CHAPTER 1
The Real Estate Business
Potential Income (commission example)

$200,000 x 6% commission = $12,000

Split Equally:
- Listing Agency 50/50% Split
  - Licensee $3,000
  - Agency $3,000

- Selling Agency (co-broker) 70/30% Split
  - Licensee $4,200
  - Agency $1,800

$72,000

A licensee on a 50/50 split can make $72,000 annually by selling two properties each month.
Farm Area

A specific portion of a city that a broker or sales associate seeks to become an expert
Licensees must have expertise in the following three areas:

- Valuation
- Licensee
- Marketing Skills
- Property Transfer
Real Estate Specialization
Many areas of real estate
- Four or fewer residential units
- Vacant land zoned for four or fewer residential units
- Agricultural property of ten or fewer acres
Commercial Sales or Leasing

- Extensive knowledge
- Analyze past & future income
- Tax consequences
- Includes
  - Apartment buildings
  - Office buildings
  - Shopping Centers
• Involves user/owners not investors
• Knowledge required
  • Government regulations – land use
  • Environment
  • Transportation
  • Labor
  • Utilities

Industrial Sales or Leasing
Agricultural Sales

- Large tracts of land
- Large sums of money
- Analyze profitability
- Estimate potential of properties under consideration
Business Brokerage

- Listing and sale of businesses
- Analyze financial statements
- Going concern value
  - Income, assets, goodwill
Property Management

• Leasing, Managing, Marketing and Overall Maintenance of property for others
• Owner’s representative
• Produce the greatest amount of Net Income over the longest period of time
• Absentee owner:
  • Primary reason
Counseling

- Professional advice
- Flat fee
- Knowledge and experience
- Alternative investments and strategies
Appraising

Fundamental Aspect of Real Estate

- Estimating the value of real property
- An art, not a science
- Paid based on time, effort and expense
- Not paid on property value
- Non-biased opinion of value
Appraising

- Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)
- Federally regulated lenders
  - Appraisals must conform to Uniform Standards of Professional Appraisal Practice (USPAP)
- Florida Real Estate Appraisal Board (FREAB) regulates
  - State-Certified
  - Licensed
  - Registered Appraisers
Real Estate licensees performing appraisals:
  - Non-federally related transaction
  - USPAP
  - Usually prepare Comparative Market Analysis (CMA)
Appraisal

Five parties that may be interested in an appraisal:

- Government
- Buyers
- Insurance Companies
- Sellers
- Mortgage Lenders
Financing

• Lifeblood of real estate sales
• Knowledge of availability and cost of credit
• More than 90% of all purchases
• Borrower requirements
• Real Estate licensees if properly licensed as mortgage loan originators or mortgage bankers may collect fees
Property Insurance

- Mandatory on most homes
- Need separate license to sell
- Additional Types
  - Homeowner warranty
  - Flood
Construction and Development

Dedication:
- Gift of land
- To a government
- For public use
Construction and Development

- **Custom Home**
  - Built custom to a buyer’s specifications

- **Spec Home**
  - Built before securing a buyer

- **Tract Home**
  - Also speculative, but typically on a larger scale featuring several models
Professional Organizations

National Association of Realtors (NAR)
- Institute of Real Estate Management (IREM)
- Realtors National Marketing Institute (RNMI)
- Realtors Land Institute (RLI)
- Society of Office REALTORS (SIOR)
- Commercial Investment Real Estate Institute (CIREI)
- American Society of Real Estate Counselors (CRE)
Florida Association of REALTORS® (FAR)
(Doing Business As Florida Realtors)

Largest trade association in Florida
- www.floridarealtors.org
- Real estate forms
- Technology help
- Legal advice (FAR Hotline)
  - 407-438-1409
  - Licensed REALTORS® only
Local Association of REALTORS®

- If Broker is a member
- All Sales Associates must join
- Included in FAR
- Provides access to Multiple Listing Service (MLS)
- Code of Ethics enforcement
- Networking
- Education
Government Regulation

Local level
- Planning and Zoning
- Property taxes
- Building and Health Codes
- Building Moratoriums
Government Regulation

**State government**
- Development of Regional Impact (DRI)
- Department of Environmental Protection (DEP)
- Department of Economic Opportunity (DEO)

**Federal Government**
- Operation of Lending Institutions
- Federal Reserve Monetary Policy
• Gold Coast provides online homework designed to help you succeed in this course and pass your state exam
• We STRONGLY recommend that you complete each homework assignment based on the chapters discussed in class each day
• If you haven’t already, you will be receiving an email containing your username and a unique password.
• If you do not receive this email, please contact onlinesupport@goldcoastschools.com
Accessing Your Online Homework

- Log on to www.goldcoastschools.com
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We recommend changing your password from the one in the email, to something easy to remember. Simply click on the "Online Chapter Reviews" to access your homework assignments. Enter your email address and password provided to you via email. *If you did not receive an email with subject “Access to your course homework”, send an email to onlinesupport@goldcoastschools.com.*
Coffee Break
15 Minutes