

Affinity Programs and the Real Estate Brokerage Industry

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Abstract

This study surveys active real estate brokers on their involvement in affinity programs and referral/relocation networks. Some survey results regarding affinity involvement are: (1) 13% of respondents reported affinity affiliations, 75% reported no affiliations and 12% indicated plans to become involved within the next year; (2) affinity relationships were most often with membership organizations, corporations and professional organizations; and (3) the primary affinity benefits were commission reductions, special mortgage packages and discounted closing services. An empirical income model shows that affinity affiliation has a positive effect on broker income. Probit models show that: (1) participation in affinity arrangements is more likely for larger firms and national franchises; and (2) large firms are more likely to participate in a larger number of affinity relationships.

Introduction

Real estate firms have evolved to meet changing economic conditions. For example, some years ago brokers began paying and receiving referral fees to receive and send prospective home buyers and sellers. In the early days of referral fees, the transferred employee typically received little or no support from the employer for selling or buying a home. However, a depressed real estate market in the early 1980s forced employers to revise their policies on relocation benefits. At the same time, franchise firms began creating relocation networks between their subsidiaries and relocation networks began to evolve between independent or non-franchise firms.

The economics of the real estate business changed again in the 1990s. As relocation costs increased, corporations and relocation management companies began charging referral fees as a way to reduce these costs. Evolving from this process is the affinity group. Affinity relationships give commission discounts, rebates or other goods and services to individuals who belong to or are employed by professional or trade associations, unions or companies that have an agreement with a real estate firm. Examples of affinity groups include USAA, the AFL-CIO

and the Institute of Electrical and Electronics Engineers (IEEE). United Airlines, Sears, United Parcel Service and Prudential Insurance Company are examples of companies that have provided some form of affinity program for their employees.¹

Affinity groups have various ways of distributing benefits to their members and to affinity group partners. For example, American Airlines has an affinity partnership with PHH Real Estate Services. The airline awards frequent flier miles to members of its Aadvantage Program when they buy or sell a home through brokers at PHH. The participating brokers pay a referral fee to PHH. Also, real estate firms have entered into arrangements with local and national retailers to provide discounts or coupons to consumers who utilize their brokerage services.

This study uses an ordinary least squares model to examine the effect of affinity participation on real estate broker income. The article uses probit modeling to examine the likelihood of brokerage firms participating in affinity programs and referral/relocation networks.

Affinity Programs

There are numerous examples of affinity programs. For example, an organization may license its name and /or logo to be used on vending machines and receive a percentage of the gross sales. An organization, such as the Sierra Club, may contract with a financial institution to issue cards to members or supporters of the organization. Each time a sale is made with the card, the organization receives a percentage of the charge. Likewise, an organization may contract with a telecommunications company to market rechargeable phone cards to the organization's members. The organization receives a percentage of all recharges to the phone cards used by its members. The organizations may be tax-exempt organizations seeking to increase their income by endorsing products of a for-profit company. A properly structured deal will classify this income as royalty income and will not be taxable as unrelated business income. The income must be passive in nature and cannot include compensation for services rendered by the exempt organization. Other examples of programs include car rental discounts, equipment discounts, communication packages, shipping discounts, life insurance discounts and disability insurance discounts.

Real estate affinity programs are typically available to members of associations such as credit unions, banks and airlines. Through their "affinity" with these organizations, consumers can receive a savings on their commissions through either a cash rebate or other benefits such as frequent flier miles. A typical program will rebate from hundreds to thousands of dollars back to the consumer for using a specific real estate broker or mortgage lender. In a typical affinity program, a member of an organization will be urged to use an approved agent when selling a home. The consumer is assured a discount on the real estate commission.

Regulators have been concerned about affinity programs because an unlicensed participant is in the middle of the transaction and they can only discipline license-

holders. The Coalition for Consumer Choice in Real Estate (CCCRE) was organized in 1999 to defend the presence of affinity programs in real estate. It has worked to combat rules that prohibit the paying of commission rebates to consumers because it believes affinity programs are a business option that saves money for both brokers and consumers. CCCRE companies include Cendant Mobility, Costco, USAA and American Airlines. In the recent past, benefit programs have been offered in over forty states but several states have tried to restrict the offering of these programs. Historically, states that have restricted benefits include Oklahoma, New Jersey, Kentucky, Idaho and Kansas.

Participating agents are willing to reduce their commission rates on the premise that the dollars will be made up in a larger number of deals. In *Realty Times*, November 23, 1999, Steve Baird, President of Chicago-based Baird and Warner Realtors, estimated that since their inception, real estate affinity programs have produced well over \$30 million in cash and frequent flier miles benefits to more than 60,000 consumers. He believes that consumers benefit from move consulting, cash bonuses and other benefits while real estate brokers can cut the cost of attracting customers and enhance their offerings.

In 1998, the Center for Real Estate Research at Washington State University surveyed real estate licensees in Washington. With regard to affinity groups, the study found that significantly less than half of Washington's real estate licensees were involved in affinity relationships. Corporate affinity programs such as airlines or insurance companies were the most frequently encountered and most respondents indicated that affinity relationships had no impact on their business. In 1997, the National Association of Realtors (NAR) surveyed a national sample of real estate licensees regarding affinity relationships. The survey found that 75% of respondents were not actively involved with affinity groups. Of those who were involved, 48% reported being involved in more than one relationship. Thirty-eight percent said that affinity affiliation had no effect on profitability while forty-one percent said they did not know if it did or not. The survey found that corporations providing services to customers (airlines, insurance companies, etc.) were the primary affiliates of real estate brokerage firms.

The primary focus of this study is affinity programs in Florida. Affinity arrangements in Florida appear to be similar to those in other parts of the country. Also, the major issue of regulation prohibiting the sharing of real estate fees with unlicensed entities seems to be true in Florida as in other parts of the country.

Broker Income

One aspect of this study is to measure the effect of affinity programs on broker income. A number of previous studies (see Follain, Lutes and Meier, 1987; Crellin, Frew and Jud, 1988; Glower and Hendershott, 1988; and Sirmans and Swicegood, 1997, 2000) have examined the determinants of broker income. Variables that have been shown to positively affect income include hours worked, education,

experience, size of firm, living in a metropolitan area, professional designations, use of computer and job satisfaction. Variables that have been shown to have a negative effect on income include being a female, specializing in residential sales, age and perceived image. Variables that have not been shown to significantly affect broker income include source of prelicensing education, club membership and number of hours spent reading real estate-related literature. This study seeks to determine whether affinity programs should be added to the list of variables affecting broker income.

Objective and Approach

This study analyzes the effect of affinity groups on the real estate brokerage business. According to a 1998 study by the NAR, brokerage firms were more likely to be involved in affinity relationships in 1997 than in 1995. The NAR study reports that, nationally, about 25% of brokerage firms are affiliated with an affinity group. That was up from 16% in 1995. Also, another 4% of brokers indicated plans to affiliate within the next twelve months. Brokers that participate in affinity relationships were more likely to be affiliated with more than one affinity group.

A mail survey (available from the authors on request) was sent to a random sample of 3,000 active real estate brokers in Florida. The original 3,000 mailing went to 500 real estate brokerage firm managers and to 2,500 active real estate brokers. A follow-up mailing of 1,000 surveys was sent to non-respondents. A total of 310 responses were received. Some demographic information was obtained along with information concerning affinity groups and referral fees. Summary statistics for the data are given in Exhibit 1. The next section gives a profile of affinity and referral participation. Questions addressed in the survey include: (1) does your firm participate in affinity arrangements; (2) with what affinity groups does your firm affiliate; (3) what benefits does your firm provide to buyers and/or sellers; and (4) what effect has affiliation had on profitability, activity, etc.

The analysis of the survey data is done in two parts: (1) an empirical model of the effect of affinity programs on broker income; and (2) a probit model of whether a broker is involved in an affinity relationship. Also, ordered probit models of the number of affinity relationships are estimated.

Statistical analysis of referral and relocation affiliation similar to the affinity relationship is also performed. Probit models of whether the respondent's firm is part of a national referral/relocation network are estimated. In addition, an analysis of the number of referrals, the conversion rate on incoming referrals and the percentage of the firm's revenue from incoming referral/relocation transactions are conducted.

Exhibit 1 | Summary Statistics

Variable	<i>n</i>	Mean	Std. Dev.	Min.	Max.
Income	208	\$69,786	\$63,596	0.00	\$400,000
Nonwhite	250	0.088	0.284	0.00	1.00
Male	252	0.702	0.458	0.00	1.00
Experience	255	21.58	10.26	4.00	54.00
Hours Worked	249	37.20	20.69	0.00	100.00
Affinity Participation	257	0.132	0.339	0.00	1.00
# Affinity Arrangements*	37	2.081	0.924	1.00	4.00
Member Referral Network	281	0.121	0.335	0.00	1.00
# Referral Transactions*	36	2.917	1.680	0.00	5.00
Firm Size 1–5	257	0.755	0.431	0.00	1.00
Firm Size 6–10	257	0.113	0.317	0.00	1.00
Firm Size 11–20	257	0.051	0.219	0.00	1.00
Firm Size 21–30	257	0.027	0.163	0.00	1.00
Firm Size 31+	257	0.054	0.227	0.00	1.00
Independent Firm	257	0.895	0.307	0.00	1.00
National Franchise	257	0.093	0.291	0.00	1.00
National Firm	257	0.012	0.108	0.00	1.00
Small/Non MSA	257	0.478	0.500	0.00	1.00
Daytona	257	0.027	0.163	0.00	1.00
Jacksonville	257	0.027	0.163	0.00	1.00
Melbourne	257	0.035	0.184	0.00	1.00
Miami	257	0.171	0.377	0.00	1.00
Orlando	257	0.058	0.235	0.00	1.00
Sarasota	257	0.027	0.163	0.00	1.00
Tampa	257	0.121	0.326	0.00	1.00
West Palm	257	0.054	0.227	0.00	1.00

Notes: The number of observations varies with the response rate. This variation is reflected in the estimation exhibits that follow.

* Means only for those respondents responding positively to affinity affiliation or membership in a referral/relocation network.

Broker Involvement in Affinity Programs and Referral/Relocation Networks

The survey measured a number of characteristics of real estate brokers and their involvement with affinity programs and relocation/referral networks.² These characteristics included: (1) demographic information such as age, gender, experience, income, etc.; (2) firm characteristics such as size and type; (3) affinity relationships; and (4) referral or relocation affiliation.³

Relative to affinity affiliation and referral/relocation networks, some of the results from the survey are:

1. Thirteen percent of respondents indicated an affinity affiliation while 12% indicated a plan to become involved in affinity programs within the next year.
2. Thirty-eight respondents indicated some association with affinity groups. Of these, 29% indicated involvement with one group while 47% indicated involvement with two to four groups.
3. Twenty-four percent indicated involvement with five or more groups. The respondents reporting affinity relationships were most often involved with membership organizations, corporations that provide services to customers and professional associations. A smaller proportion was associated with credit card issuers.
4. The main affinity benefits provided to sellers were percentage reductions in commissions and special mortgage packages.
5. The main affinity benefits provided to buyers were special mortgage packages, commission reductions, discounted closing services, and other goods and services.
6. Thirty-eight percent of those responding indicated that affinity affiliation had increased profitability while 21% reported a decrease. Forty-one percent reported no effect on profitability.
7. Of those responding, 56% reported an increase in sales agents' productivity while seven percent indicated a decrease. Thirty-seven percent reported no effect on productivity.
8. Of those responding, 44% reported an increase in the firm's listing activity because of affinity affiliation while 56% indicated no effect.
9. Of those responding, 47% indicated that they learned of the affinity relationship before the first meeting while 27% learned at the first meeting. Only 27% learned of the relationship at or after contract signing.
10. Of a total of 290 respondents, only 12% reported an affiliation with a national referral or relocation network and 1% were considering it. Eighty-one percent were not members but 6% indicated that they were not members but received occasional business.

Empirical Analysis

To examine the effect of affinity programs on real estate brokerage, the empirical analysis is done in two parts. First, an income model is estimated to test the effect of affinity programs on broker income. Then, probit models are used to measure the probability of participation in an affinity arrangement. Probit models are also used to measure the probability of participation in a referral/relocation network.

The Income Model

Using the survey response data, the model measuring broker income takes the following form:⁴

$$\begin{aligned}
 & \text{BROKER INCOME} \\
 & = f(\text{GENDER, EXPERIENCE, RACE,} \\
 & \quad \text{HOURS WORKED, TYPE OF FIRM, SIZE OF FIRM,} \\
 & \quad \text{LOCATION, AFFINITY PARTICIPATION}), \quad (1)
 \end{aligned}$$

where:

GENDER = The gender of the broker (Male = 0, Female = 1);

EXPERIENCE = The number of years work experience for the broker;

RACE = The race of the broker (White = 0, Nonwhite = 1);

HOURS WORKED = The number of hours that the broker works per week;

TYPE OF FIRM = The type of brokerage firm (Franchise = 0, Independent = 1);

FIRM SIZE = The number of licensees affiliated with the brokerage firm (five categories of firm size were created: 1–5, 6–10, 11–20, 21–30 and 31+);

LOCATION = The location of the brokerage firm (the responses were grouped into the following categories: no/small MSA, Daytona, Jacksonville, Melbourne, Miami, Orlando, Sarasota, Tampa, West Palm); and

AFFINITY PARTICIPATION = Participation in an affinity arrangement (Yes = 1, No = 0).

As Exhibit 1 shows, the average income was \$69,786 with an average number of hours worked per week of thirty-seven. Seventy percent of the respondents were

male and 91% were Caucasian. The respondents had average work experience in real estate of twenty-one years. Thirteen percent of the respondents were actively involved in affinity arrangements. Seventy-five percent of respondents worked in a firm with five or less licensees and eighty-nine percent worked in independent firms that are not franchised. About 48% of respondents lived in areas that are small or no metropolitan areas. The largest number of respondents (17%) from a major metropolitan area was from Miami.

Income Model Results

Estimation results from the income model are given in Exhibit 2. Income is positively related to the number of hours worked, firm size, working for a

Exhibit 2 | Regression Results for Real Estate Broker Income Model

Variable	Estimate	t-Stat.
Intercept	8.354	13.53*
Nonwhite	-0.354	-1.60
Female	-0.333	-2.38*
Experience	0.038	1.40
Experience Squared	-0.001	-1.21
ln(Hours Worked)	0.467	3.71*
6-10 Licensees	0.050	0.24
11-20 Licensees	0.507	3.67*
21-30 Licensees	0.047	0.18
31+ Licensees	0.566	2.16*
Independent Firm	0.372	2.44*
Daytona Beach	-0.179	-0.52
Jacksonville	0.179	0.77
Melbourne	-0.291	-0.98
Miami-Fort Lauderdale	0.387	1.86*
Orlando	0.201	0.85
Sarasota	0.249	1.25
Tampa-St. Petersburg	-0.014	-0.06
West Palm Beach	0.645	2.96*
Affinity Participation	0.409	2.45*
Adj. R^2	20.57	

Notes: Dependent variable = ln(Broker Income). $N = 184$.
* Statistically significance at the 10% level. The standard errors have been corrected for heterosedasticity using the White correction.

non-franchised firm and, in some cases, location. Income for females is significantly less than income for males. The affinity variable has a positive effect on broker income.⁵ The coefficient of 0.409 indicates that brokers involved in affinity arrangements earn, on average, about 50% more than brokers who are not involved.⁶ This result is interesting compared to the survey responses. Only 38% of respondents indicated that affinity affiliations resulted in increased profitability while 41% believed they had no effect.

Probit Model Results

In order to more closely examine the involvement of brokerage firms with affinity programs and referral/relocation networks, probit models are estimated using the two binary response variables (*i.e.*, whether in an affinity arrangement and whether

Exhibit 3 | Probit Model of Probability of Participation in Affinity Arrangements

Variable	Estimate	t-Stat.
Constant	-0.184	-8.50*
6-10 Licensees	0.079	1.99*
11-20 Licensees	0.107	1.84
21-30 Licensees	0.034	0.42
31+ Licensees	0.166	2.78*
National Franchise	0.146	3.17*
National Company	0.066	0.60
Daytona Beach	0.118	1.72
Jacksonville	0.035	0.43
Melbourne	0.048	0.73
Miami-Fort Lauderdale	-0.085	-1.73
Orlando	0.016	0.30
Sarasota	-0.849	-0.00
Tampa-St. Petersburg	-0.090	-1.44
West Palm Beach	-0.016	-0.24
Scale Factor	0.122	

Notes: Dependent variable: 1 = Affinity Participation, 0 = Nonparticipant. Sample size = 257. The estimate is the estimated effect of a one unit change in the explanatory variable on the probability that a firm with characteristics equal to the sample mean participates in an affinity arrangement. The partial derivative divided by the scale factor yields the associated probit coefficient. The data source is the Florida Real Estate Licensee Affinity Group and Referral/Relocation Participation Survey. Observations with missing values have been deleted.
*A statistically significant estimate at the 5% level.

in a referral/relocation network). Also, to formally examine the categorical variables (such as the number of affinity arrangements), multivariate ordered probit models are used. Ordered probit models may be more useful than ordinary least squares regression models for two reasons. First, the range covered by each category varies. Ordinary least squares regression does not account for this and treats the difference between categories 1 and 2 the same as the difference between categories 2 and 3. Second, ordinary least squares regression can generate predicted values outside the possible range (for example, a negative number of affinity arrangements). The use of ordered probit eliminates both of these problems.

The ordered probit model assumes this relationship:

$$f(\text{Prob}(Y \leq j)) = \alpha_j + \beta X \quad \text{for } j = 1, \dots, k, \quad (2)$$

where the response of the variable Y is measured in one of $k + 1$ different categories, α_j are k intercept parameters and β is a vector of slope parameters not including the intercept term. The model assumes that $\alpha_1 < \alpha_2 < \alpha_3 \dots < \alpha_k$. This model restricts the predicted values to be in the range covered in the dependent value and permits each response in Y to be treated differently.

Exhibit 4 | Ordered Probit Model of the Number of Affinity Arrangements

Variable	Estimate	t-Stat.
Constant	-1.854	-3.81
6-10 Licensees	0.715	1.09
11-20 Licensees	0.264	0.33
21-30 Licensees	1.688	1.58
31+ Licensees	1.635	2.22*
National Franchise	-0.185	-0.31
National Company	-0.827	-0.78
Miami-Fort Lauderdale	-1.315	-2.08*
Orlando	0.097	0.17
Tampa-St. Petersburg	-1.016	-1.44
Constant for Group 2	0.726	2.42*
Constant for Group 3	2.381	5.60*

Notes: Dependent variable = number of groups of affinity participation. Sample size = 37.
*A statistically significant estimate at the 5% level.

Exhibit 3 provides the results of the probit model measuring the probability of participation in an affinity arrangement. The dependent variable is whether (yes/no) the firm participates in an affinity arrangement. The first set of variables in the model is the size of the firm. The omitted reference group is size 1-5 licensees. Two categories are significant: the 6-10 group and the 31+ category. This indicates that firms of this size were 7.9 and 16.6 percentage points, respectively, more likely to participate in an affinity arrangement than firms of other sizes.

The second set of variables measures whether the company is a national franchise, etc. The omitted reference group is an independent company. The variable for national franchise is significant indicating that a franchise company was 14.6 percentage points more likely than other types of companies to participate in affinity arrangements.

Exhibit 5 | Probit Model of Probability of Participation in a National Referral/Relocation Network

Variable	Estimate	t-Stat.
Constant	-0.235	-7.59*
6-10 Licensees	0.045	0.99
11-20 Licensees	0.092	1.50
21-30 Licensees	-0.038	-0.44
31+ Licensees	0.298	4.16*
National Franchise	0.337	5.50*
National Company	-0.049	-0.47
Daytona Beach	0.140	2.09*
Jacksonville	0.142	2.16*
Melbourne	-0.011	-0.09
Miami-Fort Lauderdale	-0.020	-0.31
Orlando	0.116	2.33*
Sarasota	-0.022	-0.14
Tampa-St. Petersburg	0.052	1.08
West Palm Beach	0.064	1.18
Scale Factor	0.098	

Notes: Dependent variable: 1 = Participation, 0 = Nonparticipant. Sample size = 281. The estimate is the estimated effect of a one unit change in the explanatory variable on the probability that a firm with characteristics equal to the sample mean participates in a national referral/relocation network. The partial derivative divided by the scale factor yields the associated probit coefficient. The data source is the Florida Real Estate Licensee Affinity Group and Referral/Relocation Participation Survey. Observations with missing values have been deleted.
 *A statistically significant estimate at the 5% level.

The third set of variables measures location. Small MSAs or no MSA is the omitted reference group. None of the location variables are significant indicating that the probability of participating in an affinity group was not location sensitive.

Overall, the results show that the probability of participating in affinity arrangements was somewhat sensitive to the size of the firm and whether the firm is an independent or a franchise, but not to location.

Exhibit 4 provides results from the ordered probit model measuring the number of affinity arrangements relative to firm characteristics. Only a couple of variables are significant. They indicate that large firms with 31+ licensees were more likely to have significantly more affinity arrangements than smaller firms. With location, firms in the Miami–Ft. Lauderdale area were more likely to have less affinity arrangements than firms in other areas of the state.

Overall, the results show that large firms were more likely to participate in a greater number of affinity arrangements than smaller firms but, in general, the

Exhibit 6 | Ordered Probit Model of the Number of Referral Transactions

Variable	Estimate	t-Stat.
Constant	-1.269	-2.52*
6–10 Licensees	1.372	2.02*
11–20 Licensees	0.306	0.47
21–30 Licensees	1.252	1.46
31+ Licensees	2.597	3.42*
National Franchise	-0.921	-1.74
National Company	-1.340	-1.26
Miami–Fort Lauderdale	-0.677	-1.09
Orlando	-0.415	-0.66
Tampa–St. Petersburg	0.025	0.04
Constant for group 2	0.468	2.13*
Constant for group 3	1.208	3.80*
Constant for group 4	1.684	4.82*
Constant for group 5	2.894	5.85*

Note: Dependent variable is the number of groups of referral participation. Sample size = 36. The estimate for the each explanatory variable is the ordered probit coefficient for the number of referral transactions. The constants for groups 2 to group 5 are the constants that must be added to the reference group constant to obtain the appropriate regression line for that group. The data source is the Florida Real Estate Licensee Affinity Group and Referral/Relocation Participation Survey. The sample includes observations that indicate they participate in a national referral/relocation network.
*A statistically significant estimate at the 5% level.

number of arrangements was not sensitive to location or type of firm (franchise or independent).

Exhibit 5 provides results for the probit model examining participation in a national referral/relocation network. Large firms 31+ were 29.8 percentage points more likely to participate in these programs. Also, firms that were national franchises were 33.7 percentage points more likely to participate. Firms in some areas of the state were more likely to participate than firms in other areas. Firms located in Daytona Beach, Jacksonville and Orlando were more likely to participate in referral programs.

Overall, the results show that participation in a national referral/relocation network was more likely for large firms, national franchise firms and firms in Daytona Beach, Jacksonville and Orlando.

Exhibit 6 provides the results for the ordered probit model measuring the number of referral transactions relative to firm characteristics. The results show that larger firms (31+) were more likely to have a higher number of referral transactions than smaller firms. However, the number of referrals was not sensitive to type of firm (franchise or independent) or location.

Conclusion

This study uses a survey of Florida real estate brokers to measure participation in affinity programs and referral/relocation networks. A model of broker income shows that affinity affiliation has a positive effect on broker income. Probit models are used to examine brokerage firm involvement in affinity programs and referral/relocation networks. Overall, the results for the probit models show: (1) participation in affinity arrangements is more likely for larger firms and national franchises but is not sensitive to location within the state; (2) large firms are more likely to participate in a larger number of affinity relationships but the number of relationships does not vary by type of firm or location of the firm; (3) large firms and national franchise firms are more likely to participate in national referral/relocation networks and this participation is somewhat location sensitive, and (4) the number of referral transactions in which a firm participates is not sensitive to type of firm or location of firm but larger firms are more likely to have more referrals.

It is important to clarify the affinity participation issue so as to determine whether or not it is an effective marketing tool. On the one hand, groups such as the CCCRE have formed to defend the presence of affinity programs. Arguments are made as to the benefits of the program to the real estate industry and its viability as a business option that saves money for both brokers and consumers. On the other hand, some brokers complain that affinity programs force them to cut their commissions to compete for business. Also, regulators do not like the presence of someone unlicensed in the middle of a real estate transaction. This study has taken steps to clarify some of the issues surrounding affinity programs.

Endnotes

- ¹ For a more detailed discussion of affinity relationships, see *1997 Real Estate Brokerage Industry Practices: Affinity and Referral/Relocation Relationships* prepared for the Affinity and Relocation Working Group Business Issues Committee of the National Association of Realtors, April 1998.
- ² It may be argued that one knows the answer to the question of the effect of affinity programs a priori. Programs must be at least perceived as profitable or they would not exist. Also, one might question the focus on brokers as opposed to the firm itself. In essence, the firm is the brokers. Most licensees act as independent contractors and would have little incentive to participate in affinity programs if they were not perceived as worthwhile. Thus, while data was collected on firm characteristics, the major focus was on the brokers themselves.
- ³ For a full discussion of the survey results, see Sirmans and Macpherson (2000).
- ⁴ The specification of the regression model follows from the literature on broker income. Not all variables in previous studies were measured in the current survey. In any case, the major focus is on affiliation programs.
- ⁵ The model was also used to test other variables dealing with affinity arrangements and referral networks. No significant relationships were found. For example, the number of affinity relationships had no significant effect on income. Neither did the type of affinity relationships. Also, being a member of a referral/relocation network had no effect on income.
- ⁶ To calculate the effect, take $e^{0.409} - 1 = 0.505$.

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This study was funded by the Education and Research Foundation Committee of the Florida Real Estate Commission. The authors thank the anonymous referees for their helpful comments.

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