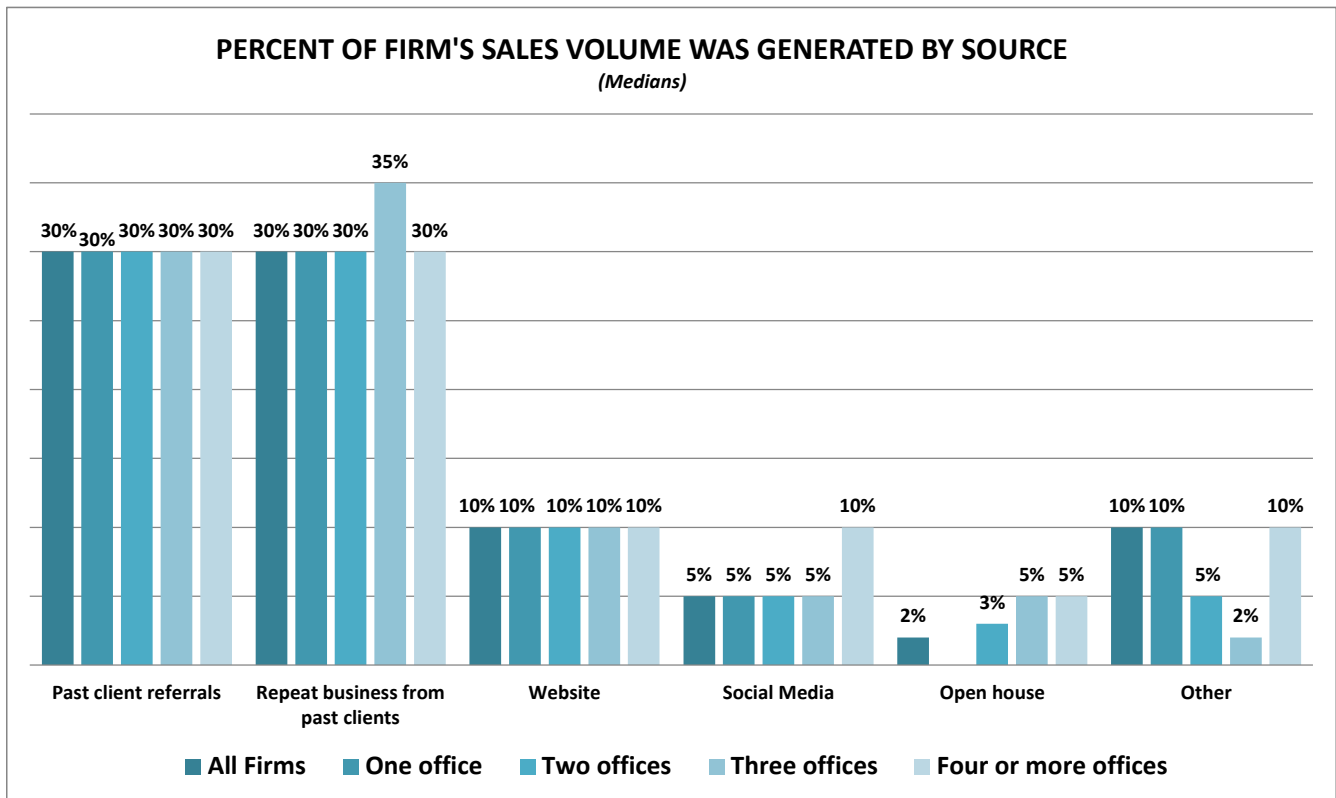


BUSINESS ACTIVITY OF FIRMS

Exhibit 2-9

PERCENT OF FIRM'S SALES VOLUME WAS GENERATED BY SOURCE

(Medians)

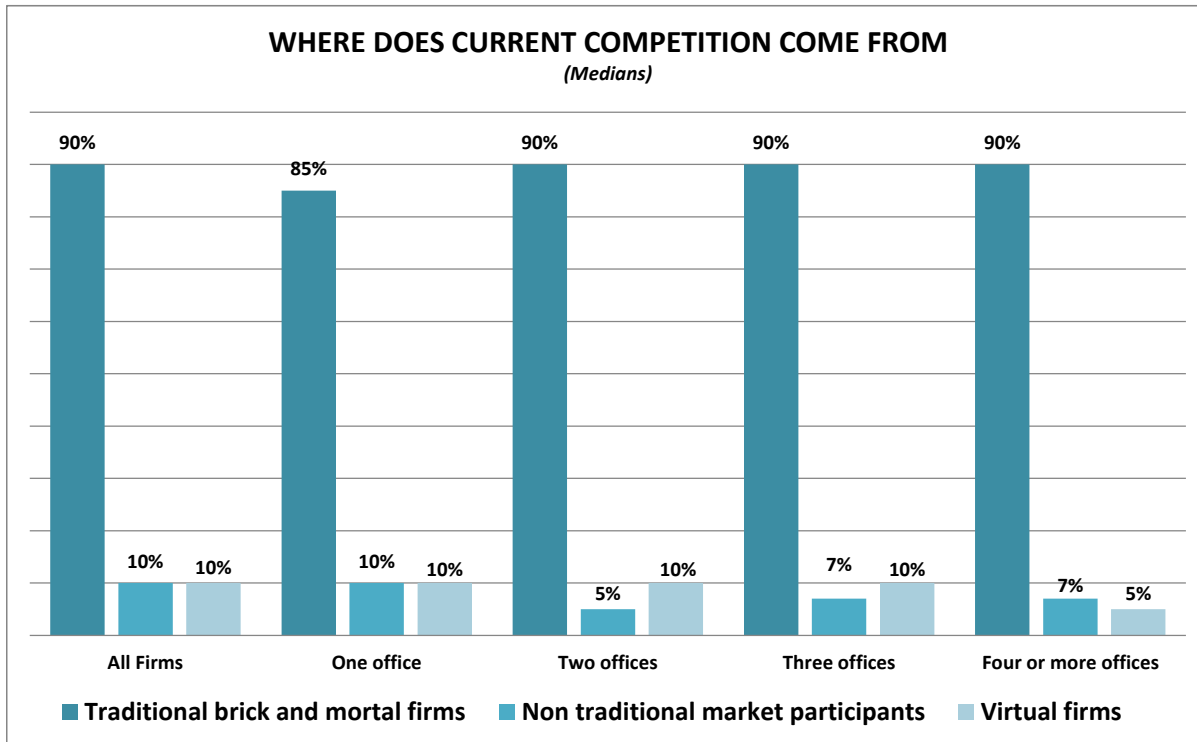


BUSINESS ACTIVITY OF FIRMS

Exhibit 2-10

WHERE DOES CURRENT COMPETITION COME FROM

(Medians)

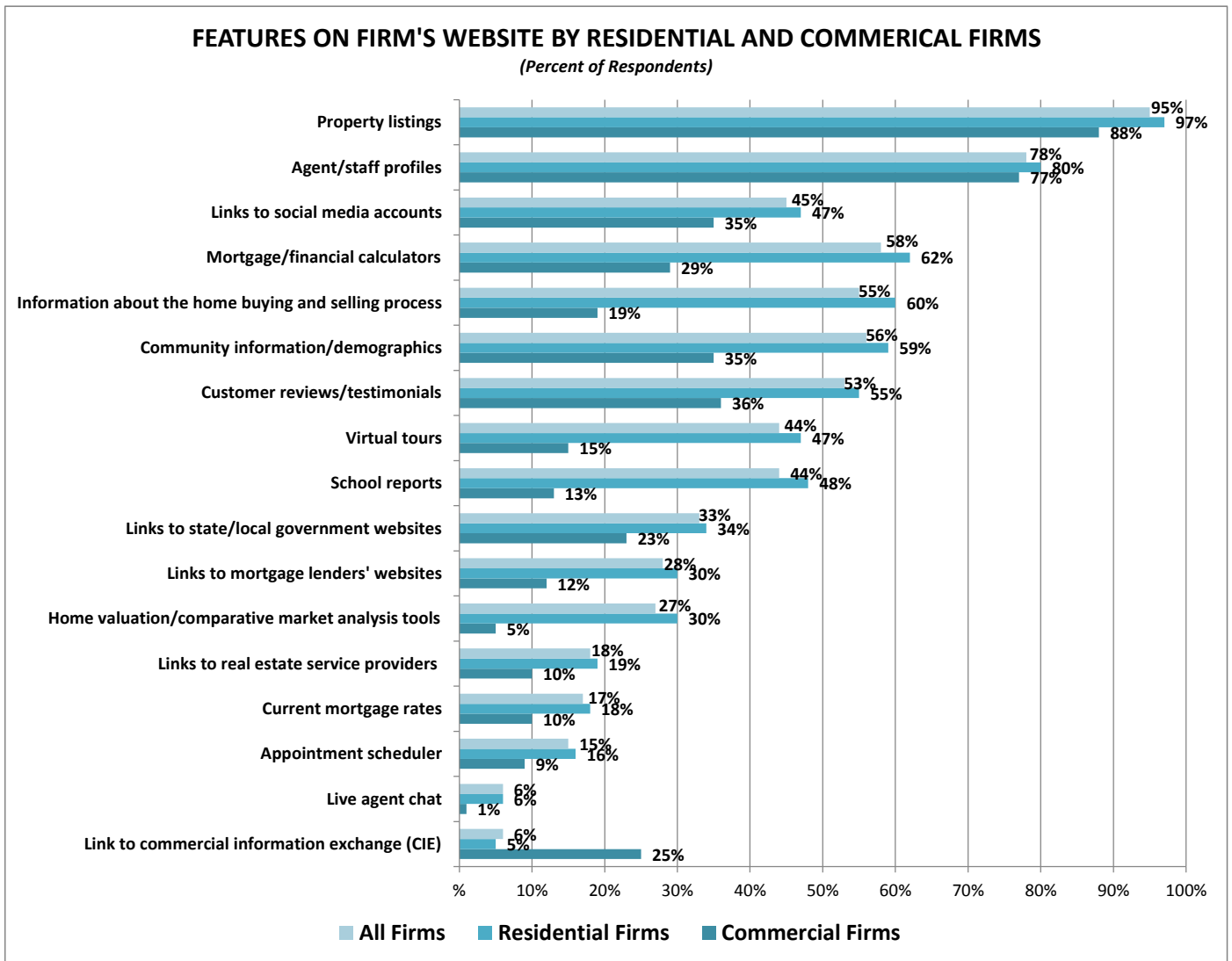


BUSINESS ACTIVITY OF FIRMS

Exhibit 2-11

FEATURES ON FIRM'S WEBSITE BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percent of Respondents)



BUSINESS ACTIVITY OF FIRMS

Exhibit 2-12

FIRM PROVIDES OR ENCOURAGES AGENT/BROKER USE OF SPECIFIC SOFTWARE, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percent of Respondents)

	All Firms	Residential Firms	Commercial Firms
Multiple listing	86%	88%	77%
Comparative market analysis	83	86	72
Electronic contracts/form	82	85	68
E-signature	78	82	57
Document preparation/Management	60	63	52
Contact management	58	61	54
Market statistics	49	50	49
Transaction management	40	43	26
Social media management tools	38	41	26
Graphics/Presentation	37	38	37
Customer relationship management	36	39	23
Home visualization (e.g. virtual tours or virtual staging)	32	35	11
Video	31	34	14
Property management	28	25	25
QR Code	20	21	10
Marketing automation	19	20	9
Loan analysis	16	17	10
Agent rating	13	14	2

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-13

FIRM PROVIDES OR ENCOURAGES AGENT/BROKER USE OF SPECIFIC SOFTWARE, BY NUMBER OF OFFICES AT FIRM

(Percent of Respondents)

	Number of Offices at Firm				
	All Firms	One office	Two offices	Three offices	Four or more offices
Multiple listing	86%	85%	87%	85%	92%
Comparative market analysis	83	82	90	87	88
Electronic contracts/form	82	80	92	86	92
E-signature	78	75	89	92	91
Document preparation/Management	60	56	73	72	82
Contact management	58	53	75	71	83
Market statistics	49	45	60	67	70
Transaction management	40	35	56	62	64
Social media management tools	38	33	51	55	68
Graphics/Presentation	37	32	48	49	67
Customer relationship management	36	31	53	42	64
Home visualization (e.g. virtual tours or virtual staging)	32	26	47	46	61
Video	31	25	46	59	67
Property management	28	28	32	36	35
QR Code	20	16	28	26	39
Marketing automation	19	14	32	31	42
Loan analysis	16	14	19	30	28
Agent rating	13	10	18	24	30

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-14

EXPERIENCE WITH WIRE FRAUD AT CLOSING, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percentage Distribution)

	All Firms	Residential Firms	Commercial Firms
Yes	6%	7%	3%
No, not aware of this happening at firm	92	92	95
Don't Know	2	2	3

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-15

EXPERIENCE WITH WIRE FRAUD, BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

	Number of Offices at Firm				
	All Firms	One office	Two offices	Three offices	Four or more offices
Yes	6%	4%	9%	15%	29%
No, not aware of this of this happening at firm	92	95	89	85	66
Don't Know	2	1	3	*	5

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-16

WIRE FRAUD EDUCATION TO CLIENTS, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percentage Distribution)

	All Firms	Residential Firms	Commercial Firms
Yes, provide education	49%	53%	33%
No education provided	48	44	64
Don't Know	3	3	4

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-17

WIRE FRAUD EDUCATION TO CLIENTS, BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

	Number of Offices at Firm				
	All Firms	One office	Two offices	Three offices	Four or more offices
Yes, provide education	49%	46%	56%	55%	68%
No education provided	48	51	41	40	30
Don't Know	3	3	3	6	2

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-18

FIRM HAS SOCIAL MEDIA GUIDELINES FOR AGENTS AND EMPLOYEES, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percentage Distribution)

	All Firms	Residential Firms	Commercial Firms
Yes, for personal social media accounts only	4%	4%	3%
Yes, for professional social media accounts only	18	19	18
Yes, for both personal and professional social media account	29	31	14
No, firm does not have guidelines	47	44	61
Don't Know	3	3	4

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-19

FIRM HAS SOCIAL MEDIA GUIDELINES FOR AGENTS AND EMPLOYEES, BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

	Number of Offices at Firm				
	All Firms	One office	Two offices	Three offices	Four or more offices
Yes, for personal social media accounts only	4%	4%	3%	3%	4%
Yes, for professional social media accounts only	18	17	26	23	22
Yes, for both personal and professional social media account	29	26	35	34	47
No, firm does not have guidelines	47	51	35	38	24
Don't Know	3	3	1	3	2

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-20

FIRM USE OF CLOSED COMMUNICATION GROUP, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percentage Distribution)

	All Firms	Residential Firms	Commercial Firms
Yes, uses group*	21%	23%	16%
No	76	74	83
Don't Know	3	3	1

* Such as: Closed Facebook group, Basecamp, Google Group

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-21

FIRM USE OF CLOSED COMMUNICATION GROUP, BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

	Number of Offices at Firm				
	All Firms	One office	Two offices	Three offices	Four or more offices
Yes, uses group*	21%	16%	28%	43%	56%
No	76	81	69	53	41
Don't Know	3	3	3	4	4

* Such as: Closed Facebook group, Basecamp, Google Group

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-22

FIRM VIRTUAL OFFICE, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percentage Distribution)

	All Firms	Residential Firms	Commercial Firms
Yes*	22%	23%	23%
No	77	76	76
Don't Know	1	1	1

*A firm that does not have a fixed location, and employees may work from home or in different cities and countries.

BUSINESS ACTIVITY OF FIRMS

Exhibit 2-23

FIRM VIRTUAL OFFICE, BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

	Number of Offices at Firm				
	All Firms	One office	Two offices	Three offices	Four or more offices
Yes*	22%	22%	21%	16%	22%
No	77	77	78	82	77
Don't Know	1	1	1	3	1

*A firm that does not have a fixed location, and employees may work from home or in different cities and countries.

BENEFITS

- Exhibit 3-1 BENEFITS RECEIVED BY INDEPENDENT CONTRACTORS/LICENSEES/AGENTS
- Exhibit 3-2 BENEFITS RECEIVED BY SALARIED LICENSEES/AGENTS
- Exhibit 3-3 BENEFITS RECEIVED BY ADMINISTRATIVE STAFF
- Exhibit 3-4 BENEFITS RECEIVED BY SENIOR MANAGEMENT

BENEFITS

Exhibit 3-1

BENEFITS RECEIVED BY INDEPENDENT CONTRACTORS/LICENSEES/AGENTS

(Percentage Distribution)

	Employee Pays	Firms Pays	Both Pay	Not Offered
Errors and Omissions (E&O) Insurance/Liability Insurance	26%	37%	18%	18%
Health insurance	17	2	1	79
Dental care	10	*	1	89
Vision care	10	*	*	90
Disability insurance	9	2	*	89
Life insurance	9	*	1	91
Long-term care insurance	9	*	*	90
Vacation/sick days	9	2	*	89
Pension plan/401(k)/SEP	8	*	1	91

*Less than 1 percent

BENEFITS

Exhibit 3-2

BENEFITS RECEIVED BY SALARIED LICENSEES/AGENTS

(Percentage Distribution)

	Employee Pays	Firms Pays	Both Pay	Not Offered
Errors and Omissions (E&O) Insurance/Liability Insurance	10%	26%	7%	58%
Health insurance	7	4	4	85
Dental care	6	2	2	90
Disability insurance	6	3	1	90
Long-term care insurance	6	1	1	92
Vision care	6	1	2	92
Life insurance	5	2	1	92
Pension plan/401(k)/SEP	4	1	4	91
Vacation/sick days	4	12	1	84

BENEFITS

Exhibit 3-3

BENEFITS RECEIVED BY ADMINISTRATIVE STAFF

(Percentage Distribution)

	Employee Pays	Firms Pays	Both Pay	Not Offered
Dental care	7%	5%	5%	84%
Health insurance	7	11	10	73
Disability insurance	6	7	3	85
Long-term care insurance	6	3	3	89
Vision care	6	3	5	86
Life insurance	5	4	2	89
Errors and Omissions (E&O)				
Insurance/Liability Insurance	4	36	3	58
Pension plan/401(k)/SEP	4	4	7	84
Vacation/sick days	3	35	2	60

BENEFITS

Exhibit 3-4

BENEFITS RECEIVED BY SENIOR MANAGEMENT

(Percentage Distribution)

	Employee Pays	Firms Pays	Both Pay	Not Offered
Dental care	8%	6%	5%	82%
Errors and Omissions (E&O) Insurance/Liability Insurance	8	45	6	41
Health insurance	8	15	8	69
Life insurance	7	8	2	83
Long-term care insurance	7	4	2	86
Vision care	7	5	4	84
Disability insurance	6	7	3	84
Pension plan/401(k)/SEP	6	5	7	82
Vacation/sick days	4	22	1	73

FUTURE OUTLOOK OF FIRMS

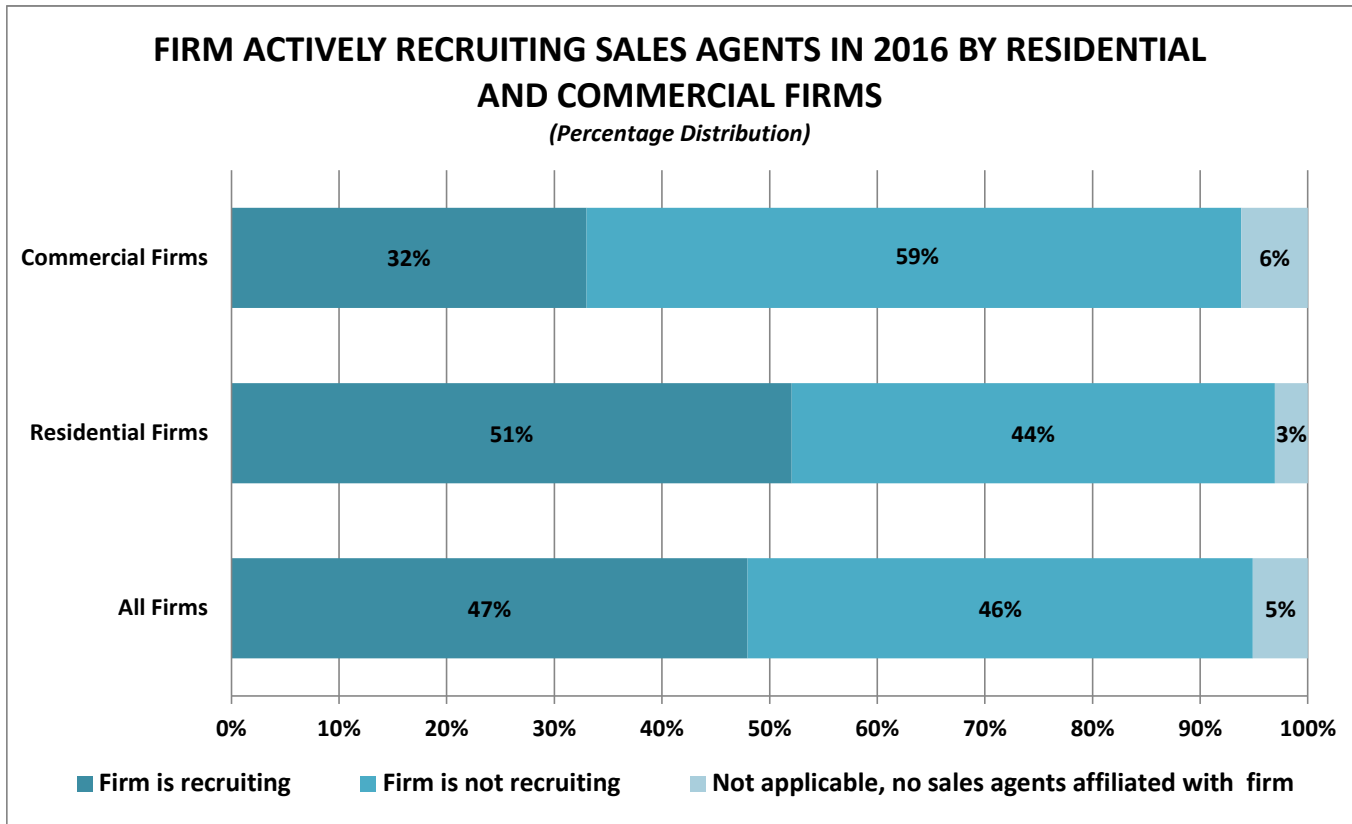
Exhibit 4-1	FIRM ACTIVELY RECRUITING SALES AGENTS IN 2016, BY RESIDENTIAL AND COMMERCIAL FIRMS
Exhibit 4-2	FIRM ACTIVELY RECRUITING SALES AGENTS IN 2016, BY NUMBER OF OFFICES AT FIRM
Exhibit 4-3	REASON FOR FIRM TO ACTIVELY RECRUIT SALES AGENTS, BY RESIDENTIAL AND COMMERCIAL FIRMS
Exhibit 4-4	REASON FOR FIRM TO ACTIVELY RECRUIT SALES AGENTS, BY NUMBER OF OFFICES AT FIRM
Exhibit 4-5	EXPECTATION ON PROFITABILITY (NET INCOME) FROM ALL REAL ESTATE ACTIVITIES FROM MID-2016 TO MID-2017, BY RESIDENTIAL AND COMMERCIAL FIRMS
Exhibit 4-6	EXPECTATION ON PROFITABILITY (NET INCOME) FROM ALL REAL ESTATE ACTIVITIES FROM MID-2016 TO MID-2017, BY NUMBER OF OFFICES AT FIRM
Exhibit 4-7	EXPECTATION OF LEVEL OF COMPETITION IN THE NEXT YEAR (MID-2016 TO MID-2017)
Exhibit 4-8	BIGGEST CHALLENGES FACING FIRM IN NEXT TWO YEARS, BY RESIDENTIAL AND COMMERCIAL FIRMS
Exhibit 4-9	BIGGEST CHALLENGES FACING FIRM IN NEXT TWO YEARS, BY NUMBER OF OFFICES AT FIRM
Exhibit 4-10	PREDICTION OF GENERATIONS EFFECT ON THE INDUSTRY IN THE NEXT 2 YEARS, BY RESIDENTIAL AND COMMERCIAL FIRMS
Exhibit 4-11	PREDICTION OF GENERATIONS EFFECT ON THE INDUSTRY IN THE NEXT 2 YEARS, BY NUMBER OF OFFICES AT FIRM
Exhibit 4-12	FIRM EXIT PLAN, BY RESIDENTIAL AND COMMERCIAL FIRMS
Exhibit 4-13	FIRM EXIT PLAN, BY NUMBER OF OFFICES AT FIRM
Exhibit 4-14	FAMILY RELATIONSHIPS IN FIRM, BY RESIDENTIAL AND COMMERCIAL FIRMS
Exhibit 4-15	FAMILY RELATIONSHIPS IN FIRM, BY NUMBER OF OFFICES AT FIRM
Exhibit 4-16	TYPE OF FAMILY RELATIONSHIPS IN FIRM, BY RESIDENTIAL AND COMMERCIAL FIRMS
Exhibit 4-17	TYPE OF FAMILY RELATIONSHIPS IN FIRM, BY NUMBER OF OFFICES AT FIRM
Exhibit 4-18	FIRM ENCOURAGEMENT TO VOLUNTEER, BY RESIDENTIAL AND COMMERCIAL FIRMS
Exhibit 4-19	FIRM ENCOURAGEMENT TO VOLUNTEER, BY NUMBER OF OFFICES AT FIRM

FUTURE OUTLOOK OF FIRMS

Exhibit 4-1

FIRM ACTIVELY RECRUITING SALES AGENTS IN 2016, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percentage Distribution)

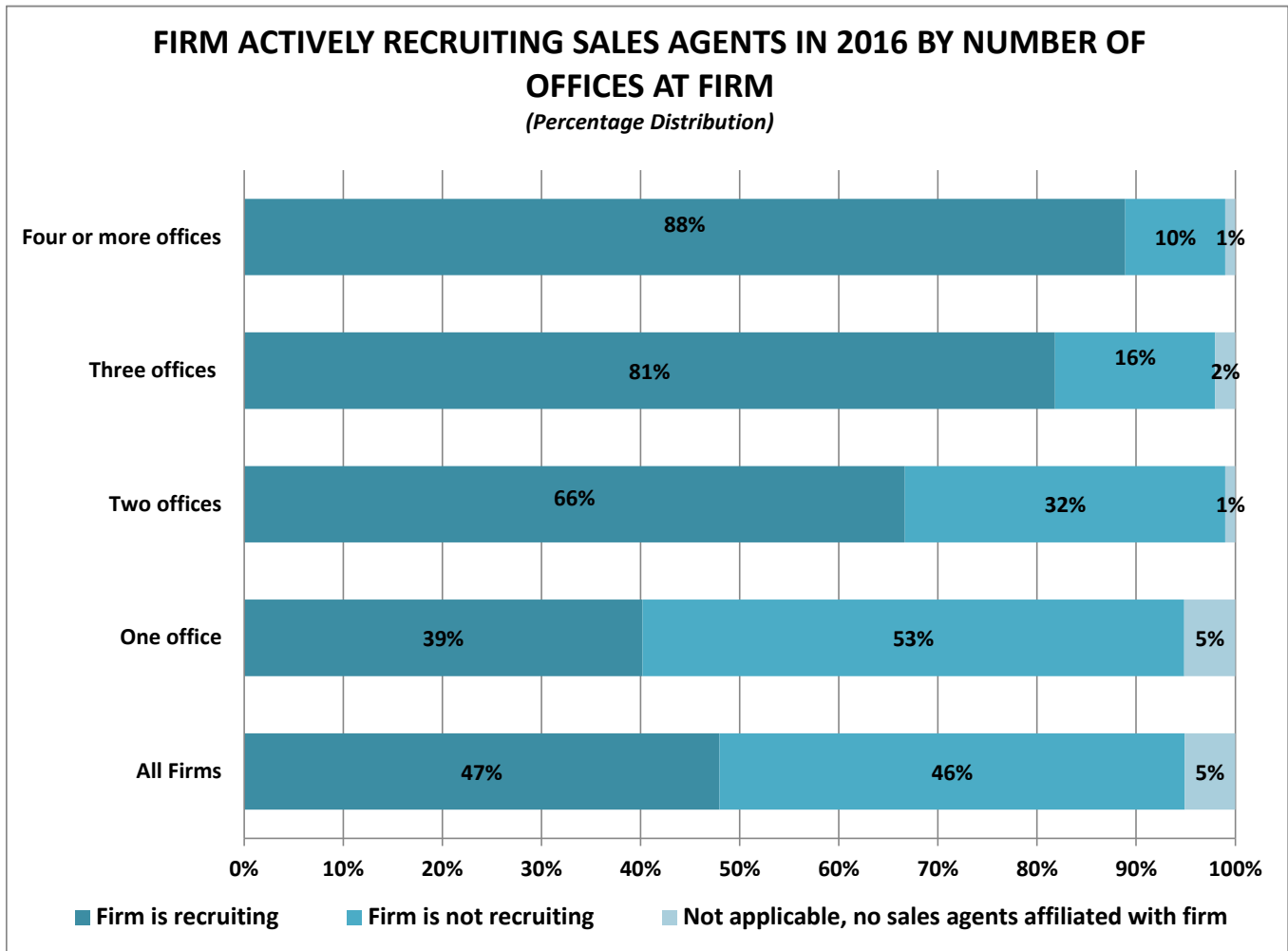


FUTURE OUTLOOK OF FIRMS

Exhibit 4-2

FIRM ACTIVELY RECRUITING SALES AGENTS IN 2016, BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

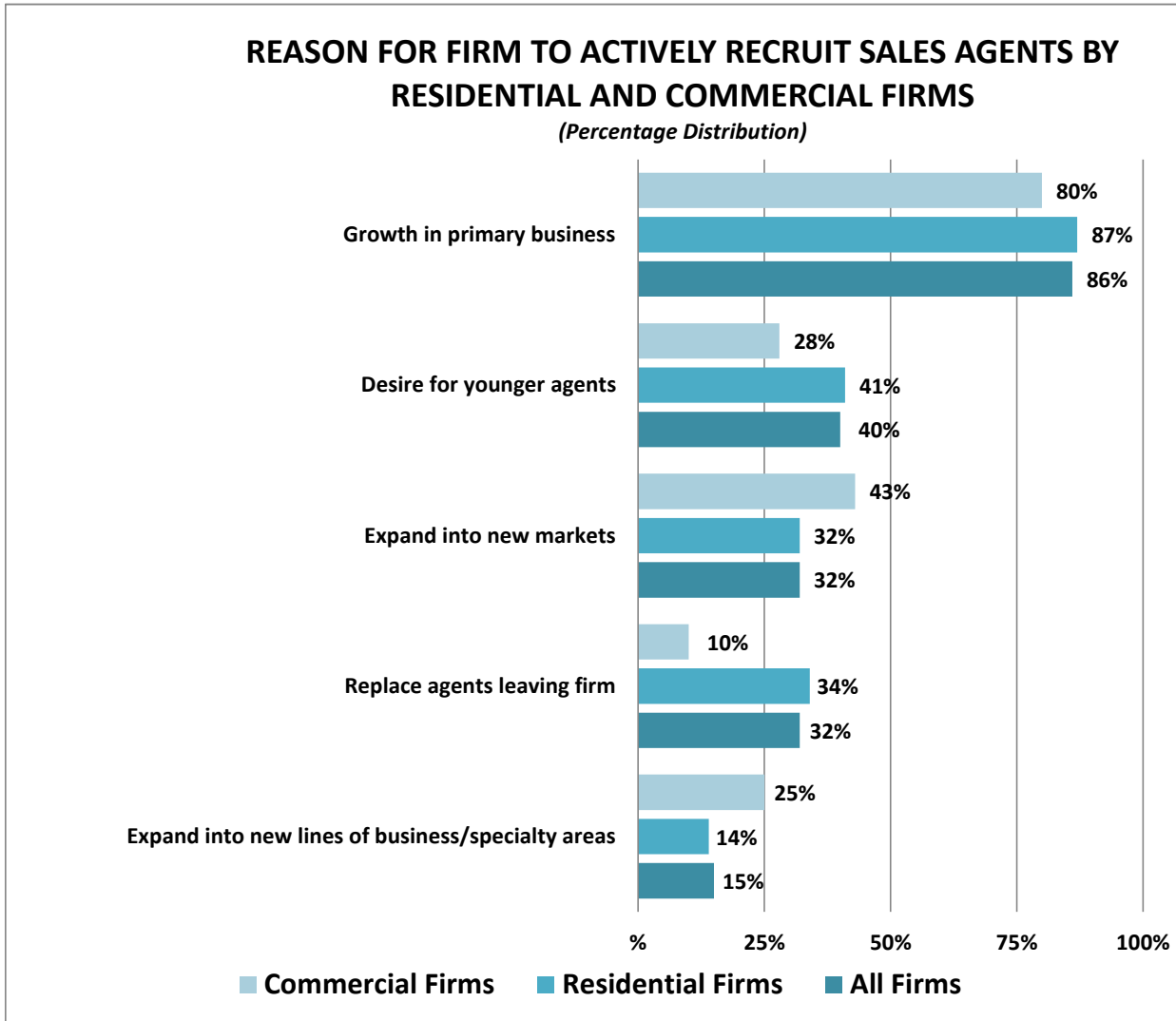


FUTURE OUTLOOK OF FIRMS

Exhibit 4-3

REASON FOR FIRM TO ACTIVELY RECRUIT SALES AGENTS, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percentage Distribution)

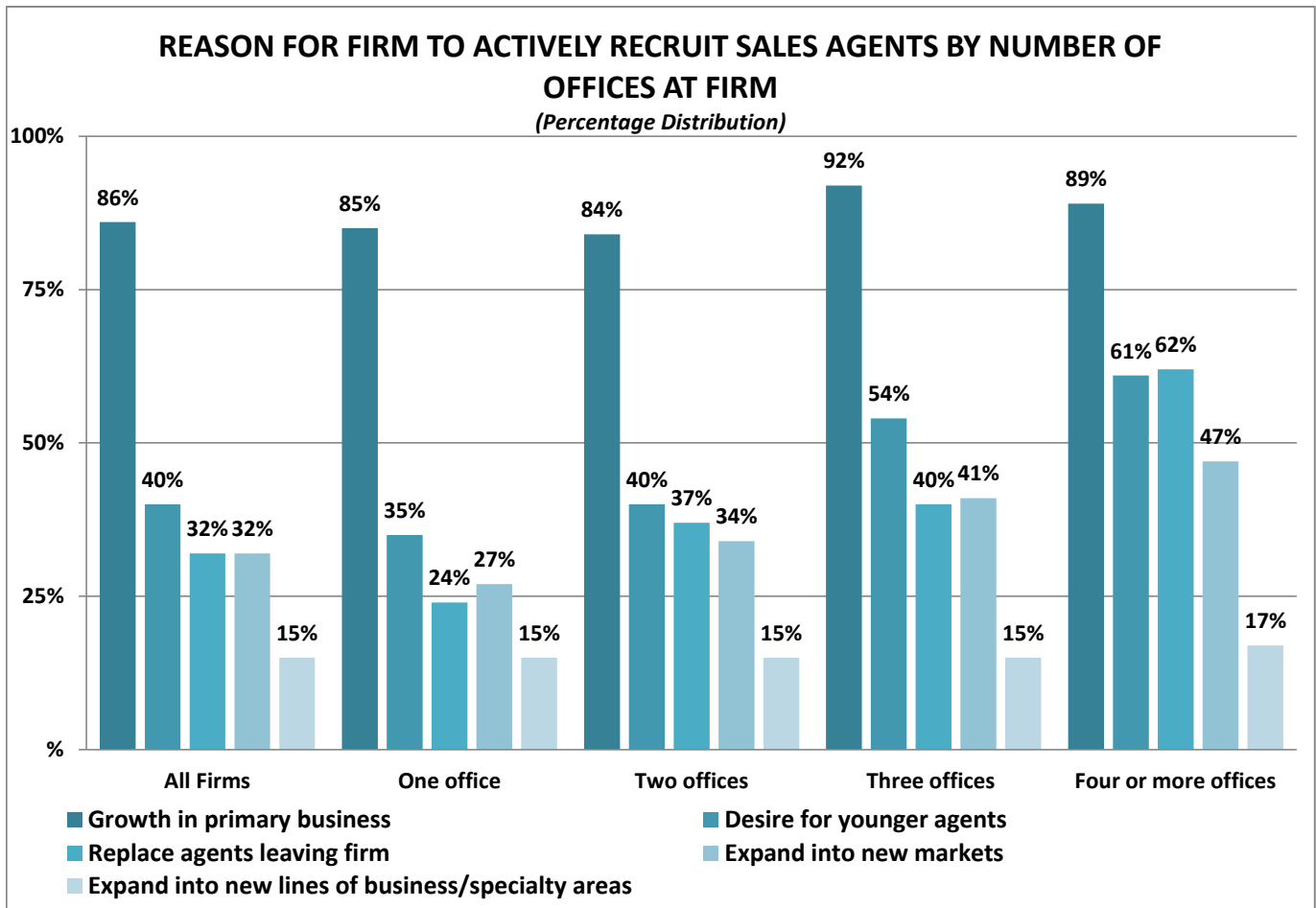


FUTURE OUTLOOK OF FIRMS

Exhibit 4-4

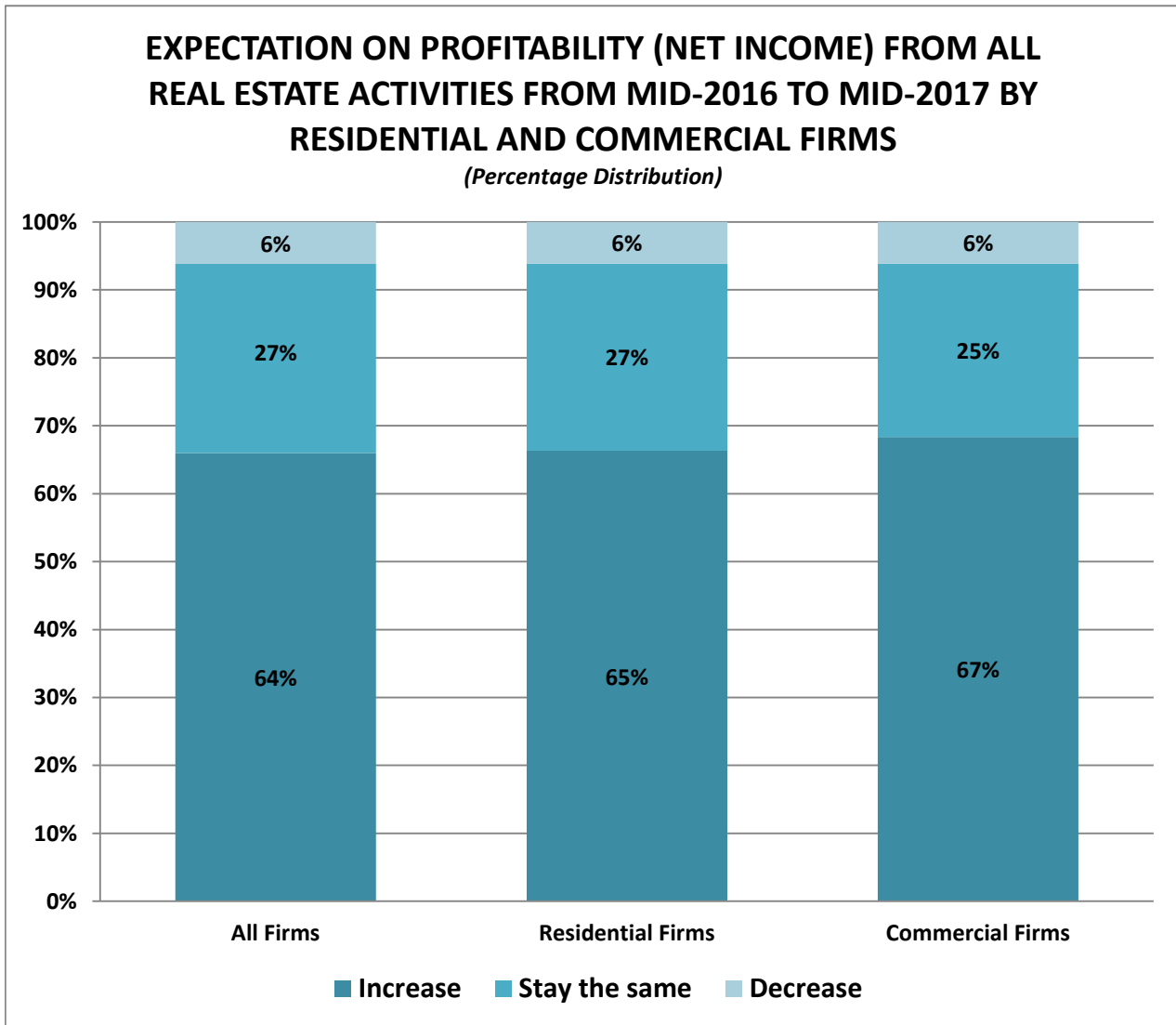
REASON FOR FIRM TO ACTIVELY RECRUIT SALES AGENTS, BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)



FUTURE OUTLOOK OF FIRMS

Exhibit 4-5
EXPECTATION ON PROFITABILITY (NET INCOME) FROM ALL REAL ESTATE ACTIVITIES FROM MID-2016 TO MID-2017, BY RESIDENTIAL AND COMMERCIAL FIRMS
(Percentage Distribution)

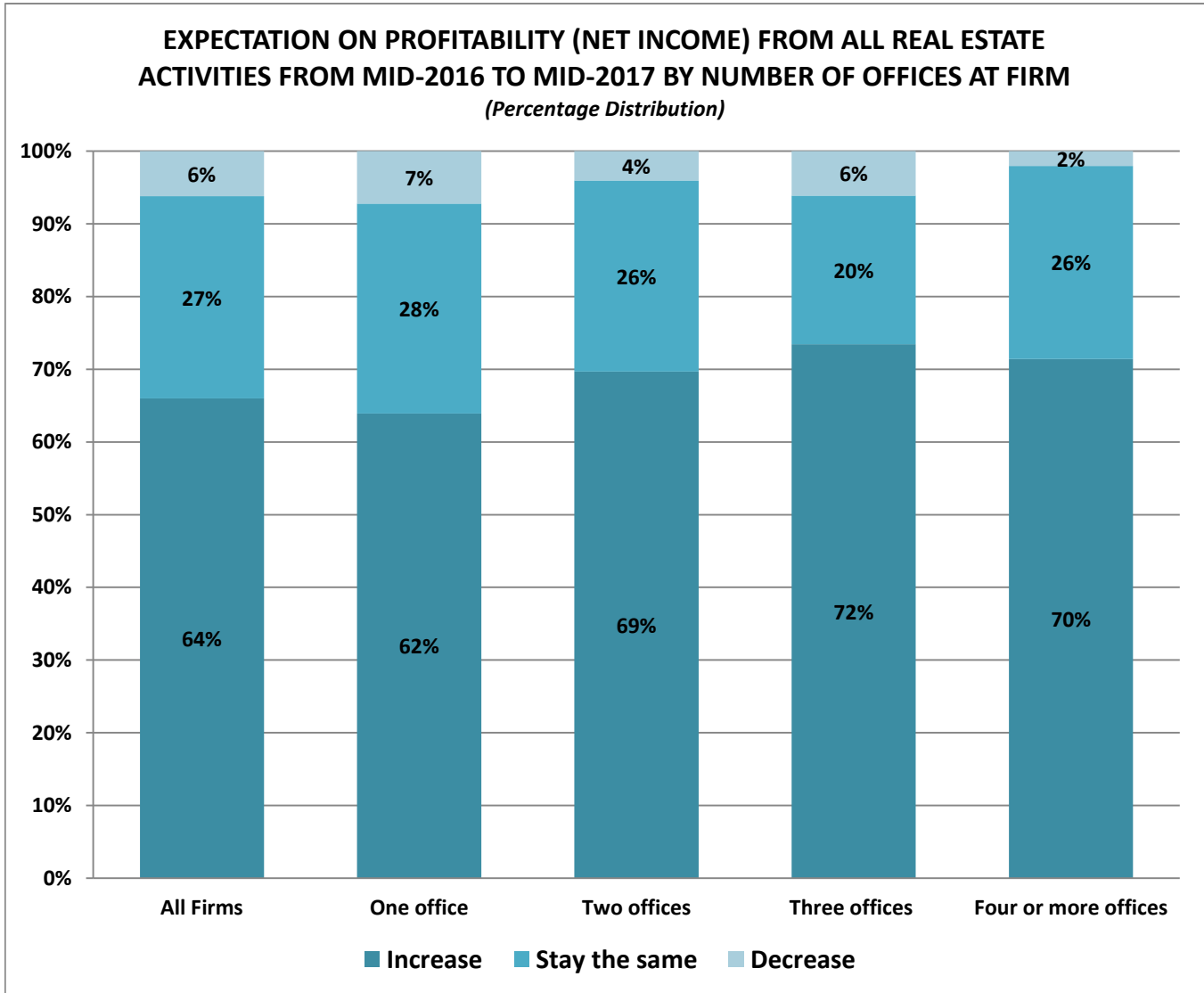


FUTURE OUTLOOK OF FIRMS

Exhibit 4-6

EXPECTATION ON PROFITABILITY (NET INCOME) FROM ALL REAL ESTATE ACTIVITIES FROM MID-2016 TO MID-2017, BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

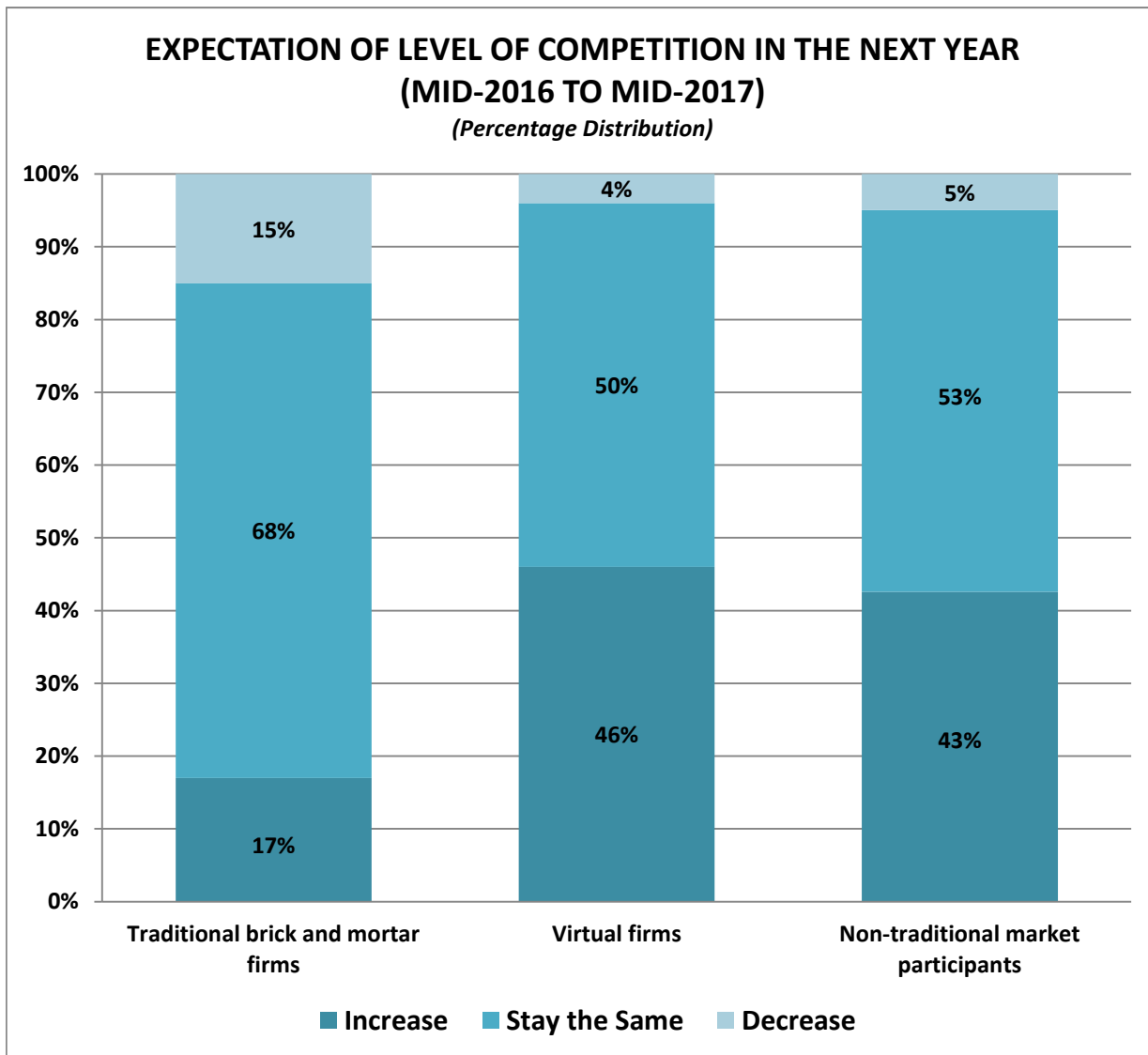


FUTURE OUTLOOK OF FIRMS

Exhibit 4-7

EXPECTATION OF LEVEL OF COMPETITION IN THE NEXT YEAR (MID-2016 TO MID-2017)

(Percentage Distribution)



FUTURE OUTLOOK OF FIRMS

Exhibit 4-8

BIGGEST CHALLENGES FACING FIRM IN NEXT TWO YEARS, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percent of Respondents)

	All Firms	Residential Firms	Commercial Firms
Profitability	49%	49%	44%
Keeping up with technology	48	49	43
Maintaining sufficient inventory	48	51	44
Recruiting younger agents	36	39	20
Local or regional economic conditions	35	34	44
Competition from nontraditional market participants	35	37	16
Competition from traditional brick and mortar firms	33	35	30
State and local legislation and regulation	28	26	36
Agent retention	24	26	16
Competition from new virtual firms	21	23	8
Off market listings (pocket listings)	18	19	19
Liability in a digital world (contracts, signatures, etc.)	18	19	7
TRID (TILA-RESPA Integrated Disclosure)	17	19	6
Protecting client data	15	16	8
Wire Fraud	12	13	4
Listing data security	11	12	2
Piracy/scraping	9	9	2
Industry consolidation	6	6	8
Drones and regulation of drones	5	5	5
State and local laws involving legal marijuana	4	3	4

FUTURE OUTLOOK OF FIRMS

Exhibit 4-9

BIGGEST CHALLENGES FACING FIRM IN NEXT TWO YEARS, BY NUMBER OF OFFICES AT FIRM

(Percent of Respondents)

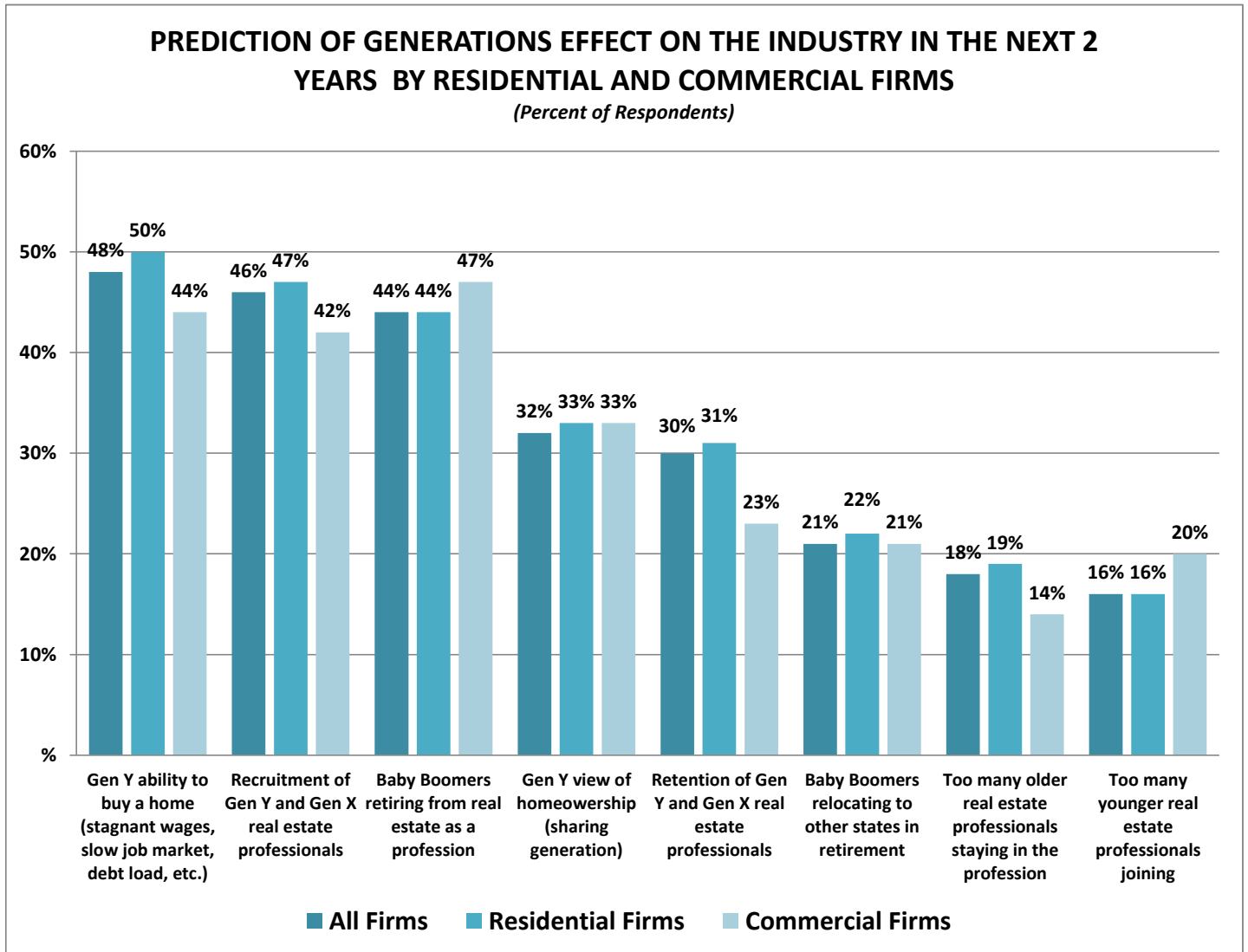
	All Firms	Number of Offices at Firm			
		One office	Two offices	Three offices	Four or more offices
Profitability	49%	47%	50%	49%	60%
Keeping up with technology	48	47	46	51	51
Maintaining sufficient inventory	48	47	52	49	57
Recruiting younger agents	36	40	44	60	67
Local or regional economic conditions	35	35	40	29	35
Competition from nontraditional market participants	35	33	46	40	36
Competition from traditional brick and mortar firms	33	34	35	36	40
State and local legislation and regulation	28	27	31	38	31
Agent retention	24	19	36	44	54
Competition from new virtual firms	21	20	25	29	22
Off market listings (pocket listings)	18	18	19	10	20
Liability in a digital world (contracts, signatures, etc.)	18	18	18	14	22
TRID (TILA-RESPA Integrated Disclosure)	17	16	19	21	25
Protecting client data	15	14	16	14	23
Wire Fraud	12	11	11	17	23
Listing data security	11	10	10	9	19
Piracy/scraping	9	8	11	12	15
Industry consolidation	6	5	8	10	7
Drones and regulation of drones	5	5	4	3	5
State and local laws involving legal marijuana	4	4	6	5	4

FUTURE OUTLOOK OF FIRMS

Exhibit 4-10

PREDICTION OF GENERATIONS EFFECT ON THE INDUSTRY IN THE NEXT 2 YEARS, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percent of Respondents)

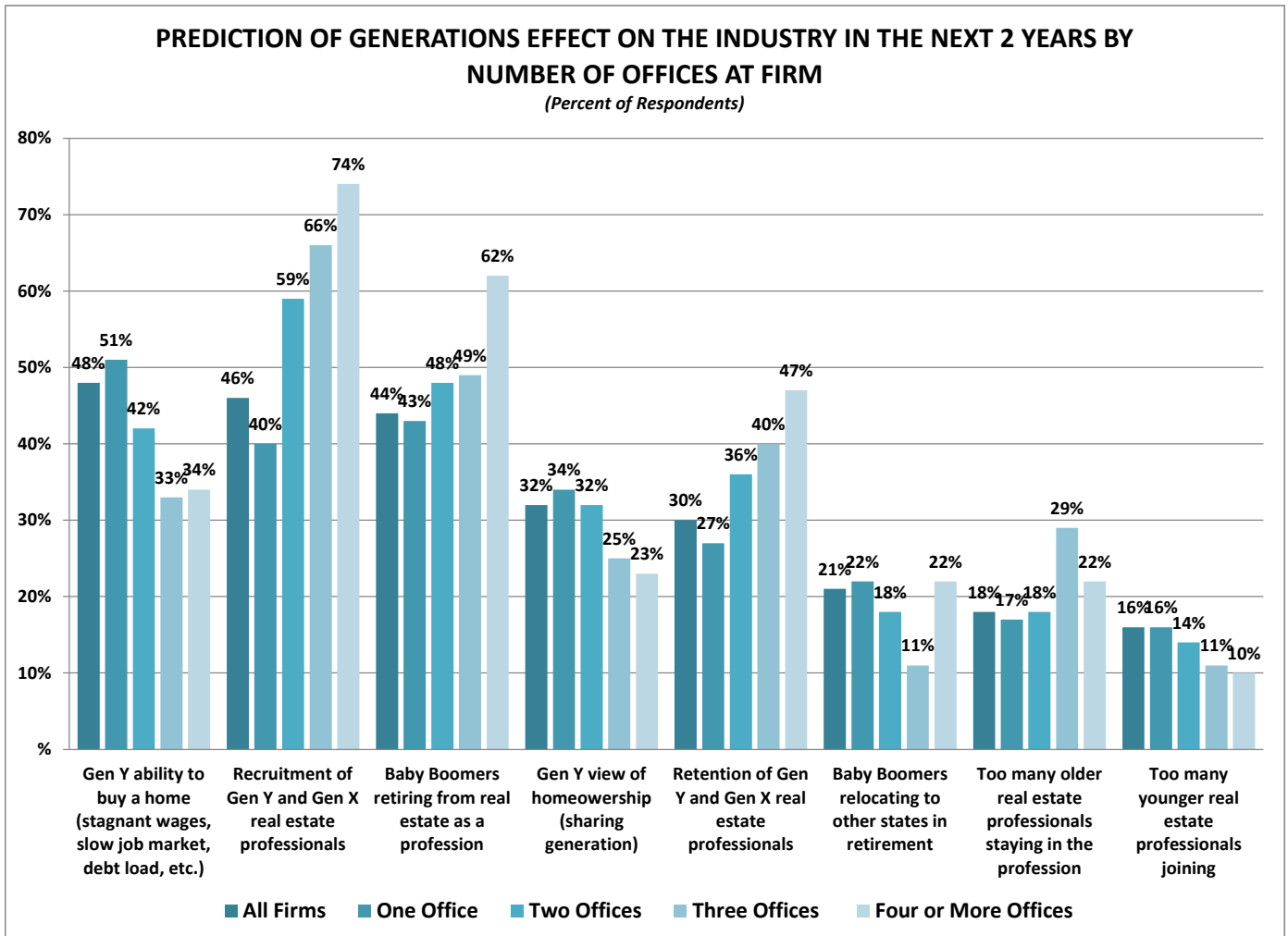


FUTURE OUTLOOK OF FIRMS

Exhibit 4-11

PREDICTION OF GENERATIONS EFFECT ON THE INDUSTRY IN THE NEXT 2 YEARS, BY NUMBER OF OFFICES AT FIRM

(Percent of Respondents)

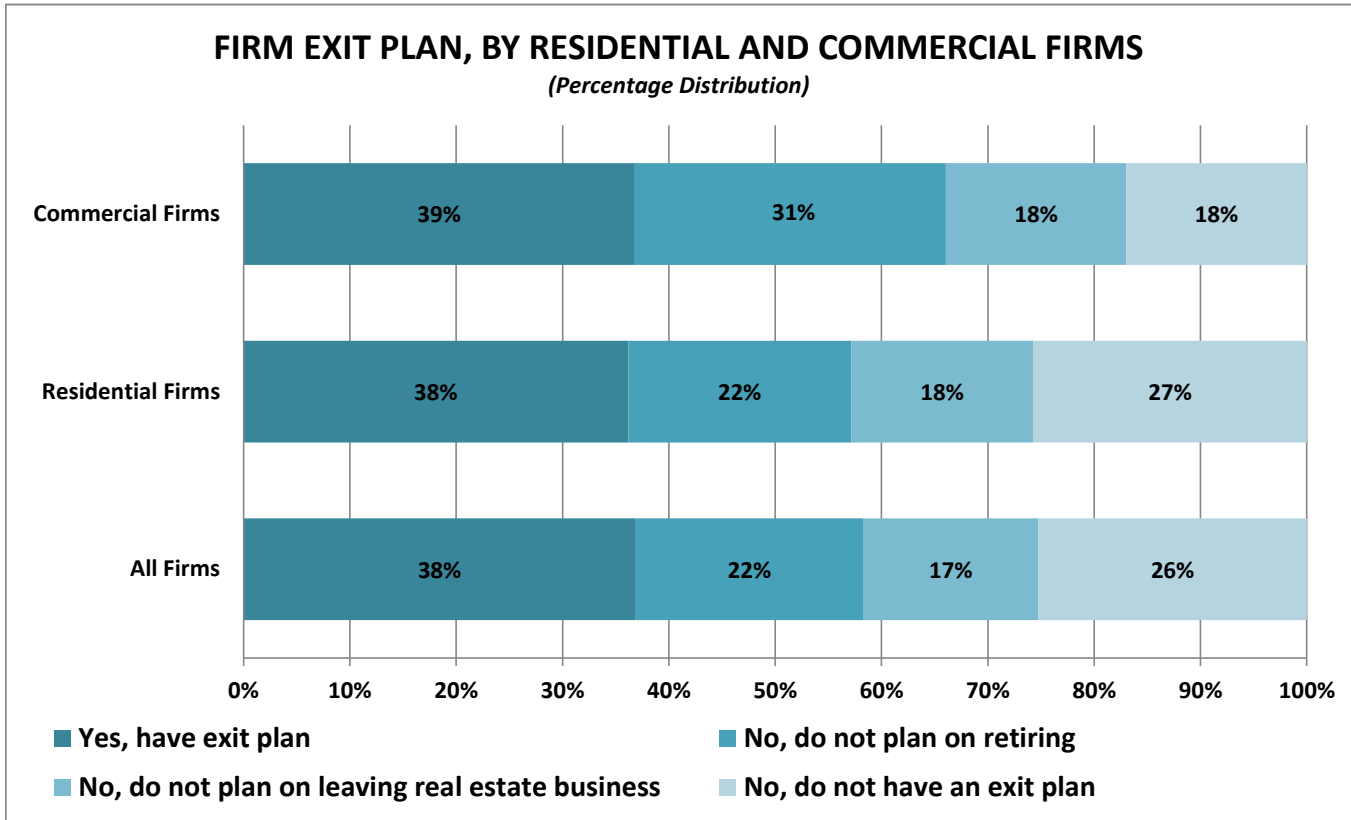


FUTURE OUTLOOK OF FIRMS

Exhibit 4-12

FIRM EXIT PLAN, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percentage Distribution)

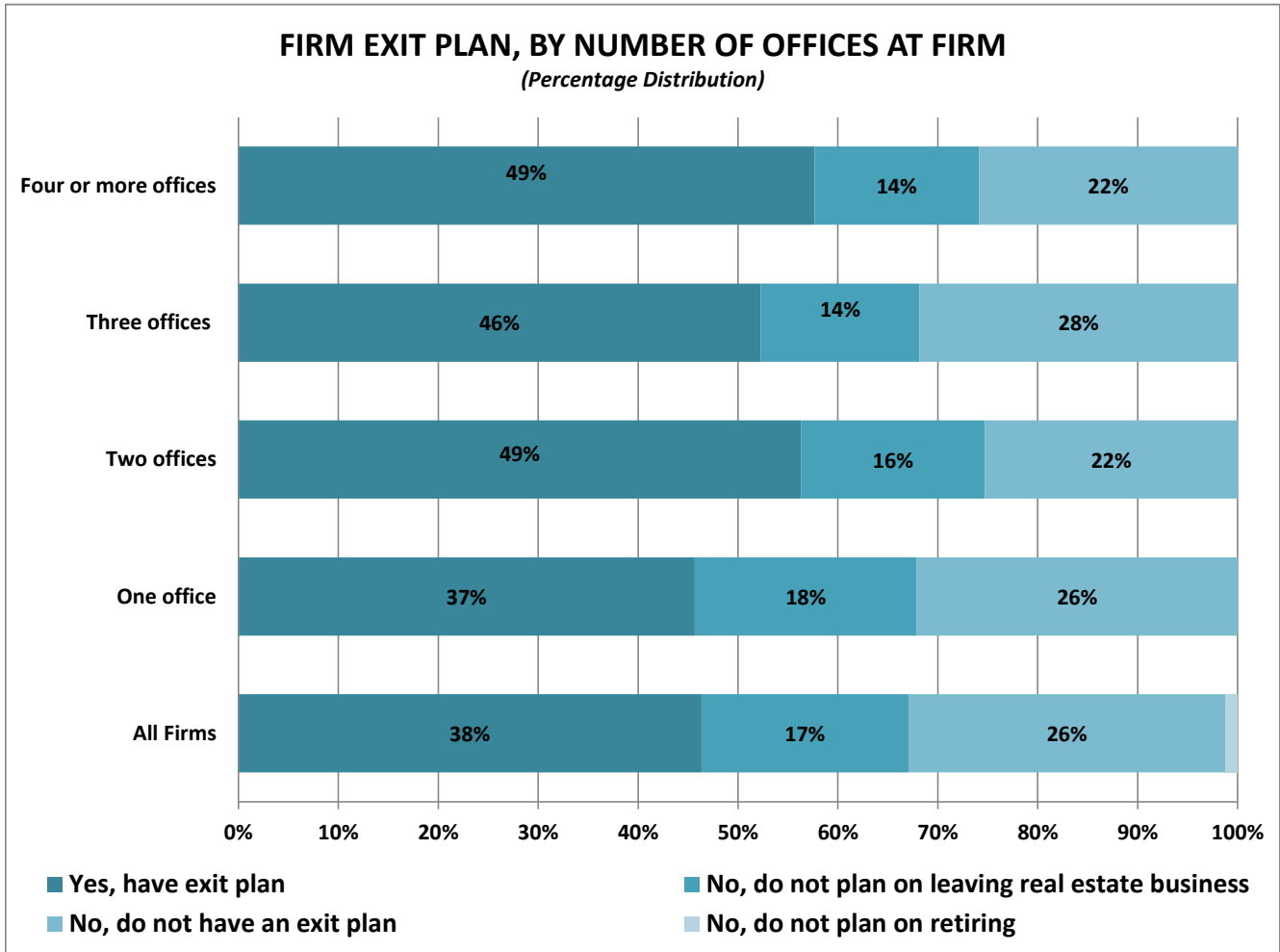


FUTURE OUTLOOK OF FIRMS

Exhibit 4-13

FIRM EXIT PLAN, BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

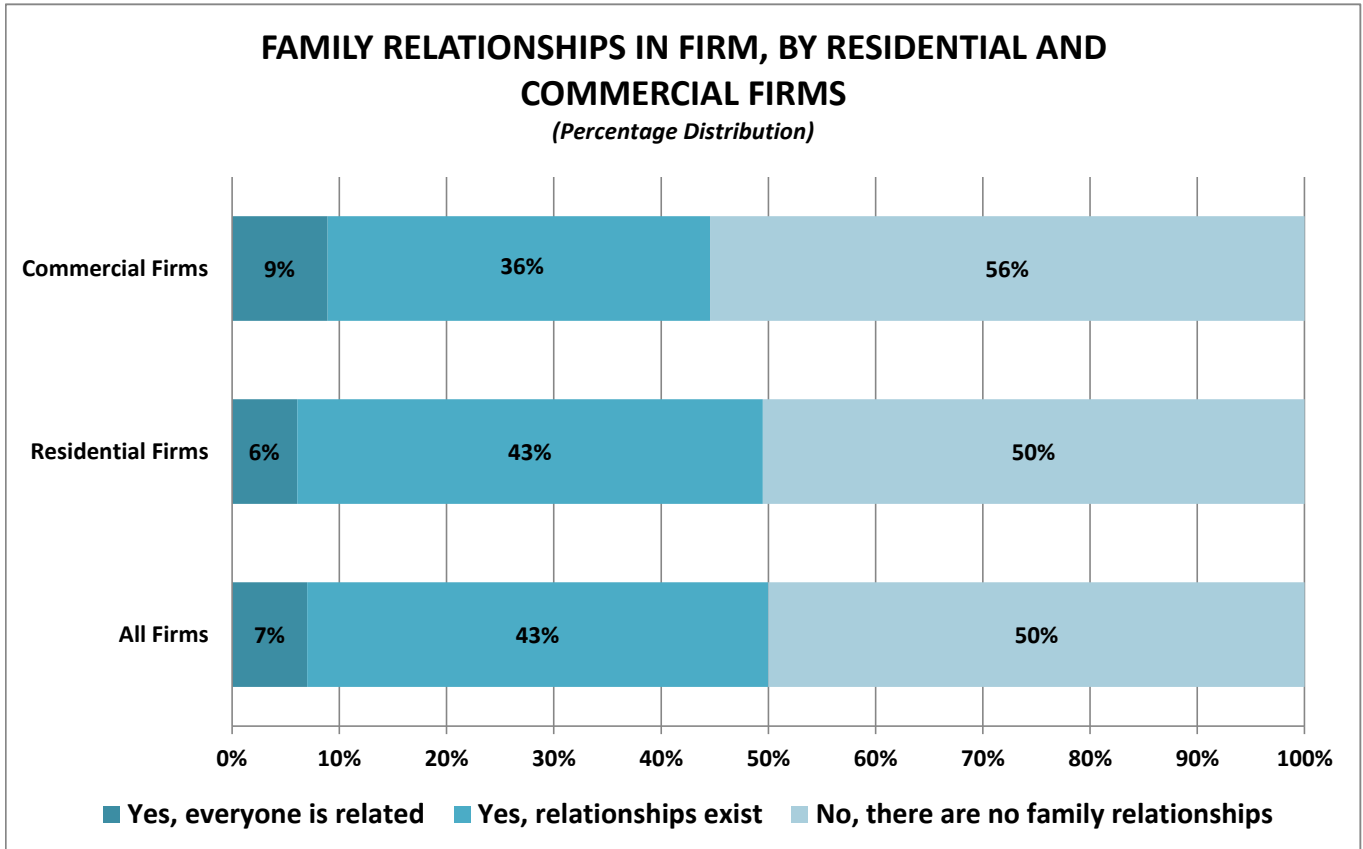


FUTURE OUTLOOK OF FIRMS

Exhibit 4-14

FAMILY RELATIONSHIPS IN FIRM, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percentage Distribution)

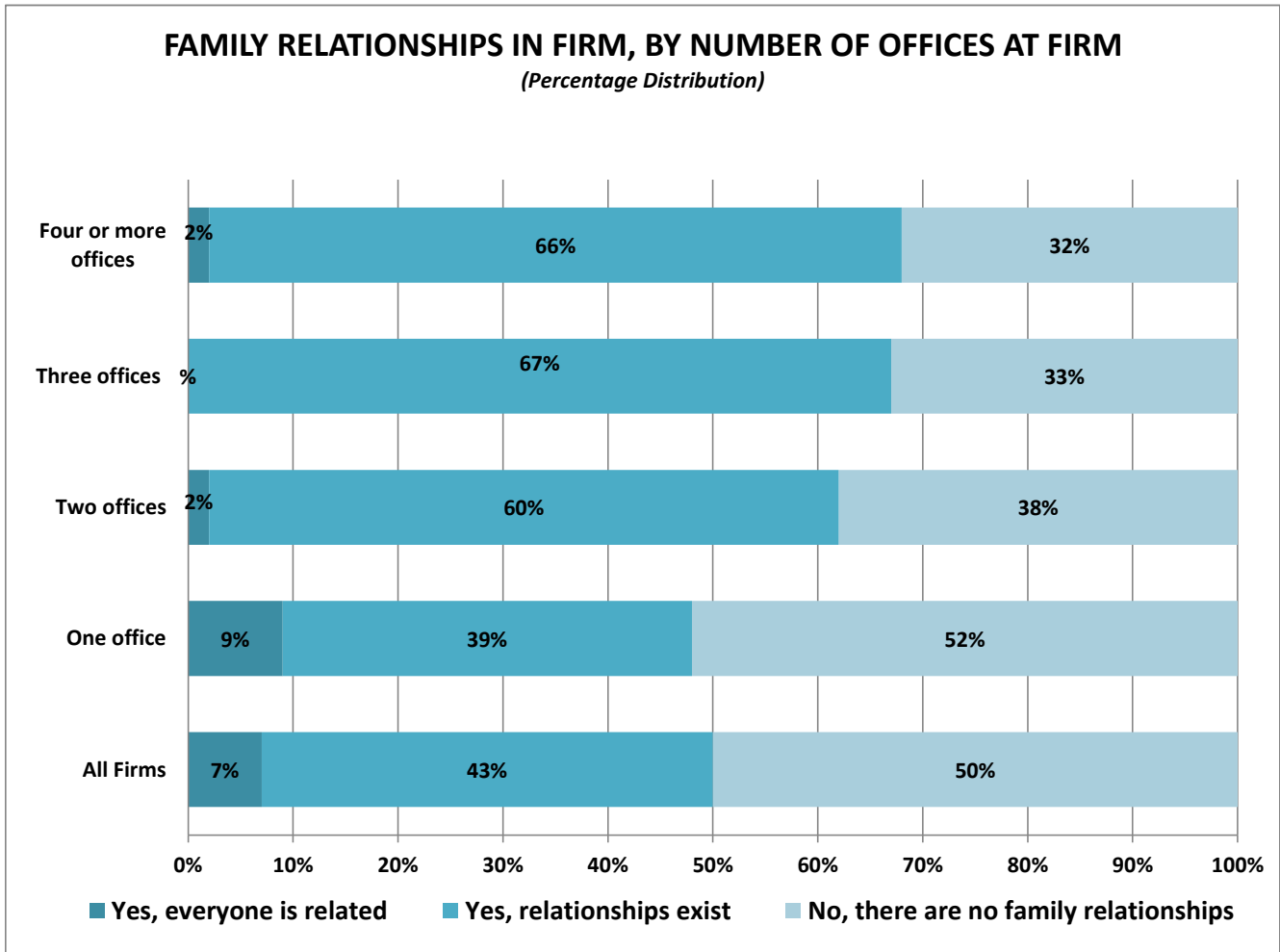


FUTURE OUTLOOK OF FIRMS

Exhibit 4-15

FAMILY RELATIONSHIPS IN FIRM, BY NUMBER OF OFFICES AT FIRM

(Percentage Distribution)

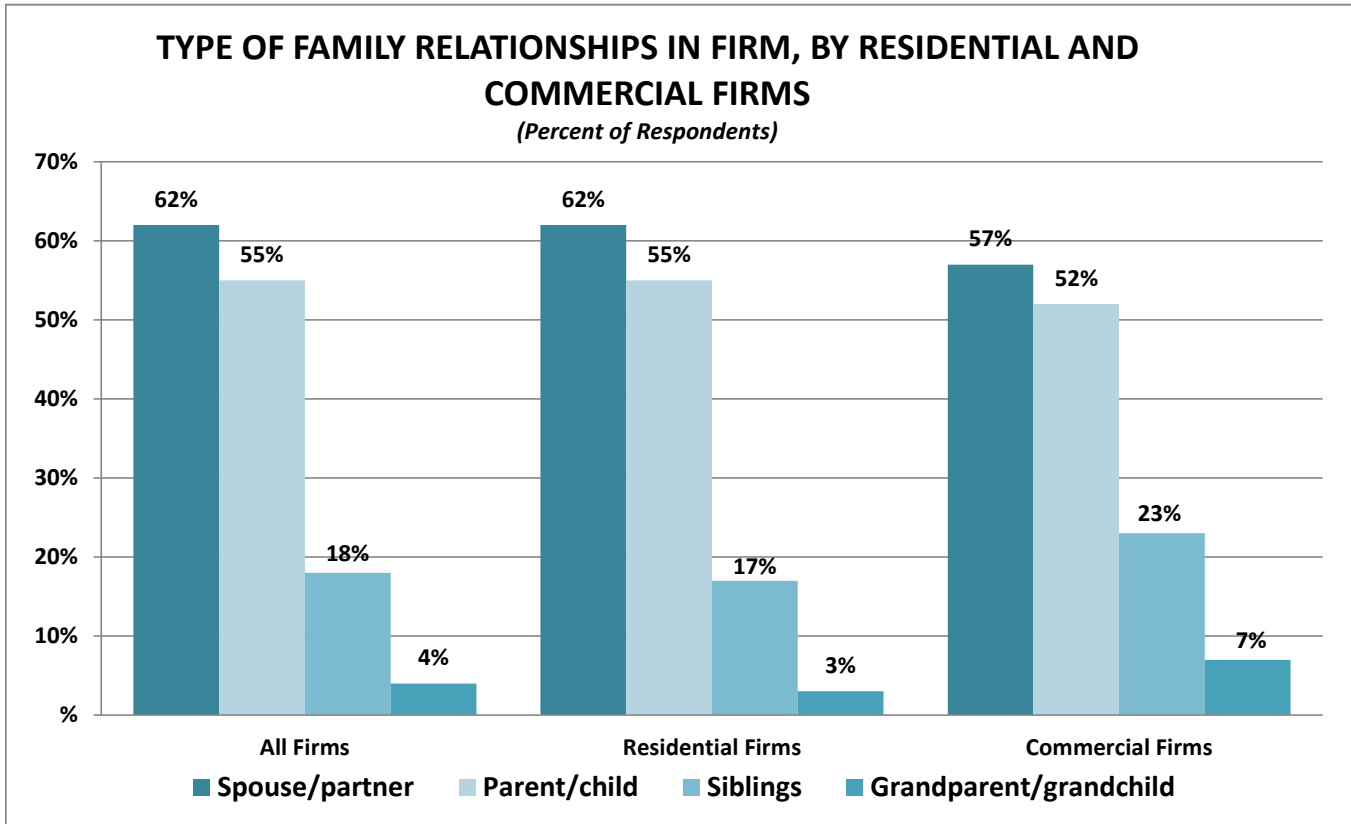


FUTURE OUTLOOK OF FIRMS

Exhibit 4-16

TYPE OF FAMILY RELATIONSHIPS IN FIRM, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percent of Respondents)

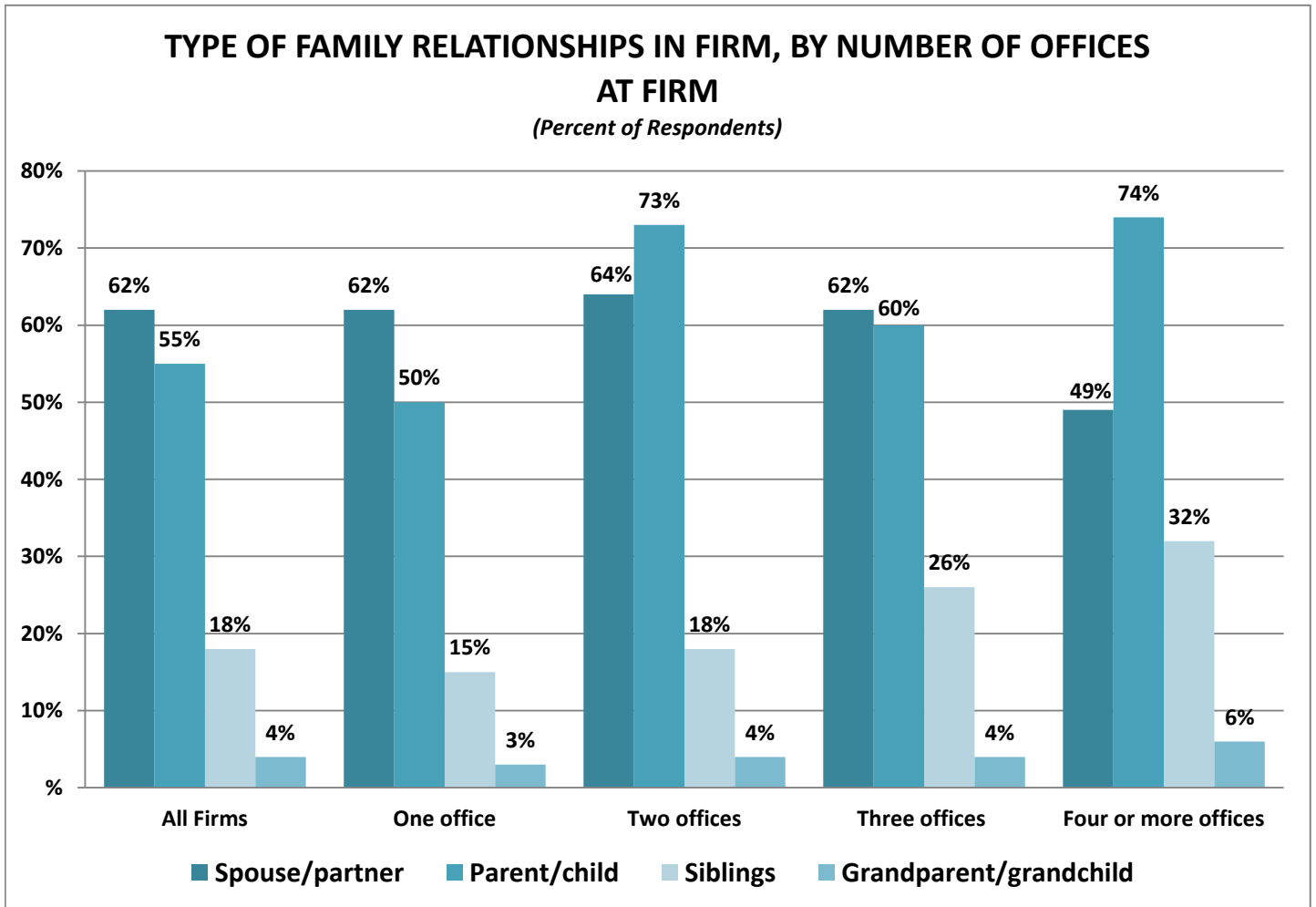


FUTURE OUTLOOK OF FIRMS

Exhibit 4-17

TYPE OF FAMILY RELATIONSHIPS IN FIRM, BY NUMBER OF OFFICES AT FIRM

(Percent of Respondents)

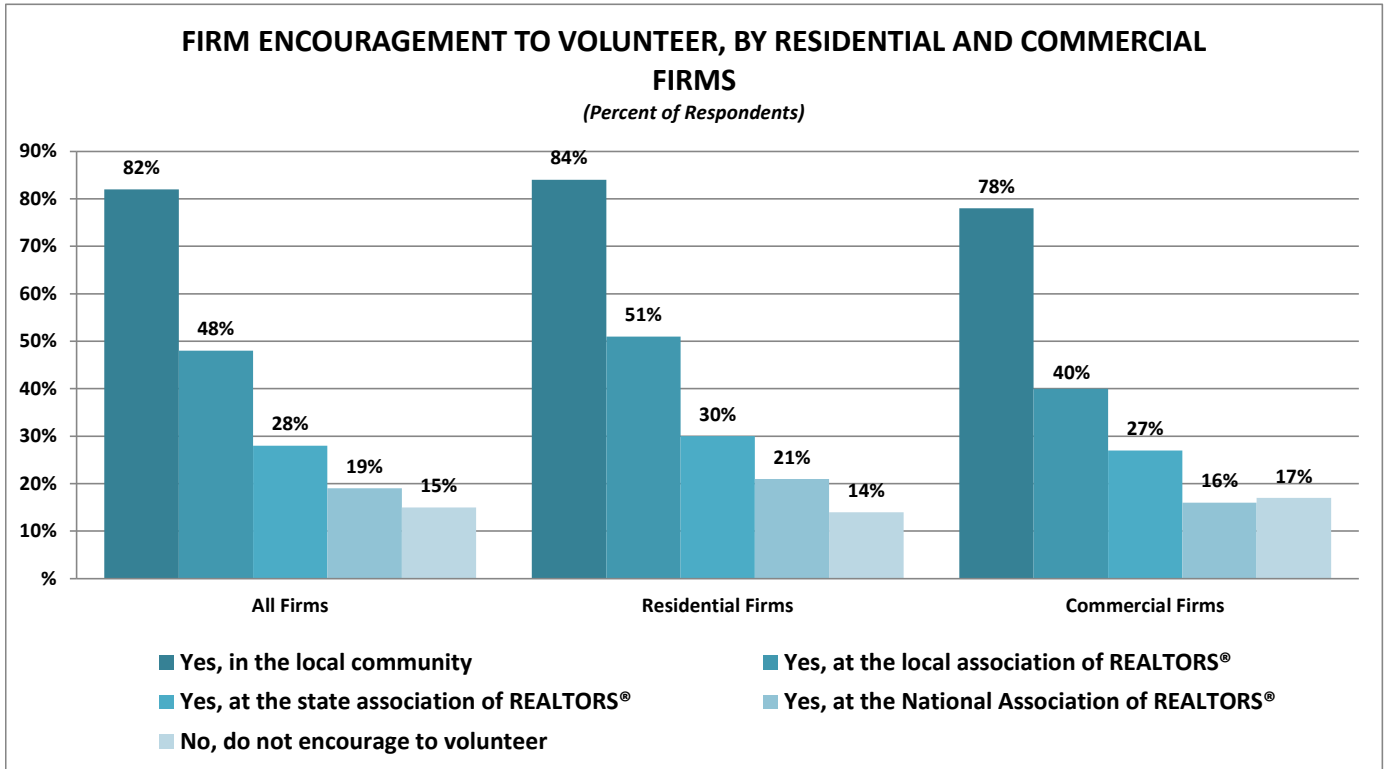


FUTURE OUTLOOK OF FIRMS

Exhibit 4-18

FIRM ENCOURAGEMENT TO VOLUNTEER, BY RESIDENTIAL AND COMMERCIAL FIRMS

(Percent of Respondents)

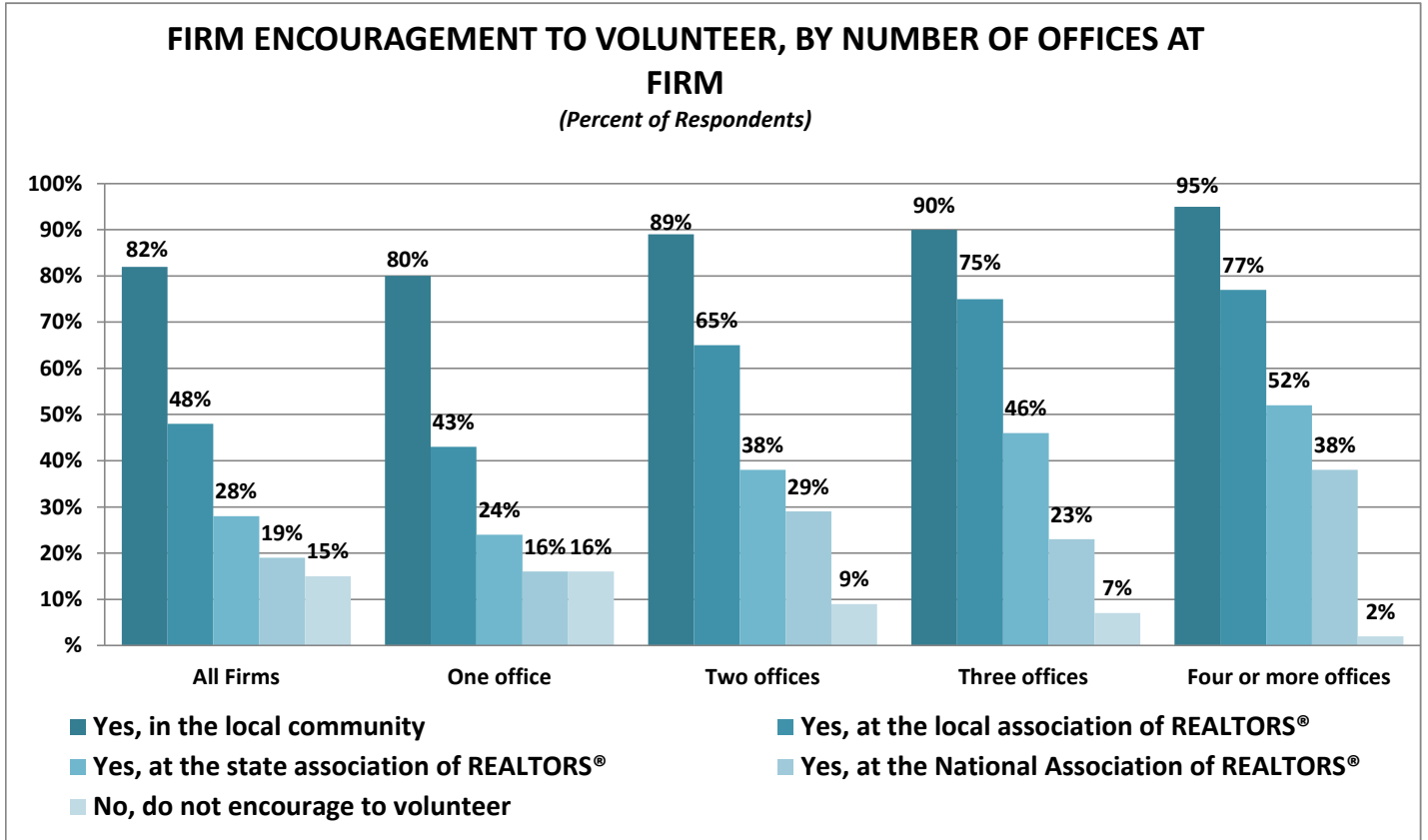


FUTURE OUTLOOK OF FIRMS

Exhibit 4-19

FIRM ENCOURAGEMENT TO VOLUNTEER, BY NUMBER OF OFFICES AT FIRM

(Percent of Respondents)



Methodology

In July 2016, NAR invited a random sample of 147,835 REALTORS® who are executives at real estate firms to fill out an online survey. A total of 4,567 useable responses were received for an overall response rate of 3.1 percent. All information in this report is representative of member characteristics in 2016 while sales and lease transaction values and other statistics where noted are of calendar year 2015.

The primary measure of central tendency used throughout this report is the median – the middle point in the distribution of responses to a particular question or, equivalently, the point at which half of the responses are above and below a particular value.





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