

Section 17 – Part 1

SLIDE 1 – Real Estate Investments and Business Opportunity Brokerage (Cover Page)

SLIDE 2

Topics

In this section we will cover the following topics:

- I. Investment Real Estate Terminology
- II. Types of investments
- III. Advantages of Real Estate Investments
- IV. Disadvantages of Investing in Real Estate
- V. Assessment of Risk
- VI. Nature of Business Brokerage

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Learning Objectives

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

- Distinguish among the different types of real estate investments
- Identify the advantages and disadvantages of investing in real estate
- Distinguish among the various types of risk
- Explain the importance of investment analysis
- Describe the similarities and differences between real estate brokerage and business brokerage
- Describe the types of expertise required in business brokerage
- Distinguish among the methods of appraising businesses
- Describe the steps in the sale of a business

SLIDE 4 - Investment Real Estate Terminology (Cover Page)

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Key Terms

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

- **appreciation** – an increase in the value of a home or other property
- **asset** – Items of value which include cash, real estate, securities, investments and other real property
- **basis** – purchase price, including commissions and other expenses, used to determine capital gains and capital losses for tax purposes
- **capital gain (loss)** – profits or losses an investor realizes from the sale of real estate or investments

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- **cash flow** – amount of cash a rental property investor receives after deducting operating expenses and loan payments from gross income
- **equity** – determination of the value of a property after existing liens are deducted
- **going concern value** – the value of a company as an operating venture; the difference between the liquidation value and the going-concern value is the value of intangibles associated with the running of the business
- **goodwill** – an intangible asset which provides a competitive advantage, such as a strong brand, reputation, or high employee morale

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- **leverage** – the use of a small amount of cash--a 5 or 10 percent down payment--to buy a piece of property
- **liquidation analysis** – a process of evaluating a property, whether real estate or business entity, of the cash value once all real properties and intangibles are sold to another party, normally determined by an accredited appraiser
- **liquidity** – the ability of an asset to be converted into cash quickly and without any price discount
- **personal property** – Property, other than real estate, owned by an individual; also called chattel

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- **risk** – the quantifiable likelihood of loss or less-than-expected returns
- **tax shelter** – any technique which allows one to legally reduce or avoid tax liabilities