

# Black Real Estate Professionals' Perceptions of Career Opportunities: The Economic Detour Redux

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**Abstract** This article focuses on black professionals' perceptions of career opportunities in the real estate industry and discrimination in housing markets. The analysis is based on a national survey of black real estate professionals administered between July and December of 2009. Findings from the article suggest that black real estate professionals adopt a business strategy scholars have referred to as the *economic detour*. Following this strategy, their business activities focus on a niche market confined to residential real estate transaction with black clientele in relatively segregated neighborhood contexts. The findings from this analysis suggest that this focus has emerged in response to perceptions of institutional discrimination that closes opportunities to black professionals in the broader real estate industry. Recommendations are made to address economic barriers faced by black professionals.

**Keywords** Black professionals · Real estate · Economic detour · Housing discrimination

## Black real estate professionals

This article examines the perceptions of black real estate professionals. The analysis focuses on their perceptions of career opportunities and discrimination in housing markets. The central argument of this article is that black real estate professionals focus on a niche market. This niche entails residential real estate transaction with black clientele in relatively segregated neighborhood contexts. This focus has emerged in response to perceptions of racial discrimination that close opportunities in the broader real estate market. It is further argued that institutional constraints,

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coupled with workplace discrimination, segregate black real estate professionals in the real estate industry. It is argued that the concentration of black real estate professionals in firms with other minorities reinforces the tendency to focus on the minority niche in the real estate market. Scholars have referred to the business strategy described above as an *economic detour* (Stuart 1969; Butler 1991; Silverman 1999; Davis 2002; Kornrich 2009).

### Institutional barriers faced by black professionals

In order to understand why black real estate professionals adopt an alternative business strategy based on real estate sales in the black community, it is necessary to examine the institutional constraints they confront. Black professionals have historically lacked full access to mainstream markets. The economic barriers they have faced are an outgrowth of historical patterns of racial discrimination in society. In fact, a number of scholars have discussed the status of black professionals over the years (Frazier 1962; Myrdal 1962; Foley 1966; DuBois 1968; Harris 1969; Pierce 1971; Washington 1971; Marable 1983; Butler 1991; Bates 1993, 1997; Drake and Cayton 1993; Silverman 1998; Anderson 2001; Herring 2004; Button et al. 2006). There is a general agreement that black professional employment has historically been abridged by workplace discrimination, capital constraints, market barriers, and general racism. In fact, black professionals have only recently begun to find a narrow range of business opportunities opened to them outside of the black community, often in corporate and government settings (Boyd 1991, 2006; Bates 1997). Despite increased access to career opportunities, black professionals continue to experience hostility and discrimination in the workplace (Feagin and Sikes 1995; Anderson 2001; Bates 2001; Johnson 2004; Button et al. 2006). Consequently, the relative range of opportunities for black professionals continues to be characterized by a lack of full participation in broader markets and a focus on market niches in the black community.

### The economic detour redux

These issues are described by Stuart (1969), and later by others (Butler 1991; Silverman 1999; Davis 2002; Kornrich 2009), using the concept of an economic detour. Stuart (1969) argues that during de jure segregation, black professionals and entrepreneurs followed an economic detour. Blacks built businesses in minority markets, since white customers were hesitant to buy from black-owner businesses. Stuart (1969: xxv) stresses that since the average black business owner is undercapitalized and faces racism, “he must choose those lines of commerce and personal services that white competitors have either not elected to invade and nearly monopolize, or the very nature of which tend to make less effective the force of white competition and peculiar racial restrictions.”

The concept of an economic detour is further developed by Butler (1991: 72–73), who points out that an economic detour entails government action, or inaction, that allows segregation to interfere with the normal operation of the marketplace. In this discussion, Butler (1991: 72–73) emphasizes that although other entrepreneurial groups have faced discrimination, black Americans, particularly during de jure segregation, were the targets of racism in an institutional context, and this placed

them at a greater disadvantage in the economy. Butler (1991: 74–75) draws a clear distinction between the character of black entrepreneurship and immigrant entrepreneurship, arguing that while other race and ethnic groups have been free to operate in the larger economy, historically, blacks were not.

Although de jure segregation is no longer in place, various aspects of Stuart's and Butler's arguments remain relevant to the analysis of contemporary black professionals and entrepreneurship, particularly where businesses that do not serve corporate and government clients are concerned. In general, black professionals are still stigmatized in society and their economic opportunities continue to be limited due to perceived and actual discrimination. As a result, black professionals often focus on market niches in the black community. Although this strategy has opened some career opportunities to black professionals, persistent wage gaps and capital constraints have threatened the sustainability of activities that focus on these niche markets. This was observed by Silverman (1999) in his analysis of the ethnic beauty aids industry, Davis (2002) in her analysis of black-owned advertising agencies, and Kornrich (2009) in his analysis of black physicians.

Past research has also distinguished between niche markets in the black community and those associated with *ethnic enclave economies* (Portes and Bach 1985; Portes and Manning 1986; Zhou 1992; Light and Gold 2000). These works describe ethnic enclave economies as settings where immigrants can obtain higher levels of social and economic mobility than in the mainstream economy. As a result, ethnic enclave economies entail dual benefits, they offer immigrants higher levels of economic mobility than the mainstream economy, and they serve a social function as ethnic havens. Unlike an ethnic enclave economy, which has a dual economic and social function, the market niche in the black community serves primarily a social function. This is because the market niche in the black community creates a safe haven for blacks, buffering them from racism in mainstream institutions. However, blacks accrue relatively few economic benefits from participation in the market niche. Wong (1977: 460) makes this point clear, stating that black entrepreneurs see business ownership as “an end in itself,” since the black entrepreneur's “principal motive is the desire to be his own boss—not profit making. Indeed, after overhead, his ‘profits’ are typically no more than prior working wages in the secondary labor market.” Bonds (2007) reaches similar conclusions, observing that black-owned businesses focused on the minority niche lack access to credit and tend to operate on the verge of bankruptcy.

Despite limited economic benefits, blacks receive important social benefits from focusing on market niches in the black community. Professionalism and entrepreneurship is a source of social autonomy from mainstream institutions for blacks. The social prestige attached to professionalism and the meaning of black entrepreneurship has become an important rallying point for social change in the black community. For instance, the “doctrine of the double-duty dollar,” which instructs black consumers to patronize black professionals and businesses has been articulated by black leaders since the early 1900's (Washington 1971; Kunjufu 1991; Drake and Cayton 1993; Light et al. 1994). In effect, black professionalism and entrepreneurship serves as a mechanism for the creation of a protected market niche in the black community. This market niche constitutes an

economic detour which insulates black professionals from workplace discrimination, the presence of racial barriers to capitalization, and blocked access to the mainstream economy.

### Discrimination and barriers in the real estate market

Historically, black real estate professionals have worked in an industry where consumers and workers have faced discrimination. This situation began to change with the passage of the Fair Housing Act of 1968. In its present form, as amended in 1988, the Act criminalizes discrimination in the sale and rental of housing based on: race, color, religion, sex, handicap, familial status, or national origin (Yinger 1999). Under the Act, it is illegal to discriminate at any point in housing transactions. The Act applies to advertising, sharing information about housing, lending, accessibility, and any other omission or decision which restricts housing choice to a group protected by law. At the state and local levels, additional fair housing protections have been adopted which augment federal law (National Neighborhood Coalition 2001).

Since the passage of the Fair Housing Act of 1968 there have been a number of efforts to measure discrimination in housing markets (Abravanel and Conningham 2002; Squires et al. 2002; Turner et al. 2002; Abravanel 2007). Despite some progress in curbing discrimination, housing markets remain segregated and there is limited public awareness about fair housing law. Despite general research on housing discrimination, little is known about the perceptions of real estate professionals. In the absence of survey data measuring real estate professionals' perceptions, past research on the real estate industry serves as a starting point for inquiry.

Historically, three issues have been associated with discrimination and fair housing in the real estate industry. The first involves concerns related to open housing. At its core, this issue focuses on the degree to which minorities have access to housing in all communities. Debates about open housing have centered on whether landlords and sellers of real estate have the right to refuse to rent or sell property to minorities. Fair housing laws have been one of the primary tools used to establish open housing as an underlying principle in contemporary housing markets. Since the adoption of such legislation, surveys of the general population have indicated that growing support exists for open housing (Goring 2007).

The second issue associated with discrimination and fair housing in the real estate industry is the practice of steering (Turner et al. 2002, 2007; Ellen 2008; Squires 2008). Steering refers to the practice where real estate brokers or agents guide prospective homebuyers toward or away from certain neighborhoods based on race or some other characteristic. The practice of steering by real estate professionals has helped to produce and reinforce patterns of segregation across the United States. During the early and mid-1900s steering was widespread. It became illegal with the passage of civic rights and fair housing laws. However, instances of steering are still identified in the contemporary period.

The third issue associated with discrimination and fair housing in the real estate industry is the practice of blockbusting (Orser 1997; Gotham 2002; Squires 2008). Blockbusting is a practice used by real estate brokers and agents to encourage white property owners to sell their homes by giving the impression that increased numbers of minorities are moving into their neighborhood.

Blockbusting is one of the more insidious practices used by real estate agents because it relies on racism as a mechanism to augment property sales. This practice allows unscrupulous real estate agents to pressure homeowners into selling their properties to minority buyers. As a result, real estate agents profit from artificially enhanced sales. Like steering, blockbusting is prohibited under fair housing and other laws. Nevertheless, suspected blockbusting is periodically reported in the contemporary period.

In large part, the real estate industry is self regulating with respect to open housing, steering, blockbusting and other areas related to fair housing. One of the primary mechanisms for self regulation has been professional education and training programs. Real estate professionals are required to undergo fair housing training prior to licensing at the state level and continuing education is required for relicensing. Today, education and training is endorsed by the National Association of Realtors (NAR), its local affiliates, and other professional associations. Nonprofit housing organizations and other local agencies support education and training of real estate professionals. These organizations and agencies also monitor real estate practices and enforce fair housing laws. Yet, in spite of these efforts, discrimination continues to exist in housing markets.

The contemporary milieu represents the culmination of a number of changes in fair housing law, public perceptions, and real estate practices. Most of these changes are relatively new and can be traced back to the late-1960s. Prior to that period, there were no fair housing laws at the federal level, public attitudes were less supportive of open housing, and organizations like the NAR openly discriminated against minority clients and realtors. Within the real estate profession, many of the reforms that have occurred contemporaneously were the result of changes in law, public attitudes, and advocacy from black realtors.

One of the primary sources of advocacy for housing reform came from the National Association of Real Estate Brokers (NAREB). The NAREB is the largest association of minority real estate professionals and the oldest minority trade association in America. Its membership is predominantly composed of black real estate professionals. The NAREB was formed in 1947 in order to advocate for open housing and the rights of black professionals in the real estate industry. At the time the organization was formed, blacks were not permitted to join the NAR. Consequently, blacks were not permitted to identify themselves as “realtors,” since the term was trademarked by the NAR and only applicable to its members. In response, NAREB members coined the term “realist” to refer to its members. Although barriers to NAR membership were lifted in response to the civil rights movement, many black professionals remained members in the NAREB only and continued to identify as “realists” (Smith 2006). Given this historical backdrop, there remains a certain degree of tension between minority and mainstream real estate associations.

## Data and methods

This research is based on a national survey of black real estate professionals. The survey included 31 questions measuring their perceptions. Questions measured perceptions of:

the effectiveness of fair housing law, the prevalence of discriminatory practices in the real estate profession, and the experiences of minority real estate professionals in the real estate industry. The survey was administered between July and December of 2009. It entailed an initial mailing and a follow-up postcard sent to survey recipients.

A total of 1,595 black real estate professionals in the United States were surveyed. At the end of that period a 9.4% ( $n=151$ ) response rate was reached across all the real estate professionals surveyed. This response rate was consistent with past mail surveys involving minority respondents, potentially sensitive questions, and sampling in a non-institutional setting (Schuman and Presser 1996; Nardi 2003; Sue and Ritter 2007). The respondents were identified using the membership roster located on the NAREB website.<sup>1</sup>

In addition to data from the survey of black real estate professionals, variables from three datasets compiled by the U.S. Census Bureau are used in this analysis. Data from the 2000 U.S. Census were used to construct white–black dissimilarity indexes for the metropolitan statistical areas (MSA) where respondents to the survey of black real estate professionals were located.<sup>2</sup> Data from the 2006–2008 American Community Survey (ACS) were used to estimate population and housing characteristics for the MSAs where respondents to the survey of black real estate professionals were located.<sup>3</sup> Finally, data from the 2007 Survey of Business Owners (SBO) were used to measure relative differences between black-owned and white-owned firms in the real estate industry for the states where respondents to the survey of black real estate professionals were located.<sup>4</sup> Combined, these three supplemental data sources provide additional institutional context to the analysis. General population, housing, and firm characteristics of the real estate markets where survey respondents were located inform the analysis and allow for statistical controls to be applied to the regression models presented in this article.

Table 1 summarizes characteristics of the respondents to the survey of black real estate professionals. The respondents to the survey represented the population surveyed along several dimensions. Regionally, 12.6% of the respondents were located in the Northeast, 13.9% were located in the Midwest, 58.3% were located in the South, and 15.2% were located in the West. This mirrored the population at large, where 12.9% of NAREB members were located in the Northeast, 13.6% were located

<sup>1</sup> The respondents are identified as “black” in this chapter because some of them were not U.S. citizens.

<sup>2</sup> A white–black dissimilarity index identifies the percent of blacks across census tracts in a metropolitan area that would have to relocate in order to produce a completely integrated community. For example, a dissimilarity index equal to 65 would indicate that 65% of the black community would have to relocate in order for a metropolitan area to become integrated. Calculations were based on 2000 U.S. Census data, since it was the most recent data release that included census tract level data necessary to calculate dissimilarity indexes for the metropolitan areas examined in this analysis.

<sup>3</sup> The ACS is an annual survey of population and housing characteristics conducted by the US Census Bureau. It is administered to 3 million households in the country per year. The ACS collects information previously collected in the long form of the decennial census. It is the largest survey, other than the decennial census, administered by the US Census Bureau.

<sup>4</sup> State level data for SBO data was applied to the analysis for two reasons. First, at the time of the writing of this article, MSA level data was not released for the 2007 SBO. Second, in prior releases of SBO data, a large proportion of data for black-owned real estate firms was suppressed by the U.S. Census Bureau at the MSA level due to the low number of firms identified at that level of analysis. Consequently, state level data from the 2007 SBO was the most accessible and applicable to this analysis.

**Table 1** Summary of Survey Respondents' Characteristics ( $n=151$ )

Region	
Percent northeast	12.6
Percent midwest	13.9
Percent south	58.3
Percent west	15.2
Race	
Percent black	94.7
Percent native American	0.7
Percent white	1.3
Percent other	3.3
Immigration status	
Percent immigrant	2.0
Gender	
Percent female	48.7
Age	
Percent 30–39 years	8.0
Percent 40–49 years	16.7
Percent 50–59 years	31.7
Percent 60 years and above	44.6
Professional experience	
Average number of years in the real estate profession	20.5
Average number of years at current firm	13.2
Median number of real estate professionals in current firm	8
Percent of real estate professionals in current firm that are minority group members	63.7
Percent real estate professionals in current firm that are female	51.3
Percent of clientele that are minority group members	78.0
Fair housing training	
Percent required to complete training at time of licensing	70.9
Average hours of training currently required in metropolitan area	3.1

in the Midwest, 54.2% were located in the South, and 16.3% were located in the West. Likewise, 94.7% of the survey respondents were black, with another 3.3% identifying as “other race” and specifying that they were multi-racial with some black ancestry. Immigrants made up 2.0% of the respondents. Men and women were almost equally represented among respondents. The majority of the respondents were 50 years of age or more, with 75.4% in this group. The distribution of respondents by age is of interest, since the majority of respondents lived through the era when the Fair Housing Act of 1968 was adopted. This allows for a comparison of pre- and post-Fair Housing Act cohorts in the analysis. The average respondent had 20.5 years of experience in the real estate profession. The typical respondent worked in a firm with eight other real estate professionals. On average, 63.7% of those real estate professionals were minority group members and 51.3% were women. Finally, 78.0% of the clientele of the typical respondent were minority group members.

In terms of exposure to fair housing training, 70.9% of the respondents completed fair housing training prior to receiving their real estate licenses and each respondent was required to have approximately 3.1 hours of continuing education annually in this area. Despite broad access to fair housing training and continuing education, there was a perception that the scope of fair housing training provided to real estate professionals was deficient. For example, 37.7% of respondents indicated that real estate professionals received a low level of fair housing training and 42.4% indicated that they received a moderate level. In contrast, only 19.2% of respondents indicated that real estate professionals received a high level of fair housing training across the United States. The general perception was that fair housing received cursory treatment in the typical continuing education programs that real estate professionals were exposed to.

As a baseline measure, the respondents were also asked about their perceptions of trends in housing discrimination nationally and in their metropolitan area during the past 10 years. In terms of national trends, 57.5% of the respondents indicated that discrimination had declined during the past decade. An additional 24.1% felt that discrimination had remained about the same, and 18.4% said it had increased. In contrast, only 50.0% of the respondents indicated that it had declined in their metropolitan area during the same time period. Another 25.3% felt that discrimination had remained about the same, and 24.7% said it had increased. One respondent's open-ended comment captures the essence of this distinction:

I live in St. Louis. Of course, we have had major issues in the present and past. There are still people in our area that do not want a black/African-American realtor. We have issues here that are not just fair housing issues, but major black/white issues that have not been addressed for many years. It was as late as 1965 when the first black person was allowed to join the Board of Realtors here.

Although many legislative and public policy milestones have been achieved at the national level, the perception remains that they have not fully penetrated at the local level. This distinction is of interest, since some respondents perceived less progress toward ameliorating discrimination in their local communities. Given this distinction, it could be assumed that a similar pattern would emerge in responses to other questions about fair housing when comparing national and local perceptions.

The data from the 2000 Census, 2006–2008 ACS, and 2007 SBO adds context to the perceptions measured in the survey of black real estate professionals. Table 2 summarizes this data. The institutional context that survey respondents were embedded in appeared consistent with conditions past scholars have associated with the adoption of economic detour strategies. On average, respondents were located in MSAs with dissimilarity indexes reflecting high levels of residential segregation between whites and blacks.<sup>5</sup> Median household incomes and homeownership rates for blacks were also substantially below those of whites in the MSAs where survey respondents were located. On average, black households earned \$0.60 for every dollar in these MSAs and they owned 1/3 fewer homes as a group than whites.

<sup>5</sup> It is noteworthy that dissimilarity indexes above 70 are considered to reflect hyper-segregation. A mean dissimilarity index of 65.2 suggests that about half of the MSAs where survey respondents were located were at or approaching hyper-segregated conditions.



**Table 2** Summary of demographic and firm characteristics in survey respondents' MSA ( $n=44$ ) and State ( $n=28$ )

2000 U.S. Census	
White–Black dissimilarity index	65.2
2006–08 American Community Survey (ACS)	
Percent black	19.9
Percent white	66.9
Percent other	13.2
Median household income	\$57,244
Median household income (Black/ African American)	\$39,147
Median household income (White)	\$64,993
Ratio of black to white median household income	.6033
Median value of all owner occupied housing units	\$247,751
Percent of all occupied housing units, owner occupied	65.8
Percent of Black/African American occupied housing units, owner occupied	46.0
Percent of white occupied housing units, owner occupied	72.6
Ratio of black to white owner occupied housing units	.6311
2007 Survey of business owners	
Average number of employees for black-owned firms	3.5
Average number of employees for white-owned firms	5.9
Ratio of employees in black-owned to white-owned firms	.5919
Average revenue for black-owned firms	\$42,482
Average revenue for white-owned firms	\$181,143
Ratio of revenue in black-owned to white-owned firms	.7288
Average payroll expenditure per employee for black-owned firms	\$27,745
Average payroll expenditure per employee for white-owned firms	\$40,243
Ratio of payroll expenditure per employee in black-owned to white-owned firms	.7288

U.S. Census Bureau, 2000 U.S. Census; U.S. Census Bureau, 2006–08 American Community Survey (ACS); U.S. Census Bureau, 2007 Survey of Business Owners

The segregated and economically constrained position of blacks in the MSAs where survey respondents were located appeared to contribute to differences between black-owned and white-owned firms in the states where they were located. On average, black firms had 1/3 fewer employees than white firms. On average, black firms' revenue were equal to \$0.73 to every dollar white firms earned. This also translated into a similar differential between payroll expenditure between black-owned and white-owned firms.

## Perceptions of career opportunities

### Perceived access to jobs and markets

Respondents were asked a series of questions about their perceptions of career opportunities. One pair of questions measured black professionals' perceptions of change in the range of such opportunities. Respondents were asked about access to

career opportunities in the real estate industry nationally and in their metropolitan areas. Responses to these questions are summarized in Table 3.

This table reflects a similar pattern to the perceived trends in housing discrimination nationally and locally. Black professionals perceived a trend toward slightly more career opportunities in the real estate industry nationally than similar opportunities locally. However, at both levels of analysis the vast majority of respondents perceived career opportunities remaining the same or expanding.

These questions were followed up with more focused measures of how well minority real estate professionals were represented across the real estate industry. In the next pair of questions, black professionals were asked about their access to careers at different levels of the real estate profession. In essence, these questions measured the degree to which black professionals perceived a glass ceiling in the real estate industry. Respondents were asked about this issue at the national and local level. Responses to these questions are summarized in Table 4.

In contrast to previous questions about general trends in housing discrimination and career opportunities, respondents tended to perceive fewer barriers to career ladders in their metropolitan areas. Local job ladders were perceived to be more accessible by black professionals, while access to the highest positions in the national real estate industry were perceived to be less obtainable. One respondent offered this open ended comment, “I would like to see minorities better represented at national speaking empowerment seminars, not politicians and sports figures only, we need more representatives who are top minority real estate brokers.” This is an important distinction, since it indicates that black professionals perceive more barriers to obtaining leadership positions in their profession at the national level.

Another pair of questions focused on perceived access to real estate markets. Respondents were asked how properties listed by minority real estate professionals compared to those listed by white realtors. Again, black professionals were asked to contrast listings at the national level to listings in their metropolitan area. Responses to these questions are summarized in Table 5.

Perceptions of market access followed a similar pattern to those associated with career ladders at the national and local levels. In general, black professionals perceived slightly more market access at the local level than the national level. Yet, at both levels of analysis the vast majority of respondents believed that properties listed by minority real estate professionals were more geographically concentrated than those listed by their white counterparts. A number of respondents provided open ended comments related to this issue. They voiced frustration over limited

**Table 3** Perceptions of changes in career opportunities for minority real estate agents during the last 10 years ( $n=151$ )

Career opportunities have...	Percent for nation	Percent for metropolitan area
Increased a great deal	17.2	12.0
Increased somewhat	41.7	40.7
Stayed about the same	24.5	28.0
Decreased a somewhat	11.3	13.3
Decreased a great deal	5.3	6.0

**Table 4** Perceptions of how well minority real estate professionals are represented in the real estate industry nationally and in the respondents' metropolitan area ( $n=151$ )

Minority real estate agents are ...	Percent for nation	Percent for metropolitan area
Well represented at all levels of the industry	4.6	8.1
Well represented in middle and lower levels of the industry	33.8	38.3
Concentrated in lower levels of the industry	35.8	31.5
Underrepresented at all levels of the industry	25.8	22.1

access to real estate listings for “high end/luxury” home, foreclosed properties, and commercial property. One respondent commented, “the greatest contributors to housing segregation and discrimination in America are white real estate professionals and their ‘me first’ attitude.”

Despite the general perception of a trend toward expanded career opportunities, glass ceilings and market barriers remained problematic for black professionals. This suggests that blacks were making adjustments during their careers in order to address perceived barriers to advancement. One way that professionals address such barriers is by accessing institutional resources and developing professional networks. There was evidence that the black professionals who responded to this survey made such adjustment. For instance, all were members of the NAREB. Insights into the scope of institutional resources available to blacks in the real estate industry were also gained through their responses to other questions.

Respondents were asked a series of questions about organizations in their metropolitan areas that offered programs focusing on training and the recruitment of minority real estate professionals. Responses to these questions are summarized in Table 6.

Black professionals identified a number of sources of institutional support. Professional associations, nonprofit housing organizations and educational institutions were predominant. Yet, knowledge of available institutional resources and opportunities for professional networking did not mediate perceived barriers to job ladders and markets. One respondent accentuated this point with the following open-ended comment:

**Table 5** Perceptions of how properties listed by minority real estate professionals compare to properties listed by non-minority real estate professionals nationally and in the respondents' metropolitan area ( $n=151$ )

Minority real estate professionals' listings are...	Percent for nation	Percent for metropolitan area
Much more dispersed	6.6	8.7
Somewhat more dispersed	14.6	15.4
Equally dispersed	11.9	14.8
Somewhat less dispersed	41.7	45.6
Much less dispersed	25.2	15.4

While more minorities are entering the majority companies, it should not be viewed as an indicator of career. They do not remain long enough to be considered a career. Most fade out or become a one person operation, usually on a part-time basis subsidized by other employment. Others have to work for a minority broker to learn how to survive the market. [For] some, a majority broker will let them work in the shadows to avoid losing a white client. They can only usually get what little business they can generate from their minority prospects. Many minorities think it's prestigious to be affiliated with a majority firm. Then they find out about the subtle discrimination they encounter and leave, or are asked to leave because they are not generating the revenue required by the firm.... This industry is dog-eat-dog and the ethical practices professed by the Realtors® are a joke. They stay just above the law with the discrimination training.

The survey data suggests that black professionals continue to pursue an economic detour in response to barriers confronted in the broader real estate industry. Despite progress toward eliminating the most egregious forms of discrimination in housing markets, black professionals still perceive barriers to markets and career paths.

#### Reasons for taking the economic detour

In order to gain a better understanding of factors influencing the career paths of black professionals, multivariate models were developed using linear regression. These models examined institutional and individual factors. The models focused on predicting the minority composition of a real estate professional's clientele. It was hypothesized that black real estate professionals who took an economic detour would have larger minority clientele bases. Consequently, factors associated with more minority clientele would provide insights into what drives the adoption of an economic detour strategy. The variables entered into the lineal regression models are defined in Table 7.

Ten variables from the 2000 Census, 2006–2008 ACS, and the 2007 SBO were used to predict the minority composition of a real estate professional's clientele. In essence, these variables were used to control for population, housing, and firm characteristics of the institutional setting where respondents to the survey of black real estate professionals were located. At the MSA level, these variables included

**Table 6** Organizations identified which offered programs that focus on training and recruiting minority real estate professionals in the respondents' metropolitan area ( $n=151$ )

Type of organization	Percent identified by respondents
Local real estate association	44.52
Local nonprofit housing organizations	20.41
Local educational institutions	22.45
Government agencies	12.24
Private consulting firms	8.90
Other organizations	23.29

**Table 7** Variables used in linear regression analysis

Variable name	Variable description
Dependent variable	
Minority clientele	Percent of minority clientele reported by survey respondents (source: 2009 Survey of Black Real Estate Professionals)
Independent variables	
MSA percent black	Percent of the survey respondents' metropolitan statistical area (MSA) that was black/African American (source: 2006–08 American Community Survey (ACS))
MSA dissimilarity index	White–black dissimilarity index in 2000 for the survey respondents' MSA (Source: 2000 U.S. Census)
MSA household income	Median household income in the survey respondents' MSA (source: 2006–08 ACS)
B:W MSA household income	Ratio of the survey respondents' MSA median household income for black/African American households to white households (source: 2006–08 ACS)
MSA housing value	Median housing value in the survey respondents' MSA (source: 2006–08 ACS)
MSA percent homeowners	Percent of occupied housing units in the survey respondents' MSA that were owner occupied (source: 2006–08 ACS)
B:W MSA homeowners	Ratio of the percent of black housing units that are owner occupied to white housing units that are owner occupied in the survey respondents' MSA (source: 2006–08 ACS)
B:W employees per firm	Ratio of the average number of employees in black-owned firms to white-owned firms in the survey respondents' state (source: 2007 Survey of Business Owners (SBO))
B:W firm revenue	Ratio of the annual revenue in black-owned firms to white-owned firms in the survey respondents' state (source: 2007 SBO)
B:W payroll per employee	Ratio of the annual payroll expenditure per employee in black-owned firms to white-owned firms in the survey respondents' state (source: 2007 SBO)
Gender	Respondents' gender: 0 = male, 1 = female (source: 2009 Survey of Black Real Estate Professionals)
Age	Respondents' age: 0 = 49 years and under, 1 = 50 years and over (source: 2009 Survey of Black Real Estate Professionals)
Local discrimination index	An index using a composite score for four questions about perceived discrimination in local: residential real estate sales, mortgage lending, home appraisals, and home insurance (range of scores from 1–10, where 1 indicated “no discrimination” and 10 indicated “extremely high levels of discrimination”) (source: 2009 Survey of Black Real Estate Professionals)
Minority co-workers	Percent of minority co-workers reported by survey respondents (source: 2009 Survey of Black Real Estate Professionals)

measures of: the relative size of the black population, the dissimilarity index, relative income between blacks and whites, and relative levels of homeownership between blacks and whites. At the state level, characteristics of firms in the real estate industry were included that compared black-owned and white-owned firms along the lines of employment, revenues, and payroll.

In addition to the institutional measures identified above, four variables from the survey of black real estate professionals were used to predict the minority composition of a real estate professional's clientele. These variables focused on individual characteristics of real estate professionals and their perceptions of discrimination in housing markets. The first variable was the gender of the survey respondents. This variable was used as a control variable to assess whether the economic detour strategy was more prevalent among men than women. In essence, this variable was used to detect evidence for a race-gender nexus. The second variable indicated whether the respondent was age 50 or over. This variable was used to measure the pre- and post-Fair Housing Act cohorts, in order to determine if evidence existed for a cohort effect in economic detour behavior. The third variable was a local discrimination index. The index was constructed using a composite score for four questions about perceived discrimination in local: residential real estate sales, mortgage lending, home appraisals, and home insurance. The index had a potential value from 1–10, where 1 indicated "no discrimination" and 10 indicated "extremely high levels of discrimination." This variable was designed to measure the effects of perceived discrimination on economic detour behavior. Finally, a variable was included measuring the percent of minority real estate professionals in a respondent's place of work. This variable was introduced in order to assess the degree to which workforce composition at the firm level relates to the adoption of economic detour strategies. If the presence of minority co-workers is significantly related to the adoption of an economic detour strategy, one might conclude that the economic detour has become somewhat institutionalized in contemporary real estate markets. The results from the linear regression analysis are summarized in Table 8.

Table 8 summarizes the results from five linear regression models. The first three models in the table show the independent effects of factors associated with MSA population and housing characteristics (Model 1), aggregate state level firm characteristics (Model 2), and real estate professional's characteristics and perceptions (Model 3). The results in Model 1 indicate that three variables were significantly related to the minority composition of a real estate professional's clientele. MSAs with larger black populations ( $p < .01$ ), larger dissimilarity indexes ( $p < .001$ ), and more equal levels of homeownership between blacks and whites ( $p < .01$ ) were all significantly related to the size of minority clientele. In essence, MSAs with large, segregated, clusters of black homeowners exhibited structural conditions amenable to an economic detour strategy. The adjusted- $R^2$  indicated that 33.7% of the variance in minority clientele was attributed to the variables used in the Model 1. However, none of the variables in Model 2 which were associated with real estate industry characteristics were significantly related to the size of minority clientele. This suggests that the clientele of black real estate professionals did not change in response to the relative composition of black-owned and white-owned firms. In contrast, three variables in Model 3 were significantly related to the minority composition of a real estate professional's clientele. Real estate professionals from the pre-Fair Housing Act cohort ( $p < .05$ ), who perceived higher levels of discrimination in housing markets ( $p < .001$ ), and had a higher percentage of minority co-workers ( $p < .01$ ) had significantly more minority clientele. The adjusted- $R^2$  indicated that 15.3% of the variance in minority clientele was attributed to the variables used in the Model 3.

**Table 8** Linear regression models for the effects of independent variables on the percent of minority clientele

Variable name	Model 1	Model 2	Model 3	Model 4	Model 5
	Coefficient ( $\beta$ )	Coefficient ( $\beta$ )	Coefficient ( $\beta$ )	Coefficient ( $\beta$ )	Coefficient ( $\beta$ )
MSA percent black	.711** (.279)			1.120*** (.420)	.849** (.324)
MSA dissimilarity index	.952*** (.342)			1.037*** (.376)	1.129*** (.411)
MSA household income	4.136 (.012)			-2.089 (-.006)	-.001 (-.051)
B:W MSA household income	-3.898 (-.011)			9.216 (.025)	22.814 (.063)
MSA housing value	3.448 (.172)			4.855 (.252)	6.833** (.357)
MSA percent homeowners	.005 (.001)			-.685 (-.154)	-.100 (-.002)
B:W MSA homeowners	103.184** (.287)			160.959*** (.390)	173.379*** (.420)
B:W employees per firm		-2.482 (-.037)		7.954 (.118)	7.928 (.122)
B:W firm revenue		-35.806 (-.104)		.205 (.001)	-42.101 (-.108)
B:W payroll per employee		-15.848 (-.106)		24.491 (.167)	19.412 (.135)
Gender			4.321 (.082)		.766 (.015)
Age			9.873* (.163)		5.825 (.098)
Local discrimination index			2.866*** (.263)		1.846* (.174)
Minority co-workers			.144** (.227)		-.009 (-.014)
Constant	-72.204	99.880***	42.063***	-108.555*	-162.091***
Adjusted-R <sup>2</sup>	.337***	.016	.153***	.370***	.424***

U.S. Census Bureau, 2000 U.S. Census; U.S. Census Bureau, 2006–08 American Community Survey (ACS); U.S. Census Bureau, 2007 Survey of Business Owners

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

The results from the first three linear regression models suggest that structural conditions and individual characteristics were significantly related to the minority composition of a real estate professional's clientele. In order to test the combined effects of these factors, additional regression models were examined. Model 4 combined the variables measuring MSA population and housing characteristics with aggregate state level firm characteristics. Two results from Model 4 are noteworthy. First, each of the variables that were statistically significant in Model 1 remained statistically significant in Model 4. Second, the combined model

resulted in an improved adjusted- $R^2$ , which explained 37% of the variance in minority clientele.

Model 5 combined the variables measuring MSA population and housing characteristics, aggregate state level firm characteristics, and real estate professional's characteristics and perceptions. The adjusted- $R^2$  for the full model explained 42.4% of the variance in minority clientele. The fully specified model included five variables that were significantly related to the minority composition of a real estate professional's clientele. After controlling for all of the independent variables, this model indicated that MSAs with larger black populations ( $p < .01$ ), larger dissimilarity indexes ( $p < .001$ ), higher median housing values ( $p < .01$ ), and more equal levels of homeownership between blacks and whites ( $p < .001$ ) were all significantly related to the size of minority clientele. In addition to factors related to the structure of local housing markets, one variable related to individual characteristics of black real estate professionals remained significant in the fully specified model, perceptions of discrimination in local housing markets ( $p < .05$ ). After controlling for structural conditions, the pre-Fair Housing Act cohort and the racial composition of a firm's workforce were no longer significantly related to the size of minority clientele. The only individual variable related the adoption of an economic detour strategy was one's perception of discrimination in the real estate market.

The significant relationship between perceived discrimination in the housing industry and adopting an economic detour strategy after controlling for structural conditions in housing markets is telling. Each component of the local discrimination index reflects a form of perceived institutional discrimination in housing markets. The results of the regression analysis suggest that pursuing an economic detour strategy remains a phenomenon in the contemporary period. It is pursued irrespective of a black real estate professional's gender, age cohort, or workplace demographics. The chances that black real estate professionals will adopt an economic detour strategy are enhanced when they are located in MSAs with relatively large populations of black homeowners who are geographically segregated.

### **Removing career and market barriers**

The results from this analysis provide a clear set of issues to focus upon in order to reform housing markets and enhance access to career paths for black real estate professionals. The regression analysis highlights the need for continued efforts to reduce discrimination in residential real estate sales, mortgage lending, home appraisal practices, and insurance underwriting. Perceived discrimination in these areas of the housing finance system was significantly related to the adoption of an economic detour strategy. The results from the analysis also identify structural conditions that contribute to limited access to markets. The tendency for economic detour strategies to emerge was significantly related to patterns of housing segregation found in MSAs where black real estate professionals were located. If black professionals are to gain access to the full spectrum of career opportunities in the real estate industry, underlying weaknesses in institutions that comprise housing markets require additional reforms. In part, these reforms would entail expanding the



scope of the Home Mortgage Disclosure Act (HMDA), the Community Reinvestment Act (CRA), and the Fair Housing Act. There is a need for increased transparency, accountability, and fair housing enforcement in order to change perceptions of market conditions.

In addition to legislative reform, the commercial real estate industry should take the lead in expanding the scope of fair housing training and minority recruitment. Such efforts should be supplemented by the public and nonprofit sector, but the private sector should augment its focus on opening markets and career opportunities for minority realtors. The findings from this research suggest that enhanced education, minority recruiting, and leadership training is particularly needed at the national level of the real estate industry. Minorities appear to benefit from improved access to local real estate markets as a result of past reforms. However, they continue to perceive a glass ceiling in the upper echelons of the real estate industry.

The real estate industry has made noticeable progress during the last half century. Black real estate professionals are no longer barred from joining the NAR and the industry has been responsive to calls from the federal and state governments to reform professional practices and address fair housing concerns. However, perceptions of inequality persist among minority realtors. The challenge the industry will face in the future will come from two sources. One is a growing workforce composed of people of color. The other is shifting market demands reflective of broader demographic change across the nation. A proactive response to these challenges by the real estate industry can substantially change perceptions and expand career opportunities for minority professionals.

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