Modern Real Estate Practice, Nineteenth Edition
Unit 1: Introduction to the Real Estate Business

Real estate transactions are taking place all around us, all the time. The services of many highly trained individuals are required: from attorneys to title insurance company agents, from surveyors to tax experts. All these people, in addition to buyers and sellers, depend on the skills and knowledge of licensed real estate professionals.
1 Introduction to the Real Estate Business

• Learning Objectives
  – List and describe the various careers available in the real estate industry.
  – Discuss the role of primary professional organizations, including the services and designations they offer the real estate practitioner and the ethical codes they establish. (cont.)
1 Introduction to the Real Estate Business

– List and describe the different classifications and characteristics real property.
– Explain the factors which influence and affect supply and demand in the real estate market.
1 Introduction to the Real Estate Business

Real Estate: A Business of Many Specializations

- Brokerage
- Appraisal
- Property Management
- Financing
- Subdivision and Development
- Home Inspection
- Counseling
- Education
1 Introduction to the Real Estate Business

• Professional Organizations and Ethics
  – NAR Affiliates
    • Counselors of Real Estate (CRE) www.cre.org
    • Commercial Investment Real Estate Institute (CIREI) www.ccim.com
    • Institute of Real Estate Management (IREM) www.irem.org
    • REALTORS® Land Institute (RLI) www.rliland.com (cont.)
1 Introduction to the Real Estate Business

- Certified Real Estate Brokerage Manager (CRB)  
  www.crb.com
- Certified Residential Specialist (CRS)  
  www.crs.com
- Graduate, REALTOR® Institute (GRI)  
  www.realtor.org
- Council of Residential Specialists (CRS)  
  www.crs.com (cont.)
1 Introduction to the Real Estate Business

• Society of Industrial and Office REALTORS® (SIOR) www.sior.com
• Women’s Council of REALTORS® (WCR) www.wcr.org
1 Introduction to the Real Estate Business

• Professional Ethics
  – Ethics refers to a system of moral principles, rules, and standards of conduct.
  • Establish standards for integrity and competence in dealing with consumers of an industry’s services
  • Define a code of conduct for relations within the industry among its professionals
1  Introduction to the Real Estate Business

• Code of Ethics
  – NAR’s Code of Ethics
  – NAREB Code of Ethics
1 Introduction to the Real Estate Business

• Types of Real Property
  – Residential
  – Commercial
  – Mixed Use
  – Industrial
  – Agricultural
  – Special Purpose
1 Introduction to the Real Estate Business

• Home Ownership
  – Financial stability
  – Investment
  – Pride, security, sense of belonging
1 Introduction to the Real Estate Business

• Types of Housing
  – Single-family detached house
  – Apartment building
  – Condominium
  – Cooperative
  – Planned unit development (PUD)
  – Mixed-use development (MUD)
  – Converted-use property
  – Factory-built housing
1 Introduction to the Real Estate Business

• The Real Estate Market
  – Supply and Demand
    • When supply and demand are balanced, prices are stable.
    • When supply increases, prices go down.
    • when demand increases, prices go up.
1 Introduction to the Real Estate Business

• Supply and Demand in the Real Estate Market
  – Uniqueness
  – Immobility
1 Introduction to the Real Estate Business

• Factors Affecting Supply
  – Labor force, construction, and material costs
  – Governmental controls and monetary policy
1 Introduction to the Real Estate Business

• Factors Affecting Demand
  – Population
  – Demographics
  – Employment and wage levels
Unit 2: Real Property and the Law

Real estate is a market like any other. Real property is the product, and the real estate professional is the salesperson. The real estate professional needs to know enough about the product to be able to educate and guide clients and customers, whether they are buyers, sellers, renters, or investors.
2  Real Property and the Law

• Learning Objectives
  – Discuss the concepts of land and ownership rights in real property.
  – Distinguish between real and personal property and the differences in transferring ownership and title.
  – Describe and explain the basic economic and physical characteristics of real property. (cont.)
2 Real Property and the Law

• Discuss the limitations of the real estate professional under the law.
2  Real Property and the Law

• Land, Real Estate, and Real Property
  – Land
    • Land is defined as the earth’s surface extending downward to the center of the earth and upward to infinity.
2 Real Property and the Law

– Real Estate
  • Real estate is defined as land plus all human-made improvements to the land that are permanently attached (annexed) to it.
  • An improvement to land can be any artificial thing attached on or below ground, such as a building, fence, water line or sewer pipe, as well as growing things that are made part of the landscaping.
2 Real Property and the Law

– Real Property

• Real property is defined as the interests, benefits, and rights that are automatically included in the ownership of real estate.
Land, Real Estate, and Real Property

Land
Earth’s surface to the center of the earth and the airspace above the land, including the trees and water

Real Estate
Land plus permanent human-made additions

Real Property
Real estate plus bundle of legal rights

Air Rights
Physical Improvements
Surface Rights
Subsurface Rights
The Bundle of Rights

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2 Real Property and the Law

• Bundle of legal rights
  – Possession
  – Control
  – Enjoyment
  – Exclusion
  – Disposition
Bundle of Legal Rights

Possession
Control
Enjoyment
Exclusion
Disposition
2 Real Property and the Law

• Title to Real Property
  – The right to or ownership of the property, including the owner’s bundle of legal rights
  – Evidence of that ownership by a deed
2 Real Property and the Law

• Surface, Subsurface, and Air Rights
  – Surface rights: Ownership rights in a parcel of real estate that are limited to the surface of the earth
  – Subsurface rights: The rights to the natural resources below the earth’s surface
  – Air rights: The rights to use the space above the earth; may be sold or leased independently, provided the rights have not been limited by law
2 Real Property and the Law

• Water rights
  – Riparian rights
  – Littorial rights
    • Accretion, Erosion and Avulsion
    • Doctrine of Prior Appropriation
2 Real Property and the Law

- Real Property Versus Personal Property
  - Personal property (chattels)
  - Factory-Built Housing
  - Plants
    - Fructus naturales
    - Emblements (fuctus industriales)
2 Real Property and the Law

• Classifications of Fixtures
  – A fixture is personal property that has been so attached to land or a building that, by law, it becomes part of the real property.
2 Real Property and the Law

• Legal Tests of a Fixture
  – Method of annexation
  – Adaptability of item to land’s use
  – Relationship of parties
  – Intention in placing item on the land
  – Agreement of the parties
2 Real Property and the Law

• Trade Fixtures
  – Usually owned and installed by a tenant for the tenant’s use
  – May be attached to a building so they appear to be fixtures, but are removable
2 Real Property and the Law

• Characteristics of Real Property
  – Economic Characteristics
    • Scarcity
    • Improvements
    • Permanence of Investment
    • Area Preference (situs)
Physical Characteristics

- Immobility
- Indestructability
- Uniqueness
2 Real Property and the Law

• Laws Affecting Real Estate
  – Contract law
  – General property law
  – Agency law
  – Real estate license law
  – Federal, state, and local laws and regulations (e.g., consumer protection, environmental, tax, land use, and zoning)
Unit 3: Fair Housing

Understanding and working within the context of fair housing laws is critical to creating and maintaining a vibrant and ultimately profitable real estate market for everyone.
3 Fair Housing

• Learning Objectives
  – Explain the significance of the Civil Rights Act of 1866 and the constitutional legal framework as they relate to and affect the equal opportunity in housing.
  – Describe and explain the various federal laws which protect Americans from unfair housing practices. (cont.)
3 Fair Housing

– Describe blockbusting, steering, redlining, and other abusive housing practices;
– List the various recourses available to the aggrieved person who believes illegal discrimination has occurred including acts against real estate professionals;
– Describe the importance of real estate professionals understanding and complying with fair housing laws.
3 Fair Housing

• Equal Opportunity in Housing
  – The Civil Rights Act of 1866
    • Prohibits discrimination based on race
  – Title VII of the Civil Rights Act of 1868: Fair Housing Act
    • Prohibits discrimination based on race, color, national origin, religion, sex, familial status, or disability.
3 Fair Housing

• Housing for Older Persons Act (HOPA)
  – Housing intended for those age 55 or older
    • At least 80% of occupied units have one person age 55 or older living in them.
3 Fair Housing

• Definitions
  – Dwelling
  – Family/Familial Status
  – Disability
3 Fair Housing

• Exemptions to the Fair Housing Act
  – Owner-occupied buildings with no more than four units
  – Single-family housing sold or rented without the use of a real estate professional
  – Housing operated by organizations and private clubs that limit occupancy to members
  – The rental of rooms or units in an owner-occupied building of no more than four units
3 Fair Housing

– The sale or rental of a single-family home when
  • The home is owned by an individual who does not own more than three such homes at one time (and who does not sell more than one every two years).
  • A real estate professional is not involved in the transaction
  • Discriminatory advertising is not used
3  Fair Housing

• Americans with Disabilities Act (ADA): Requires reasonable accommodations in employment and access to goods, services, and public buildings.
  – Title I: Reasonable accommodations
  – Title III: Full accessibility to businesses, goods, and public services
3 Fair Housing

• ADA and the Fair Housing Act
  – ADA exempts
    • Property that is covered by the Fair Housing Act, which already prohibits discrimination on the basis of disability
    • Property that is exempt from coverage by the Fair Housing Act, such as housing for those age 55 or older
3 Fair Housing

• Fair Housing Practices
  – Blockbusting
  – Steering
  – Advertising
  – Appraising
  – Redlining
  – Intent and Effect
  – Response to Concerns of Terrorism
3 Fair Housing

• Enforcement of the Fair Housing Act
  – Complaints investigated by HUD
  – Penalty for violations
    • $16,000 for first offense
    • $37,500 for a second violation within five years
    • $65,000 for a further violation within seven years
3 Fair Housing

• State and Local Enforcement Agencies
  – All real estate professionals should be aware of their states’ fair housing laws, as well as applicable local ordinances.

• Threats or Acts of Violence
  – The Fair Housing Act protects the rights of those who seek the benefits of the fair housing laws. Threats, coercion, and intimidation are punishable by criminal action.
3 Fair Housing

- Implications for Real Estate Professionals
  - Consequences
    - Monetary penalties
    - Threat to livelihood of career
    - License suspension or revocation
Unit 4: Interests in Real Estate

Ownership of a parcel of real estate includes all or some of the bundle of rights, depending on the type of interest a person holds in the property. Ownership may be limited by public and private restrictions intended to ensure that one owner’s use and enjoyment of the property owned does not interfere with others’ use and enjoyment of their property or with the welfare of the general public.
4 Interests in Real Estate

• Learning Objectives
  – Identify and describe the various types of estates.
  – Explain the difference between liens and all other types of encumbrances.
  – Explain the limitations of private property rights for the welfare of the public.
4 Interests in Real Estate

• Fee Simple Estate
  – Fee Simple Defeasible
    » Fee Simple Determinable
4 Interests in Real Estate

• Estates in land
  – Freehold estate
  • Life Estate
    – Pur Autre Vie
    – Remainder and Reversion
    – Legal Life Estate
      » Homestead
4 Interests in Real Estate

• Encumbrances
  – Easements
  – Private restrictions
  – Liens
  – Encroachments
4 Interests in Real Estate

Freehold Estates

- Fee Simple Estate
  - Fee Simple Absolute
  - Fee Simple Defeasible
    - Special Limitation with Possibility of Reverter
    - Condition Subsequent with Right of Re-Entry

- Conventional Life Estate
  - Ordinary with Remainder or Reversion
  - Pur Autre Vie with Remainder or Reversion

Life Estate

- Legal Life Estate
  - Dower
  - Homestead
  - Curtesy
4 Interests in Real Estate

• Liens
  – Real estate taxes
  – Mortgages
  – Judgments
  – Mechanics’ liens
4 Interests in Real Estate

• Private Restrictions on use of Real Estate
  – Deed restrictions
  – Covenants, conditions, and restrictions (CC&Rs)
4 Interests in Real Estate

• Easements
  – Easement appurtenant
  – Easement in gross
  – Easement by necessity
  – Easement by prescription
4 Interests in Real Estate

• Terminating an Easement
  – An easement terminates
    • When the need no longer exists
    • When the owner of either the dominant or the servient tenement becomes sole owner of both properties
    • By the release of the right of easement to the owner of the servient tenement
    • By the abandonment of the easement
    • By the nonuse of a prescriptive easement
4 Interests in Real Estate

• Licenses: Personal privileges given for a specific purpose
• Encroachments: Illegal extensions beyond boundaries of land
• Lis Pendens: Pending legal action
4 Interests in Real Estate

• Governmental Powers
  – Police power
  – Eminent Domain
  – Taxaction
  – Escheat
Unit 5: Forms of Real Estate Ownership

Although the forms of ownership available are controlled by state law, real estate may be held in one of three basic ways. They include ownership in severalty (one owner), co-ownership (more than one owner), and ownership by a trust (property held for the benefit of another).
5 Forms of Real Estate Ownership

• Learning Objectives
  – Define and explain the distinction between ownership in severalty and co-ownership.
  – Describe the various forms of co-ownership in real estate.
  – Describe the key elements of trusts, partnerships, corporations, and LLCs.
  – Identify and describe the types of property ownership for common-interest properties.
Forms of Real Estate Ownership

- Ownership in Severalty
  - Property is owned by one individual, corporation, or other entity
- Co-Ownership
  - Ownership by two or more individuals
5 Forms of Real Estate Ownership

• Forms of Co-Ownership
  – Tenancy in common (TIC)
  – Joint tenancy
  – Tenancy by the entirety
  – Community property
5 Forms of Real Estate Ownership

- Trusts and Business Organizations
  - Living and Testamentary Trusts
  - Land Trusts
  - Business Organizations
    - Partnership
    - Corporation
    - Limited Liability Company
5 Forms of Real Estate Ownership

• Condominiums, Cooperatives, and Time-Shares
  – Condominium Ownership
    • Common elements
    • Right of first refusal
    • HOA
5 Forms of Real Estate Ownership

– Cooperative Ownership
  • Corporation holds title
  • Corporation bylaws
  • Shares of stock
5 Forms of Real Estate Ownership

– Time-Share Ownership
  • Time-share estate
  • Time-share use
Unit 6: Land Description
6 Land Description

• Learning Objectives
  – Identify and explain the methods used for describing real estate.
  – Explain the process involved in identifying and measuring property rights including those above and below the surface.
6 Land Description

• Methods of Describing Real Estate
  – Metes and bounds
  – Rectangular (government) survey
  – Lot and block (recorded plat)
6 Land Description

- Metes-and-Bounds Method
  - Point of Beginning
6  Land Description

– Monuments: Fixed objects used to identify the POB, all corners of the parcel or ends of boundary segments, and the location of intersecting boundaries.
6 Land Description

• Rectangular (Government) Survey System
  – Principal meridian
  – Tiers
  – Ranges
  – Townships
  – Sections
6 Land Description

• Lot-and-Block Method
  – Lot and block number
  – Subdivision plat
Subdivision Plat Map of Block A
6 Land Description

• The Survey: Measuring Property Rights
  – Legal description
  – Survey sketch
6 Land Description

• Measuring Elevations
  – Air lots
  – Datum
  – Monuments and Benchmarks

• Units of Land Measurement
Unit 7: Transfer of Title

Transfer of title is an aspect of the real estate transaction generally handled by lawyers and title companies. Nonetheless, a real estate professional who is aware of the fundamentals of deeds and title issues will be able to alert consumers to the need for legal advice to avoid potential title problems.
7 Transfer of Title

• Learning Objectives
  – Describe the fundamental concepts of *title* as it relates to the ownership of land, and the processes and instruments used to apply these concepts.
  – Describe the circumstances and conditions which may provide for the involuntary transfer of title.
  – Explain testate, intestate, wills, and the probate process.
7 Transfer of Title

• Title Concepts
  – Voluntary Alienation
    • A grantor conveys property to a grantee.
    • A grantee receives property from a grantor.
    • A deed is the instrument that conveys property from grantor to grantee.
7 Transfer of Title

• Requirements for a Valid Deed
  – Grantor
  – Grantee
  – Consideration
  – Granting Clause
  – Habendum Clause
  – Legal Description of Real Estate
  – Exceptions and Reservations (cont.)
7 Transfer of Title

– Signature of Grantor
– Acknowledgment
– Delivery and Acceptance
7 Transfer of Title

• Types of Deeds
  – General warranty deed
  – Special warranty deed
  – Bargain and sale deed
  – Quitclaim deed
  – Deed of trust
  – Reconveyance deed
  – Trustee’s deed
  – Deed executed pursuant to a court order
7 Transfer of Title

• Transfer Tax Stamps
  – Transfer declaration form
  – Exemptions
7 Transfer of Title

- Involuntary Alienation
  - Escheat
  - Condemnation by state’s power of eminent domain
  - Foreclosure
  - Adverse possession
7 Transfer of Title

• Adverse Possession
  – Open
  – Notorious
  – Continuous
  – Hostile
  – Adverse
7 Transfer of Title

• Conveyance of a Decedent’s Property
  – By Will
  – By Descent
  – Probate
Unit 8: Title Records

A review of public records will reveal the documents, claims, and other details that affect a property’s ownership. If the property is subject to any liens or other encumbrances, a prospective buyer or lender needs to know. A real estate professional should understand what is in the public record and what the searchers may find.
8 Title Records

• Learning Objectives
  – Explain the public recordation system and its importance to the title insurer.
  – Explain the benefits of title insurance and the difference between an owner’s policy and a lender’s policy.
8 Title Records

• Public Records
  – Recording: placing document in public record
  – Notice
    • Constructive: Placing document in public record, physical possession
    • Actual: information is available and someone is actually made aware of it
8 Title Records

– Priority
  • The order of when documents or liens are recorded

– Unrecorded Documents
  • Real estate taxes and special assessments
8 Title Records

• Chain of Title
  – Record of property’s ownership
    Cloud on the title
    Action to quiet title
8 Title Records

- Title Search and Abstract of Title
  - Title search: Examination of public records
  - Abstract of title: Summary report
8 Title Records

• Marketable Title
  – Acceptable to a reasonably prudent person and will not subject buyer to litigation
    • No serious defects; no questions of law or fact
    • Not expose purchaser to litigation
    • Potential to sell or mortgage property at later time
8 Title Records

• Proof of Ownership
  – Certificate of Title
  – Title Insurance
    • Standard
    • Extended (ALTA)
8 Title Records

• The Torrens System
  – Legal registration system to verify ownership of real estate without need for additional search of public records
Unit 9: Real Estate Brokerage

Within a brokerage, no matter how large or small it is, each real estate professional has an individual business. Economics and personnel decisions are part of running a business. A successful real estate professional needs to think like a businessperson.
9 Real Estate Brokerage

• Learning Objectives
  – Describe the fundamentals of real estate brokerage and licensing laws.
  – Describe the purpose and basic elements of antitrust laws including price fixing, boycotts, and allocation of markets.
  – Explain how real estate professionals should use technology in real estate practice to comply with laws and ethical standards.
9 Real Estate Brokerage

• Brokerage and Real Estate License Laws
  – Purpose of License Laws
    • Establish basic requirements for licensees
    • Define which activities require licensing
    • Describing standards of conduct and practice for licensees
    • Enforcing standards through disciplinary system
9 Real Estate Brokerage

• Real Estate Brokerage
  – A real estate broker is licensed to buy, sell, exchange, or lease real property for others and to charge a fee for those services.
9  Real Estate Brokerage

• Relationship of Broker and Sales Associate
  – A real estate salesperson is licensed to perform real estate activities on behalf of a licensed real estate broker.
  – The broker for whom the salesperson works is called the employing broker, and both will be subject to the terms of an employment agreement, even when the salesperson is an independent contractor for tax and other purposes.
9 Real Estate Brokerage

• Independent Contractor Versus Employee
  – Employee
    • Rules for working hours, office routines, attendance at meetings, sales quotas, dress codes
  – Independent Contractor
    • No employee benefits
    • Set own rules
9 Real Estate Brokerage

• Real Estate Assistant
  – Licensed
  – Unlicensed
9 Real Estate Brokerage

• Broker’s Compensation
  – Specified in contract with clients
    • Commission
    • Broker’s fee
  – Procuring cause
  – Ready, willing, and able buyer
9 Real Estate Brokerage

• Sales Associate’s Compensation
  – 100% commission plan
  – Commission splits
  – No matter how the sales associate’s compensation is structured, as a rule only the employing real estate broker can pay it.
9 Real Estate Brokerage

- Fee for Service
  - Minimum level of services
    - Requirements vary by state
9 Real Estate Brokerage

• Antitrust Laws
  – Price-fixing
  – Group boycott
  – Allocation of customers
  – Allocation of markets
  – Tie-in agreements
9 Real Estate Brokerage

• Technology in Real Estate Practice
  – NAR Internet Data Exchange (IDX) policy
  – Smartphones
  – Email/Texting
  – Social Media
  – Internet Advertising
9 Real Estate Brokerage

• Electronic Contracting
  – Uniform Electronic Transaction Act (UETA)
  – Electronic Signatures in Global and National Commerce Act (E-Sign)
9 Real Estate Brokerage

• Prohibited Communications
  – National Do Not Call Registry
  – Telephone Consumer Protection Act (TCPA)
  – Junk Fax Prevention Act
  – Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM Act)
  – Children’s Online Privacy Protection Act (COPPA)
Unit 10: Real Estate Agency

The relationship between a real estate professional and the parties involved in a real estate transaction is not a simple one. A real estate professional can represent a client as an agent, and the real estate professional acts as a fiduciary and is subject to a wide range of legal and ethical requirements designed to protect the seller, the buyer, and the transaction itself. There are other agency relationships in the real estate business, including that of sales associate to the employing broker.
10 Real Estate Agency

• Learning Objectives
  – Explain agency concepts and terminology.
  – Explain the difference between express and implied agency.
  – Define the types of agency and identify which, if any, are involved in real estate practice.

(cont.)
10 Real Estate Agency

– Describe and explain an agent’s duties to third-party customers, especially regarding misstatements, misrepresentation, and potential fraud.
10 Real Estate Agency

• History of Agency
  – Common law
  – Statutory Law
  – Administrative Law
10 Real Estate Agency

• Definitions
  – Law of agency
  – Agent
  – Principal
  – Agency
  – Fiduciary
  – Client (cont.)
10 Real Estate Agency

– Customer
– Nonagent
– Single agent
10 Real Estate Agency

• Creation of Agency
  – Express Agency
  – Implied Agency
  – Compensation
10 Real Estate Agency

• Fiduciary Responsibilities
  – Care
  – Obedience
  – Loyalty
  – Disclosure
  – Accounting
  – Confidentiality
10 Real Estate Agency

• Types of Agency Relationships
  – General agent: Represents the principal in certain business matters generally
  – Special agent: Represents the principal only for specified transactions, such as the sale of a house
10 Real Estate Agency

• Disclosure of Agency
  – Real estate professionals are required to disclose the parties they represent.
10 Real Estate Agency

• Single Agency
  – Seller representation
  – Buyer representation
  – Property management
10 Real Estate Agency

• Dual Agency
  – Disclosed
  – Undisclosed
  – Designated agency
10 Real Estate Agency

• Termination of Agency
  – Completion of purpose
  – Death/incapacity of either party
  – Destruction of property
  – Expiration of terms
  – Mutual agreement
  – Breach by one of the parties
  – Operation of law (bankruptcy)
10 Real Estate Agency

• Customer-Level Services
  – Reasonable care and skill
  – Honest and fair dealing
  – Disclosure of material facts
10 Real Estate Agency

• Opinion Versus Fact
  – Puffing
  – Fraud
  – Negligent misrepresentation
10 Real Estate Agency

• Disclosures
  – Environmental hazards
  – Property conditions
  – Stigmatized properties
  – Megan’s Law
Unit 11: Client Representation Agreements

The agreements by which a broker can be employed to act for a seller or a buyer are client representation agreements. The most common are the listing agreement and the buyer representation agreement.
11 Client Representation Agreements

• Learning Objectives
  – Describe the different types of listing agreements and causes for termination.
  – Describe the listing presentation and the information needed for a listing agreement.
  – Identify and explain the listing agreement terms and the responsibilities of both parties.
  – Describe the types of buyer representation agreements and causes for termination.
11 Client Representation Agreements

• Representing the Seller
  – Types of Listing Agreements
    • Exclusive Right-to-Sell Listing
    • Exclusive Agency Listing
    • Open Listing
    • Net Listing
11 Client Representation Agreements

• Listings Involving Cooperating Brokers
  – Multiple listing service (MLS)
11 Client Representation Agreements

• Termination of Seller Representation
  – Agreement’s purpose fulfilled
  – Term expires
  – Property is destroyed
  – Title transferred by operation of law (bankruptcy, foreclosure)
  – Mutual agreement
  – Breach
  – One party dies or becomes incapacitated
11  Client Representation Agreements

- Expiration of Listing Period
  - Automatic extension clause
  - Broker protection clause
11 Client Representation Agreements

• The Listing Presentation
  – Comparative Market Analysis (CMA)
  – Information Needed
  – Disclosures
11 Client Representation Agreements

• The Listing Contract
  – Names
  – Brokerage Firm
  – Description of Premises
  – Listing Price
  – Broker’s Authorities and Responsibilities
  – Broker’s Compensation (cont.)
11 Client Representation Agreements

- Real Property and Personal Property
- Leased Equipment
- Proposed Dates for Closing and Possession
- Closing
- Evidence of Ownership
- Encumbrances
- Home Warranty
- Termination (cont.)
11 Client Representation Agreements

- Broker Protection Clause
- Warranties by Owner
- Indemnification Wording
- Nondiscrimination Wording
- Antitrust Wording
- Signatures
- Date
11 Client Representation Agreements

• Representing the Buyer
  – Exclusive buyer representation agreement
11 Client Representation Agreements

• Termination of Buyer Representation
  – Purpose of agreement fulfilled
  – Term expires
  – Mutual agreement
  – Breach
  – Either party dies or is incapacitated
Unit 12: Real Estate Contracts

The real estate market is driven by contracts. A real estate professional must know not only what a contract means but also how one is created, what is required of the parties to the contract, and how the contract is concluded.
12 Real Estate Contracts

• Learning Objectives
  – Describe the essential elements of contracts.
  – Explain the various means by which a contract may be enforced, terminated, assigned, or replaced.
  – Describe the primary written agreements and forms used in real estate sales and leasing.
12 Real Estate Contracts

• Contract Law
  – Contracts must be
    • Voluntary
    • Agreement or Promise
    • Made by Legally Competent Parties
    • Supported by Lawful Consideration
    • For a Legal Act
12 Real Estate Contracts

- Express Contract
- Implied Contract
  - Statute of frauds
- Bilateral Contract
- Unilateral Contract
- Executed Contract
- Executory Contract
12 Real Estate Contracts

• Creation of a Valid Contract
  – Offer and acceptance
  – Consideration
  – Legally competent parties
  – Consent
  – Legal purpose
12 Real Estate Contracts

• Validity of a Contract
  – Valid—has all legal elements
  – Void—lacks one or more elements and has no legal force or effect
  – Voidable—has all legal elements on its face, but it may be rescinded or disaffirmed
  – Unenforceable—appears to have all legal elements but cannot be enforced in court
12 Real Estate Contracts

• Discharge of Contracts
  – Performance
  – Assignment
  – Novation
  – Breach of Contract
  – Other Reasons
12 Real Estate Contracts

• Contracts Used in the Real Estate Business
  – Client representation agreements
  – Real estate sales contracts
  – Options
  – Escrow agreements
  – Property management agreements
  – Leases
  – Owner financing contracts, such as land contracts or contracts for deed
12 Real Estate Contracts

- Sales Contracts
  - Offer
  - Counteroffer
  - Acceptance
  - Binder
  - Earnest Money Deposits
  - Equitable Title
  - Destruction of Premises
  - Liquidated Damages
12 Real Estate Contracts

• Provisions of a Sales Contract
• Contingencies
• Amendments and Addendums
  – Disclosures
• Options
• Owner Financing
  – Land contracts
Unit 13: Real Estate Taxes and Other Liens

The ownership of real estate is subject to certain obligations imposed by state and local governments, usually in the form of taxes that become a *lien against the property*. A creditor or a court can also place a claim against property to secure payment for a debt or other obligation.
13 Real Estate Taxes and Other Liens

• Learning Objectives
  – Describe the characteristics of statutory and equitable liens
  – Describe and explain general taxes and special assessment taxes
  – Describe and explain real property liens, including judgments and taxes, as well as the protection and limitations they offer the respective parties
13 Real Estate Taxes and Other Liens

• Liens
  – Charges or claims against property to enforce payment of money
  – All liens are encumbrances, but not all encumbrances are liens.
13 Real Estate Taxes and Other Liens

• Types of Liens
  – Voluntary
  – Involuntary
  – Statutory
  – Equitable
  – General
  – Specific
13 Real Estate Taxes and Other Liens

- Liens
  - Specific
    - Voluntary Mortgage
    - Involuntary Taxes
    - Vendor’s Liens
      - Mechanic’s Liens
        - Equitable
        - Statutory
    - Involuntary Taxes
      - Equitable
      - Statutory
  - General
    - Involuntary Taxes
      - Equitable
      - Statutory
13 Real Estate Taxes and Other Liens

• Effect of lien on title
  – Release of lien
  – Priority of liens
    • Subordination agreements
13 Real Estate Taxes and Other Liens

• Real Estate Tax Liens
  – Ad Valorem Tax (general)
  – Special Assessments (improvements)
    • Equalization
    • Tax rates
    • Tax bills
    • Statutory right of redemption
13 Real Estate Taxes and Other Liens

• Other Liens on Real Property
  – Mortgage lien
  – Mechanic’s lien
  – Judgment
    • Lis pendens
    • Writ of attachment
  – Estate and inheritance tax liens (cont.)
13 Real Estate Taxes and Other Liens

– Liens for municipal utilities
– Bail bond lien
– Corporation franchise tax lien
– IRS tax lean
Unit 14: Real Estate Financing

Many homes in the United States are bought with borrowed money, and a huge lending industry has been built to service the financial requirements of homebuyers. It is important for the real estate professional to be knowledgeable about real estate financing programs and products in order to provide quality service, especially when representing a buyer.
14 Real Estate Financing

• Learning Objectives
  – Describe the various aspects of housing affordability, including mortgage terms, ability to pay, and investment and tax considerations.
  – Describe the terms, conditions, and use of the promissory note.
  – Explain the elements and use of security instruments, and describe the mortgage deed of trust and the roles, rights, and obligations of the parties involved. (cont.)
14 Real Estate Financing

– Describe the various types of real estate financing.

– Explain the distinction between a judicial foreclosure and a non-judicial foreclosure, and the process involved in each.

– Describe the various consumer protections related to homeownership.
14 Real Estate Financing

- Housing Affordability
- Mortgage Terms
- Ownership Expenses and Ability to Pay
  - PITI (principal, interest, taxes, and insurance)
  - Debt-to-income ration (DTI)
- Investment Considerations
  - Tax deductions and benefits
14 Real Estate Financing

• Promissory Note
  – Negotiable instrument
  – Interest
  • Usury
  – Loan Origination Fee
  – Discount Points
  – Prepayment Penalty
14 Real Estate Financing

• Security Instrument
  – Mortgage loan
  – Hypothecation
  – Lien theory
14 Real Estate Financing

Mortgage—Two Parties

When the Money is Borrowed

Mortgagor (Borrower)

Note and Mortgage

Loan $

Mortgagee (Lender)

When the Money is Repaid

Mortgagor (Borrower)

Pays the Loan $

Satisfaction of Mortgage

Mortgagee (Lender)

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14 Real Estate Financing

• Deed of trust
  – Title theory
14 Real Estate Financing

Deed of Trust—Three Parties

When the Money is Borrowed
- Trustor (Borrower)
  - Loan $
  - Note
- Beneficiary (Lender)
- Trustee (Holds Naked Title)

When the Money is Repaid
- Trustor (Borrower)
  - Pays the Loan $
- Beneficiary (Lender)
- Trustee
  - Release Deed or Deed of Reconveyance
14 Real Estate Financing

- Duties of the Borrower
- Provisions for Default
- Assignment of the Mortgage
- Release of the Mortgage Lien or Deed of Trust
  - Defeasance clause
  - Satisfaction of mortgage
- Tax and Insurance Reserves
  - Flood insurance reserves
14 Real Estate Financing

- Buying “Subject to” or Assuming a Seller’s Mortgage or Deed of Trust
  - Alienation clause
- Recording a Mortgage or Deed of Trust
- Priority of Mortgage or Deed of Trust
14 Real Estate Financing

• Types of Loans
  – Straight (interest-only)
  – Amortized
  – Adjustable-Rate Mortgage (ARM)
  – Growing-Equity Mortgage (GEM)
  – Balloon Payment Loan
  – Reverse Mortgage
14 Real Estate Financing

- Foreclosure
  - Judicial
  - Nonjudicial
  - Strict
- Deed in Lieu of Foreclosure
- Redemption
- Deed to Purchaser at Sale
14 Real Estate Financing

- Deficiency Judgment
- Short Sale
14 Real Estate Financing

- Consumer Protections
- Dodd-Frank Act
- Homeowners Insurance
  - Coverage and claims
  - Comprehensive loss underwriting exchange (CLUE)
- Federal Flood Insurance Program
Unit 15: Government Involvement in Real Estate Financing

A mortgage that has no direct federal involvement (even though it may be made by a federally chartered lender) is called a conventional loan. Loans that have direct federal involvement include those insured by the Federal Housing Administration (FHA) or guaranteed by the U.S. Department of Veterans Affairs (VA).
15 Government Involvement in Real Estate Financing

• Learning Objectives
  – Explain the primary and secondary mortgage marketplaces, the roles of the parties in each, and the impact on the parties through government influence.
  – Describe the difference between conventional, government, and private loan programs available for real estate financing. (cont.)
15 Government Involvement in Real Estate Financing

– Describe the various alternative and special purpose loan programs which can meet a borrower’s special needs.

– Explain the primary government regulations which govern real estate lending.
15 Government Involvement in Real Estate Financing

• Introduction to the Real Estate Financing Market
  – Government influences (Federal Reserve System)
  – Primary mortgage market
  – Secondary mortgage market
15 Government Involvement in Real Estate Financing

• Federal Reserve System (The Fed)
  – The Fed regulates the flow of money and interest rates in the marketplace through its member banks by controlling the rate charged for loans it makes to those banks, called the discount rate, as well their reserve requirements—the minimum level of funds that a bank must maintain.
15 Government Involvement in Real Estate Financing

• Primary Mortgage Market: Lenders make money directly to borrowers
  – Savings associations
  – Commercial banks
  – Insurance companies
  – Credit unions
  – Pension funds
  – Endowment funds (cont.)
15 Government Involvement in Real Estate Financing

- Investment groups
- Mortgage banking companies
- Mortgage brokers
15 Government Involvement in Real Estate Financing

• Secondary Mortgage Market: Loans are bought and sold only after they have been funded.
  – Government-Sponsored Enterprises (GSEs)
    • Fannie Mae
    • Freddie Mac
    • Farmer Mac
    • Ginnie Mae
15 Government Involvement in Real Estate Financing

• Loan Programs
  – Conventional loans (80% LTV)
    • Private mortgage insurance (greater than 80% LTV)
  – FHA-Insured Loans
    • Discount points
    • Assumption Rules
    • HUD Home Sales
15  Government Involvement in Real Estate Financing

– VA-Guaranteed Loans
  • Certificate of reasonable value (CRV)
  • Costs
  • Prepayment privileges
  • Assumption rules

– Agricultural Loan Programs
  • Farm Service Agency (FSA)
  • Farm Credit System
15 Government Involvement in Real Estate Financing

- Other Financing Techniques
  - Package Loan
  - Blanket Loan
  - Wraparound Loan
  - Open-End Loan
  - Construction Loan
  - Sale-and-Leaseback
  - Buydown
  - Home Equity Loan
15 Government Involvement in Real Estate Financing

• Financing Legislation
  – Truth in Lending Act (TILA) and Regulation Z
  – Equal Credit Opportunity Act (ECOA)
  – Community Reinvestment Act of 1977 (CRA)
  – Real Estate Settlement Procedures Act (RESPA)
    • Computerized Loan Origination
    • Automated Underwriting and Scoring
Unit 16: Real Estate Appraisal

Most real estate transactions require an appraisal by a licensed or certified real estate appraiser to provide a clearer understanding of the market’s response to a subject property. Real estate professionals must be aware of the fundamental principles of valuation and have knowledge of the appraisal process to recognize a questionable appraisal.
16 Real Estate Appraisal

• Learning Objectives
  – Explain appraisal concepts and the process employed by the appraiser.
  – Describe the characteristics of value and price and explain how they differ.
  – Describe the three approaches to value.
16  Real Estate Appraisal

• Appraising
  – Appraisal: An opinion of value based on supportable evidence and approved methods.
  – Appraisal report: An opinion of market value on a property given to a lender or client with detailed market information.
  – Appraiser: An independent professional trained to provide an unbiased opinion of value in an impartial and objective manner, following an identified appraisal process.
16 Real Estate Appraisal

• Regulation of Appraisal Activities
  – Appraiser Independence Requirements (AIR)
  – Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)
  – Uniform Standards of Professional Appraisal Practice (USPAP)
16 Real Estate Appraisal

- Organizations for Appraisers
  - American Society of Appraisers
    www.appraisers.org
  - American Society of Farm Managers and Rural Appraisers, Inc.
    www.asfmra.org
  - Appraisal Institute
    www.appraisalinstitute.org
  - International Association of Assessing Officers
    www.iaao.org (cont.)
16 Real Estate Appraisal

– International Right of Way Association
  www.irwaonline.org

– National Association of Independent Fee Appraisers www.naifa.com
16 Real Estate Appraisal

• Comparative Market Analysis (CMA)
  – Recently sold properties
  – Properties currently on the market
  – Expired listings
  – NOT an appraisal
16 Real Estate Appraisal

• Broker’s Price Opinion (BPO)
  – Usually less extensive than a CMA
  – NOT an appraisal
  – Cannot be used if the matter involves a federally related transaction that requires an appraisal and/or the transaction occurs in a state that requires one
16 Real Estate Appraisal

• The Appraisal Process
  – Identify problem
  – Determine scope of work
  – Gather, record, and verify data
  – Analyze data
  – Form opinion of land value
  – Form opinions of value (3 approaches)
  – Reconcile values
  – Report final opinion of value
16 Real Estate Appraisal

• Uniform Residential Appraisal Report (URAR)
  – Fannie Mae Form 1004
16 Real Estate Appraisal

• Value
  – Demand
  – Utility Scarcity Transferability
16 Real Estate Appraisal

• Market Value: Most probably price a property will bring in a competitive market
  – Market Price: Property’s asking offer, or sales price
16 Real Estate Appraisal

• Basic Principles of Value
  – Anticipation
  – Change
  – Competition
  – Conformity
  – Contribution
  – Highest and Best Use
  – Increasing and Diminishing Returns (cont.)
16 Real Estate Appraisal

– Plottage
– Regression and Progression
– Substitution
– Supply and Demand
16 Real Estate Appraisal

• Three Approaches to Value
  – Sales Comparison Approach (Market Data Approach)
  – Cost Approach
    • Depreciation
  – Income Approach
    • Gross rent multiplier
    • Gross income multiplier
16 Real Estate Appraisal

• Reconciliation
  – Analyzing and effectively weighing the findings from the three approaches.
  – Appraiser explains not only the appropriateness of each approach but also the relative reliability of the data within each approach in line with the type of value sought.
  – Appraiser explains how the data reflect the current market.
Unit 17: Closing the Real Estate Transaction

The conclusion of the real estate transaction is the closing, when title to the real estate is transferred in exchange for payment of the purchase price. Until closing preparations begin, a real estate professional’s relationship is primarily with the buyer or the seller. During the closing period, new players come on the scene. A thorough knowledge of the closing process is the best defense against the risk of a transaction failing.
17  Closing the Real Estate Transaction

• Learning Objectives
  – Describe the specific steps and processes involved in order to achieve conveyance of clear and marketable title, including compliance with all applicable laws.
  – Describe the closing procedures and the respective roles of all parties.
  – Explain the provisions of the Real Estate Settlement Procedures Act (RESPA) and the Mortgage Disclosure Improvement Act (MDIA). (cont.)
17 Closing the Real Estate Transaction

– Describe and explain all buyer and seller charges and credits contained in the closing statement.

– Explain the financial entries and mathematical calculations contained in the closing statement.

– Review and confirm the accuracy of a closing statement.
17 Closing the Real Estate Transaction

• Preclosing Procedures
  – Buyer’s Issues
    • Final property inspection
    • Survey
    • Title evidence
  – Seller’s Issues
    • Receiving payment
    • Payoff statement
17 Closing the Real Estate Transaction

• Real Estate Professional’s Role at Closing
  – Varies by state
  – Involved on behalf of client

• Lender’s Interest in Closing
  – Protect its security interest
  – Mortgage lien priority

• IRS Reporting Requirements
  – Form 1099-S
17 Closing the Real Estate Transaction

• Conducting the Closing
  – Face-to-face
  – In escrow
17 Closing the Real Estate Transaction

• Legislation Related to Closing
  – Real Estate Settlement Procedures Act (RESPA)
  – Mortgage Disclosure Improvement Act (MDIA)

• Disclosure Requirements
• CFPB Settlement cost booklet
• Good Faith Estimate
• Settlement Statement (HUD-1)
17 Closing the Real Estate Transaction

- Preparation of Closing Statements
  - A debit is an amount to be paid by the buyer or the seller.
  - A credit is an amount payable to the buyer or the seller.
17 Closing the Real Estate Transaction

• Prorations
  – Accrued items = Buyer credits
  – Prepaid items = Seller credits
Unit 18: Leases

Anyone with an interest in rental property should be aware of the basic provisions of leases and management agreements, and other landlord-tenant issues. Real estate professionals should be knowledgeable about the local rental market to better assist prospective buyers or investor-buyers, or to manage their own portfolios.
18 Leases

• Learning Objectives
  – Explain the essential elements of leasehold interests.
  – Describe the essential terms of a lease agreement.
  – Distinguish the various types of leases.
  – Explain the means by which the lease may be terminated and discharged and the remedies available to the parties for its breach.
18 Leases

• Leasing Real Estate
  – Leasehold Estates
    • Estate for Years
    • Estate from Period to Period
    • Estate at Will
    • Estate at Sufferance
18 Leases

- Estate for Years
- Estate from Period to Period
- Estate at Will
- Estate at Sufferance
18 Leases

• Lease Agreements
  – Requirements
    • Capacity to contract
    • Legal objective
    • Offer and acceptance
    • Consideration
18 Leases

• Types of Leases
  – Gross Lease
  – Net Lease
  – Percentage Lease
  – Variable Lease
  – Ground Lease
  – Oil and Gas Lease
  – Lease Purchase
  – Sale-and-leaseback
18 Leases

• Discharge of a Lease
  – Breach
    • Actual Eviction
    • Constructive Eviction
  – Protenant Legislation
  – Fair Housing and Civil Rights Laws
Unit 19: Property Management

As a specialized field, property management is one of the fastest growing areas of real estate practice. Property management involves the leasing, managing, marketing, and overall maintenance of real estate owned by others, usually rental property.
19 Property Management

• Learning Objectives
  – Describe the various property management specialties available in the property management field and the role of the property manager in each.
  – Explain the essential elements of the property agreement.
  – List and explain the primary responsibilities of the property manager. (cont.)
19 Property Management

– Describe the various federal laws with which the property manager must be knowledgeable and comply with in the performance of his or her duties.

– Describe the implementation of risk management procedures to insure the safety and security of the property’s tenants as well as protecting the landlord from liability and loss.
19 Property Management

• The Property Manager
  – Responsibilities
    • Achieve the objectives of the property owners
    • Generate income for the owners
    • Preserve and/or increase the value of the investment property
19 Property Management

• The Management Agreement
  – Property description
  – Time period
  – Management responsibilities
  – Owner’s purpose and responsibilities
  – Extent of manager’s authority
  – Reporting
  – Compensation (cont.)
19  Property Management

– Allocation of costs
– Liability
– Antitrust provisions
– Equal opportunity statement
19 Property Management

• The Property Manager’s Responsibilities
  – Management plan
  – Financial reports
  – Setting rental rates
  – Marketing
  – Advertising
  – Management activities
  – Marketing and advertising costs (cont.)
19 Property Management

- Selecting tenants
- Collecting rents
- Maintaining good relations with tenants
- Maintaining the property
- Environmental concerns
19 Property Management

• Federal Laws Prohibiting Discrimination
  – Americans with Disabilities Act (ADA)
    • Reasonable modifications
  – Equal Credit Opportunity Act (ECOA)
  – Fair Housing Act
19 Property Management

• Risk Management
  – Avoid
  – Control
  – Transfer
  Or
  – Retain
19 Property Management

• Security of Tenants
• Insurance
  – Tenant’s
  – Commercial
  – Claims
Unit 20: Land-Use Controls and Property Development

Real estate professionals must be knowledgeable about local land-use restrictions in order to avoid showing a buyer a property that is not suitable for the buyer’s intended use. While no one expects real estate professionals to become experts in land use, they should be aware of these issues and be able to direct their clients to appropriate sources of additional information.
20 Land-Use Controls and Property Development

• Learning Objectives
  – Explain the concept of police power and the provisions under which it protects the public health, safety, and welfare.
  – Explain zoning, ordinances, permits, and property use.
  – Define building codes as they relate to the requirements and restrictions placed on construction standards. (cont.)
20  Land-Use Controls and Property Development

– Explain the issues and regulations involved in subdivisions.
– Explain non-governmental (private) land use restrictions: covenants, conditions, and restrictions (CC&Rs).
– Describe the various laws and agencies which regulate land sales.
20 Land-Use Controls and Property Development

• Land-Use Controls
  – Government Ownership
  – The Comprehensive Plan

• Zoning
  – Classifications
  – Ordinances
  – Permits
    • Variances and conditional-use permits
20 Land-Use Controls and Property Development

• Building Codes and Certificates of Occupancy
  – Permits
  – Certificate of Occupancy
  – ADA Considerations
20 Land-Use Controls and Property Development

• Subdivision
  – A subdivider segments land into parcels.
  – A developer constructs improvements on subdivided parcels.
20 Land-Use Controls and Property Development

• Land Development Plan
  – Subdivision Plan
    • Plat map
    • Density

• Private Land-Use Controls
  – Deed Restrictions
  – Restrictive Covenants
20 Land-Use Controls and Property Development

• Regulation of Land Sales
  – Interstate Land Sales Full Disclosure Act (ILSA)
  – State Subdivided Land Sales Laws
Unit 21: Environmental Issues and the Real Estate Transaction

Environmental issues and health issues based on environmental hazards have become real estate issues. Although real estate professionals are not expected to have the technical expertise necessary to determine whether a hazardous substance is present, they should be familiar with state and federal environmental laws and the regulatory agencies that enforce them.
21 Environmental Issues in the Real Estate Transaction

• Learning Objectives
  – Identify the basic environmental hazards the real estate professional should be aware of for the protection of client interests as well as the personal risk of liability for nondisclosure.
  – Define groundwater and water table and describe the provisions of the Safe Drinking Water Act. (cont.)
21 Environmental Issues in the Real Estate Transaction

– Describe the issues involved with underground storage tanks, and the associated legal requirements facing the property owner.

– Explain the regulation involved in the creation and operation of waste disposal sites and in the control of brownfields. (cont.)
21 Environmental Issues in the Real Estate Transaction

– List the various federal laws which protect the public from uncontrolled hazardous waste, and the liability issues facing those who violate any of these laws.

– Explain the responsibilities and duties of real estate professionals regarding environmental issues.
21 Environmental Issues in the Real Estate Transaction

- Hazardous Substances
  - Asbestos
  - Lead-Based Paint
  - Radon
  - Formaldehyde
  - Carbon Monoxide
  - Polychlorinated Biphenyls (PCBs)
  - Chlorofluorocarbons (CFCs)
  - Mold
21 Environmental Issues in the Real Estate Transaction

- Groundwater Protection
  - The Safe Drinking Water Act
- Underground Storage Tanks (USTs)
- Waste Disposal Sites and Brownfields
  - The Brownfields Law
21 Environmental Issues in the Real Estate Transaction

• Environmental Legislation
  – Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)
  • Superfund
  – Superfund Amendments and Reauthorization Act (SARA)
21 Environmental Issues in the Real Estate Transaction

• Liability of Real Estate Professionals
  – Discovery of Environmental Hazards
  – Environmental Site Assessments
  – Environmental Impact Statements
  – Disclosure of Environmental Hazards
Unit 22: Investing in Real Estate

Real estate is a popular investment. Whichever way the overall market turns, the real estate investment market continues to initiate innovative and attractive investment strategies. These developments make it important for real estate professionals to have an elementary and up-to-date knowledge of real estate investment.
22 Investing in Real Estate

• Learning Objectives
  – Identify the advantages and disadvantages of investing in real estate.
  – Describe the real estate investment objectives and the inherent financial concepts involved in the investment process.
  – Explain the essential benefits of leverage, including pyramiding, in the acquisition of real estate investments. (cont.)
22 Investing in Real Estate

– Describe the tax benefits inherent in real property investments.
– Describe the mechanics of real estate investment syndicates, trusts, and mortgage conduits.
Investing in Real Estate

Advantages
• Generally, above-average rates of return
• Use leverage of borrowed money to purchase real estate
• Greater control over investment
• Tax benefits

Disadvantages
• Investment is expensive
• Real estate is not highly liquid
• Must actively manage investment
• High degree of risk
22 Investing in Real Estate

• The Investment
  – Appreciation
  – Unimproved Land
  – Income
  – Opportunities
    • Due diligence
22 Investing in Real Estate

• Leverage
  – Equity Buildup
  – Pyramiding

• Tax Benefits
  – Depreciation (Cost Recovery)
  – Capital Gain
  – Exchanges
  – Deductions
  – Installment Sales
22 Investing in Real Estate

- Real Estate Investment Options
  - Real Estate Investment Syndicate
  - Real Estate Investment Trust (REIT)
  - Real Estate Mortgage Investment Conduit (REMIC)