

Unit 1: Introduction to the Real Estate Business

LECTURE OUTLINE

- I. Real Estate: A Business of Many Specializations
 - A. Brokerage—the business of bringing people together in a real estate transaction (discussed in detail in Unit 8)
 - B. Appraisal—the process of developing an opinion of the market value of real property (discussed in detail in Unit 16)
 - C. Property management—the business of managing real estate to protect the owner's investment and maximize the owner's return (discussed in detail in Unit 19)
 - D. Financing—the business of arranging for or providing funds for real estate transactions (discussed in detail in Units 12 and 13)
 - E. Subdivision and development—the activities of dividing a large parcel of real estate into smaller ones and constructing improvements on the land (discussed in detail in Unit 20)
 - F. Home inspection—the activities involved in conducting a visual survey of a property's site conditions, structure, and systems, and preparing an analytical report useful to both buyers and homeowners (discussed in Unit 14)

- G. Counseling—the activity of providing clients with competent and independent information and advice to assist in their real estate investment decisions
- H. Education—the provision of real estate education opportunities to both practitioners and consumers
- I. Others—settings in which real estate expertise is required, such as the practice of law, corporations with extensive land holdings, and government agencies

II. Types of Real Property

- * Residential—single-family dwellings, duplexes and double houses, triplexes, fourplexes, apartments, townhouses, condominiums, mobile homes, manufactured housing, modular housing, and real estate used for specific residential purposes such as retirement homes, vacation property, and others common in different parts of the country
- * Commercial—office buildings, retail stores and shopping centers, and other specialized facilities such as marinas, air parks, and certain mixed-use properties
- * Mixed-use—properties that allow commercial and residential uses in the same building
- * Industrial—factories, industrial parks, warehouses, and power plants
- * Agricultural—farms, ranches, orchards, vineyards, feedlots, hatcheries, and timberland

- * Special purpose—churches, schools, cemeteries, government-owned property

III. Types of Housing—people buy homes for many reasons

- A. Single-family detached house
- B. Apartment building
- C. Condominium
- D. Cooperative
- E. Planned unit development (PUD)
- F. Mixed-use development (MUD)
- G. Converted-use properties
- H. Factory-built housing

IV. Fair Housing—federal law prohibits discrimination in the provision of housing and housing-related services

- V. The Real Estate Market—exists when goods are bought and sold
 - A. Supply and demand—the economic forces that set prices for products.
 - 1. Characteristics of real estate affecting supply and demand are
 - a. uniqueness,
 - b. immobility, and
 - c. effect of natural disasters, changes in financial markets, local events.
 - 2. Prices will generally drop as supply increases relative to demand.
 - 3. Prices will generally rise as demand increases relative to supply.
 - B. Factors affecting supply
 - 1. Labor force availability and material costs
 - 2. Government controls at all levels
 - 3. Government monetary policy
 - C. Factors affecting demand
 - 1. Population
 - 2. Demographics—the make-up of the population including mobility, financial stability, and size and nature of family unit
 - 3. Employment and wage levels—where and how money is spent; perceived job security
 - E. Financial Considerations for the Homeowner—increase in homeowner's equity and tax advantages of homeownership
 - 1. a. Tax deductions for mortgage interest payments up to \$1 million loan value on first and second homes taken out prior to December 14, 2018, and \$750,000 after that date; between January 1, 2018, and

December 31, 2025, interest on a second mortgage is no longer tax deductible

- b. real estate taxes
 - c. certain loan origination fees
 - d. loan discount points
2. Other tax benefits--on sale of principal residence, married couple can exclude up to \$500,000 in profit; single taxpayer can exclude up to \$250,000 in profit