

SLIDE 1 – COVER PAGE

SLIDE 2 – TOPICS

In this section we'll briefly introduce the following topics:

1. Introduction to the Real Estate Business
2. Real Estate Brokerage
3. Development and Construction
4. The Role of Government
5. Professional Organizations

SLIDE 3 - LEARNING OBJECTIVES

Upon completion of this lesson, you should be able to:

- Describe the various activities of real estate brokerage
- Distinguish among the five major sales specialties
- Identify the role of property managers
- Explain the appraisal process and the role of the appraiser
- Understand the mortgage process and the role of mortgage loan originator
- Explain the three phases of development and construction
- Distinguish among the three categories of residential construction

SLIDE 4 – Key Terms

As a Real Estate Salesperson, these are some of the key terms you will run into during your sales activities:

- **Absentee owner** - An individual who owns a piece of real estate but does not live in it, usually for the purpose of earning income from that property.
- **Appraisal** - Appraisal is a valuation of property (*ie. real estate, a business, an antique*) by the estimate of an authorized person. For the appraisal to be valid, the appraiser must maintain an approval from the regulatory body having jurisdiction where he/she operates.

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- **Appraiser** - Someone who has the knowledge and expertise to estimate the value of an asset, or the likelihood of an event occurring, and the cost of such an occurrence. Appraiser should always act independently of buying and selling parties, so they can arrive at the fair value of an asset without bias.
- **Broker Price Opinion (BPO)** - The estimated value of a property as determined by a real estate broker or other qualified individual or firm. A broker price opinion is based on the characteristics of the property being considered.
- **Business Opportunity** - In the simplest terms, it's any packaged business investment that allows the buyer to begin a business.

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- **Comparative Market Analysis (CMA)** - An examination of the prices at which similar properties in the same area recently sold.
- **Dedication** - The voluntary transfer, or transfer as a condition of subdivision approval, of private property by its owner to the public for some public use, such as for streets or park land.

- **Farm Area (Target Marketing)** - Specializing in a particular geographic area or property type.
- **Follow-up** – A salesperson’s action of following up with buyers and/or sellers throughout any real estate transaction.

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- **Property Management** - Property management is the administration of residential, commercial and/or industrial real estate. Property management usually involves managing property owned by another party or entity.
- **Real Estate Brokerage** - A real estate brokerage is typically a real estate firm consisting of a real estate broker and one or more real estate sales agents who act as an intermediary between sellers and buyers of real estate/real property and attempts to find sellers who wish to sell and buyers who wish to buy.

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- **Special Purpose Property** - Refers to property that is appropriate for one type of use or limited use. It has a unique design or layout, uses special construction materials, or other features that limit the property’s utility for purposes other than the one for which it was built.
- **Subdivision plat map** - A map of a town or a section of land that has been subdivided into lots showing the location and boundaries of individual parcels with the streets, alleys, easements, and rights of use over the land of another.

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- **USPAP** - Uniform Standards of Professional Appraisal Practice sets the quality control standards applicable for real property, personal property, intangible assets, and business valuation appraisal analysis and reports in the United States and its territories.
- **MLS** – A Multiple Listing Service enables real estate brokers to establish contractual offers of compensation (among brokers), facilitates cooperation with other broker participants, accumulates and disseminates information to enable appraisals, and is a facility for the orderly correlation and dissemination of listing information to better serve broker's clients, customers and the public.

SLIDE 10 - Introduction to the Real Estate Business

To start our journey of learning the ins and outs, the legalities of and the practice of the real estate business we are going to begin with a quick look at history. To know where we are it helps to know where we came from. As you’ll see the founding concept of real estate sales and acquisition began a long, long time ago.

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The real estate business reaches back to the earliest days of civilized man and beyond. In the days of the caveman, real estate acquisition occurred at the end of a big stick.

Rather than a property deed, title of ownership hinged on the strength of the tribe to hold it from other clans looking to “acquire” property.

Our ancestors abandoned the hunter-gatherer lifestyle gradually over several thousand years and began moving towards an agrarian society which ultimately heralded the advent of home ownership.

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The young Grecian King, Alexander the Great, spent most of his reign engaged in—aggressive acquisition—throughout Asia and Northern Africa.

By the time the Alexander reached 30-years-old, he had amassed one of the largest real estate dynasties of the ancient world.

The conquered people of the lands, many of them no more than clans of farmers, paid homage to the king by feeding his armies. In essence, it was one of the earliest examples of rent.

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The United States got into real estate when it agreed to purchase the Louisiana territory from the French in 1803.

President Thomas Jefferson struck a deal with Napoleon to buy New Orleans and the west bank of the Mississippi River for \$10 million dollars. But then the French government offered - for five million more they would sell all of the Louisiana territory. Thomas Jefferson approved the deal and used his constitutional power to sign treaties to buy the land.

This started the trend of government land treaties that stretched the property of the United States to the western shores of the continent by the middle of the 19th century.

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The Industrial Revolution of the early 1800s brought with it a shift from an agricultural to a manufacturing society.

Every aspect of daily life was impacted by this transition, especially in the ways it affected housing and property ownership.

This period saw the rise of tract housing designed to meet the needs of the new manufacturing employers and their workforce.

In many ways this period saw the beginning of the separation of white collar and blue collar workers. From a real estate perspective, the lower end of the class spectrum, the blue collar workers, were the renters of the time and dreamed of the day they could buy their own home – The American Dream.

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In 1855, Baird & Warner becomes the nation's first full-time Real Estate broker and continues to do business throughout Chicago and the surrounding area.

According to Realtor.org, in 2012 there were over 86,000 real estate brokerage firms operating in the United States.

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To manage the daily tasks of developing, marketing and selling real estate property is the primary function of today's real estate broker and agents.

Historically, home ownership was the domain of royals and aristocrats.

Today the opportunity to own property is within reach of even people with modest means. It's the broker's job to bring together buyers and sellers.

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Real Estate plays a major role within the U.S. economy. The residential housing industry provides homes for families and often represents the largest portion of their assets.

Commercial real estate, which includes apartment buildings and office buildings, create spaces for jobs in retail, offices and manufacturing.

Real estate income provides a source of revenue for millions.

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Many segments of the economy are intrinsically tied to the real estate business, including:

- construction materials
- skilled trades
- retail sales
- and more

Declines in real estate sales and construction impact a variety of factors, including home values, the unemployment rate, equity values and consumer spending.

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The Real Estate business is a collection of many specialties. Brokers and salespersons must develop fluency in many aspects of the business, including:

- Property transfer
- Market conditions
- Real estate marketing