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Who's Earning Big Bucks?

Survey Says: Longer Hours Equal Higher Income

By G. Stacy Sirmans and Philip G. Swicegood

What determines how much income Texas real estate licensees earn? Is it simply working more hours? Do experience and education count? What about gender, types of properties they sell, where they work, computer knowledge, access to personal assistants, and other factors?

A 1997 survey of 2,500 Texas licensees provides some answers. Brokers and salespersons—both active and inactive—were surveyed, and results from the 374 responses were analyzed.

The real estate sales industry has been characterized as having high turnover, low per capita income and increasing competition. Customer satisfaction and service quality are factors critical to successfully competing in this industry. Because the principal asset of the brokerage firm is its workforce, understanding this resource is vital to the firm's success.

Prior research sought to explain differences in earnings between industries based on characteristics of the occupation workforce. These studies used models similar to the one employed here to explain Texas real estate licensee income.

This study, however, expands previous work by measuring several additional characteristics of the people themselves.

Important Factors

Several factors measured in the survey have a positive effect on licensee income. These include the number of hours worked, work experience, gender, computer technology, total annual transactions, professional designations, association with a larger firm and access to personal assistants.

Variables that have a negative impact on income include age, selling primarily residential property and affiliation with numerous firms.

Personal characteristics that do not significantly affect income are: type of license (broker versus salesperson), education level, race and source of precensuring education. Other factors which do not have a significant effect on income are: using correspondence courses for continuing education, reading industry-related literature, length of time with current firm, being an owner-manager, association with a national or local franchise versus an independent firm and location in a metropolitan area.

More Work—More Income

The Texas licensee survey had two goals—develop a profile of the average real estate professional and identify factors that determine licensee income.

Annual income for active licensees. The average 1996 income for survey respondents was \$60,100. Fourteen percent earned less than \$10,000, 22 percent earned less than \$20,000 and about 30 percent earned between \$20,000 and \$50,000. Forty-six percent earned \$50,000 or more for the year.

The average amount of income used to pay business expenses was 27 percent. For about 60 percent of licensees, business expenses comprised less than 30 percent of their 1996 gross income.

Hours at work. Not surprisingly, the researchers found that those who work more earn more. The number of hours worked has the strongest effect on income.

Almost 60 percent of respondents work 40 hours or more per week. Fifteen percent work more than 56 hours. The average number of hours worked per week is 36.5.

Although men, on average, had higher income than women, the research shows that women work more hours per week (38 versus 35.8).

What About Education and Experience?

Education. Education is generally assumed to have a positive effect on earnings. As far back as 1974, the standard earnings model expressed income as a function of education and experience. This latest study, however, does not confirm this for education.

The education level of survey respondents does not significantly affect their income. This could be an indication that



education across licensees, the education quality of sources or both have become more uniform. The source of prelicensing education—private real estate school, college or university—has no significant impact on income. Apparently, the type of college degree has no effect on earnings either. And, the source of continuing education has no earnings impact.

One-third of respondents indicated that they have some college; 43 percent have a bachelor's degree. Overall, 92 percent of the sample have at least some college education. The dominant college degrees are business and economics—51 percent.

While most licensees (58 percent) in the survey acquired some of their original prelicensing hours from private real estate schools, a significant proportion (42 percent) also attended colleges or universities. Some 22 percent had attended community college.

Private real estate schools provide continuing education for most responding licensees (42 percent). About one-fourth obtain continuing education from the local board of Realtors, and 9 percent each use community colleges or universities. **Experience.** This area does have a significant impact on income—to a point. Income increases with experience; however, there are decreasing marginal returns to experience which means that, beyond some point, additional experience is of lesser value.

The average Texas licensee has almost 15 years of experience. About 40 percent have been in real estate less than 12 years. Twenty-seven percent of respondents have more than 20 years experience.

About one-fourth have been affiliated with only one firm while 29 percent report two affiliations. Almost half (44 percent) said they have been with at least three firms. The average number of firms with which Texas licensees have been affiliated is 2.5.

One-third of licensees have worked with their current firm three years or less. Only 13 percent have been with their current firm 20 years or longer. About half have been there five years or less. The average is 8.6 years.

Job activities. Licensees (46 percent) devote their time primarily to selling existing single-family homes. Six percent each direct the majority of their attention to selling new single-family residences, farms and ranches, and other activities such as apartment brokerage. Eight percent concentrate on commercial sales and leasing. About the same percentage spend time appraising. Ten percent spend the majority of their time in property management.

Men Dominate Higher Incomes

Age, gender and race. Several personal characteristics affect income. Older licensees have less real estate income. Men earn significantly more than women. Race is not a factor.

The average age for active licensees is nearly 50.3 years. Licensees are somewhat uniformly distributed in age groups after age 35. Only 3 percent are less than 30 years old. The age group with the highest percentage of income earners is age 50-54 with 17 percent of respondents.

Women outnumber men in the lowest income categories, while men dominate the middle-income groups. The numbers move closer in the upper-income ranges. Men, however, dominate about three-to-one in the highest-income category.

Among the survey respondents, 57 percent were men, and 91 percent were Caucasian.

Politics and periodicals. Neither participation in political activity nor time spent reading industry-related literature are significant factors in a licensee's earnings.

About one-third of licensees say they spend two hours or less per week reading real estate literature. Three percent do not read any. Most respondents indicated that they mostly read trade publications and newspapers.

Voting is the most often-cited political activity. Eighty-nine percent say they vote. Thirty six percent sign petitions. Four percent have held, or been a candidate for, a public office.

Computer Literacy Pays

Computer use. The only technological variables indicating significance to licensee income are related to the use of computers and related services, such as the Internet and e-mail. This survey shows that licensees in general take advantage of technologies. Eighty-seven percent of respondents use a personal computer, and 76 percent use a cellular telephone.

About 40 percent use Internet web sites and have e-mail addresses. Other technologies used by licensees include color printers, scanners, video cameras, laptop computers and digital cameras. By far, the most popular computer operating system is Windows 95™; 51 percent of survey respondents use it. About one-fourth use Windows 3.1™, and 3 percent use a Macintosh™ system.

With respect to software applications, word processing is the most extensively used—by 76 percent of respondents. Other software programs—spreadsheets, databases, graphics, financial management, Internet, and Multiple Listing Service (MLS)—are used by about half of licensees.

The three most popular software packages are MLS, Top Producer and Auto Realty.

Type of license. Survey results show no earnings difference between brokers and salespersons. Also, the length of time licensees spend with one firm does not significantly affect income.

Licensees selling primarily residential property earn less than others. Those selling commercial or industrial properties earn no more than those in property management, appraisal and related fields. Being a firm owner or manager apparently does not help licensees earn more.

Transactions and Money

Total transactions. Not surprisingly, being involved in more transactions does result in higher income. The average number of transactions in 1996 was 15.

The greatest proportion of licensees (21 percent) report one-to-four transactions in 1996; another third were involved in less than ten. Some 25 percent said they participated in 20 or more transactions; 7 percent did 50 or more.

Commissions. Thirty-nine percent report receiving a commission as a listing agent in 20 to 40 percent of their transactions. Eight percent said that all of their commissions came from being a listing agent only. About half earned 40 to 80 percent of commissions as selling agent only.

Twenty-nine percent received all commissions from being a selling agent. Another 43 percent report 10 to 30 percent of their commissions from being both listing and selling agent.



Representation. More than half (55 percent) of respondents represent the seller in 100 percent of transactions. Forty-seven percent indicate representing the seller in 20 to 40 percent of 1996 transactions. Thirty-two percent say they represent the buyer in 50 to 60 percent of transactions.

Thirteen percent represent the buyer in 100 percent of transactions. Sixty-three percent represent both buyer and seller in 30 percent of transactions.

Commission split. About 20 percent of survey respondents receive 100 percent of commissions from their broker. Eleven percent receive 70 to 74 percent of commissions, and 58 percent report a commission split of less than 70 percent.

Professionalism and Firm Characteristics

Designations. By far, the most common professional designation held by licensees is GRI (Graduate Realtor Institute). Fifty-three percent of survey respondents have a designation of GRI. Only 24 percent of respondents hold any designation, however.

Thirty-two percent of those holding or working toward a designation say it affords them increased professional prestige. Only 11 percent believe designations generate higher income.

Realtor membership. Survey results show that, in general, licensees support membership in professional organizations. Seventy-one percent of respondents are Realtors.

A negative relationship is found between income and length of time a licensee has been a member of the local board or association of Realtors. This could be because the longer a licensee has been a member of the board, the greater the likelihood the licensee is older. And, age has a negative relationship to income.

The real estate firm. This latest research reveals that licensees affiliated with national or local franchises do not earn higher incomes than those who work for independent firms.

Twenty-seven percent of respondents report an affiliation with a national franchise. Some firms (17 percent) operate within referral networks and act as a relocation or management company (12 percent). Almost two-thirds of survey respondents work for independent companies with no affiliation.

In describing their functions within the firm, 44 percent report being salespersons. Eleven percent work at management and selling, and 18 percent are major owners-sellers.

The average number of licensees in a Texas firm is 27.3. Most (47 percent) respondents work in an office with one to four licensees. Eighty-seven percent are affiliated with firms of less than 50. Only a small percentage (13 percent) are affiliated with firms having 50 or more licensees.

Personal assistants. Having access to the use of personal assistants has a positive effect on income. However, most (72 percent) of respondents say they do not use personal assistants. Those who do, generally use only one. Just 3 percent say they use three or more assistants.

Location. Apparently, licensee income is not affected by location. Average income for licensees in larger metropolitan areas is not significantly greater than that generated by their counterparts in less populated areas. ☐

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