

Charitable Gifts of Real Estate

Findings from a National Survey

By Dennis Bidwell

In May of 2008, NCPG administered a web-based survey to gather information on national trends in the donation and acceptance of real estate gifts. The questionnaire was based on a survey developed in 2005 and administered to members of the Planned Giving Group of New England. A link to the questionnaire was e-mailed to 7,595 gift planners who were members of NCPG or of a local planned giving council. About eight percent (593) of those who received the survey responded. This is a low response rate when compared to similarly-administered NCPG surveys. However, given the estimate that real estate constitutes something less than three percent of all assets given to charity in recent years, a low response may not be surprising. The NCPG data provides one of the largest samples of experience and opinion related to real estate giving that is currently available.

Data from the survey can be found in other articles in this issue of *The Journal*. This article provides a more comprehensive reporting of survey results, with commentary. In summarizing these survey results, we have chosen to highlight—where there appeared to be significant variations—the responses provided by those who reported that over the last three years more than 10 percent of total contributions to their organization, measured in dollars, have come from real estate gifts. For purposes of the tables and discussion below, these respondents, who comprise about 13 percent of total respondents, are referred to as “High Volume Real Estate Programs.”





THE RESPONDENTS

About half of all respondents described themselves as either directors of gift planning (36 percent) or directors of development (14 percent). The distribution of respondents by organization type tracked closely with overall NCPG membership, with 38 percent of respondents coming from educational institutions. Religious organizations and environmental groups were more likely to report higher volumes of real estate gift activity. The largest number of responses from a single state came from California (11.6 percent of the total). All other states except Alaska, Mississippi and Wyoming are represented in the data.

TRENDS IN REAL ESTATE GIFT ACTIVITY

Survey results indicate a sharp increase in recent years in receptivity to real estate gifts, particularly among those organizations reporting substantial real estate gift activity.

	All respondents	High volume real estate programs
Have become more receptive	22%	36%
Have become less receptive	4%	1%
No change in attitude	74%	63%

Among the higher volume real estate gift programs, it is clear that one reason for their success is their ability to generate more inquiries about real estate gifts. When asked about the number of inquiries about real estate gifts that they'd received in the past three years, respondents indicated the following:

	All respondents	High volume real estate programs
No inquiries	11%	1%
1 to 5 inquiries	61%	38%
6 to 10 inquiries	16%	22%
11 to 20 inquiries	5%	14%
Over 20 inquiries	7%	18%

REAL ESTATE DONOR PATTERNS

About 80 percent of real estate donors are reported to be between 60 and 79 years old, with the majority in the 70 to 79 age range.

Age of real estate donors (where an age trend could be identified):

	All respondents
80 years and older	17%
70 to 79	54%
60 to 69	26%
50 to 59	3%
Under 50	0%

Surprisingly, respondents reported that 37 percent of real estate donors were men, only 19 percent were women, and 44 percent were giving as couples. For programs with greater real estate gift volume, the split between men and women was approximately equal.

Donors of real estate tend to be:

	All respondents	High volume real estate programs
Mostly women	19%	20%
Mostly men	37%	21%
Mostly couples acting jointly	44%	59%

Almost half of real estate donors were reported to own three or more properties, suggesting an important variable for use in survey prospecting.

Real estate donors tend to own (where a trend could be identified):

	All respondents	High volume real estate programs
One property	13%	11%
Two properties	39%	27%
Three properties	24%	29%
Four properties	8%	9%
Five or more properties	16%	24%

REAL ESTATE DONOR MOTIVATIONS

Respondents were asked to rank various factors that motivate real estate gifts. As expected, charitable intent was at the top of the list. Perhaps surprising to some, and an important finding, is that “relief from the headaches of owning and managing real estate” was ranked as a more important motivating force than the availability of tax deductions. This suggests that efforts to market an organization’s interest in real estate gifts might benefit from emphasizing a gift as a way for donors to “unburden” themselves of property (perhaps a second or third or fourth home) which, as one ages through the 70s and 80s, might become more and more troublesome to manage.



At the bottom of the list of motivators was desire for life income. This suggests that development operations might benefit from a greater emphasis on pursuit of outright gifts instead of assuming that real estate donors are generally looking to convert equity into income.

Donors of real estate are most motivated by, as a percentage of total ranking points:

	All respondents
Charitable intent	44%
Relief from headaches of owning and managing real estate	22%
Available tax deductions	18%
Life income	12%
Other	3%

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MOST FREQUENT TYPES OF REAL ESTATE GIFTS

When respondents were asked to select the three types of property most likely to be given as gifts, they reported that the most frequently donated properties were primary residences, followed by undeveloped land and second/vacation homes. Notably, however, the development operations with greater volumes of real estate gifts report that they receive more “complicated” properties—rental residential and commercial properties, and farms and ranches—than do the respondents taken as a whole.

Types of property most likely to be given, as a percentage of total ranking points:

	All respondents	High volume real estate programs
Primary residence	20%	18%
Undeveloped land	17%	10%
Second/vacation homes	16%	9%
Rental residential properties	14%	22%
Commercial properties	12%	17%
Farms or ranches	12%	17%
Land with conservation value	3%	4%
Time shares	2%	1%
Industrial properties	1%	2%
Other	1%	2%

The survey also inquired about the type of gift structure most frequently used in accepting real estate gifts. Not surprisingly, higher volume real estate gift programs accept all types of real estate gifts with much greater frequency than do respondents taken as a whole. It’s notable that the more successful real estate programs are about twice as likely to accept undivided/fractional interests and charitable gift annuities funded with real estate, and three times as likely to enter into bargain sales. It may be that over time this gap will narrow, as there is more widespread use of various techniques to minimize liquidity risk in bargain sales and charitable gift annuities.

Frequency of use of real estate gift structures (percentage responding “very” or “somewhat” frequently):

	All respondents	High volume real estate programs
Bequest	51%	71%
Outright	47%	78%
Charitable remainder trust	44%	73%
Retained life estate	27%	43%
Undivided/fractional interest	19%	40%
Charitable gift annuity	18%	34%
Bargain sale	11%	30%
Retained life estate/ charitable gift annuity	6%	18%
Charitable lead trust	5%	8%

EFFECTIVENESS OF MARKETING REAL ESTATE GIFTS

Not surprisingly, the survey confirms that those nonprofits enjoying the greatest success in attracting gifts of real estate are the organizations that have embraced marketing of their interest in accepting real estate gifts.

Which statement best characterizes your organization's attitude toward real estate gifts?	All respondents	High volume real estate programs
We market our interest in a variety of real estate gift types	40%	77%
We market our interest in simple real estate gifts	13%	9%
We don't market real estate gifts, but will accept them	43%	11%
We don't market or accept real estate gifts	1%	0%
Our policies discourage prospects from inquiring about real estate gifts	1%	0%

Among those organizations that do market their interest in accepting real estate gifts, the survey tells us that personal visits with prospects based on real estate research is ranked most effective, followed by publicizing real estate gifts from prominent friends of the organization and use of case studies and illustrations in publications. The successful real estate programs report that all methods are more successful for them than is the case for the group of respondents as a whole. Notably, targeted mailings, even when based on real estate research, are rated as a relatively ineffective approach.

Effectiveness of various marketing strategies (% indicating "very" or "somewhat effective")	All respondents	High volume real estate programs
Personal visits with prospects identified through research	63%	76%
Publicizing real estate gifts from prominent friends of the organization	49%	69%
Case studies, illustrations in magazines, bulletins, reports	47%	69%
Case studies, illustrations on website	34%	61%
Seminars for alums/customers/constituents	33%	69%
Targeted mailings based on real estate research	22%	39%

ALTERNATIVES TO TAKING DIRECT TITLE TO REAL ESTATE

Out of concern for the potential risks of directly taking title to gifted real estate, some organizations prefer accepting gifts through alternative structures. However, the survey results suggest that the vast majority of organizations—including those that accept higher volumes of real estate gifts—do accept title to real estate gifts directly, provided due diligence checks out. The more successful real estate gift programs report being both more comfortable directly accepting title, and using a support organization or another form of affiliated organization to accept title. Interestingly, the more successful real estate gift programs report that they are less likely to require the use of Limited Liability Corporation for accepting real estate gifts.

With regard to accepting title to real estate gifts:	All respondents	High volume real estate programs
We will accept title, if due diligence checks out.	81%	83%
We use a separate affiliated or subsidiary organization to accept title to real estate gifts	12%	17%
We require real estate assets be placed into a LLC, with LLC shares then transferred to our organization	3%	1%

REAL ESTATE GIFTS AND CAPITAL OR MULTI-YEAR CAMPAIGNS

Because of growing interest in the role of real estate gifts in capital campaigns, the survey gathered data on this topic as well. Over a quarter of respondents believe that real estate gifts will become increasingly important to the success of future campaigns.

What is the role of real estate gifts in capital or other multi-year campaigns at your organization?	All respondents	High volume real estate programs
We don't conduct such campaigns.	15%	17%
We specifically investigate the potential for real estate gifts in campaign feasibility studies.	11%	17%
We build real estate gifts capacity into the structure of our campaigns.	11%	14%
We actively solicit real estate gifts in campaigns.	19%	24%
We accept real estate gifts in campaigns, but we don't solicit them.	36%	21%
We don't accept real estate gifts in campaigns.	4%	2%
We expect that real estate gifts will be increasingly important to the success of future campaigns.	27%	30%

WHAT IS NEEDED TO INCREASE REAL ESTATE GIFT ACTIVITY?

When respondents were asked what was needed in their organization to increase real estate gift activity in the years ahead, they responded:

Marketing of real estate gifts in various forms	72%
Training of development staff	52%
Workshops or other outreach to prospects	48%
Workshops or other outreach to professional advisors	36%
Training of trustees	36%
Training/acceptance of finance office	30%
Revised policies and procedures	29%

When respondents were asked to select the three types of property most likely to be given as gifts, they reported that the most frequently donated properties were primary residences, followed by undeveloped land and second/vacation homes. Notably, however, the development operations with greater volumes of real estate gifts report that they receive more “complicated” properties—rental residential and commercial properties, and farms and ranches—than do the respondents taken as a whole.



PROFILE OF THE SUCCESSFUL REAL ESTATE GIFTS EFFORT

In conclusion, the NCPG survey—combined with anecdotal evidence and professional experience—provides the basis for characterizing some of the ingredients that high volume real estate gift programs tend to have in common. Among these ingredients are:

- Success in generating high volumes of real estate gift inquiries.
- Marketing an interest in a wide range of types of real estate gifts.
- Marketing that, at least in part, emphasizes the role of the nonprofit in addressing the “burdens” of aging owners of multiple real estate holdings.
- Emphasizing training of development staff, trustees and finance office staff regarding real estate gifts.
- Personal visits with real estate gift prospects based on research into their property holdings.
- A focus on prospects who own multiple pieces of real estate.
- The capacity and interest to accept a wide range of types of real estate through a range of gift vehicles.
- An increasing emphasis on the importance of real estate gifts in capital campaigns.
- A comfort level, based on rigorous due diligence, with accepting direct title to real estate gifts.

Development operations seeking to move from being the occasional recipient of random real estate gifts to a program that purposefully seeks and accepts a high volume of lucrative real estate gifts may be well-advised to learn from the lessons of those nonprofit organizations that have enjoyed success in this increasingly important area of philanthropy over the years. ■