

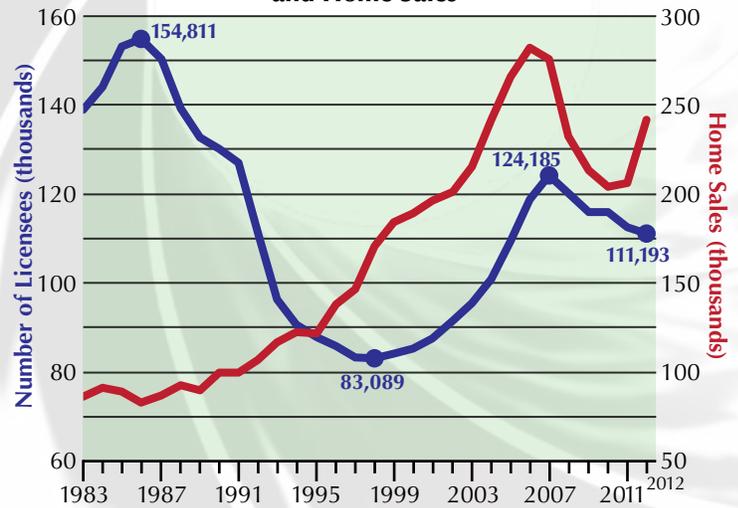
LICENSE TO SELL

BY JAMES P. GAINES



Since 1983, Texas' population increased 66 percent. Annual home sales nearly tripled, while total sales dollars ballooned nearly sevenfold. During this time, the size and structure of the home sales industry (licensed real estate agents and brokers) moved in the opposite direction.

Figure 1. Total Active Texas Licensees* and Home Sales



*As of August of each year except June 2012
Sources: TREC and Real Estate Center at Texas A&M University

Today there are fewer real estate licensees serving a substantially larger market in terms of sales and people. Advances in technology, business practices and processes coupled with more stringent licensing requirements have resulted in greater sales productivity per licensee.

TEXAS BROKERS AND AGENTS

The number of active Texas real estate licensees theoretically reacts to changes in the overall housing market and population growth. During the boom years of the 1970s and early 1980s, the number of people licensed as real estate brokers and sales agents accelerated rapidly. The real estate market's notorious collapse between 1985 and 1989 plus subsequent license law changes that expanded the educational prerequisites and costs to obtain and retain a license caused the number of licensees to plummet. Active licensees fell from a peak of 154,811 in 1986 to a low of 83,089 in 1998 (Figure 1).

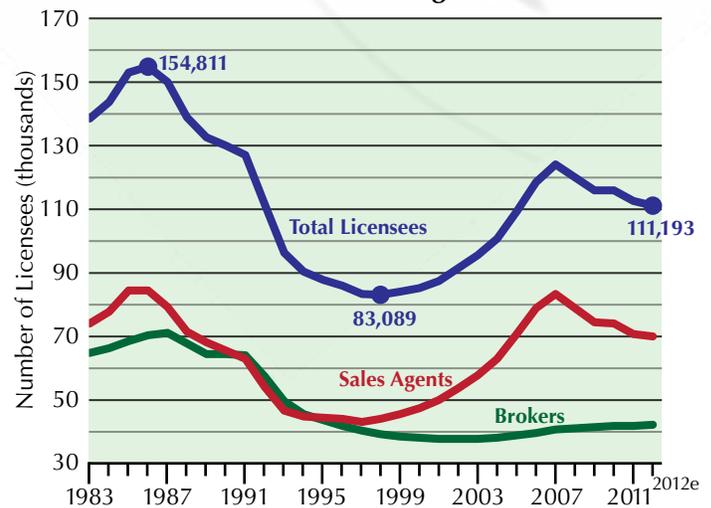
As the home sales market improved both in unit sales and total dollar volume during the 1990s and especially the housing boom of the mid-2000s, the number of active licensees reversed its downward trend and reached another peak of 124,185 in 2007. Home sales, however, declined nearly 27 percent after peaking in 2006, dragging the active licensee total down to 111,193 by sum-

mer 2012. Stronger home sales in 2012 and 2013 may reverse the downward trend, but because of the lag in reporting new licenses and renewals, it may take a couple of years to become evident.

The Texas Real Estate Commission (TREC) licenses different types of brokers. Historically, the majority of broker licenses were issued to individuals who ran or owned their own companies. In recent years, more of these companies are incorporated or operate as limited liability corporations (LLC) and are licensed accordingly. Individual brokers as a percent of total brokers fell from 93 percent in 1983 to approximately 81 percent by 2012. The decline in individual brokers was offset by the increased number of corporate and LLC-licensed brokers, which rose from 5 percent to 17.5 percent by 2012.

The number of licensed brokers relative to licensed sales agents also shifted during the past 30 years. Prior to 1991

Figure 2. Number of Active Texas Real Estate Brokers and Sales Agents*

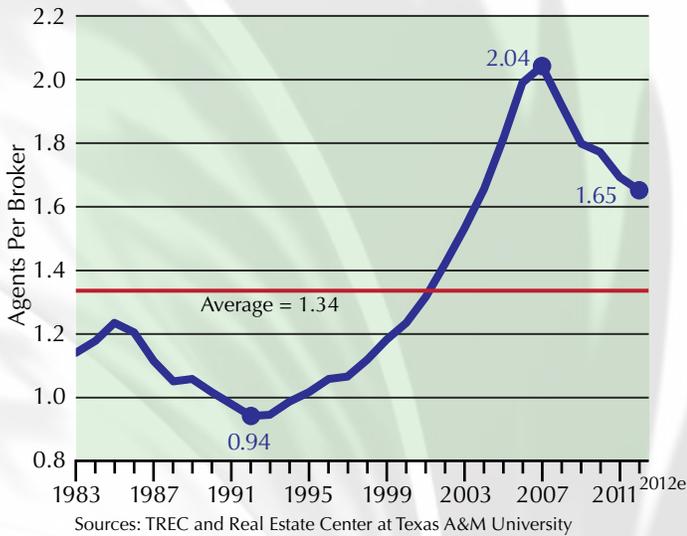


*As of August of each year except June 2012
Sources: TREC and Real Estate Center at Texas A&M University

and changes in the state license laws and regulations, the number of licensed brokers hovered between 65,000 and 70,000, and sales agents numbered about 15 to 20 percent more. By 1991, though, the number of brokers actually exceeded the number of sales agents and stayed that way until 1994. Since then, the number of agents has steadily increased while broker numbers have held fairly stable (Figure 2).

Sales agents per broker peaked at 2.04 in 2007, meaning there were more

Figure 3. Texas Real Estate Agents Per Broker



than twice as many agents as brokers. Today, there are about 1.65 sales agents for every broker. On average, there have been 1.3 agents per broker over the 30-year period (Figure 3).

GEOGRAPHICAL DISTRIBUTION

As expected, the geographical distribution of licensees across the state follows the primary population centers. The top 20 counties by number and percent of licensees as of August 2012 based on licensee mailing addresses registered with TREC are shown in Table 1.

Harris County had the greatest number of licensees with 27,359, or 23 percent of all the licensees in the state. Dallas County had 15,526 or 13 percent of all licensees. The top 20 counties collectively account for approximately 69 percent of the state's population and 95 percent of all the licensees in the state. These counties were relatively well served based on real estate licensees per 1,000 population. Only El Paso, Lubbock, Bell and Hidalgo Counties had fewer than the statewide 2012 average of 4.25 licensees per 1,000. Anderson, Comal and Travis Counties had double-digit numbers of licensees per 1,000 people.

Of course, many licensees actively do business in more than one county. Approximately one in three licensees in Texas conduct business in the Houston MSA. The five largest counties of the Houston MSA (Harris, Fort Bend, Montgomery, Galveston and Brazoria) represent 34 percent of all the licensees in the state. Four principal counties in the Dallas-Fort Worth MSA (Dallas, Tarrant, Collin and Denton) take in 31 percent of all licensees. Three counties in the Austin MSA (Travis, Williamson and Hays) and two in the San Antonio MSA (Bexar and Comal) contain 14 percent and 9 percent of all licensees, respectively. Almost nine out of ten Texas licensees (88 percent) do business in the four principal metropolitan areas of the state.

Figure 4. Total Active Licensees, Home Sales and Home Sales Volume Indexed to 1983 (1983=100)

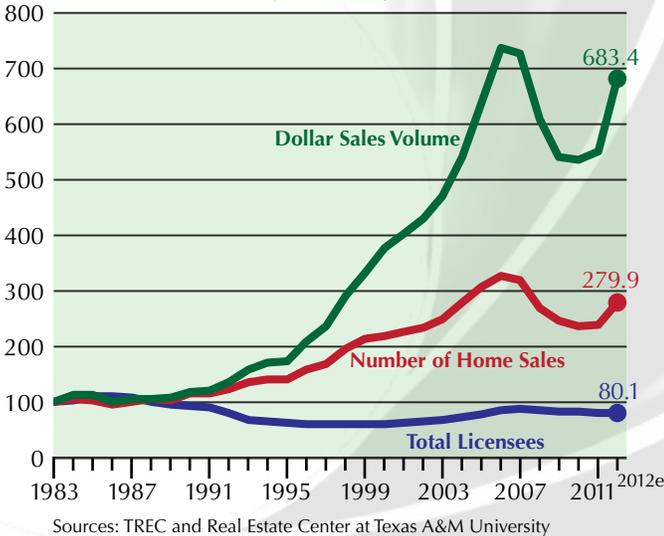
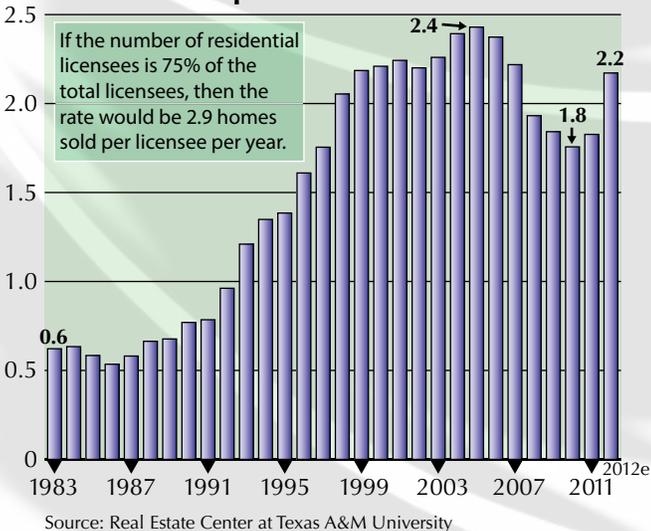


Figure 5. Annual Texas Home Sales per Licensee



LICENSEES, HOME SALES, SALES VOLUME

Despite the tremendous growth in the Texas residential marketplace during the past three decades, the number of licensees actually declined by 20 percent. Homes sold through Texas Multiple Listing Services (MLS) totaled 86,287 in 1983 but grew to an estimated 241,500 by 2012, a 180 percent increase. The annual number of home sales peaked at 281,839 in 2006. The estimated 241,500 sales in 2012 represented a 20 percent increase over the 2002 level and only 14 percent less than the peak.

As individual home prices increased and more expensive homes entered the market, the total dollar volume of residential sales multiplied even faster. Residential sales volume in 1983 totaled slightly less than \$7.3 billion. By 2012, residential sales totaled an estimated \$49.8 billion, a 583 percent increase. Total sales volume increased 59 percent from 2002 to 2012, and the 2012 volume is only 7 percent less than the 2006 \$53.8 billion peak. The relative change in the number of licensees, home sales and home sales volume indexed to 1983 is shown in Figure 4.

With the growth in unit sales and total dollar sales volume and fewer active licensees, sales production per licensee increased dramatically. Based on total sales and total licensees, the number of sales per licensee rose from 0.6 in 1983 to 2.2 sales per licensee in 2012, a nearly 250 percent increase. The 2012 level of sales per licensee was consistent with the levels achieved between 1998 and 2003, suggesting a return to sustainable conditions (Figure 5).

Although the majority of licensees are involved in marketing housing, many licensees are active exclusively in commercial, land and other nonhousing real estate. The precise number of exclusively residential licensees is unknown. If the number of licensees devoted to residential sales is, say, 75 percent, 80

Table 1. Top 20 Counties by Number of Licensees, August 2012

County	Number of Licensees	Percent of Total Licensees	Cumulative Percent	2011 Population	Number of Licensees per 1,000 Population
1 Harris	27,359	23.3	23.3	4,180,894	6.5
2 Dallas	15,526	13.2	36.6	2,416,014	6.4
3 Travis	10,994	9.4	46.0	1,063,130	10.3
4 Bexar	9,568	8.2	54.1	1,756,153	5.4
5 Tarrant	8,862	7.6	61.7	1,849,815	4.8
6 Collin	7,110	6.1	67.7	812,226	8.8
7 Denton	5,399	4.6	72.3	686,406	7.9
8 Fort Bend	4,628	3.9	76.3	606,953	7.6
9 Montgomery	3,791	3.2	79.5	471,734	8.0
10 Williamson	3,657	3.1	82.6	442,782	8.3
11 El Paso	2,595	2.2	84.9	820,790	3.2
12 Galveston	2,203	1.9	86.7	295,747	7.4
13 Brazoria	1,675	1.4	88.2	319,973	5.2
14 Nueces	1,498	1.3	89.4	343,281	4.4
15 Comal	1,342	1.1	90.6	111,963	12.0
16 Hays	1,251	1.1	91.7	164,050	7.6
17 Lubbock	1,148	1.0	92.6	283,910	4.0
18 Bell	1,121	1.0	93.6	315,196	3.6
19 Anderson	1,105	0.9	94.5	58,308	19.0
20 Hidalgo	1,047	0.9	95.4	797,810	1.3

Sources: TREC and U.S. Census Bureau

Table 2. Sales per Licensee in Selected States and Years

	2000	2005	2008	2009	2010
California	1.59	1.30	0.87	1.10	1.05
Florida	1.44	1.58	0.87	1.23	1.19
Georgia	1.97	2.78	n/a	n/a	1.79
Illinois	3.09	3.86	2.51	2.40	n/a
Michigan	2.73	2.81	2.35	2.70	n/a
New York	2.27	2.21	n/a	n/a	n/a
North Carolina	1.56	2.31	1.67	1.51	1.55
Ohio	4.80	5.72	3.70	4.22	n/a
Pennsylvania	0.80	4.42	0.62	0.69	0.55
Texas	2.21	2.43	1.84	1.76	1.83

Sources: Association of Real Estate License Law Officials, NAR, individual state Realtor associations and Real Estate Center at Texas A&M University

Table 3. Licensees per 1,000 Population Selected States, Selected Years

	1985	1990	1996	2000	2005	2010	2011
California	10.9	11.5	9.7	10.6	12.9	12.5	11.9
Florida	27.4	20.9	13.9	17.0	19.5	15.4	17.4
Georgia	8.3	8.2	6.7	8.9	9.6	n/a	9.3
Illinois	8.7	5.2	22.2	6.4	6.4	6.0	n/a
Michigan	8.9	7.5	5.0	6.8	7.4	6.3	n/a
New York	4.8	8.8	6.3	6.4	7.5	n/a	n/a
North Carolina	9.4	12.2	10.7	10.7	10.8	9.4	10.0
Ohio	4.7	12.7	14.4	4.0	4.5	5.1	n/a
Pennsylvania	8.8	11.8	3.6	20.0	4.7	20.1	22.8
Texas	9.4	7.7	4.4	4.1	5.1	4.6	4.4
Average	10.1	10.6	9.7	9.5	8.8	9.9	12.6

Sources: Association of Real Estate License Law Officials, U.S. Census Bureau and Real Estate Center at Texas A&M University

Figure 6. Dollar Volume of Home Sales Per Licensee

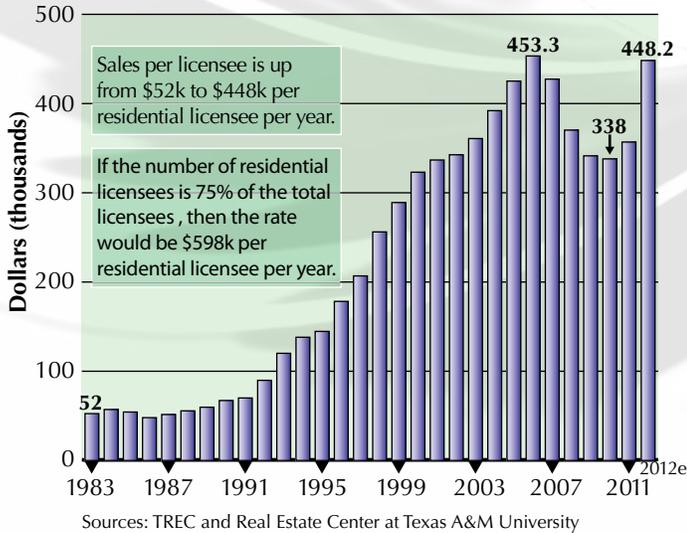
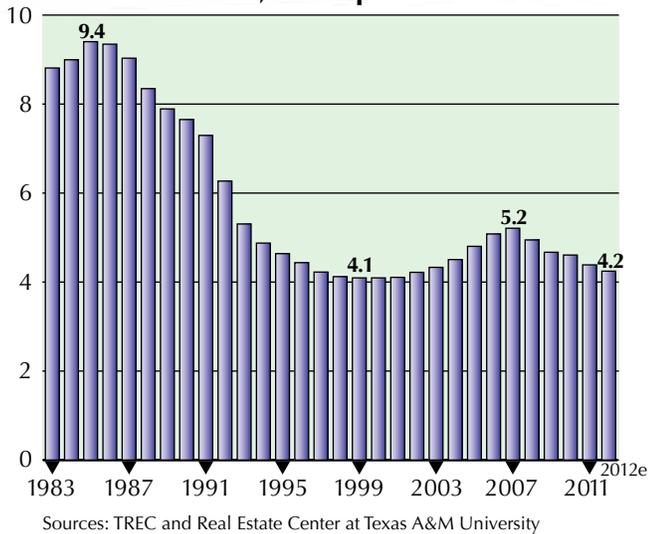


Figure 7. Total Number of Texas Licensees Per 1,000 Population



The increase in dollar volume sales per licensee has been even more impressive. In 1983, each licensee generated about \$52,540 in residential sales volume. By 2012 each licensee was estimated to have produced approximately \$448,234, a 753 percent increase (Figure 6).

The estimated rate of sales per licensee for 2012 was only slightly more than 1 percent less than the peak level of \$453,330 in 2006. If the number of licensees devoted to residential sales was, say, 75 percent, 80 percent or 85 percent of the total number of licensees,

then the dollar sales volume per licensee would have been around \$597,645, \$560,292, or \$527,334 per residential licensee, respectively.

GROWING POPULATION, FEWER LICENSEES

The high number of licensees during the early 1980s was a legacy of the extraordinary boom years during the 1970s. Since 1986, the peak year for number of licensees, Texas' population increased by more than 9.6 million people, with more than 5.3 million added just since 2000. Total licensees declined by nearly 44,000 since 1986. Consequently, a significantly larger population is being serviced by considerably fewer total agents.

In the early 1980s, before the energy-recession bust, active Texas real estate licensees reached a high of 9.4 licensees per 1,000 people. In fact, licensees per 1,000 population equaled or exceeded 9.0 for each of the four years from 1984 to 1987. Since then, however, licensees per 1,000 has dropped more than 50 percent to an estimated 4.25 licensees per 1,000 in 2012 (Figure 7).

Among the top ten most populous states, the real estate population service level is distinctly greater in the faster-growing major states (California, Florida, Georgia) and noticeably less intense in the nongrowing states (Ohio, Michigan). Texas has consistently maintained a relatively lower population service level than the other top ten states. Although the number of licensees relative to population varies significantly among the states, the average number of licensees per 1,000 people increased from 10.1 to 12.6 from 1985 to 2011 (Table 3).

Although Texas is the second most populous state, it trailed California, Florida, Pennsylvania and New York in number of licensees in 2011. And compared with most of the other most populous states, Texas consistently has fewer licensees per 1,000 population. As the market and the population of the state continue to expand, expect the number of licensees to expand as well. ➔

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THE TAKEAWAY

The number of active real estate licensees per 1,000 Texans stood at 9.4 in the 1980s, but dropped to 4.25 by 2012. The national average is 12.6. As Texas' population continues to grow and the housing market expands to keep pace, the number of licensees will likely increase to meet demand.

percent or 85 percent of the total number of licensees, then the number of 2012 sales per licensee was around 2.9, 2.7 or 2.6 homes per residential licensee, respectively.

Surprisingly, total home sales data for individual states are sketchy and inconsistent. However, since 2000, sales per licensee in Texas compare favorably with the other top ten most populous states. Sales per Texas licensee exceeded levels reported in California, Florida and Georgia almost every year during the past decade, especially in the lean years of 2008–10. Only the Midwestern states (Illinois, Michigan and Ohio) had higher sales per licensee. Comparative data on sales per licensee for the top ten most populous states since 2000 are shown in Table 2.



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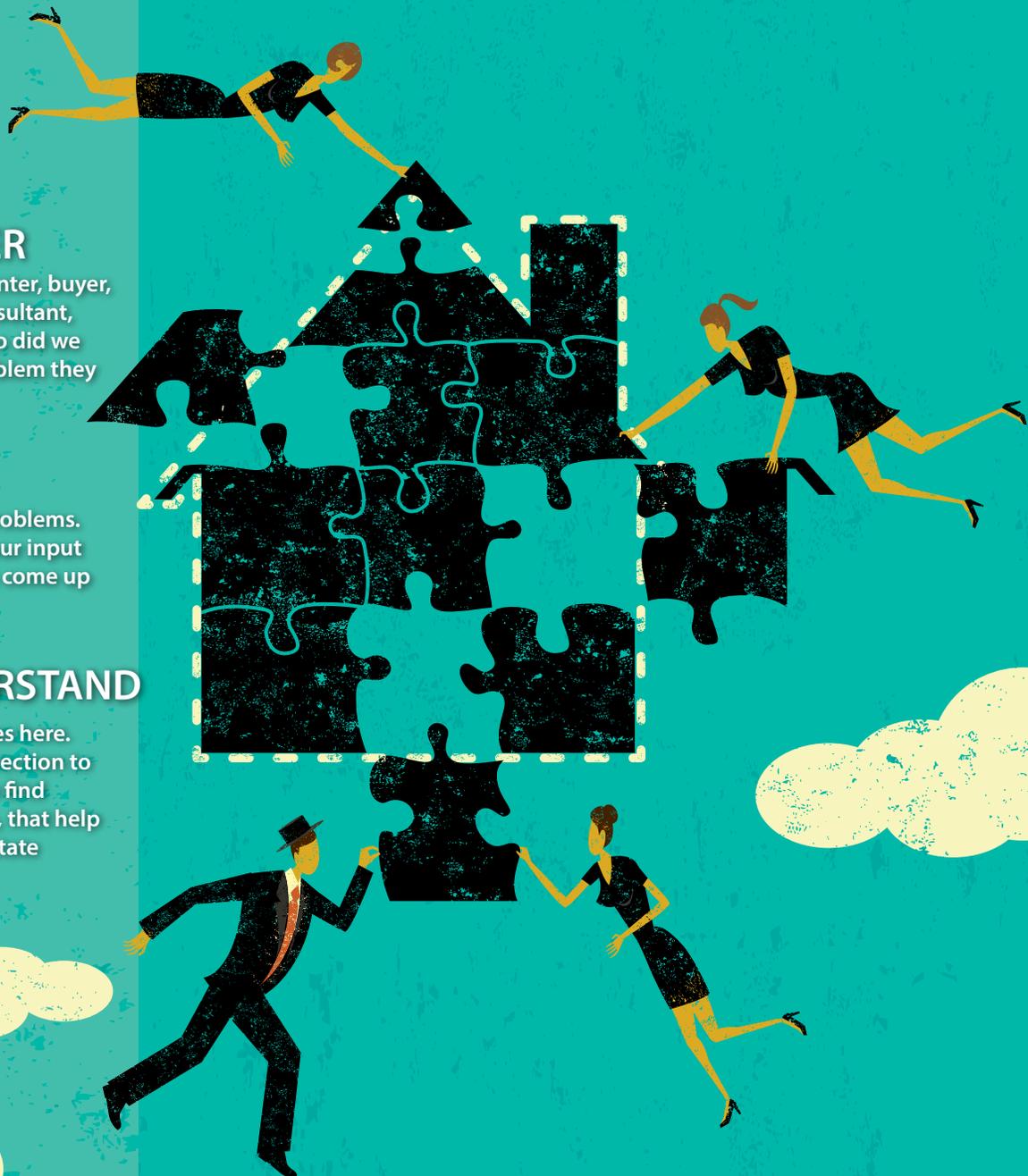
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