A Reprint from *Tierra Grande*

Texas licensees who think they face stiff competition should thank their lucky stars they work here and not in Florida.

Trends in the number of licensees here and around the nation for the past 20 years show Florida has twice as many active agents as Texas to serve each 1,000 people.

More People, Fewer Licensees

Texas' population ballooned from 16 million in 1984 to an estimated 22.5 million in 2004. During that interval, the number of active Texas real estate licensees peaked at 154,564 in 1986, then ebbed to 81,176 in 1997 (Figure 1).

The decline in licensees, which occurred after the infamous real estate bust in the mid-1980s, briefly reversed in 1990. However, the school finance reform of the day imposed a substantial new tax on license renewals. That tax and increased educational requirements combined to precipitate further erosion in the number of active agents. After 1997, real estate markets expanded, and the ranks of licensed brokers and agents began a modest recovery. By 2004, Texas had 95,762 active licensees, according to reports filed with the Association of Real Estate License Law Officials (ARELLO).

The industry now presides over a market with fewer agents serving a growing population. In fact, comparing numbers of active agents per 1,000 persons reveals that the current number of active licensees is about half that recorded from 1984 to 1988.

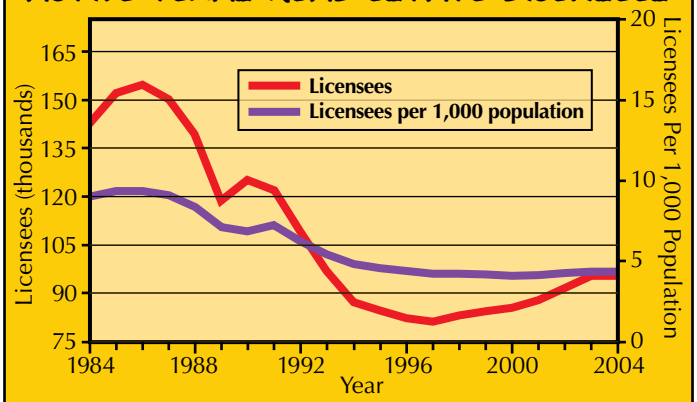
In 1985, the industry fielded 9.4 agents for every 1,000 Texans. By 2004, that ratio dropped to 4.3. However, that represents a slight rise over the lowest point of 4.1 in 2000.

Texas Versus Other States

Theoretically, the number of licensees should increase and decrease as the population grows and economic activity expands or contracts. More people buying homes means more business for more agents.

Assuming that licensees provide the same level of services throughout the nation and over the years, the number of agents compared to total population should remain stable. However, examining the number of licensees in each state compared to population levels reveals substantial variations between states and between specific time periods.

FIGURE 1.
ACTIVE TEXAS REAL ESTATE LICENSEES



Source: Association of Real Estate License Law Officials

There are fundamental differences in active licensees per 1,000 persons among the most populous states as well as considerable differences between the 11 largest states and the remainder of the nation (see table). At 19.5 agents, Florida registered the highest ratio in 1986 while Pennsylvania registered the lowest ratio among the largest states at 2.8 per thousand in 2000.

ACTIVE REAL ESTATE LICENSEES PER 1,000 PERSONS, 1984–2004

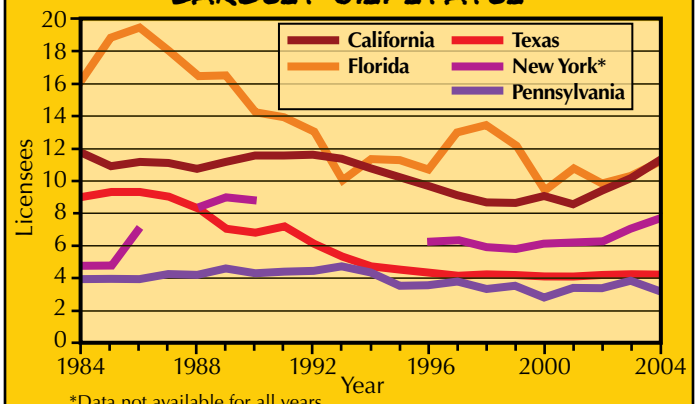
State	Active Licensees Per 1,000 Population					
	2004	Mean	Lowest	Year	Highest	Year
California	11.2	10.4	8.5	2001	11.7	1984
Florida	11.2	13.3	9.4	2000	19.5	1986
Georgia	6.3	5.7	4.9	1998	6.6	1987
Illinois	6.3	6.3	4.9	1992	7.8	1990
Michigan	6.3	5.4	4.4	1990–91	6.4	2002
New Jersey	10.2	9.9	7.8	1984	12.5	1989
New York	7.7	6.7	4.8	1985	9.0	1989
North Carolina	5.7	8.4	4.8	2000	12.3	1990
Ohio	3.5	4.1	3.3	2002	5.0	1990
Pennsylvania	3.2	3.9	2.8	2000	4.7	1993
Texas	4.3	6.0	4.1	2000	9.4	1985
11 largest state totals		7.3	2.8	2000	19.5	1986
39 smallest state totals		5.7	1.0	1990	37.8	1992

Source: Association of Real Estate License Law Officials

Over the 20-year interval, the lowest ratios most often occurred about the year 2000 in the large states. The highest ratios in these states occurred near the beginning of the study period. This suggests that agents have become more proficient in serving their client population as technological advances have occurred in the markets.

Among the large states, Pennsylvania had the least variation in number of licensees, ranging from 2.8 in 2000 to 4.7 in 1993 (Figure 2). Pennsylvania remains fairly steady near the level of four active licensees per 1,000 in population. At the other extreme, Florida exhibited the largest change, from a maximum of 19.5 in 1986 to 9.4 in 2000.

FIGURE 2. ACTIVE LICENSEES PER 1,000 PERSONS, LARGEST U.S. STATES



*Data not available for all years
Source: Association of Real Estate License Law Officials

With the exception of Pennsylvania, active agents per 1,000 persons declined in these large states over most of the 20-year interval. However, California, Florida and New York have witnessed a reversal of this trend since 2001. The California ratio has risen 30 percent since 2001. Florida saw its ratio climb 20 percent above the mark reached in 2000 while New York's ratio rose 26 percent from the 2000 level.

Texas, too, has seen the number of licensees per 1,000 in population advance slightly since 2000. However, at 5 percent above its 2000 level, the rate of increase in Texas has been more moderate than in the other three most populous states (California, Florida and New York).

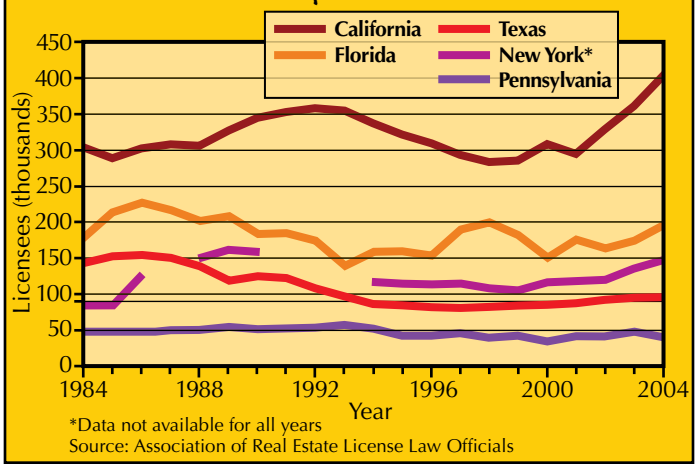
With an average of 7.3 licensees per 1,000 persons, the real estate markets in the 11 largest states supported more agents than the smaller states, which averaged 5.7 licensees. These states also exhibited more variation than the largest states, ranging from one agent per 1,000 in Maryland in 1990 to 37.8 in Massachusetts in 1992.

Comparative Industry Size

The number of active licensees provides a measure of the relative size of the real estate brokerage industry through the years and across state boundaries. Among the large states, Texas lags California, Florida and New York in total active licensees.

California alone has four times the number of active Texas licensees (Figure 3). Florida has twice as many as Texas, and New York has 50 percent more. As the trend lines indicate, California, Florida and New York markets have seen the type of declining trends first encountered after the real estate bust of the 1980s, while the numbers in Texas have remained stable.

FIGURE 3. ACTIVE LICENSEES, LARGEST U.S. STATES



*Data not available for all years
Source: Association of Real Estate License Law Officials

These data suggest a fundamental difference between the brokerage industry in Texas and these other populous states. One explanation may relate to the feverish investment activity in residential real estate in California, Florida and New York. Until recently, that kind of activity has largely bypassed Texas markets. However, anecdotal reports suggest that investors from other states "arrived" in Texas in 2005.

If investment activity generates an increase in business for the industry, demand for brokerage services should expand in 2005. The number of Texas licensees may continue to rise in the future.

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