

# Office Profitability Analysis Report



**RE/MAX**  
tools performance  
brand equal real estate  
cost owner  
expert benchmark  
transactions integration  
process management test  
product effective practice accessibility  
staff quality income benefits  
digital information operational  
metrics employment fee design profitability  
evolution communication functional analysis

# RE/MAX of Western Canada

## Office Profitability Analysis Report

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The goal of a Profitability Analysis is to help you operate a more profitable and efficient business. The Analysis is completely confidential. None of your financial information will be shared with any other party without permission.

### **DATA INTEGRITY**

To ensure the highest level of data integrity and consistency it is essential you follow the guidelines outlined in the Instructions. Doing so will allow us to provide the most accurate and useful assessments.

Read through the instructions before you start. You will require your most recent income statement (profit and loss). You will also need a list of your agents; fees charged and earnings data if they are on splits or charged a broker fee.

Report on your most recent financial year-end or interm financial statement.

Upon completion of the analysis, you will receive a full written report with suggestions and/or recommendations on how to improve your office operations. If you have any questions or concerns with this information please contact your Member Services representative at 1-800-563-3622.

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### **General Instructions**

1. Start by answering questions # 1 - 8, these will be used to generate a number of reports and ratios
2. Enter your financial data based on your most recent financial statement under the “actual” column
3. Complete a separate fee schedule based on your current agents and fees. The fee totals will be used for budgeting next year’s revenue.
4. Enter budget numbers for your expenses
5. Referring to the numbers from your fee schedule, enter your desired profit in the Formula For Success. This will establish a recruiting benchmark for your office.

# RE/MAX of Western Canada Profitability Analysis

## Instructions

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**Closed Transaction Sides and Closed Sales Volume** – report both the listing and selling ends of your agents' transactions.

**Gross Commissions Earned (includes agent and broker share)** - report all commissions received for real estate transactions through your office (exclude co-brokers).

### Income Statement

Our goal is to measure the profitability and efficiency of your RE/MAX office activity, as though it were the only function of your office. We do this to help you establish reasonable goals, targets and strategies for improving your business. We understand that as a business owner, one of the ways you distribute profit is through discretionary expenses such as donations to charities and owner's discretionary expenses. Some owners do this liberally while others are more conservative. We want to access your office on the same criteria as a prospective buyer i.e. if someone purchased this office what would be the return on investment? Therefore, we measure the results of operations excluding discretionary items.

Before you start - remove revenue and expenses not related to your office activities from your accounts. Report only the revenue and expense related to the RE/MAX franchise operation.

From your income statement, report only the revenue and expenses related to operating your RE/MAX office. This may require some extra work to "sanitize" your revenue and expenses to remove items not related to the office operation. While your income statement may contain some of these items, they should be omitted from the figures you report.

To best prepare for entering your information to the survey, verify the following items have been removed from your revenue and expenses:

- Revenue and expenses related to property management functions
- Costs related to owner(s) selling real estate
- Owner's vehicle costs
- Travel, meals and entertainment not related to real estate operations
- Owner's retirement funding
- Owner's taxes and benefits
- Life insurance premiums if the beneficiary is not the office (key man insurance is an office operating expense and should be reported).
- Donations to charity (unless marketing related e.g. sponsorships)
- Other discretionary expenses for the benefit of the owners

## Income Statement Instructions Continued

### REVENUE - Lines 1 through 8

Line 1 - **Net Company Commission Earnings** - Report the office share of commissions. Exclude commissions paid to agents and commissions paid to owners acting as agents.

Line 2 - **Desk Fee Income** - Record the amount received for desk use by agents or their assistants. Do not include rental revenue from agents for office space or rental revenue from other types of businesses, such as mortgage brokers or lawyers. Rental revenue should be reported at Line 3 for agents and Line 4 for other types of businesses. Category 1 and 2

Line 3 - **Rental Income from Agents** - Report rental revenue from agents or their assistants over and above desk fee income reported in Line 2. Other rental revenue from non-agents should be included at Line 4.

Line 4 - **Rental Income (from Individuals other than Agents)** - Record the amount of rental revenue from businesses, like mortgage brokers or lawyers. Rental revenue from agents should be recorded at Line 3.

Line 5 - **Deal/Transaction Fee Income** - Include fees assessed per transaction/deal for closing a transaction.

Line 6 - **Broker Service Fee Income (in excess of amounts passed through to your RE/MAX Region)** - If you charge agents a broker fee in addition to the 1% fee paid to the RE/MAX Region, include broker fees collected in excess of fees remitted to your RE/MAX Region here.

Line 7 - **Miscellaneous Fees** - Record revenues here not more appropriately classified above (such as photo copy income, technology fees, late fees, listing entry fees, rebates, etc.). Do not include revenue related to property management functions (all property management activity should be excluded from this survey).

### OPERATING EXPENSES

Expenses related to personnel costs are reported on lines 9 through 12.

Other Operating Expenses (not related to personnel) are recorded on lines 14 through 32.

#### Personnel Expenses - Lines 9 through 12

Line 9 - **Owner Compensation** - Include all compensation amounts paid to owners, shareholders or spouses of owners or shareholders. Also include payroll taxes, life insurance and other benefits and discretionary expenses paid on behalf of owners.

## Income Statement Instructions Continued

Line 10 - **Office Manager Salaries and Bonuses** - Some offices employ an office manager that is not an owner (or may subcontract this service to an individual for a fee). For these non-owner employees (or contractors) report gross wages (or fees) including bonuses paid for the function of managing the office. If this person is also an agent, do not include their agent commission.

Line 11 - **Other Employees Salaries and Bonuses** - Include all compensation to non-owner employees other than office managers (such as reception, bookkeeping, marketing, etc.)

Line 12 - **Benefits, Employment Taxes and Other Personnel Expenses** - Include all personnel-related costs that are not considered salaries, wages or bonuses - such as benefits, employment taxes, employee recruitment, payroll processing costs, corporate attire, employee appreciation, training and continuing education for employees, etc. Also include retirement account contributions for non-owner employees. Owner retirement and benefits should be included on line 10, Owner Compensation.

### **Operating Expenses Other than Personnel** - Lines 14 through 32

Enter your expenses on lines 14 through 32 on the line that best describes the expenditure. If the expenditure doesn't relate to one of the categories detailed on lines 14 through 31, include it on Line 32 - All Other Operating Expenses (not classified more appropriately elsewhere).

### **NON-OPERATING (INCOME) AND EXPENSE**

Include the costs of office depreciation, financing (interest), interest income, and other income and expenses from investing, financing, gains or losses on asset sales or extraordinary items here.

Line 36 - **Depreciation of Office Furnishing, Fixtures and Equipment** - Include depreciation on office furnishings, fixtures and equipment

Line 37 - **Interest Expense** - Include interest expense on short term and long term financing.

Line 38 - **Other Income - Including Interest Income** - Include non-operating income, such as net gains on sales of fixed assets, interest income or other miscellaneous income that is not considered revenue from the normal course of operations of the business. **Enter this figure as a negative number by typing a minus sign before the number.**

Line 39 - **Other Expense** - Include non-operating expenses, such as net losses on sales of fixed assets, non-operating expenses such as tax penalties, or extraordinary expenses from unusual and infrequent items, such as paying a legal settlement.



# RE/MAX of Western Canada

## Office Profitability Analysis

### IMPORTANT

It is essential that you read the instructions before completing the survey.

### Part 1 - General Information Questionnaire

It is better to estimate a figure than to leave it blank.

### IMPORTANT

Exclude all property management related revenue, expenses, personnel and activity from this survey.

| #  | Questions   |  |
|--|---|--|
| 1  | What is the year-end date for the information reported in this survey?<br>(reporting date dd-mmm-yy)  |  |
| 2  | How many Offices are included with this survey?<br>(we strongly urge reporting one office per survey)   |  |
| 3  | Do you expect revenues to increase or decrease in the coming year? <b>Answer either a or b</b>  |  |
| a  | If you expect revenue growth this year, what percent increase do you anticipate?  |  |
| b  | If you expect revenue to decline this year, what percent decrease do you anticipate?  |  |
| 4  | Please provide details about your office facility:  |  |
| a  | What is the total size of your office area in square feet (include offices, storage, hallways, etc.)  |  |
| b  | What is the total rentable area in square feet? eg: to agents, mortgage broker, etc   |  |
| c  | Number of agents with desk  |  |
| d  | Number of empty desks   |  |
| e  | Number of virtual or home office agents   |  |
| 5  | Please indicate the number of Agents (including licensed assistants) as follows:<br>(Refer to Lone Wolf report I.1.P.A)   |  |
| a  | Agents at the beginning of the year   |  |
| b  | Agents <b>added</b> during the year   |  |
| c  | Agents <b>terminated</b> during the year  |  |
| d  | Agents at the end of the year (reporting date)  |  |
| 6  | Please provide the following for the year. You may estimate amounts if necessary.<br><b>(IMPORTANT: See Instructions)</b> (Refer to Lone Wolf report 2.M.3 and 2.P.5.8) |  |
| a  | Number of Closed Transactions Sides   |  |
| b  | Total Value of Closed Sales Volume  |  |
| c  | Gross Commissions Earned (includes agent and broker share)  |  |
| d  | Total Commission Paid (agents share)  |  |
| 7  | Please indicate the number of Agents that are: (Refer to Lone Wolf report 8.7.5)  |  |
| a  | On Split or RAPP  |  |
| b  | On Deal or Transaction Fee  |  |
| c  | Paying desk or monthly fee  |  |
| d  | Paying a Broker Fee over the 1% to the RE/MAX Region  |  |
| <b>NOTE: an agent may be counted in more than one of the above categories if appropriate</b> |   |  |

| # | Questions Continued  |  |
|---|--|--|
| 8 | Personnel: Indicate the number on staff. Do not include outsourced functions. Indicate the total number of "full-time equivalent" (FTE) employees involved in your office operations during the past year. Include working owners and working spouses, regardless of compensation. For example, if you have 5 full-time employees plus two half-time employees, your total is 6 employees. If an individual works in multiple areas, allocate their FTE between the areas based on estimated time spent. |  |
| a | Total Number of Owners (regardless of whether they are working in the business)  |  |
| b | Number of Owners working in day-to-day operations (Full-time equivalents worked by Owners, regardless of function)   |  |
| c | Percent of managing owners' time spent on this office, management and administration (only)  |  |
| d | Office Managers (non-owners)   |  |
| e | Other (marketing, administrative, accounting, bookkeeping, etc.)   |  |
| f | Total Non-Owner Employees  |  |

## Part 2 - Income Statement

### IMPORTANT

It is essential that you read the instructions before completing the survey.

Exclude all revenue and expenses related to property management.  
Also exclude owner discretionary expenses that are not a necessary part of Office operations.  
Refer to the details at the beginning of Part 2 for further guidance.

### **REVENUE**

| # |   | Actual | Budget |
|---|---|--------|--------|
| 1 | Net Company Commission Earnings   |        |        |
| 2 | Desk Fee Income (from Agents and Licensed Administrators Only)            |        |        |
| 3 | Rental Income from Agents   |        |        |
| 4 | Rental Income (from Individuals/Companies other than Agents)              |        |        |
| 5 | Deal/Transaction Fee Income   |        |        |
| 6 | Broker Service Fee Income (in excess of amounts passed through to Region) |        |        |
| 7 | Miscellaneous Fees  |        |        |
| 8 | <b>TOTAL REVENUE</b>  |        |        |

### **OPERATING EXPENSES**

#### **Personnel Expenses**

|    |  |  |  |
|----|--|--|--|
| 9  | Owner Compensation (compensation, benefits and discretionary expenses) |  |  |
| 10 | Office Manager Salaries and Bonuses                                    |  |  |
| 11 | Other Employees Salaries and Bonuses                                   |  |  |
| 12 | Benefits, Employment Taxes and Other Personnel Expenses                |  |  |
| 13 | <b>Total Personnel Expenses</b>  |  |  |

#### **Operating Expenses Other than Personnel**

#### **Other Operating Expenses**

|    |   |  |  |
|----|---|--|--|
| 14 | Advertising and Marketing   |  |  |
| 15 | Rent Expense (include CAM charges and property taxes)   |  |  |
| 16 | Utilities   |  |  |
| 17 | Facility Maintenance, Repairs and Other Facility-related Expenses                                     |  |  |
| 18 | Office Equipment Rental   |  |  |
| 19 | Computer Hardware/Software  |  |  |
| 20 | Telephone (including land and mobile)   |  |  |
| 21 | Answering Service   |  |  |
| 22 | Bank Charges  |  |  |
| 23 | Business Insurance (general liability and keyman only. Do not include auto, health or life insurance) |  |  |
| 24 | Postage   |  |  |
| 25 | Office Supplies   |  |  |



**Other Operating Expenses Continued**

| #  |   | Actual | Budget |
|----|---|--------|--------|
| 26 | Automobile Expenses (business portion of lease, repairs, maintenance, fuel, insurance and depreciation) |        |        |
| 27 | Dues and Subscriptions  |        |        |
| 28 | Licenses and Fees   |        |        |
| 29 | Professional Services   |        |        |
| 30 | Travel, Meals, Entertainment and Meetings (events, training and amenities)                              |        |        |
| 31 | Agent Incentives, Amenities, Awards and Prizes  |        |        |
| 32 | All Other Operating Expenses (not classified more appropriately elsewhere)                              |        |        |
| 33 | <b>TOTAL Other Operating Expenses</b>   |        |        |
| 34 | <b>TOTAL OPERATING EXPENSES INCLUDING PERSONNEL</b>   |        |        |
| 35 | <b>OPERATING PROFIT</b>   |        |        |

**NON-OPERATING (INCOME) AND EXPENSE**

|    |   |  |  |
|----|---|--|--|
| 36 | Depreciation of Office Furnishing, Fixtures and Equipment |  |  |
| 37 | Interest Expense  |  |  |
| 38 | Other Income (Including Interest Income)                  |  |  |
| 39 | Other Expense   |  |  |
| 40 | <b>TOTAL OTHER (INCOME) AND EXPENSE</b>                   |  |  |
| 41 | <b>PROFIT BEFORE TAX</b>                                  |  |  |

**See the next few pages for your instant assessment.**

# Instant Assessment

## Capacity

|   |  |  |
|---|--|--|
| a | Number of Sales Associates with a Desk             |  |
| b | Number of Virtual or Home Office Agents            |  |
| c | <b>Total</b>                                       |  |
| d | Number of Empty Desks                              |  |
| e | <b>Total Desks Available</b>                       |  |
| f | Percentage of Sales Associates with a Desk         |  |
| g | Percentage of Virtual/Home Office Sales Associates |  |
| h | <b>Capacity</b>                                    |  |

## Rent Revenue

|   |                                     |  |
|---|-------------------------------------|--|
| a | Rentable Space (Square Footage)     |  |
| b | Occupancy Cost Per Square Foot (\$) |  |
| c | Rent Recoverable                    |  |
| d | Rent Revenue                        |  |
| e | Gain or Shortfall                   |  |

## The Formula for Success

|  |  |
|--|--|
| Desired Profit - <b>enter</b> your profit goal / objective |  |
|  |  |
| Operating Expenses   |  |
| Office Revenue Required                                    |  |
|  |  |
| Office Revenue Required                                    |  |
| Total Revenue / Agent                                      |  |
| Agents Required  |  |
|  |  |
| Agents Required  |  |
| less: Current Agent Count                                  |  |
| add: Anticipated Attrition                                 |  |
| <b>Recruiting Benchmark</b>                                |  |

## Instant Assessment Continued

### Growth

| # | RATIO          | FORMULA   | YOUR RESULT |
|---|----------------|---|-------------|
| 1 | Agent Growth   | $\frac{\text{Net Gain in Agents}}{\text{Agents at Beginning of Year}}$        |             |
| 2 | Agent Turnover | $\frac{\text{Agents Terminated or Lost}}{\text{Agents at Beginning of Year}}$ |             |

### Profitability

|   |                              |   |  |
|---|------------------------------|---|--|
| 3 | Personnel Expense            | $\frac{\text{Personnel Costs}}{\text{Total Revenue}}$   |  |
| 4 | Occupancy Expenses           | $\frac{\text{Office Rent, Utilities, Facility Repairs, Maintenance and Other Facility Expenses}}{\text{Total Revenue}}$ |  |
| 5 | All Other Operating Expenses | $\frac{\text{General \& Admin Expenses Not Included Above}}{\text{Total Revenue}}$                                      |  |
| 6 | Total Operating Costs        | $\frac{\text{Total Expenses}}{\text{Total Revenue}}$  |  |
| 7 | Operating Profit %           | $\frac{\text{Operating Profit}}{\text{Total Revenue}}$  |  |

### Overall

|    |   |   |  |
|----|---|---|--|
| 8  | Average Transaction Value                     | $\frac{\text{Total Value of Real Estate Sales Volume}}{\text{Number of Real Estate Sales / Transaction Sides}}$ |  |
| 9  | Gross Commission Revenue per Transaction Side | $\frac{\text{Gross Commission}}{\text{Number of Real Estate Sales / Transaction Sides}}$                        |  |
| 10 | Total Revenue per Transaction Side            | $\frac{\text{Total Revenue}}{\text{Number of Real Estate Sales / Transaction Sides}}$                           |  |

### Employee Productivity

|    |  |   |  |
|----|--|---|--|
| 11 | Total Revenue per Employee (includes working owners) | $\frac{\text{Total Revenue}}{\text{Number of Employees Including Working Owners}}$                  |  |
| 12 | Personnel Expense per Employee                       | $\frac{\text{Total Personnel Costs Excluding Owners}}{\text{Number of Employees Excluding Owners}}$ |  |
| 13 | Agents per Office Employee                           | $\frac{\text{Average Agents for the Year}}{\text{Number of Employees Including Owners}}$            |  |
| 14 | Transaction Sides per Office Employee                | $\frac{\text{Number of Closed Transaction Sides}}{\text{Number of Employees Including Owners}}$     |  |

## Instant Assessment Continued

### Agent Productivity

| #  | RATIO                       | FORMULA  | YOUR RESULT |
|----|-----------------------------|--|-------------|
| 15 | Transaction Sides per Agent | $\frac{\text{Number of Real Estate Sales/Transaction Sides}}{\text{Average Number of Agents}}$ |             |
| 16 | Transaction Value per Agent | $\frac{\text{Total Value of Real Estate Sales Volume}}{\text{Average Number of Agents}}$       |             |
| 17 | Commissions per Agent       | $\frac{\text{Total Agent Commissions Earned}}{\text{Average Number of Agents}}$                |             |
| 18 | Total Revenue per Agent     | $\frac{\text{Total Revenue}}{\text{Average Number of Agents}}$                                 |             |
| 19 | Operating Profit per Agent  | $\frac{\text{Operating Profit}}{\text{Average Number of Agents}}$                              |             |

### Office

|    |                                |   |  |
|----|--------------------------------|---|--|
| 20 | Virtual Agent %                | $\frac{\text{Number of Home Office Agents}}{\text{Average Number of Agents}}$   |  |
| 21 | Total Revenue per Square Foot  | $\frac{\text{Total Revenue}}{\text{Square Feet Used for Office}}$   |  |
| 22 | Occupancy Cost per Square Foot | $\frac{\text{Office Rent, Utilities, Facility Repairs, Maintenance and Other Facility Expenses}}{\text{Square Feet Used for Office}}$ |  |
| 23 | Occupancy Expense %            | $\frac{\text{Office Rent, Utilities, Facility Repairs, Maintenance and Other Facility Expenses}}{\text{Total Revenue}}$               |  |