

2021



**REAL ESTATE
BROKERAGE
SALE PRICES IN THE
UNITED STATES**



RE: EDI's Valuation Analysis Experience and State of the Industry

Our world has been significantly impacted by a pandemic in the last year and half. The impacts have been seen in many parts of our society and no country in the world has been spared. The purpose of this analysis is to share our findings during this troubling time, on the Real Estate Brokerage Industry and specifically on valuations. EDI has seen an exponential increase in the demand for valuations around the world. We are doing business in North America, Central America and the Caribbean, South America, and Europe right now and the demand and discourse on this topic has been exceptional. In the discussions we have been involved, the following are some of our conclusions:

- The real estate industry has been stronger than ever during this pandemic. There have been regions that have seen inventory challenges, but volumes are up overall and brokerages and agents are making more money than ever.
- Owners, along with all individuals, are getting socially exhausted by the changes we have had to make.
- Broker owners and managers have had to double their efforts in leadership, office support, training, communication, deal support, mentorship, etc.
- Even though the opportunities are there, agents have had to work harder and be more creative.
- The change has been a catalyst to:
 - Partnership changes
 - Mergers
 - Business divestitures and acquisitions
 - Triggering of various succession plans
 - Valuations on businesses
 - Consulting engagements to get ready for all the above

We also wanted to share some analysis from the increase in valuations that we have completed and the hundreds of income statements we have reviewed over the year. Here are some of the analytical conclusions we have reached:

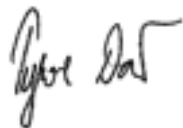
- For valuation purposes, the multiples for mergers and acquisitions have remained unchanged from 2 years ago, signifying an industry belief that the risk in this industry has been unaffected by the pandemic.



- There has not been a lopsided shift between supply and demand in our experience, as this catalyst has affected both sides equally. Many more wanted to sell and exit, and many more wanting to purchase or merge.
- Margin in the business, defined as agent revenue less the cost of providing our service, is the key driver to Brokerage Value per agent. The business that efficiently provide value and charge for it, are being valued 400.2% higher per agent than brokerages not protecting margin.
- The contribution per agent overall has been maintained however the margins on smaller business have diminished and the margins on the larger brokerages have increased. This is causing a need in the industry for consolidation.
- Rent expense as a percentage of revenue has decreased while payroll expense as a percentage of revenue has increased.
- Valuations have ranged from \$1866/agent to \$40,373 per agent. The effect of this is mainly due to the preceding findings around margin and the ability to sell value. There is no consistent value per agent and that model of approach is significantly flawed (beware)
- Discount models have had very little effect on margin for those Brokerages that have held strong on their value and pricing. The environment is rewarding the full-service brokerage as more agents are requiring the services in a challenging operating environment
- Working capital continues to be a dangerous element in every transaction and due to government funding and assistance, changing lending requirements, and shifting cash flow needs; buyers and sellers need to be aware of the balance sheet.

We hope that these insights provide you value in your strategic decisions for your business.

Sincerely,



Tyrone K. Davids CPA CA MBA

