INTRODUCTION

In this Unit, you will learn about California and why it is called the Golden State. You will look at how California's diverse population affects its economic base, sustains the state's economic growth, and how the state's economy influences the national economy. Finally, we will touch on the brokerage business and opportunities in the real estate industry.

Learning Objectives

After completing this Unit, you should be able to:

1A recall the unique characteristics of California's climate and geography.

1B characterize California's multicultural demographics.

1C indicate factors contributing to California's economy and housing market.

ONLY IN CALIFORNIA

Location! Location! Location! Most of you have seen this phrase in a real estate ad describing the perfect neighborhood. All of you reading this, no matter what city you live in, are experiencing the perfect location. No...we
are not referring to your specific street, town or county...we are talking about California. California has everything, and usually it is the best! Whoever said, “Less is more” just never lived in California.

California’s natural and man-made wonders can only be described with superlatives. California’s economy is so large that it actually competes with countries—not just states. Additionally, it is the first state to ever reach a trillion-dollar economy in gross state product. At over 38 million people, California is the most culturally diverse and the most populous state in the country, and has been since 1962. In fact, one out of every eight United States residents lives in California. California is called The Golden State. Some say it is due to its long association with gold mining made famous by the Gold Rush. Others point to the golden grasses that cover our hills in the summer and fall, or the fields of golden poppies that bloom in the springtime. You might call California golden because of our fabulous, golden sunshine and warm climate. In any event, gold has been intertwined with the history and development of California.

Climate and Geography

Where but California could you surf in the morning, play 18 holes of golf, and then enjoy a torch-lit night ski run—all in the same day? California is a beautiful place, blessed with phenomenal natural beauty and a climate free from hurricanes, tornadoes, and blizzards. We definitely enjoy a relatively mild climate.

Climate

Our basic climate is called Mediterranean, characterized by general sun and warmth with rain mainly in the winter. Of course, there are variations based on the distance from the ocean and the elevation. Average rainfall varies from 80 inches in Del Norte County (north coast) to as low as 3 inches in Imperial County (desert).
We have five main zones: coastal, desert, foothill, valley, and mountain.

Coastal climate is characterized by mild temperatures with minor annual variations. Most of the state’s population lives along the coast.

Desert climate is characterized by high summer temperatures, extremely low humidity, and very little rainfall.

Valley climate is characterized by high temperatures and low humidity in the summer and low temperature and high humidity in the winter. Both the Sacramento and San Joaquin Valleys have this weather pattern.
Foothill climate (1,000 to 3,000 feet in elevation) is similar to the valley regions but with more rain and less fog.

Mountain climate is the only area that gets heavy snow in the winter. Winters are very cold and summers are bright and sunny.

Geography
California is the third largest state in land area (158,693 square miles) with 1,264 miles of coastline and an average width of 175 miles. We have everything here: beautiful beaches, deserts, valleys, foothills, towering mountains, and even a delta with levees.

There are still three active volcanoes in California. In the Cascade Mountain Range are Mt. Lassen (elevation 10,457 feet) and Mt. Shasta (elevation 14,162 feet). Mt. Mammoth (elevation 11,000 feet) is located in the Sierra Nevada Mountain Range.

CALIFORNIA—THE PEOPLE MAGNET
California, with its mild climate and seemingly unending opportunities, continues to draw immigrants today just as it did 150 years ago. We shouldn't be surprised. A recent Harris Poll® conducted online among a nationwide
cross section of adults, showed that Americans would like to live here than in any other state. They were asked, “If you could live in any state in the country, except the state you live in now, what state would you choose to live in?” California was the first choice with Florida second and Hawaii third.

**Finding California**

California was already inhabited by Native Americans in villages and tribes when early explorers touched our coastline and made new claims for foreign countries. Portuguese-born Juan Rodriguez Cabrillo explored the California coastline from San Diego to Santa Barbara and claimed it for Spain. Sir Francis Drake landed north of San Francisco Bay and claimed the territory for England. The Russians established Fort Ross, a trading post near Bodega Bay, and claimed the territory north of San Francisco for Russia.

A few hardy settlers in covered wagons took the perilous trek across the deserts to reach the promise of a better future. But, when gold was discovered in Sutter’s Mill in 1848, the Forty-Niners flocked here with strike-it-rich dreams. When Southern Pacific Railroad finally extended its rail system into Los Angeles, it hired real estate developers to tout Southern California as a Mediterranean-like paradise. They were very successful because over 12,000 eager tourists and settlers arrived by railroad each month. In just 20 short years, the population in Los Angeles grew from 11,000 in 1880 to more than 100,000 by 1900. During World War II, the government spent billions of dollars each year in government contracts to build liberty ships and thousands of warplanes. Lured by the promise of work, more than 700,000 workers had come to California by 1943. They located by the defense plants in Los Angeles, Santa Monica, Burbank, Long Beach, El Segundo, and San Diego.

After the war, the California economy continued to boom drawing yet more people. In 1962, California, with a population of more than 17 million, officially surpassed that of New York. Since then people have come here from all parts of the world, drawn to our wonderful climate, stunning landscapes, and economic opportunities.

As of the 2010 U.S. Census, California had an estimated population of 38 million, which is more than 12% of the U.S. population. In addition, Los Angeles County was the nation’s most populous county, with 9.8 million residents.
This large population corridor interconnected by economic activity, transportation, and communication linkages creates a megalopolis. A megalopolis is a large, densely populated metropolitan area consisting of a number of major urban areas and smaller surrounding cities. The Southern California megalopolis stretches from Santa Barbara to the Mexican border, and is centered around the city of Los Angeles. It is the largest population center and industrial center in the western United States, and the second largest in the nation.

Multicultural California

Because people everywhere have viewed California as a land of opportunity, California has become one of the most ethnically diverse regions of the world. Nearly one-half of Californians speak a language other than English at home, a proportion far higher than in any other state.

Our population reflects virtually every area of the globe, as new arrivals continue to stake their claims to the California dream. Victorian homes in Eureka, New England-style cottages in Mendocino, houseboats in Sausalito, and Spanish-style homes in Southern California remind us of the diversity of our grandparents.

The largest group (more than half of the population) is made up of people whose ancestors came from the British Isles; European countries such as Germany, France, Poland, and Italy; and Scandinavian countries such as Norway and Sweden. More than 1/3 of Californians have ethnic roots in Latin America. The Golden State has more people who speak Spanish than any other state.

About 14% of the state’s population is Asian. The Tien Hau Temple in San Francisco is the oldest Chinese temple in the United States. The Bok Kai Taoist temple in Marysville is over 121 years old. African Americans are about 7% of the state’s population. Although Native Americans make up less than one percent of the total population, California has about 250 Native American tribes, more than exist in any other state.
One of the best ways to learn about California’s ethnic diversity is to enjoy the many festivals and celebrations held up and down the state. In February, the annual San Francisco Chinese New Year Festival and Parade features a huge dancing dragon and brightly lit floats. In early May, Mexican Americans throughout the state celebrate Cinco de Mayo with large fiestas. Native American tribes gather from across the country to perform ceremonial dancing, drumming, and singing at the annual Indian Fair held each June in San Diego. Each July, the French Festival in Santa Barbara celebrates the music, art, dancing, and food of France. The Los Angeles African Marketplace and Cultural Faire celebrate African culture around the world in late summer. The Japanese Cultural Bazaar is held every August in Sacramento and features Japanese food, dancing, art, and Taiko drummers. Every July 4th, Americans, regardless of ethnic ancestry, join together to celebrate our nation’s birthday with parades, picnics, and fireworks.

CALIFORNIA’S STRONG ECONOMY

The economic system in America, and therefore California, is a mixed capitalistic system. Capitalism is an economic system in which most of the economy’s resources are privately owned and managed. The government is asked by its citizens to influence the general economic direction, and to assure reasonable, stable competition. Currently, California has the 7th largest economy in the world. California generates more than 13% of the United States Gross Domestic Product (GDP) and is the nation’s number one exporting state. California produces more than $1 trillion worth of goods and services each year.
California is home to more than 2.5 million small businesses. If you’ve ever eaten at a Denny’s, Carl’s Jr., Taco Bell, A&W, or Bob’s Big Boy, you’ve eaten at a restaurant chain that started in California. Dick and Mac McDonald opened the first McDonald’s restaurant in San Bernardino, California.

The early California economy was based primarily on agriculture, mining, and drilling for oil and gas. Gold and silver mining brought wealth to Northern California. The “black gold” of our oil wells brought capital investment and unbridled growth to Southern California.

The Golden Era of Hollywood captured the imagination of all Americans with movie making and star building and brought more wealth into Southern California. Northern California experienced a new Gold Rush when computer technology made the Silicon Valley a “buzz word” around the world.

Currently, California’s top industries include: tourism, manufacturing, construction, agriculture, oil and gas production, telecommunications, engineering services, aerospace, and entertainment (including motion pictures, TV, and recording). The state is geared for the future with continuing advances in microelectronics, biotechnology, and environmental technology.

With the opportunity to work in such a diverse society and consistent economy, no wonder California has such a strong appeal. Where else are dreams so welcomed and so often rewarded?
Economic Firsts

1873 - Levi Strauss & Co., the largest clothing manufacturer in the world, created and patented the world’s first blue jeans.

1860 - California’s famous mail courier service, the Pony Express, was the first of its kind, connecting California’s communication system with the Midwest.

1873 - The world’s first cable car rumbled down the streets of San Francisco. Cable cars are still popular today with visitors and residents.

1905 - Eleven-year-old Frank Epperson accidentally invented Popsicles® in San Francisco. He applied for the patent in 1923.

1908 - The “Sultan’s Power” was the first complete film made in Los Angeles.

1927 - Lindbergh’s plane, “The Spirit of St. Louis”, was built in San Diego.

1934 - The first mass-produced commercial aircraft, the DC-2, was built by McDonnell Douglas in Santa Monica.

1935 - A statewide irrigation system was started. Irrigation turned the vast land of the Great Central Valley from semi-arid plains to green croplands. This project is the world’s largest water project. Allegedly, according to Susan Sward writing in the Santa Barbara News-Press in March, 1977, “...the astronauts who landed on the moon reported they could see the California project, the only man-made item they could identify from that distance”. Today, California is the leading agricultural economy of the United States.


1970s - Mountain biking was invented in Mill Valley and first tested on Mount Tamalpais in Marin County.

1977 - The Apple II computer was developed in Silicon Valley.
The Importance of Real Estate in the Economy

The real estate industry is so large that it influences both the state and the national economies. The major roles that real estate plays in our economy are creating net worth, increasing income flow, creating new jobs, and helping control appreciation and inflation.

Net Worth

Real estate in the form of land and improvements makes up a very large portion of the total net worth of the United States as a nation (not to be confused with the government). **Net worth** is the value of all assets minus all liabilities.

Income Flow

The circular flow chart of our economy—money is paid for the use of real estate and for the raw materials, labor, capital, and management used in construction work of all kinds.

The circular flow of the national economy.

Major Employer

The real estate industry (brokerage, construction, management, finance) is a major employer in this country. It provides employment for a large segment of the population, accounting for billions of dollars in national income.
Appreciation and Inflation

Appreciation is the increase in market value of real estate. Inflation is measured as an increase in the general price level of goods and services, or as a decrease in purchasing power of the dollar. As the value of the dollar has decreased, passbook savings accounts and other forms of financial savings have lost their appeal as ways to save and invest for the future. As a result, real estate has become a major means by which people save. Particularly in California where property appreciated at such an alarmingly fast rate, it was common for homeowners to consider their home as money in the bank. This is true unless home values depreciate significantly.

California Housing Market

The housing market is shaped mainly by the inventory of available housing, by housing affordability, and by mortgage interest rates. California's inventory of housing units is not enough to meet the demand because our population typically increases faster than our supply of housing. With a shortage of housing, we know there is demand. The next thing to look at is the affordability index. The affordability index shows how many households will be able to afford a median-priced home in California. As the affordability index gets lower it means fewer households will be able to buy a home. For example, if the affordability index falls to 19, less than one-in-five households will be able to purchase a median-priced home in California. The higher the affordability index, the more households are able to purchase homes. Finally, we need to look at current mortgage interest rates. Interest rates determine the amount of a loan a borrower can get. The higher the interest, the lower the loan amount, and conversely, the lower the interest, the higher the loan amount.

Based on this, the best housing market would be created with adequate housing inventory, a high affordability index, and low interest rates.

Median Home Prices

The median home price is the price that is middle value of a sample of sales, with one-half of the sales below and one-half of the sales above the median home price. It is used by economists to compare home sale prices and measure increases and decreases. The housing market fluctuates with time and location. However, over the last 25 years, all areas of California have shown increases in the median home price. Some areas, however, have increased far more than others.
The California Association of REALTORS® (C.A.R.) is a trade association that is dedicated to the advancement of professionalism in real estate. C.A.R. tracks the median home sales price for several geographic areas. The following table shows some of the areas and the increase in the median home sales price.

In spite of short-term fluctuation in home prices, as we can see from the following table, the median price of a single-family home in California continues to increase.

<table>
<thead>
<tr>
<th>California Counties</th>
<th>1983</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kern</td>
<td>$92,700</td>
<td>$222,980</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>$118,500</td>
<td>$492,350</td>
</tr>
<tr>
<td>Monterey</td>
<td>$112,600</td>
<td>$517,370</td>
</tr>
<tr>
<td>Napa</td>
<td>$94,700</td>
<td>$629,115</td>
</tr>
<tr>
<td>Orange</td>
<td>$131,450</td>
<td>$733,110</td>
</tr>
<tr>
<td>Riverside</td>
<td>$94,900</td>
<td>$350,720</td>
</tr>
<tr>
<td>Sacramento</td>
<td>$76,150</td>
<td>$313,490</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>$80,400</td>
<td>$243,830</td>
</tr>
<tr>
<td>San Diego</td>
<td>$103,100</td>
<td>$556,590</td>
</tr>
<tr>
<td>San Francisco</td>
<td>$133,750</td>
<td>$1,329,750</td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>$104,150</td>
<td>$543,690</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>$131,750</td>
<td>$695,730</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>$134,000</td>
<td>$1,015,000</td>
</tr>
<tr>
<td>Ventura</td>
<td>$128,675</td>
<td>$633,880</td>
</tr>
</tbody>
</table>
C.A.R. economists also track other statistics about California. For example, the unemployment rate, job growth, and population change. The unemployment rate is the percentage of the people classified as unemployed as compared to the total labor force. All of these factors affect the real estate market by affecting the demand for housing and the ability to pay for it.

<table>
<thead>
<tr>
<th>CALIFORNIA ECONOMY</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Rate</td>
<td>7.5%</td>
<td>5.8%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Job Growth</td>
<td>3.1%</td>
<td>2.9%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Population Growth</td>
<td>1.0%</td>
<td>1.0%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

**GETTING STARTED IN REAL ESTATE**

You may also have heard the saying, “Success Breeds Success.” Well, California is highly successful. When you combine that proven success with our fabulous climate and natural beauty, we become a people magnet. Over 25,000 people move here every month. Each person will need housing and that is where you come in. As a licensed real estate broker or salesperson you are in the unique position to help our current and incoming residents to buy homes, rent apartments, get loans, buy businesses, manage properties or buy investments—to help them achieve their dreams.

In California, if you want to work in a real estate brokerage business you must have a real estate license. There are two types of real estate licenses: a salesperson's license and a broker's license. You will learn more about the licenses and the work that you will do during the course of this text. For now, it is enough to know that a salesperson must put his or her license with a licensed broker who will help you as you get started in the business. Think of it as being a sort of apprenticeship.
This text is designed to help you understand the concepts you need to start your career in real estate. As you read through the units, you will be introduced to real estate concepts and laws regarding real estate transactions. Additionally, it offers practical information and useful tips to help you pass the state exam. You will learn property law, agency law, required disclosures, and contract law. You will study how property is owned and how ownership can be limited; how title is held and how title is transferred. Of course, we will learn about getting financing, valuing property, and the role that escrow and title play in a transaction. Once the basics are covered, we will go over residential real estate brokerage and specialty fields. Finally, we will go over the steps needed to get and keep your real estate license.

After passing the state examination and receiving your license you will probably enter one of the new licensee training programs offered by larger real estate firms. With consistent marketing, persistent prospecting, dedication to client satisfaction, and a strong dose of hard work you can make a good career in real estate.

Every year, more than 400,000 housing units are sold—the majority through a licensed real estate agent. By the time you have finished this text, another 25,000 people will have come to California, and all these newcomers will need help from a real estate professional.

**Uniquely California**

Floor mosaic of the seal of the state of California, created in the late 1800s. Located in San Francisco's ferry building.
Economy

- California has a vibrant, healthy economy which ranks 7th largest in the world. Only a few other countries, including the United States, are ahead of California in economic production.

- Los Angeles International Airport (LAX) claims to be the world’s fifth busiest airport with over 70 million passengers per year.

- California is the first state to ever reach a trillion dollar economy in gross state product.

- The city of Los Angeles is ranked the fourth largest economy in the country compared to other states.

- The Port of Los Angeles located in San Pedro Bay is one of the world’s largest, busiest, and most successful seaports.

- California has the most major military bases and installations in the country.

Demographics

- At over 38 million people, California is the most culturally diverse and the most populous state in the country, and has been since 1962.

- California has the largest number of senior citizens living within its borders, with more than four million residents over 60 years of age.

- At only 10 feet wide, the Kaweah Post Office in Tulare is the smallest post office still in operation.

- One out of every eight United States residents lives in California.

- The Little Red Schoolhouse in Solvang, the Danish Capital of America, was built in 1883, and is one of the oldest schoolhouses still in use.

- The Chinese hamlet of Locke is the only rural community in the country built and occupied by Chinese.

- Totaling nearly three million acres, San Bernardino County is the largest county in the country.
Natural Wonders

- Lake Tahoe is the highest lake of its size in the country and the largest alpine lake in North America. It is the second deepest lake in the country and the tenth deepest in the world.

- Sutter Buttes (2,132 feet high) is a mountain range near Sutter and is the world’s smallest mountain range.

- The oldest living thing in the world, the Bristlecone Pine tree, grows at an altitude of 11,000 feet in California’s White Mountains. Aged at nearly 5,000 years, it is as old as the Great Pyramids of Egypt.

- Yosemite Falls, with its drop of 2,425 feet, has the longest drop for any waterfall in the country.

- At 14,495 feet, Mt. Whitney in Sequoia National Park is the highest elevation point in the contiguous United States. From there you can see Badwater, in Death Valley National Park, which at 282 feet below sea level is the lowest elevation point in the United States.

- California Caverns claims the distinction of being the most extensive system of caverns and passageways in the Mother Lode region of the state.

- The San Francisco Bay is the largest natural harbor on the West Coast of the United States.

- The world’s tallest living tree (367.5 feet) is the California Redwood found along the North and Central Coast area.

- The largest trees in the world are the Sequoias and grow in the high Sierra Nevadas. The General Grant Tree in Kings Canyon National Park is famous as “The Nation’s Christmas Tree”. Its trunk measures 40 feet around at its base and is wider than a three-lane freeway. The General Sherman Tree, in Sequoia National Park, is the biggest living thing on earth. At almost 2.7 million pounds, it would make enough lumber to build 40 five-room houses.
• The area around Geyserville, just north of San Francisco, is the largest geothermal area in the world.
• Death Valley is recognized as the hottest, driest place in the United States. It is not uncommon for the summer temperatures to reach more than 115 degrees.
• In the center of California, the California Delta has over 1,000 miles of navigable waterways forming a triangle of channels and sloughs from Sacramento (north) to Stockton (south) to Pittsburg (west).
• Once again, Coronado Beach was named among America's Top Ten Beaches.

Ecology

• The Monterey Bay National Marine Sanctuary located along California's central coast encompasses 5,322 square feet, making it the largest marine sanctuary in the country.
• Lake Merritt, a natural saltwater lake in the middle of Oakland, became the country's first state wildlife refuge in 1870.
• Lava Beds National Monument and the adjoining Klamath Basin National Wildlife Refuge in Northeastern California have the most bald eagles in the contiguous United States.
• Anza Borrego Desert State Park is the largest state park in the Southwest, covering 600,000 acres from the edge of the coastal mountains east to the Salton Sea and south almost to the U.S./Mexico border.
• The Salton Sea north of El Centro has the most diverse bird species of any National Wildlife Refuges in the west.
• California Condors are the largest flying birds in North America.
• The Joshua Tree is the largest of the yuccas and grows only in the Mojave Desert.
Agriculture

- Castroville is known as the Artichoke Capital of the World. In 1947, a young woman named Norma Jean was crowned Castroville's first Artichoke Queen. She went on to become actress Marilyn Monroe.

- California has been the number one agricultural state in the country for more than 50 years.

- The largest orchid farm (over 1.5 million square feet of greenhouse space) in the country is in Carpenteria.

- California is the only U.S. commercial producer of almonds, artichokes, dates, figs, olives, persimmons, pistachios, and walnuts.

- California is the second most important rice state in the country, producing about 20% of the nation’s crop in a typical year. California supplies about half of Japan’s imports of rice.

- California has by far the highest per capita avocado consumption in the country and produces the most, as well.

- Southern California produces over 33% of all lemons grown in the country.

- California leads the nation in tree nut production. Virtually all U.S. almonds, pistachios, and walnuts are California produced.

- The Coachella Valley in Southern California remains the unrivaled date capital of the United States.

- California’s most famous farm is probably Knott’s Berry Farm, a popular tourist attraction. A new berry, the boysenberry, was created there. It is a cross between the red raspberry, blackberry, and loganberry.

- California is the nation’s leading dairy state, producing more milk than any other state. In fact with over 740,000 cows, Tulare County is the country’s No. 1 dairy county.
• California produces the most wine of any other state in the country. In fact, California is the fourth leading wine-producer in the world behind Italy, France, and Spain. Wine grapes are grown in 45 of California’s 58 counties.

• Fresno is the Raisin Capital of the World.

• California is the largest producer of grapes, strawberries, peaches, nectarines, and kiwifruit. It is a major producer of a variety of other non-citrus fruit like apples, pears, plums, and sweet cherries.

**Natural Resources**

• The Mojave Desert is the most important source of boron in the world.

• The tourmaline deposits in Riverside and San Diego Counties have produced more tourmaline, and of greater value, than any other deposits in the Northern Hemisphere.

• The Kennedy Mine, located in Jackson, was one of the richest gold mines in the world and the deepest mine in North America.

• By the spring of 1849, California experienced the largest gold rush in American history.

• Redding is the nation’s second-sunniest city (Tucson, AZ is first) with an average of more than 320 days of sunshine per year.

**Engineering Marvels**

• Named one of the “Seven Wonders of the Modern World” by the American Society of Civil Engineers, the Golden Gate Bridge in San Francisco is one of the longest single-span suspension bridges ever built. Its two massive towers are the highest bridge towers in the country at 746 feet above the water.

• The longest runway in the world (7.5 miles) is located at Edwards Air Force Base near Lancaster and is used for space shuttle landings.
- The Long Beach Harbor is one of the world’s largest man-made harbors.
- The Palm Springs Arial Tramway is the world’s largest rotating tramcar, rising up the sheer cliffs of Chino Canyon (2,643 ft.) to the Mountain Station at 8,516 ft. on Mt. San Jacinto.
- The world famous Tehachapi Loop is a feat of civil engineering genius allowing trains from the Central Valley to cross an exceptionally steep section of the Tehachapi mountains in order to reach Los Angeles. It is one of the seven wonders of the railroad world.
- The Shasta Dam spillway, at 487 feet tall, is the world’s highest man-made waterfall and is three times the height of Niagara Falls.
- The Altamont Pass by San Francisco still contains the world’s largest concentration of wind turbines; however, the wind turbines in the Tehachapi Pass are the largest producers of wind-generated electricity in the country. This is enough electricity to meet the residential needs of more than 500,000 Southern Californians or nearly one million Europeans.
- The first cable car in the world went into service in San Francisco.

**Entertainment**

- California has the most theme parks and amusement parks in the country.
- The largest permanent archery range in North America is at the Olympic Training Center in Chula Vista.
- The largest private zoo in the world was created by William Randolph Hearst on his ranch at San Simeon. Hearst Castle is one of the world’s greatest showplaces and one of the largest historic house museums (90,080 square feet) in the country.
- The Hollywood Bowl is the largest outdoor natural amphitheater in the United States.
- San Francisco had the first municipally owned opera house in the country.
- Furnace Creek Inn, built in Death Valley in 1927, has the lowest grass golf course in the world, at 214 feet below sea level.
- Gold Mountain Ski Area, near Graeagle is the oldest reported sport-skiing area in the western hemisphere.
• The largest three-day rodeo in the country is held on the Tehama County Fairgrounds in Red Bluff.

• The “Perilous Plunge” water slide at Knott’s Berry Farm in Buena Park is one of the world’s steepest, tallest, and wettest water slide.

• Grauman’s Chinese Theatre in Hollywood is the most famous movie theatre in the world. Millions of tourists visit each year to see the footprints of the stars. Since opening, it has had more gala Hollywood movie premieres than any other theatre.

• Valencia is home to Six Flags Magic Mountain where “Superman: The Escape”, which is California’s fastest and tallest thrill ride, reaching 100 mph in seven seconds and standing 41 stories high, is located.

• The tallest and biggest thermometer in the world is in Baker.

• The largest roadside dinosaur in the country is a 150-foot long, 150-ton brontosaurus (nicknamed “Dinny”) off Interstate 10 in Cabazon. Next to “Dinny” is “Rexxie”, a 65-foot tall, 100-ton tyrannosaurus housing a date shop and an observation tower in his jaws.

• For his presidential inauguration, former California Governor Ronald Reagan ordered 3.5 tons of Jelly Belly candies from the Jelly Belly factory in Fairfield. A large portrait of President Reagan made out of jelly beans is displayed at the factory.

• The world’s largest yo-yo, weighing 256 pounds and standing 50-inches tall, is at the National Yo-Yo Museum in Chico.

• Tarzana is named after Edgar Rice Burroughs’ Tarzana Ranch, the home of “Tarzan”.

**SUMMARY**

California is a diverse state in geography, economic base, and population. There are five main climate zones: coastal, desert, foothill, valley, and mountain.

The strong economy in California is a mixed capitalistic system. Top industries in this state include tourism, manufacturing, construction, agriculture, oil and gas production, telecommunications, engineering services, aerospace, and entertainment.
California's population is a mixed blend of European/Scandinavian/Great Britain Americans, Hispanic Americans, Asian/Pacific Islander Americans, African Americans, and Native Americans.

The major roles that real estate plays in our economy are: creating net worth, increasing income flow, creating new jobs, and helping control appreciation and inflation. California's current housing is not enough to meet the demand because the state's population is increasing faster than its supply of housing. Affordability is a concern because less than one-in-five households will be able to purchase a median-priced home in California.

A California real estate license is required in the state of California to sell property. This license can be obtained by passing the state real estate licensing examination.
**UNIT 1 REVIEW**

**Matching Exercise**

Instructions: Write the letter of the matching term on the blank line before its definition. Answers immediately follow the Multiple Choice Questions.

**Terms**

<table>
<thead>
<tr>
<th>A. affordability index</th>
<th>F. demographics</th>
<th>K. median home price</th>
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<tbody>
<tr>
<td>B. appreciation</td>
<td>G. diversity</td>
<td>L. mortgage interest rate</td>
</tr>
<tr>
<td>C. black gold</td>
<td>H. gold rush</td>
<td>M. net worth</td>
</tr>
<tr>
<td>D. C.A.R.</td>
<td>I. housing inventory</td>
<td>N. trade association</td>
</tr>
<tr>
<td>E. capitalism</td>
<td>J. inflation</td>
<td>O. unemployment rate</td>
</tr>
</tbody>
</table>

**Definitions**

1. _______ An economic system in which most of the economy's resources are privately owned.

2. _______ The value of all assets minus all liabilities.

3. _______ The increase in market value of real estate.

4. _______ The increase in the general price level of goods and services.

5. _______ The price that is middle value of a sample of sales, with one-half of the sales below and one-half of the sales above.

6. _______ Information from a variety of sources used to create a broad profile of any community.

7. _______ A large migration of people to a newly discovered gold field.

8. _______ Housing units that are available for sale or in the process of being made ready for sale.

9. _______ A California trade association representing REALTORS® statewide.

10. _______ The percentage of the people classified as unemployed as compared to the total labor force.
Multiple Choice Questions

Instructions: Circle your response and then check your response with the Answer Key that immediately follows the Multiple Choice Questions.

1. California's economy is so large that it actually competes with:
   a. counties.
   b. countries.
   c. conglomerates.
   d. continents.

2. The most populous state in the country is:
   b. Ohio.
   c. Florida.
   d. California.

3. A large, densely populated metropolitan area consisting of a number of major urban areas and smaller surrounding cities is called a:
   a. megalopolis.
   b. metrozone.
   c. city.
   d. metropolis.

4. An economic system in which most of the economy's resources are privately owned and managed is called:
   a. capitalism.
   b. socialism.
   c. communism.
   d. Marxism.

5. The increase in market value of real estate defines:
   a. inflation.
   b. net worth.
   c. purchasing power.
   d. appreciation.
6. A decrease in purchasing power of the dollar describes:
   a. inflation.
   b. appreciation.
   c. net worth.
   d. median.

7. The real estate housing market is influenced by:
   a. the inventory of available housing.
   b. the affordability of housing.
   c. mortgage interest rates.
   d. all of the above.

8. The best housing market would be created by all of the following, except:
   a. adequate housing inventory.
   b. a low affordability index.
   c. a high affordability index.
   d. low interest rates.

9. The price that is middle value of a sample of sales, with one-half of the sales below
   and one-half of the sales above is called:
   a. affordability index.
   b. inflation.
   c. median home price.
   d. appreciation.

10. In California, to work as a real estate salesperson or broker you must have:
    a. a college degree.
    b. a real estate license issued by the California Bureau of Real Estate.
    c. a driver license.
    d. all of the above.
UNIT 1 ANSWER KEY

Answers – Matching


Answers – Multiple Choice

1. (b) California’s economy is so large that it actually competes with countries—not just states. [Only in California]

2. (d) At over 38 million people, California is the most culturally diverse and the most populous state in the country, and has been since 1962. In fact, one out of every eight United States residents lives in California. [Only in California]

3. (a) A megalopolis is a large, densely populated metropolitan area consisting of a number of major urban areas and smaller surrounding cities. [California – The People Magnet]

4. (a) Capitalism is an economic system in which most of the economy’s resources are privately owned and managed. [California's Strong Economy]

5. (d) Appreciation is the increase in market value of real estate. [California's Strong Economy]

6. (a) Inflation is an increase in the general price level of goods and services, or as a decrease in purchasing power of the dollar. [California's Strong Economy]

7. (d) The housing market is shaped mainly by the inventory of available housing, housing affordability and mortgage interest rates. [California's Strong Economy]

8. (b) The best housing market would be created with adequate housing inventory, a high affordability index, and low interest rates. [California's Strong Economy]

9. (c) The median home price is the price that is middle value of a sample of sales, with one-half of the sales below and one-half of the sales above the median home price. It is used by economists to compare home sale prices and measure increases and decreases. [California's Strong Economy]

10. (b) In California, if you want to work in a real estate brokerage business, you must have a real estate license. There are two types of real estate licenses: salesperson license and broker license. [Getting Started in Real Estate]