

SLIDE 1 – Cover Page

SLIDE 2

Topics

In this section we will cover the following topics:

- I. Physical Characteristics of Real Estate
- II. Economic Characteristics of Real Estate
- III. Market Indicators

SLIDE 3

Learning Objectives

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

- Describe the physical characteristics of real estate
- Describe the economic characteristics of real estate
- Identify the factors that influence demand
- Identify the factors that influence supply
- Distinguish among different ways of interpreting market conditions
- Demonstrate understanding of the different market indicators

SLIDE 4

Key Terms

Here are some key terms we'll encounter in this lesson:

- **buyer's market** – a slow real estate market in which buyers have the advantage
- **demand** – the quantity of a product or service that is desired for purchase, lease, or trade at any given time
- **household** – unit of residential demand
- **seller's market** – an active real estate market where sellers have the advantage - multiple offers are common
- **situs** – the aspect of location that contributes to a property's market value; economic attributes of the location

SLIDE 5

- **supply** – the quantity of a product or service available for sale, lease, or trade at any given time
- **vacancy rate** – the numerical value calculated as the percentage of all available units in a rental property that are vacant or unoccupied at a particular time

SLIDE 6 - Physical Characteristics of Real Estate (Cover Page)

SLIDE 7

Physical Characteristics of Land

Land has three unique physical characteristics:

Immobility

Indestructibility

Heterogeneity

SLIDE 8

Immobility

Land is immobile, since a parcel of land cannot be moved from one site to another. In other words, the geographical location of a tract of land is fixed and cannot be changed. One can transport portions of the land such as mined coal, dirt, or cut plants. However, as soon as such elements are detached from the land, they are no longer considered land.

SLIDE 9

Foundations of Real Estate Value

Highest and best use –This principle holds that there is, theoretically, a single use for a property that produces the greatest income and return. A property achieves its maximum value when it is put to this use. If the actual use is not the highest and best use, the value of the property is correspondingly less than optimal. Technically, highest and best use must be legally permissible, physically possible, financially feasible, and maximally productive.

For example, a property with an old house on it may not be in its highest and best use if it is surrounded by retail properties.

If zoning permits the property to be converted to a retail use, its highest and best use may well be retail rather than residential.

SLIDE 10

Indestructibility

Land is indestructible in the sense that one would have to remove a segment of the planet all the way to the core in order to destroy it. Even then, the portion extending upward to infinity would remain. For the same reason, land is considered to be permanent.

SLIDE 11

Heterogeneity

Land is non-homogeneous, since no two parcels of land are exactly the same. Admittedly, two adjacent parcels may be very similar and have the same economic value. However, they are inherently different because each parcel has a unique location.

SLIDE 12

Government Controls

County and local government regulation focuses on land use control, control of improvements, and taxation. Land use regulations and ordinances control how all property within the jurisdiction may be developed, improved, demolished, and managed. County and local governments have the power to zone land, take over land for the public good, issue building permits, and establish the rules for all development projects.

County and local governments, along with school districts and other local jurisdictions, have the power to levy real estate taxes.

SLIDE 13

Government Regulations

Additionally, the government is given authority to exercise the following controls:

Police Power - the power of state governments to regulate for the protection of the public health, safety, morals, and general welfare

Escheat - the reversion of property to the government when a person dies without leaving a valid will and without heirs entitled to the property

Taxes - levied against real property annually to pay for general government services. They are based on the value of the property taxed (ad valorem). Often simply called property taxes

Eminent Domain – the power of the government to take (condemn) private property for public use, upon payment of just compensation to the owner