

Understanding Your Community

How to conduct a real estate analysis of change in your market.

A responsive, diversity-oriented business plan for your state or local REALTOR® association depends on an accurate analysis of the demographic characteristics of your market. Demography is simply the study of the composition, distribution, movements, and changes within human populations. Is the population growing? What is the ethnic mix? What is the ratio of renters to owners? Is per capita income rising? Demography and market strategy go hand-in-hand.

A demographic analysis for your state or local REALTOR® association would include current patterns within your community, as well as future trends. A change in demographics might signal the need to change your market strategy.

Data that are likely to be the most helpful in understanding your community include national origin, native language, age, race, household income, number of children, marital status, employment rates, and housing tenure. But essentially anything that REALTORS® within your association consider key about an individual sale, for example, travel time to work, might be useful to examine in the aggregate.


Your members may feel they already understand the local market well. If not, resources for learning about community demographics are plentiful and mostly free. Here are ways to answer the most basic questions:

What Does NAR Have To Offer?

The Research Division of the NATIONAL ASSOCIATION OF REALTORS® (NAR) produces the premier measurement of residential real estate activity—existing home sales. It also tracks national as well as regional housing affordability. In addition, NAR Research conducts surveys, including its most popular profile of home buyers and sellers, member profile, and profile of real estate services. Research offers county-level reports, including the Market Intelligence Report and the Relocation Report, to give REALTORS® valuable demographic, housing, and relocation information. Some information is available on the Web and can be downloaded at no charge in PDF format; other reports are available for a nominal fee. To view details, visit the Research Division on the Web at www.realtor.org/Research. For more information, contact the Division directly by e-mail (eresearch@realtors.org), or by phone (202/383-7518).

What Is Happening in My Local Real Estate Market?

Before spending time and money doing your own research, check to see if demographic analyses have already been done for your area. A host of places might have the analysis



or data you want: regional or state libraries, chambers of commerce, state and local human relations commissions, city or county planning departments, local offices of the U.S. Department of Housing and Urban Development, banks and insurance companies, non-profit housing associations, school districts, and community development associations. Don't forget the urban planning or sociology department in your community college or nearest university.

If you do need to hunt for facts, many are a mouse-click away. Several sites are particularly helpful. Let's start with the U.S. Census Bureau's American FactFinder Web site: <http://factfinder.census.gov>.

American FactFinder includes a multitude of links that give you a variety of facts for geographic boundaries ranging from the entire nation through states, counties, cities, towns, American Indian reservations, down to the level of individual census tracts and zip codes. The site has information icons, tutorials, and other quick tips to finding the particular demographic data you want. It also has a glossary and answers to frequently asked questions.

The homepage for American FactFinder offers fast access to community profiles. For example, typing in a zip code yields demographic data such as race, age, and median income, and housing data, such as median value and number of renter-occupied units.

Interested in more detailed data sets? American FactFinder has that, too, as well as information from the Census Bureau's Continuous Measurement Office, which updates demographics from geographic areas on an ongoing basis.

Who Else Analyzes the National Market in Depth?

In addition to analyses available through NAR, an excellent source for national data is the Harvard University Joint Center for Housing Studies, whose publications are available on the Web at www.jchs.harvard.edu. The Joint Center analyzes housing markets in terms of economic, demographic, and social trends. One of its valuable publications, *The State of the Nation's Housing 2007*, can be downloaded from its Web site at no charge in PDF format.

To see how experts consider national trends in analyzing local markets, look at the Web site of the Selig Center for Economic Growth at the University of Georgia (www.selig.uga.edu). The Center conducts extensive research on economic, demographic, and social issues at the national level, and relates its findings to Georgia's current and future growth.

Another option for finding local and national demographic data on the Web is to use a search engine such as Google.com and type in key words. There are a few commercial sites that offer some demographic analysis at no cost, such as FreeDemographics.com. More detailed demographic analysis is available for a fee through sites such as DemographicsNow.com.

What Do I Have To Know About Statistics?

Not much. Here are a few key terms and phrases.

Median is the midpoint in a group, such that there is an equal amount above and below that point. For example, if the median value of a home in your community were \$125,000, then there would be as many homes costing more than \$125,000 as costing less than that amount.

Range is simply the highest and lowest value in a group. Houses in your community might range from \$50,000 to \$500,000.

Average (basically the same as mean) is the sum of two or more quantities, divided by the number of quantities. We use averages every day, and they are great as a batting statistic. But they can be misleading in understanding your community due to outliers and dispersion. Outliers are simply a few numbers that are much higher or lower than the rest. Dispersion refers to how wide your range is. The wider the range the less meaningful an average becomes.

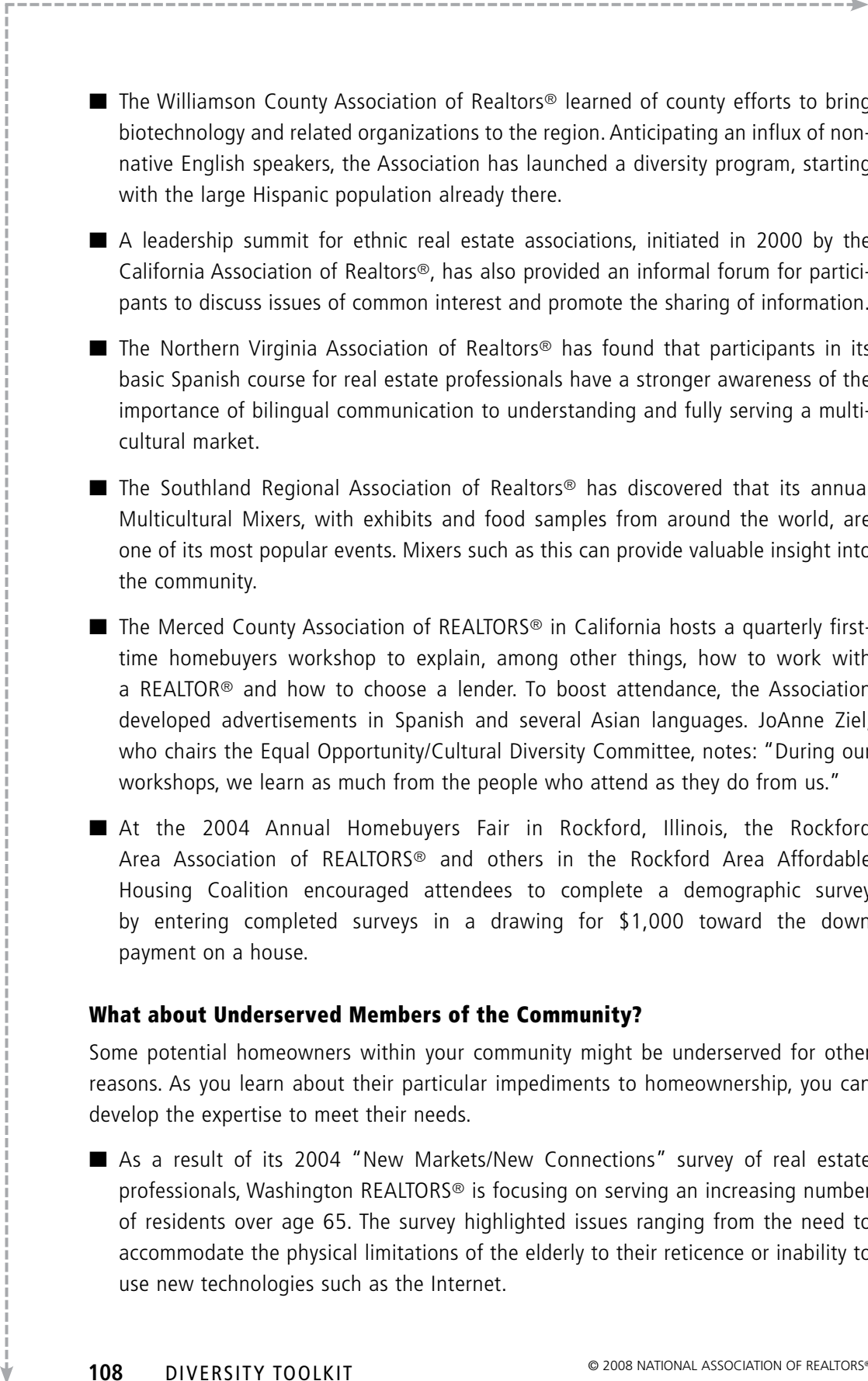
Let's take the case of an eccentric artist who makes \$10 million a year and decides to move into a middle-income neighborhood of 99 households, where incomes range from \$50,000 to \$150,000 and the median income is \$75,000. She's your outlier. Her arrival pushes the median income up a notch to perhaps \$85,000, depending on the income distribution of the other households. But the average income (sum of all the incomes divided by 100 households) could be \$175,000 or more, depending on income distribution.

Percentage of change is the difference between two numbers divided by the base number and multiplied by 100. Since identifying demographic trends is key in real estate, the percentage of change is an invaluable tool. Many sources will have this statistic for you, but it's easy to find your own percentages for other demographic data.

For example, the 2000 census reported 526,986 people for Portland, Oregon. The U.S. Census Bureau calculated that as of July 1, 2002, there were 537,239 people in Portland. Dividing the difference (10,253) by the base (526,986) yields about 0.0194 or 1.9 percent. Since the 2000 figure is lower than the 2002 figure, the percentage shows an increase.

How Else Can an Association Improve Understanding of the Community?

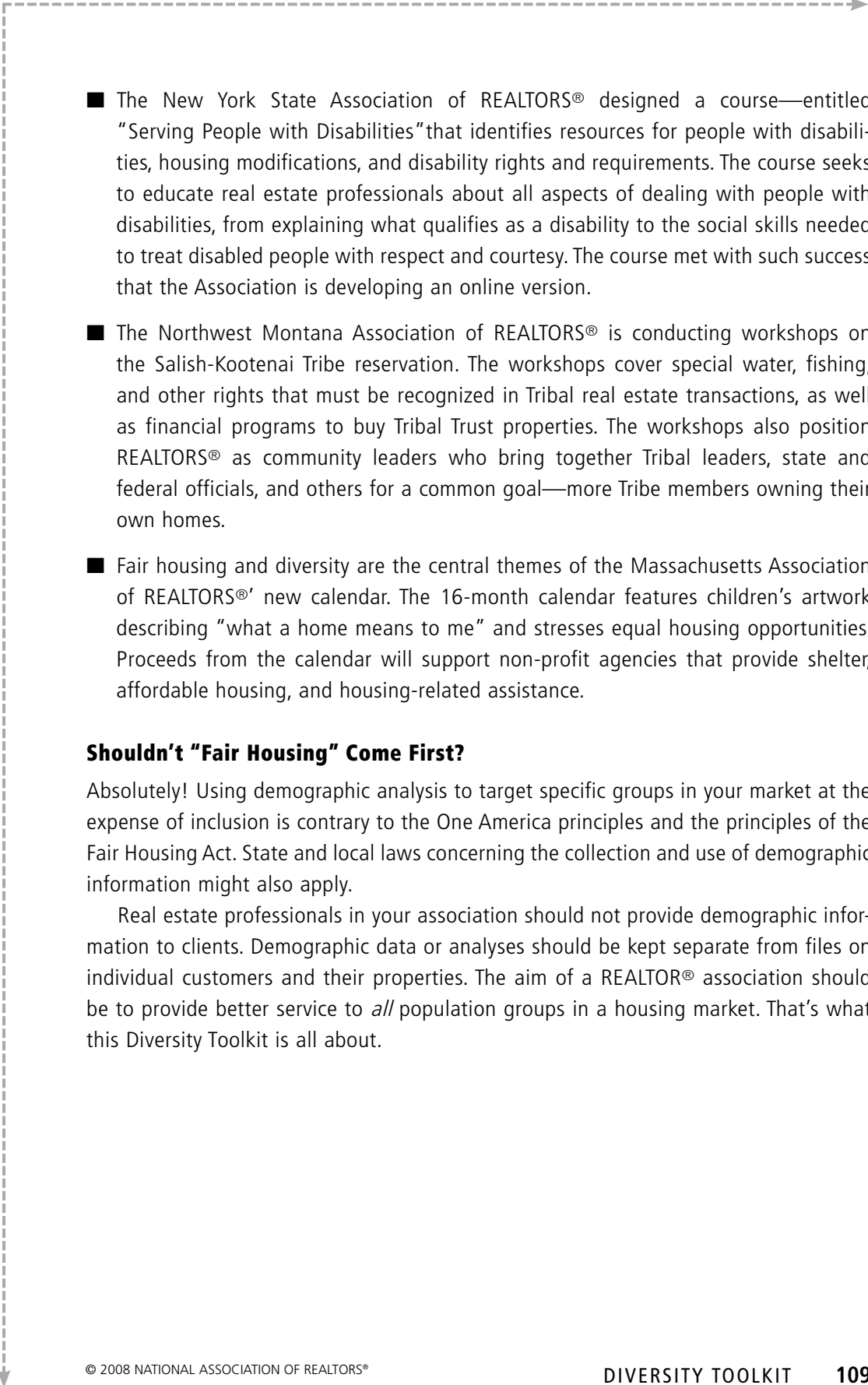
Statistics are only part of determining who your customers are now and who they are likely to be in the future. It's important to stay in touch with local news and speak with local residents, delivery people, and merchants. Contact local civic leaders, newspaper reporters, and school boards. Establish networking opportunities within the broader real estate community. Use your association's diversity programs to show individual REALTORS® how to wield new tools to gain insight into changing customer populations.

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- The Williamson County Association of Realtors® learned of county efforts to bring biotechnology and related organizations to the region. Anticipating an influx of non-native English speakers, the Association has launched a diversity program, starting with the large Hispanic population already there.
 - A leadership summit for ethnic real estate associations, initiated in 2000 by the California Association of Realtors®, has also provided an informal forum for participants to discuss issues of common interest and promote the sharing of information.
 - The Northern Virginia Association of Realtors® has found that participants in its basic Spanish course for real estate professionals have a stronger awareness of the importance of bilingual communication to understanding and fully serving a multicultural market.
 - The Southland Regional Association of Realtors® has discovered that its annual Multicultural Mixers, with exhibits and food samples from around the world, are one of its most popular events. Mixers such as this can provide valuable insight into the community.
 - The Merced County Association of REALTORS® in California hosts a quarterly first-time homebuyers workshop to explain, among other things, how to work with a REALTOR® and how to choose a lender. To boost attendance, the Association developed advertisements in Spanish and several Asian languages. JoAnne Ziel, who chairs the Equal Opportunity/Cultural Diversity Committee, notes: “During our workshops, we learn as much from the people who attend as they do from us.”
 - At the 2004 Annual Homebuyers Fair in Rockford, Illinois, the Rockford Area Association of REALTORS® and others in the Rockford Area Affordable Housing Coalition encouraged attendees to complete a demographic survey by entering completed surveys in a drawing for \$1,000 toward the down payment on a house.

What about Underserved Members of the Community?

Some potential homeowners within your community might be underserved for other reasons. As you learn about their particular impediments to homeownership, you can develop the expertise to meet their needs.

- As a result of its 2004 “New Markets/New Connections” survey of real estate professionals, Washington REALTORS® is focusing on serving an increasing number of residents over age 65. The survey highlighted issues ranging from the need to accommodate the physical limitations of the elderly to their reticence or inability to use new technologies such as the Internet.

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- The New York State Association of REALTORS® designed a course—entitled “Serving People with Disabilities” that identifies resources for people with disabilities, housing modifications, and disability rights and requirements. The course seeks to educate real estate professionals about all aspects of dealing with people with disabilities, from explaining what qualifies as a disability to the social skills needed to treat disabled people with respect and courtesy. The course met with such success that the Association is developing an online version.
 - The Northwest Montana Association of REALTORS® is conducting workshops on the Salish-Kootenai Tribe reservation. The workshops cover special water, fishing, and other rights that must be recognized in Tribal real estate transactions, as well as financial programs to buy Tribal Trust properties. The workshops also position REALTORS® as community leaders who bring together Tribal leaders, state and federal officials, and others for a common goal—more Tribe members owning their own homes.
 - Fair housing and diversity are the central themes of the Massachusetts Association of REALTORS®’ new calendar. The 16-month calendar features children’s artwork describing “what a home means to me” and stresses equal housing opportunities. Proceeds from the calendar will support non-profit agencies that provide shelter, affordable housing, and housing-related assistance.

Shouldn’t “Fair Housing” Come First?

Absolutely! Using demographic analysis to target specific groups in your market at the expense of inclusion is contrary to the One America principles and the principles of the Fair Housing Act. State and local laws concerning the collection and use of demographic information might also apply.

Real estate professionals in your association should not provide demographic information to clients. Demographic data or analyses should be kept separate from files on individual customers and their properties. The aim of a REALTOR® association should be to provide better service to *all* population groups in a housing market. That’s what this Diversity Toolkit is all about.