Chapter 1 Summary:
Introduction to Modern Real Estate Practice: Real Estate Business

Real estate professionals perform the following property-related functions:

- **Creation and improvement** - involves capital formation, financing, construction contracting, and regulatory approvals.
- **Management and maintenance** - Property managers and asset managers.
- **Demolition**
- **Investment ownership**
- **Regulation** - of usage, taxation, and housing administration.
- **Transfer**

Specializations within real estate:
- **Brokers and agents** – A *broker* is a direct agent of the principal (buyer or seller) who is hired for compensation to perform a stated service, such as negotiating the sale of property. An *agent* is the party in an agency relationship (a licensed employee of the broker) who is hired by the principal to perform certain duties.
- **Property managers** – Property managers are responsible for finding tenants for properties, collecting rents, rehabbing space for tenants or constructing new space, ordering repairs, and overall maintaining of their properties.
- **Title and Escrow Companies** – A title company completes an "abstract of title," which is a search of the records in the county where the property is held. Escrow companies hold money or documents until certain terms and conditions of the escrow are met.
- **Mortgage Brokers** – Mortgage brokers are paid a fee to bring borrowers and lenders together.
- **Lenders, Bankers, Insurers, Appraisers, Attorneys, Inspectors, Surveyors, Counselors, Educators.**

**Property Type Specializations** – Residential; Commercial – referring to retail or offices, where usage generates income; and **Investment** – generally not owner-occupied residences.

**Property Classifications** - residential; residential income; office; retail; industrial; farm and ranch; special purpose (publicly or privately owned recreational facilities, government buildings, churches and schools); land.

**Professional organizations** - promote interests of practitioners and enhance their professional standing.

- Members of the National Association of REALTORS® (NAR) are known as **REALTORS**.
- Salespersons not associated with NAR are known as *real estate licensees* or *agents*.
- Members of the National Association of Real Estate Brokers are known as **Realists**.

**REAL ESTATE BROKERAGE** - procure a buyer/tenant for an owner or landlord, or vice versa.

**Knowledge** - local market, license laws, closing procedures, etc.
**Skills** - time management, market analysis, selling, writing, etc.
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Forms of specialization –

- Property type - residential, commercial, industrial, land
- Geographical area - defined by natural barriers, streets and highways, or subdivisions
- Type of transaction - sales, leases and subleases, exchanges, and options
- Type of client - Since conflicts of interest may be involved, many brokers restrict their business to representing either buyers and tenants or sellers and landlords exclusively.
- By form of business organization - specializing in one type of client.
- By form of client relationship - advisory vs. transaction-based.

REAL ESTATE LAW - Federal statutes, state statutes, a body of court decisions (common law), and local agencies circumscribe how real estate can be developed, managed, and transferred.

- The National Association of REALTORS® Code of Ethics not only reflects the law but sets an even higher standard of performance for member brokers and agents.
- The Association of Real Estate License Law Officials (ARELLO) - international association of real estate regulators, who promotes consistent policies and standards for license law and enforcement of license law.
- Texas Real Estate Commission (TREC) - charged with administering and enforcing license laws, as well as passing regulations that further refine or clarify state statutes. Responsible for administering The Real Estate License Act (TRELA). TREC has the power to create and enforce new rules to help interpret or define TRELA, but cannot amend the law.