

# Residential Brokers & Property Managers

*NAICS: 531311, 531210*

*SIC: 6531*

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# Coronavirus Update

## Jan 9, 2022 -- Pandemic-related Changes Affect Rent/Buy Decision

- Single-family home rental rates continue increasing in early 2022, but home prices are rising faster than rents, which is shrinking the affordability gap between being a homeowner and a tenant, according to real estate data tracking firm ATTOM. Single-family rents increased 10.9% in October 2021 compared to the year-earlier period, a sixth consecutive record high, according to CoreLogic. Owning the median-priced home is more affordable than the average rent on a three-bedroom home in 58% of the nation, according to ATTOM, which factored in all the expenses of owning, including the monthly mortgage payment, property taxes and homeowners' insurance. Much of this affordability is due to the historically low mortgage rates of the past few years. Rates are now beginning to rise, however, and are up more than half a percentage point from the year-earlier period, according to Mortgage News Daily. "The trend is slowly shifting toward renters, which could be a major force in easing price increases in 2022," said Todd Teta, chief product officer with ATTOM. "Prices can only go up by so much more before renting becomes financially easier."
- Rents for single-family homes increased 10.2% year over year in September, up from a 9.3% year-over-year increase in August, according to CoreLogic. "Single-family rental vacancy rates remained near 25-year lows in the third quarter of 2021, pushing annual rent growth to double digits in September," said Molly Boesel, principal economist at CoreLogic. "Rent growth should continue to be robust in the near term, especially as the labor market improves and the demand for larger homes continues." Rent growth is strong in every price tier, but strongest at the very top. The gains have investors rushing to buy and build more rental properties. In the past year there were roughly 43 announcements totaling more than \$30 billion in capital targeting US rental housing, according to John Burns Real Estate Consulting.
- Migration out of pricey coastal cities to cheaper rural and inland areas may wind down by the end of 2021 as vaccinations continue and more employees return to their offices, according to Greg McBride, chief financial analyst at Bankrate.com. Rich Kleinman, co-CIO and head of US research and strategy at LaSalle Investment Management Americas, says that the migration to lower-cost regions will likely continue in 2021, but perhaps not at the same magnitude seen last year. "Long-term the [migration] trends favor less expensive places, but not always rural areas," he said.
- "Traditional" real estate commissions paid by the home seller are being challenged as buyers rely more on technology for video tours and neighborhood research, a trend accelerated by the coronavirus pandemic. The commissions may be as high as 6% and are typically evenly split between seller's agent and the buyer's agent. Lawsuits brought by private home sellers, an online brokerage, groups of California brokers, and the US Justice Department, claim that brokers' practices in charging and collecting commissions violate US Antitrust laws and amount to a conspiracy to keep their fees artificially inflated, according to the Lawyers.com site. One such lawsuit has been brought by REX, an online brokerage whose fee starts at 2%. When REX represents a home buyer and is given a 3% fee from the seller's agent, it will give the buyer 50% of its broker commission back to the buyer as a rebate. REX filed suit in Oregon in December 2020, challenging the state's policy of banning REX and other brokers from refunding the commissions back to the buyer. REX is looking to potentially file suit in Louisiana, Missouri, and Tennessee which have similar anti-rebate laws.
- Sales of previously-owned homes increased 0.8% month over month but decreased 5.8% year over year in October, according to the National Association of Realtors (NAR). The median existing-home price for all housing types decreased 3% month over month but increased 13.1% year-over-year to \$353,900. "Home sales remain resilient, despite low inventory and increasing affordability challenges," said Lawrence Yun, NAR's chief economist. "Inflationary pressures, such as fast-rising rents and increasing consumer prices, may have some prospective buyers seeking the protection of a fixed, consistent mortgage payment."
- Employment in the real estate industry increased 4.5% year over year in November but was up just 3% from the pre-pandemic month of November 2019. Employment of real estate agents and brokers increased 8.8% year over year in October and 8% from October 2019. Employment in the property management industry increased 3.5% year over year in October but was up 3.6% from October 2019.

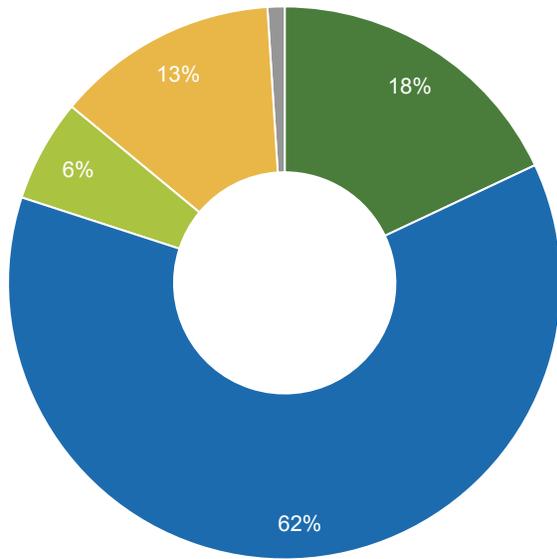
# Industry Structure



The typical residential broker and property manager employs 3-12 workers and generates about \$1 million in annual revenue.

- There are about 137,200 firms in the US with \$128 billion in annual revenue and about 801,300 employees.
- The industry is highly fragmented with the 50 largest firms totaling 21-29% of industry revenue.
- The largest firms include Century 21, Re/Max Realtors, and Coldwell Banker.
- The majority of industry employees are property managers and real estate agents. The remainder are office/administrative support and management.

# Industry Demographics



- Corporations (18.0%)
- S-Corporations (62.0%)
- Individual Proprietorships (6.0%)
- Partnerships (13.0%)
- Non-profit/Other (1.0%)

Source: US Census Bureau



**Female Owned**

46.0%



**Minority Owned**

20.0%



**Veteran Owned**

9.7%

Source: Census Bureau

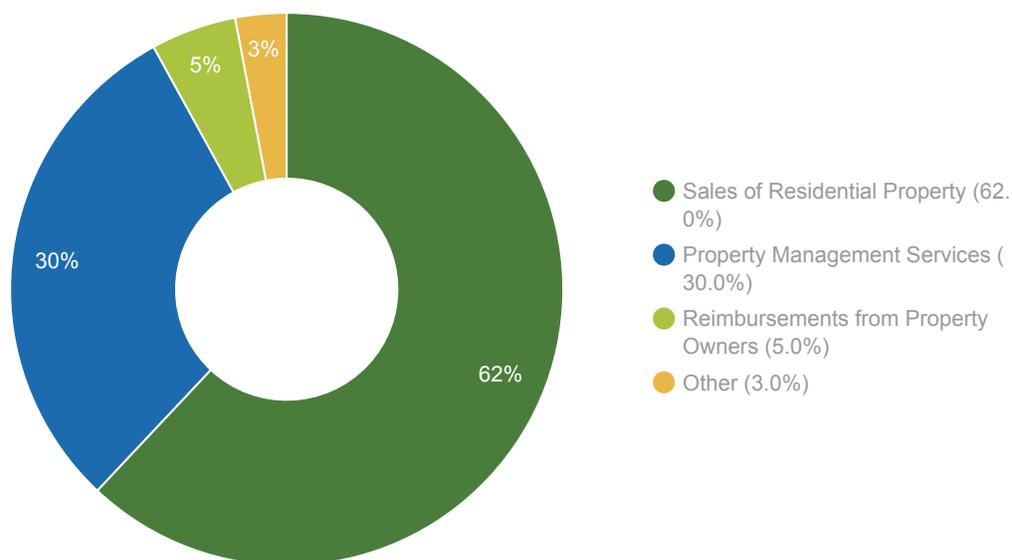
# How Firms Operate

## Products and Operations

Residential real estate agents and property managers work with owners to find buyers for property for sale, lessees for property for rent, and to maintain and manage rental property.

- Over 60% of revenues come from the sale of residential property.
- About 30% of revenues come from property management services.
- Other revenue sources include rental of residential property and reimbursements from property owners.

**Residential Brokers & Property Managers Revenue**



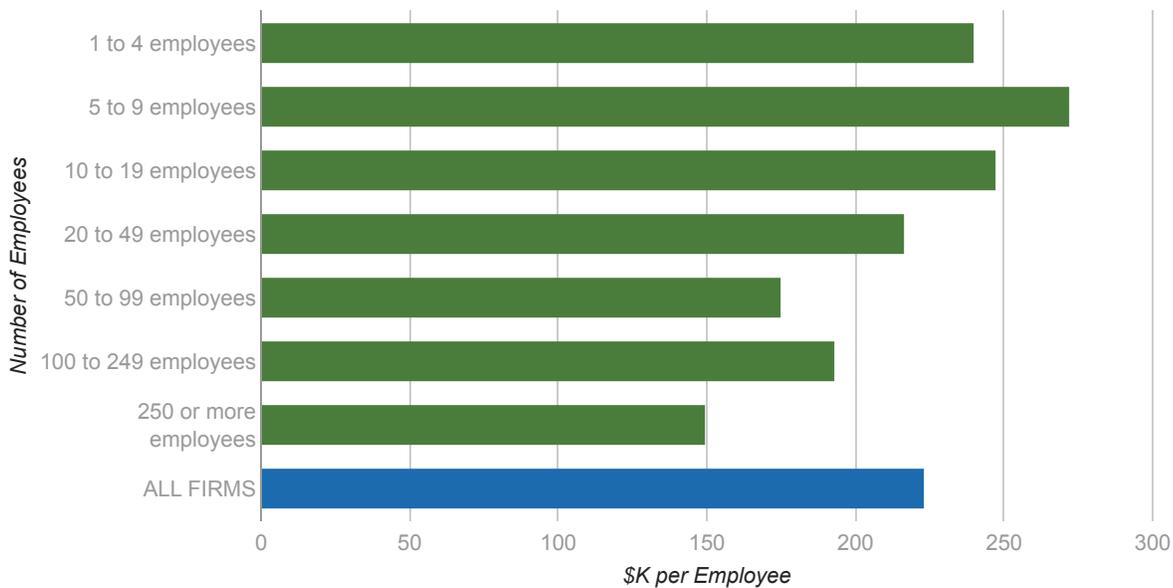
Source: US Census Bureau

Residential real estate agents and brokers represent property owners in the process of identifying qualified buyers and renters of residential properties. Commissions range from 5-6% of the sale price. Real estate agents are required to pass an exam in order to obtain a license issued by the state in which they work. The agent works for a broker, who has additional licensing and educational requirements to meet in order to operate. In addition, in most states both agents and brokers are required to complete a certain number of continuing educational credits in order to renew their license.

Residential brokers engage in local advertising to build awareness and attract new clients. Some also work closely with builders and subdivisions in order to get captive sales opportunities. Building relationships with relocation firms is another source for new clients.

Residential property managers act as a liaison between a landlord and a tenant. Duties include accepting rent, responding to and addressing maintenance issues, and managing the accounts and finances of the real estate properties. Property management revenues generally fall between 8-12% of the monthly rent based upon the management contract and the duties performed. Real estate managers who buy or sell property are required to be licensed by the state in which they practice.

### Revenue per Employee by Establishment Size



Source: US Census Bureau

## Profit Drivers

### Growing Listings

Because commissions on home sales are split between the seller's agent and buyer's agent, agencies can increase revenue by growing their listings from sellers. Being the listing agent ensures they receive at least half the sales commission and creates the opportunity to earn all of it if another agent within the firm represents the buyer. Agencies invest in local marketing through direct mail, radio, and TV to attract sellers and buyers and are increasing their investments in Internet marketing and social media to reach younger adults.

### Closing More Sales

Real estate agencies typically have a handful of "top producers" – agents who generate a high volume of transactions annually. However, these top producers usually keep 90% or more of the commissions they earn on sales. The majority of agents may close only a few sales per year, but they pay 50% of their commissions to the agency. The top producers make up for their low contribution to the agency per sale by closing a higher volume of sales. They also are important for attracting listings and new clients. Because of the higher contribution per sale from average producers, agencies can greatly increase revenue and profits through small increases in the close rate for these agents.

### Increasing Average Sales Price

Since commissions are based on a percentage of a home's sales price, increasing the average sales price generates additional revenue and profit. Many agencies have been hurt by the sharp drop in housing prices during the last recession and are having to complete more transactions to earn the same level of revenue. Agencies that target higher-end or luxury homes through their marketing and networking activities are able to earn more per transaction, though these homes may take longer and more effort to sell.

### Increasing Non-Commission Revenue

Agencies may generate non-commission revenue by charging fees to agents and by expanding services offered to customers. Many agencies charge agents a monthly fee to cover office support costs and marketing performed by the agency. They may also charge fees for marketing materials used by agents, such as for sale signs, flyers for properties, and business cards. Some agencies have become full-service agencies and also sell mortgage and insurance services to clients.

# Industry Trends

## **Trends are affected by the COVID-19 pandemic.**

Changes in revenue, employment, business practices, trade and forecasts are occurring rapidly and data reporting by the government lags the changes. We are tracking changes in the “Coronavirus Update” chapter.

## **Greater Internet Marketing**

Residential real estate brokers and property managers are increasing their use of both the Internet and multiple listing services (MLS) to advertise available properties to prospective buyers and renters. Many brokers utilize their own web sites featuring blueprints, geographical data, and virtual tours, and may work with Internet marketing services to attract customers.

## **Interest In Green Housing**

Government incentives and customer demand are driving construction of green housing. Research has consistently shown that there is a considerable and growing market for green buildings, and many of today’s consumers want homes and communities that are more resource efficient and sensitive to the larger environment, as reported by the National Association of Realtors.

## **Growth in Alternative Business Models**

By placing more information in the hands of consumers, the Internet has facilitated the growth of nontraditional business models – such as fee-for-service brokers, virtual office websites (VOWs), and broker referral networks – that allow consumers to complete for themselves some of the tasks previously accomplished by a real estate agent in exchange for a lower overall fee.

## **Diversification Of Services**

In the residential real estate and property manager industry, there has been a strong move toward diversification of business activities, as well as toward providing services beyond those of the traditional agent/broker roles. Many real estate firms are offering title insurance, mortgage loans, and similar extended services. Brokers and agents who represent only buyers of real estate also have been growing in numbers.

## **Managing Distressed Properties**

Home foreclosures have created opportunities for some property managers who specialize in distressed properties. Companies offer a range of services to banks and other owners of default properties, including property inspections, vacant property preservation, evictions, marketing, and title services. Firms work with contractors and loan servicers to ensure that vacant properties are secure and properly maintained.

## **Rising Home Prices**

Changes in home prices impact residential real estate broker commissions by raising or lowering revenue per transaction and increasing or reducing the number of home sales. During the recession, home prices fluctuated due to the number of distressed properties on the market, interest rate changes, and consumers’ ability to purchase homes. Historically low interest rates have helped to ease buyers’ fears and encourage home purchases. The average price of new homes rose from \$321,500 in 2019 to \$333,100 in 2020, while the average price of existing homes increased from \$271,900 in 2019 to \$296,700 in 2020. The National Association of Realtors expects the average price of new homes to rise to \$342,500 in 2021 and \$354,000 in 2022, while existing homes are forecast to reach \$316,000 in 2021 and \$326,000 in 2022.

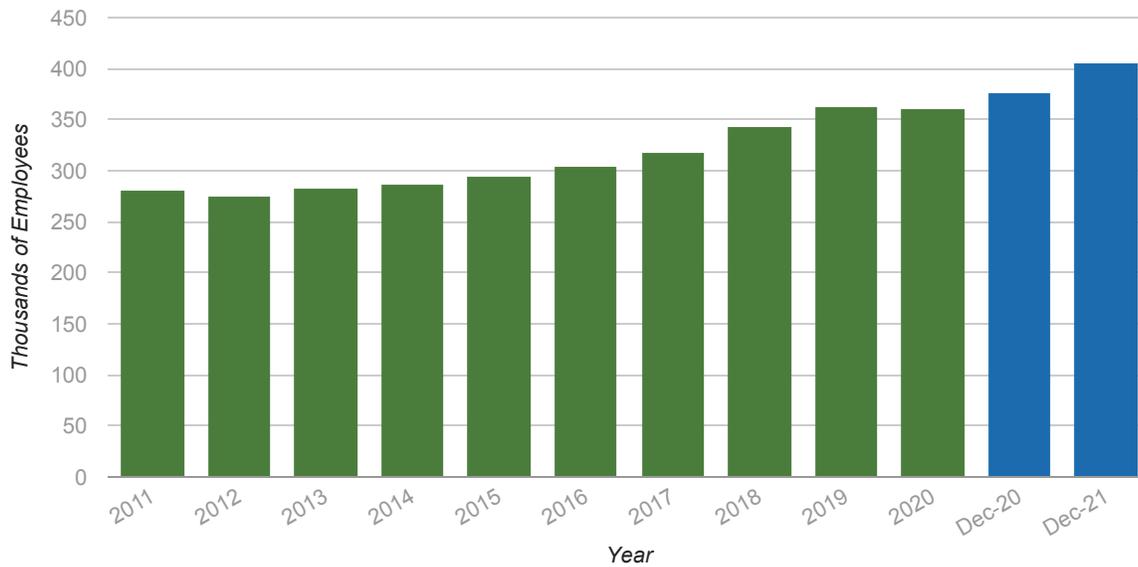
## Employment and Wage Trends

### **Employment by real estate agents and brokers increases**

Overall employment by real estate agents and brokers changed 7.7% in December compared to a year ago, according to the latest

data from the Bureau of Labor Statistics.

### Real Estate Agents & Brokers Employment

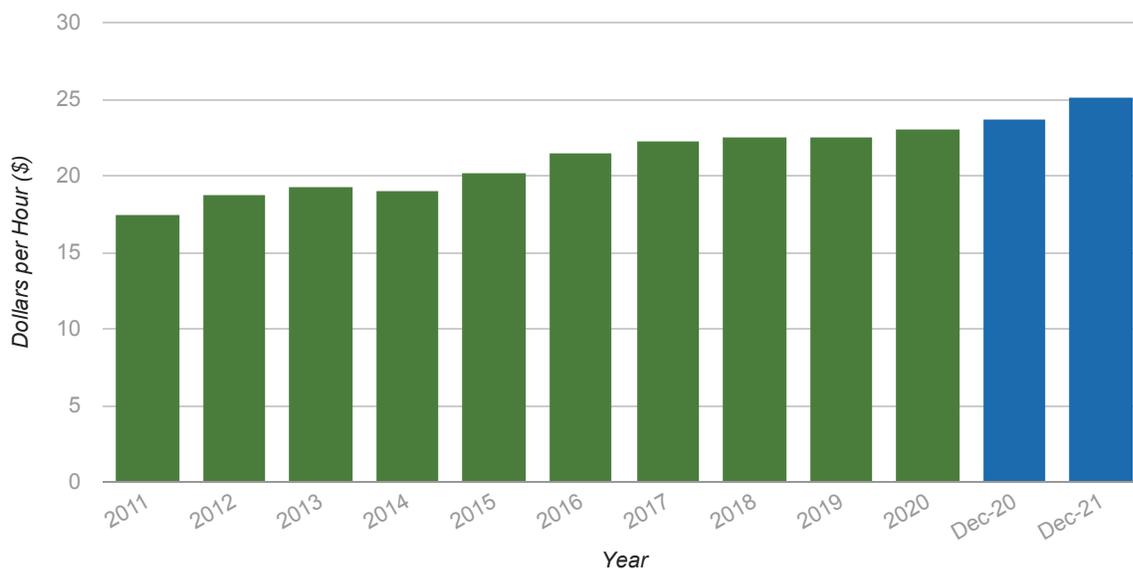


Source: Bureau of Labor Statistics

### Wages at real estate agents and brokers rise

Average wages for nonsupervisory employees at real estate agents and brokers were \$25.07 per hour in December, a 5.9% change compared to a year ago.

### Average Wages for Nonsupervisory Employees



Source: Bureau of Labor Statistics

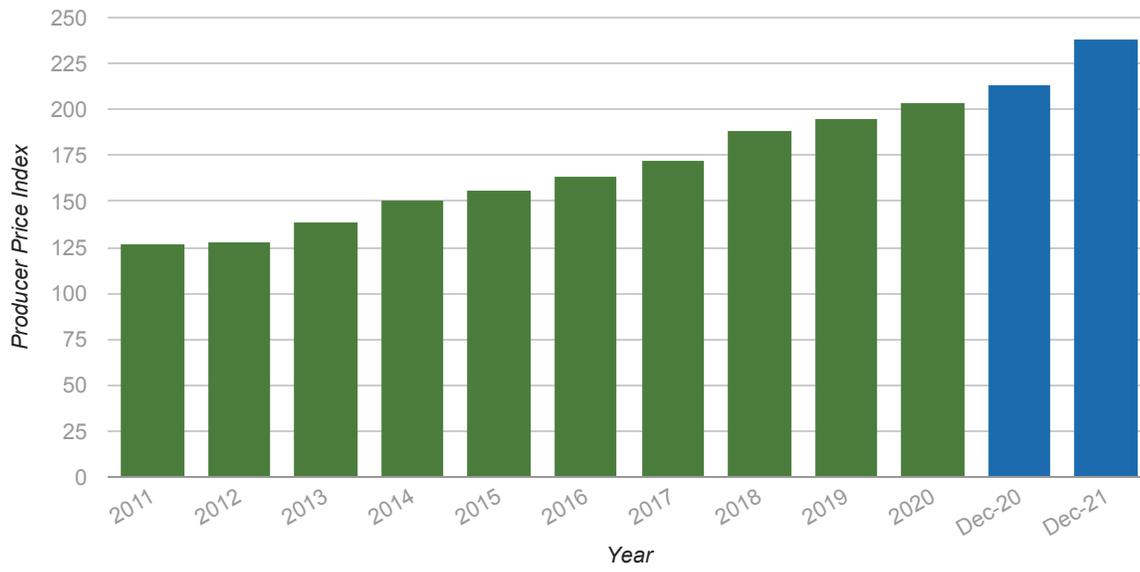
### Price Trends

### Producer Prices for residential real estate agents and brokers rise

The Producer Price Index for residential real estate agents and brokers changed 11.64% in December compared to a year ago,

according to the latest data from the Bureau of Labor Statistics.

### Producer Price Index for residential real estate agents and brokers



Source: Bureau of Labor Statistics

# Credit Underwriting and Risks



<b>Business Exit Rates:</b>	7.0	Higher than US average for all businesses
<b>Cyclical Sensitivity:</b>	8.0	Very high sensitivity
<b>Barriers to Entry:</b>	5.7	Low initial capital; moderate regulatory/technical barriers; moderate concentration
<b>External Risk:</b>	5.0	Moderate external risk
<b>Industry Outlook:</b>	5.3	higher than GDP; severe cyclical risk
<b>Financial Summary:</b>	3.5	High margins; moderate liquidity; moderate leverage

## Key Metrics

METRIC	VALUE	COMPARISON
<b>Business Exit Rate 2019–2020</b>	11.19%	9.0% All Industries
<b>Compound Annual Growth Forecast (2020–2025)</b>	7.37%	6.1% GDP
<b>SBA 7(a) Default Rate by Number of Loans (2010–2019)</b>	2.60%	3.82% All Industries
<b>SBA 7(a) Default Rate by Gross Loan Amount (2010–2019)</b>	0.59%	1.21% All Industries

## Underwriting Considerations

- What are the typical commission rates/fee structure?
- How many houses does the residential broker sell in a month? How do they manage the seasonality of the business?
- The residential brokers are in a cyclical industry. It is suggested that the company manage a sound balance sheet with moderate leverage and ample liquidity. Compare to industry averages.

## Industry Risks

### Dependence On Economy

Growth in the industry directly corresponds to growth in the economy. Periods of economic uncertainty lead to declines in new home construction and purchases of existing homes. Continued high levels of unemployment directly impact sales and rental activity. In addition, decreased property values lower commission revenue per transaction.

### Fewer Qualified Buyers

Mortgage lenders adopted stricter lending practices in the wake of the 2008 financial crisis, making it more difficult, especially for first time home buyers, to qualify for new loans. In addition, growth in residential real estate sales is directly linked to the cost of credit to finance the purchase of a home. Rising interest rates increase the cost of construction and home ownership, and may price many buyers out of the market. Existing homeowners wanting to purchase a new home may qualify for financing, but find that their current residence won't appraise for the value they expected or hoped for.

### Government Regulatory Reform

Reforms to America's housing finance market, specifically to Fannie Mae and Freddie Mac, could restrict mortgage capital and result in higher fees and costs for qualified borrowers. The resulting decline in real estate sales activity could directly impact residential real estate agents and brokers.

## **Low Barriers Facilitate Competition**

The residential real estate brokerage and property management industry is highly competitive and, because it is a service business, the barriers to entry are quite low. There are many competitors, and new competitors are entering the market all the time. National, regional, and local firms regularly compete in the same markets.

## **Appraisals Challenge Mortgage Contracts**

Depreciation, inappropriate comparisons (devalued foreclosure and short sales), and the use of non-local appraisers have created property valuation challenges that are impacting real estate sales. Just over 10% of realtors have experienced contract cancellations, because the appraised value of a property fell below the seller's and buyer's negotiated price. About 15% of realtors had to renegotiate their contracts at a lower price to make the sale. Slow turnaround by appraisers can also delay contract closings.

## **Rental Clientele Change**

Economic challenges and unemployment can turn would-be homeowners into renters but fewer young adults may enter the rental market. The number of renters tends to increase as consumers that lost their homes in foreclosures or that don't qualify for a mortgage seek alternative housing. This growth helps to compensate for the loss of new renters -- young adults -- that struggle to find jobs and opt to live at home with their parents.

## **Company Risks**

### **Local Economic Conditions**

Local economic conditions directly impact growth opportunities for most small and regional firms. Regions that successfully recruit business to the area, or retain employers less impacted by the economy, such as local and state governments and universities, will continue to see growth, despite a decline in the national economy. Conversely, communities with high unemployment and declining economic activity will experience a decline in real estate sales, regardless of the broader market.

### **Dependence On Key Talent**

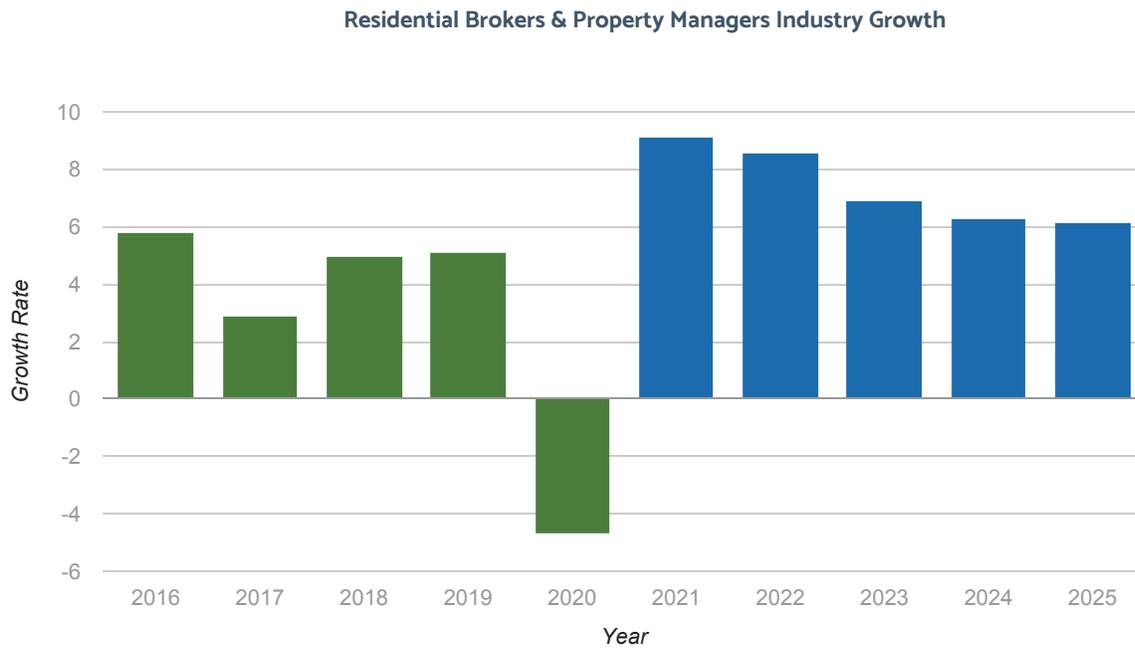
Success in the industry is related to client relationships and knowledge of the local market. Referrals are the primary source of new business. The loss of a key agent or manager can have a significant impact on the company's ability to attract and retain clients.

# Industry Forecast

Sales for the US residential brokers and property managers industry are forecast to grow at a 7.37% compounded annual rate from 2020 to 2025, greater than the growth of the overall economy.

Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.

Last Update: August 2021



Source: Interindustry Economic Research Fund, Inc.

# Working Capital

## Sell and invoice

Residential real estate brokers generate revenue through commissions earned when a property is sold or a rental property is leased. Commissions on the sale of residential property are paid at closing. Commissions typically range from 5-6% of the sale of a home, and may be divided among several agents and brokers. The broker or agent who obtains a listing usually shares the commission with the broker or agent who sells the property and with the firms that employ each of them. Commissions on rental property can vary based on the local market and the services provided, but usually fall within the range of 8-12% of the monthly rent.

32% of real estate agents and property managers said they go to their accountant or bookkeeper for cash flow advice, while 22% turn to their banker, 18% turn to an industry partner or colleague, and 55% do not seek advice, according to a survey of small businesses by Barlow Research Associates.

*Source: Barlow Research Associates.*

## Collect

Receivables represent 6% of total assets. The closing process for home sales ensures timely payment of commissions.

## Manage Cash

Revenues can fluctuate throughout the year as transactions are closed. Home sales are seasonal, peaking in the summer months and lower in the winter. Existing home sales in June are typically 60-100% higher than sales in January. Both weather and school schedules affect buying patterns.

## Pay

Payroll is the largest expenses, averaging about 8-10% of sales. Rent averages about 1% of sales. Advertising is another significant expense and averages less than 1% of sales. Residential real estate companies reduce expenses through wage and bonus freezes and layoffs or attrition during difficult economic times.

## Report

After-tax net profit averages 13-16% of sales. Brokerage firms track new home listings and housing starts to track market performance and forecast sales. Property management firms track management fees per salesperson, tenancies managed per salesperson, and average management fees per tenancy.

## Cash Management Challenges

### Cash Shortfalls Due To Slow Home Sales

Home sales are both seasonal and cyclical. Sales volumes are much higher in the summer than the winter, driven by weather and school schedules. Home sales are also dependent on economic conditions and both volume and prices can fall sharply during recessionary periods. Residential brokers may incur monthly cash shortfalls during periods of low demand and rely on lines of credit to meet expenses.

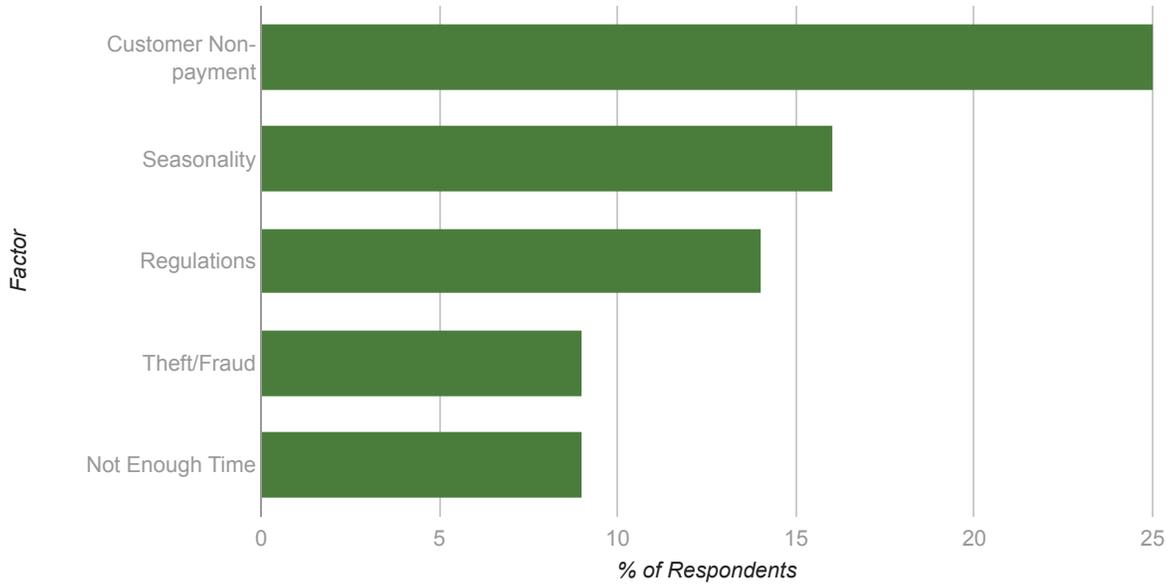
### Efficiently Processing Monthly Rent Payments

Property managers receive monthly or weekly payments from renters via check, cash, and credit cards. They must be able to efficiently process payments and follow up on late payments and bad checks. For vacation rentals, they must also handle security deposits and refunds. Payment processing can involve a high volume of relatively small payments every week or month.

## Funding Incentives To Maintain Top Performers

Firms can be highly dependent on a small number of top performers for a large portion of their sales. Retaining these top performers, particularly during periods when their income is down due to slow sales and declining prices, can be a challenge. Firms invest in marketing programs and web sites to support sales efforts and may expand into new services to offer top performers additional revenue opportunities.

## Factors Causing Cash Flow Stress: Real Estate Agents & Property Managers



Source: Barlow Research Associates

# Capital Financing

Barriers to entry for residential real estate brokers and property managers are low, and accordingly, capital investments are relatively small. The industry is very fragmented and most companies operate locally with few employees.

Software that tracks customer relationships and property inventory, along with back office accounting and billing are the largest investments. In addition, companies invest in setting up office space (furniture and fixtures). Being in the real estate business, firms may choose to own, rather than lease, their office space as they grow larger. Financing is accomplished through local banking relationships or through vendors, and includes a mixture of purchase and lease arrangements.

## Examples of Equipment Purchases



### **Residential Property Management Software**

*\$200 and up per month (based on number of units)*

Web-based software for marketing, accounting and managing single family and multifamily residential properties.



### **CRM Software for Real Estate Brokers & Agents**

*\$100 -150 per month per user*

Web-based software for managing leads and prospects. Provides links to multiple listing services and contact management capabilities.

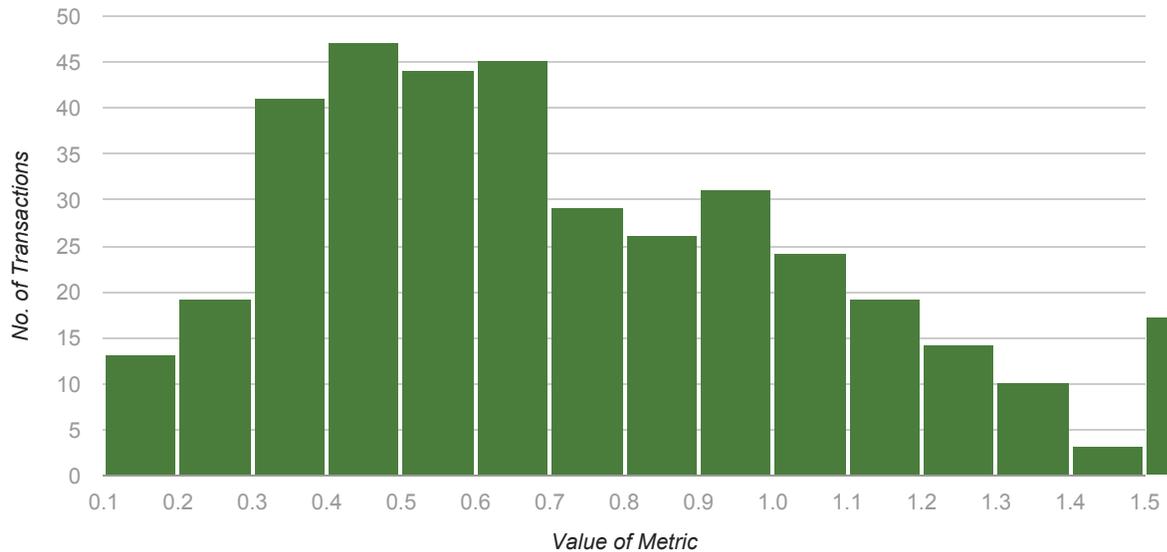
# Business Valuation

This data on business valuations is supplied by DealStats, an online database with the most complete financial details on nearly 36,000 acquired companies. These companies are mostly small and medium-sized private firms.

## Summary Valuation Data for Residential Brokers & Property Managers

	MEDIAN	MEAN	# TRANSACTIONS	DATES
Price to Net Sales	0.66	1.41	382	03/30/2001–06/15/2021
Price to Gross Profits	1.01	2.02	366	03/30/2001–06/15/2021
Price to EBITDA	3.14	975.17	263	03/30/2001–06/15/2021
Price to EBIT	3.03	749.64	344	03/30/2001–06/15/2021

Click on the metric below to see a distribution of transactions for the industry:



Source: DealStats

**Count:** 382

**Min:** 0.03

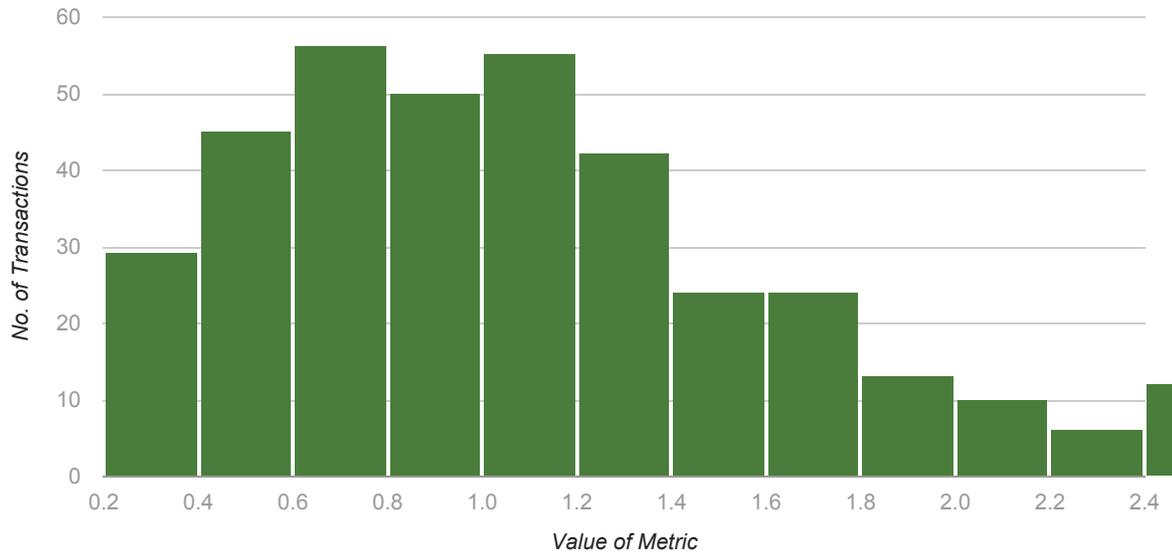
**Max:** 259.09

**Mean:** 1.41

**Median:** 0.66

*Price to Sales = Selling Price/Net Sales*

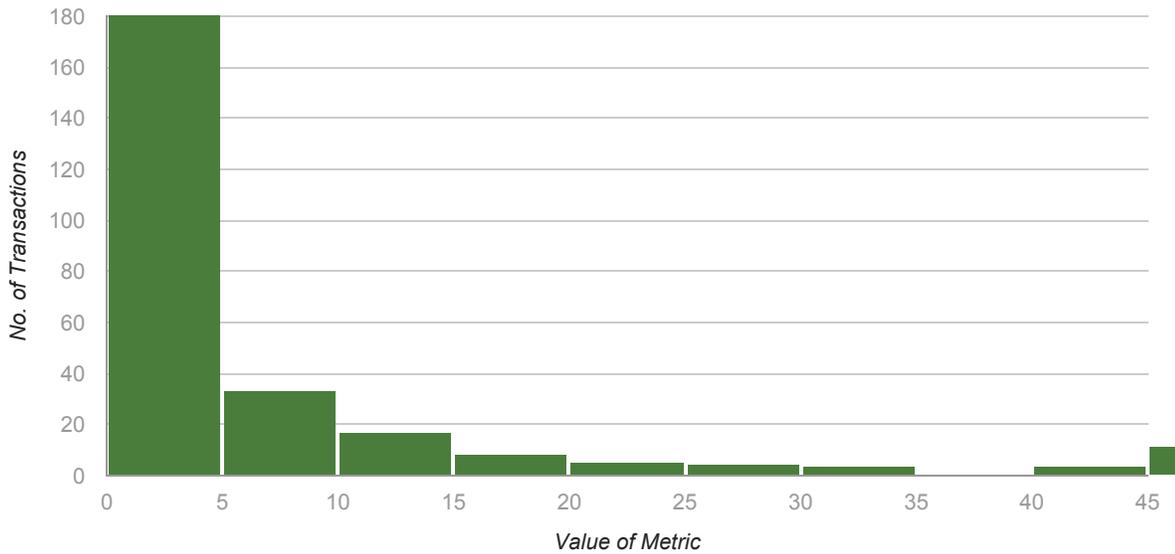
*Date range: 03/30/2001 - 06/15/2021*



Source: DealStats

**Count:** 366      **Min:** 0.08      **Max:** 339.45      **Mean:** 2.02      **Median:** 1.01

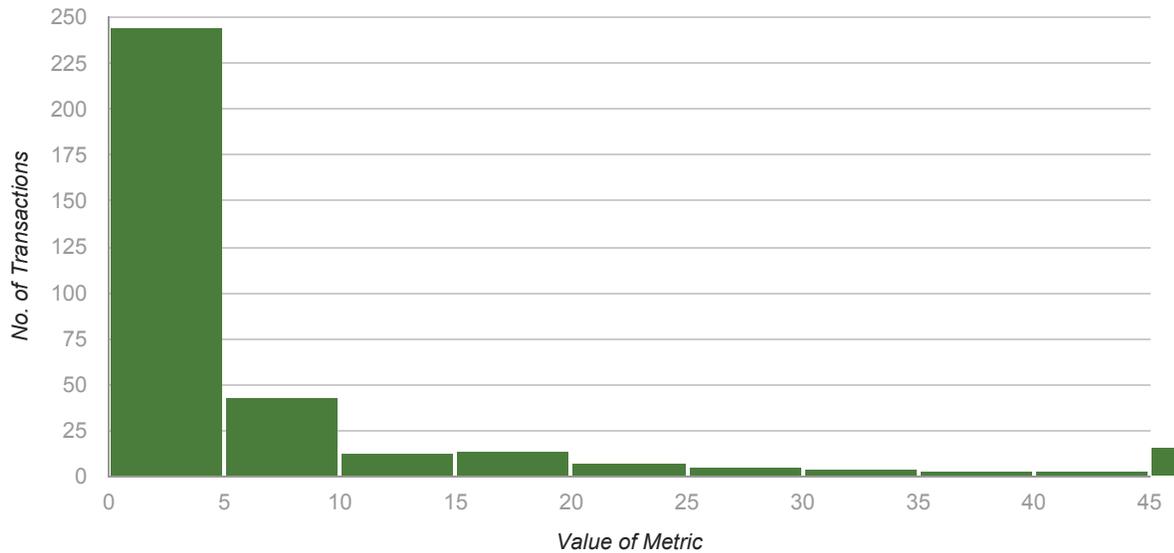
*Price to Gross Profit = Selling Price/Gross Profit*  
*Date range: 03/30/2001 - 06/15/2021*



Source: DealStats

**Count:** 263      **Min:** 0.15      **Max:** 250000.0      **Mean:** 975.17      **Median:** 3.14

*Price to EBITDA = Selling Price/Operating Profit + Depreciation & Amortization*  
*Date range: 03/30/2001 - 06/15/2021*



Source: DealStats

**Count:** 344

**Min:** 0.15

**Max:** 250000.0

**Mean:** 749.64

**Median:** 3.03

*Price to EBIT = Selling Price/Operating Profit*

*Date range: 03/30/2001 - 06/15/2021*

**Selling Price, also known as MVIC (Market Value of Invested Capital)** is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer. The MVIC price includes the noncomplete value and the assumption of interest-bearing liabilities and excludes (1) the real estate value and (2) any earnouts (because they have not yet been earned, and they may not be earned) and (3) the employment/consulting agreement values. In an Asset Sale, the assumption is that all or substantially all operating assets are transferred in the sale. In an Asset Sale, the MVIC may or may not include all current assets, non-current assets and current liabilities (liabilities are typically not transferred in an asset sale).

Source: DealStats 2019 (Portland, OR; Business Valuation Resources LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

# Financial Benchmarks

NOTE: For this industry and other real estate industries, rental income has been included in revenue when calculating financial ratios and income statement percentages.

## Financial Ratios (Residential Brokers & Property Managers, Industry-wide)

MEASURE	2018-19	2019-20	2020-21
Current Ratio <sup>?</sup>	1.25	1.25	1.42
Quick Ratio <sup>?</sup>	.96	.97	1.15
Days Inventory <sup>?</sup>	2.01	3.44	1.75
Days Receivables <sup>?</sup>	14	13	14
Days Payables <sup>?</sup>	4.18	3.25	4.25
Pre-tax Return on Revenue <sup>?</sup>	6.88%	7.17%	8.82%
Pre-tax Return on Assets <sup>?</sup>	14.41%	18.37%	11.57%
Pre-tax Return on Net Worth <sup>?</sup>	39.50%	57.18%	27.64%
Interest Coverage <sup>?</sup>	10.68	15.71	11.35
Current Liabilities to Net Worth <sup>?</sup>	.84	1.03	.54
Long Term Liabilities to Net Worth <sup>?</sup>	0.9	1.09	0.85
Total Liabilities to Net Worth <sup>?</sup>	1.74	2.11	1.39
<i>Number of Firms Analyzed</i>	947	692	584

## Income Statement (Residential Brokers & Property Managers, Industry-wide)

ITEM	2018-19	2019-20	2020-21
Revenue	100.0%	100.0%	100.0%
Cost of Sales	61.04%	62.66%	63.05%
Gross Margin	38.96%	37.34%	36.95%
Officers Compensation	2.98%	3.05%	3.71%
Salaries-Wages	6.14%	6.34%	4.38%
Rent	1.11%	1.1%	1.13%
Taxes Paid	0.71%	0.7%	1.11%
Advertising	0.58%	0.63%	0.27%
Benefits-Pensions	0.5%	0.51%	0.42%
<i>Number of Firms Analyzed</i>	947	692	584

ITEM	2018-19	2019-20	2020-21
Repairs	0.26%	0.27%	0.54%
Bad Debt	0.1%	0.1%	0.13%
Other SG&A Expenses	-1.65%	-0.76%	-3.27%
EBITDA	28.23%	25.39%	28.53%
Amortization-Depreciation	6.05%	5.49%	5.16%
Operating Expenses	16.78%	17.43%	13.58%
Operating Income	22.18%	19.91%	23.37%
Interest Expense	7.13%	6.49%	6.44%
Other Income	-0.73%	-0.53%	-0.98%
Pre-tax Net Profit	15.78%	13.95%	17.91%
Income Tax	0.24%	0.43%	0.4%
After Tax Net Profit	15.54%	13.52%	17.51%
<i>Number of Firms Analyzed</i>	947	692	584

## Balance Sheet (Residential Brokers & Property Managers, Industry-wide)

ASSETS	2018-19	2019-20	2020-21
Cash	28.77%	29.29%	34.44%
Receivables	6.25%	5.94%	5.05%
Inventory	1.32%	1.95%	2.06%
Other Current Assets	5.52%	5.76%	5.4%
Total Current Assets	41.86%	42.94%	46.94%
Net Fixed Assets	37.4%	35.57%	33.76%
Net Intangible Assets	7.4%	7.36%	7.8%
Other Non-Current Assets	13.34%	14.13%	11.5%
<i>Total Assets</i>	100.0%	100.0%	100.0%
LIABILITIES			
Accounts Payable	4.16%	4.42%	2.99%
Loans/Notes Payable	11.07%	10.88%	13.91%
Other Current Liabilities	18.03%	19.5%	16.35%
<i>Number of Firms Analyzed</i>	947	692	584

**LIABILITIES**

Total Current Liabilities	33.25%	34.8%	33.25%
Total Long Term Liabilities	36.31%	33.03%	37.75%
Total Liabilities	69.56%	67.83%	70.99%
Net Worth	30.44%	32.17%	29.0%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
<i>Number of Firms Analyzed</i>	<i>947</i>	<i>692</i>	<i>584</i>

Vertical IQ financial benchmark data is based on data provided by the Risk Management Association (RMA) and Powerlytics, Inc. RMA's Annual Statement Studies provide comparative industry financial benchmarks based on financial statements of small and medium business clients of RMA's member institutions. Additional detail on income statement line items is provided using Powerlytics financial benchmarks, which are based on reporting submitted to the IRS. Additional detail on these data sources can be found at [RMA](#) and [Powerlytics](#).

# Bank Product Usage

The following table provides the frequency of bank product usage by Real Estate Agents and Managers, which includes Residential Brokers & Property Managers, with less than \$10 million in annual revenue. It is provided by Barlow Research Associates, Inc., the premier market research firm in the financial services industry.

## Top Bank Products Used by Real Estate Agents and Managers

BANK PRODUCT	% OF FIRMS
Business checking account services	94.0
Business savings or money market account	66.0
Overdraft protection for business checking	61.0
Business debit card or business check card	58.0
Business credit card issued in your company's name (Visa, MasterCard, Amex, etc.)	57.0
Automated clearing house services (ACH)	56.0
Wire transfer services	56.0
Electronic payments initiated through the Internet (Bill Payment)	54.0
Point-of-sale credit card processing	49.0
Remote deposit capture (scanning checks at your office or by mobile device for electronic deposit)	40.0
Money market mutual funds or short-term investments	39.0
Commercial real estate mortgage	32.0
Credit lines secured by receivables, inventory, property or other assets	31.0
Certificates of deposit	28.0
Commercial real estate mortgage (investment property)	28.0
Unsecured short-term loans or working capital line of credit (less than one year)	27.0
Commercial real estate mortgage (company occupied building)	25.0
Payroll processing	22.0
Account reconciliation processing (ARP)	22.0
Overnight investment or sweep accounts	20.0
Company sponsored 401(k), SEP, pension or profit sharing plan	17.0
Term loans or equipment financing (one year +)	16.0
SBA loans	15.0
Equipment leasing	12.0
Accounts receivable collection (lockbox)	11.0

**BANK PRODUCT****% OF FIRMS**

International (foreign exchange, import/export letters of credit)

8.0

Barlow's Small Business Banking program is a multi-client research program sponsored by leading banks. Each quarter, a stratified random sample of businesses throughout the United States with sales between \$100,000 to \$10 million compiled from an independent list provider are invited to participate in a comprehensive banking survey of over 100 questions. The results measure channel adoption, bank satisfaction, brand power, account management, service quality, business product usage and the selling abilities of leading providers. The results in this chapter are calculated directly from the business product usage section and represent usage for the average small business (\$100K-<\$10MM).

For more information on Barlow's banking research, go to <http://www.barlowresearch.com/>

# Quarterly Insight

## 4th Quarter 2021

### Home Sales Expected To Slip In 2022

Demand for homes remains strong, there's no sign of relief on the supply side, and listing shortages are expected to continue to drive up home prices and dent sales of existing homes in 2022, Fannie Mae forecasters predict in their October Economic and Housing Outlook. Fannie Mae economists expect that when the final numbers are in, sales of new and existing homes will have increased 4.7% in 2021, to 6.768 million. That's up from a projected 2021 growth of 3.3% in September's forecast, but the performance may not be repeated in 2022. The supply of new listings coming to market is "not strong enough in our view to sustain the current sales pace and, when combined with a modest increase in mortgage rates, we expect home sales to drift lower next year," Fannie Mae economists said.

## 3rd Quarter 2021

### Office-to-Residential Conversions Not Happening

An expected pandemic-driven increase in conversions of office buildings to residential housing that would benefit residential property managers hasn't happened. Industry experts say that developers, property owners, and city officials don't think conversions make financial sense in the long run. "There's definitely an incentive for cities to continue to promote vibrant central business districts that are centered around employment," said Manan Shah, an architect in Oakland, CA, with Gensler, a firm that has worked on and studied such conversions for years. "We would need to see a long-term trend and vacancy was high for a number of years for somebody to take the time to go through the conversion process." High office vacancy rates are plaguing cities nationwide, but it's still far less expensive to build housing from scratch than to convert old offices.

## 2nd Quarter 2021

### Appraisal Values Fall Behind Market Prices

Some analysts say that an increasing number of home sales are falling through because appraisals are not keeping pace with house price appreciation. Las Vegas Realtors president Aldo Martinez says that home appraisals in the state can be \$40,000 to \$60,000 below the market price. The difference is preventing would-be buyers who require mortgages from securing them because of the difference between the appraisal value and the sale price that has been agreed on. Appraisals are based on historical sales data, but rapid price growth may cause the valuations to be inaccurate by the time they're provided to lenders.

## 1st Quarter 2021

### Affordability Issues may Slow Growth

Housing market economists have issued warnings about the potential impact of rising home prices and a historically tight inventory of homes for sale. "Housing affordability, which had greatly benefited from falling mortgage rates, is now being challenged due to record-high home prices," wrote Lawrence Yun, chief economist of the National Association of Realtors, in the organization's latest report on existing-home sales. "That could place strain on some potential consumers, particularly first-time buyers." The median existing-home price for all housing types in December was \$309,800, up 12.9% year over year as prices increased in every region. December's national price increase marks 106 straight months of year-over-year gains.

## 4th Quarter 2020

### Missed Rent Payments may Boost Property Sales

The combination of non-paying tenants and vacant units has created great financial stress on landlords. About 31% respondents to an October survey of 1,381 landlords who own rental properties said that they felt more pressure to sell their properties during the

pandemic than before the crisis started. Higher-income landlords and those without a mortgage were under less pressure to sell. More than 47% of landlords with under \$50,000 of income reported increased pressure to sell, while just over 20% of landlords with income of \$150,000 or more stated they were pressured. A little less than one-third of landlords with a mortgage said they experienced increased pressure to sell their properties, whereas slightly more than one-quarter of respondents without a mortgage experienced the same stress.

## 3rd Quarter 2020

### **Robust Sales; Shrinking Inventory**

Sales of existing homes rose 20.7% between May 2020 and June 2020, an improvement over the 9.7% decrease a month earlier. However, existing home sales dropped 11.3% in June 2020 versus year-ago, according to the NAR. The total number of home listings dropped 32.6% in July 2020 versus year-ago, according to realtor.com, a faster rate of decline than the 27.4% decrease in June 2020 and a 19.9% drop in May 2020. New listing volume decreased 13.4% in July 2020, slowing from a 19.3% decrease in June 2020 versus year-ago, figures that have improved significantly since April.

## 2nd Quarter 2020

### **Housing Market Weakens, Mortgage Applications Provide Hope**

Pending home sales, which represent homes that have a signed contract but have yet to close, decreased 20.8% between February 2020 and March 2020 and fell 16.3% in March 2020 versus year-ago, according to the National Association of Realtors (NAR). March's pending home sale index dropped to 88.2, the first time the index fell below the 100-level mark in fifteen consecutive months. The total number of listings dropped 15.7% in March 2020 versus year-ago, which translated into 191,000 listings, a reflection of initial seller responses to COVID-19 restrictions. Lawrence Yun, Chief Economist at the National Association of REALTORS (NAR), estimated that April should be the absolute low point for pending real estate transactions, with May numbers picking up. Mortgage applications, an indicator for real estate sales, were down 35% versus year-ago in late March/early April, but only fell 10% during the first week of May.

## 1st Quarter 2020

### **Amazon Partners With Brokerage Firm**

E-commerce giant Amazon has partnered with residential real estate broker Realogy on a program through which home buyers can use an Amazon portal to connect with a Realogy agent. Industry experts say that the TurnKey program may be positioned to compete with firms like Zillow, Redfin, and Opendoor, which have launched "instant buying" algorithms and streamlined home-buying processes. Upon closing, buyers who use the TurnKey program receive packages of home services and goods from Amazon or Amazon-curated affiliates, which are paid for by Realogy. Critics of the program say that the amount of Amazon goods being offered will effectively wipe out a broker's commission.

# Industry Terms

## **Agent**

Licensed professional that works directly with customers to sell their homes, and show buyers homes that are likely to match their preferences.

## **Brokers**

Supervise agents and often provide branding, advertising, and other services that help agents complete transactions.

## **MLS**

Multiple Listings Service: Centralized listing of all available properties for sale or rent.

## **Pending Home Sales Index**

The index that measures housing contract activity. It is based on signed real estate contracts for existing single-family homes, condos and co-ops. A signed contract is not counted as a sale until the transaction closes.

## **VOWs**

Virtual Office Websites: Internet websites through which brokers offer brokerage services online to their registered clients.

# Web Links

## **[National Association of Realtors](#)**

Association web site providing analysis, trends, and resources for the real estate industry.

## **[National Association of Residential Property Managers](#)**

Association web site providing analysis, trends and resources specifically tailored for property managers.

## **[RISMedia](#)**

Real estate industry news, profiles and articles.

## **[Institute of Real Estate Management](#)**

An international community of real estate managers across all property types.

# Related Profiles

## Commercial Brokers & Property Managers

NAICS: 531210, 531312 SIC: 6531

## Janitorial Services

NAICS: 561720 SIC: 7349

## Residential Building Contractors

NAICS: 2361 SIC: 1521, 1522, 1531

## Title Abstract and Settlement Offices

NAICS: 541191 SIC: 6541

## Niche Profiles

## Homeowners Associations

NAICS: 813990 SIC: 6531

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