

KEY POINT REVIEW

Real estate brokerage is the business of bringing people together in a real estate transaction conducted by a **real estate broker** who is a person or company licensed to buy, sell, exchange, or lease real property for others for compensation, or by a **real estate salesperson (sales associate)** who conducts brokerage activities on behalf of the broker.

Appraisal is the process of developing an opinion of a property's value (typically, market value) based on established methods and an appraiser's professional judgment. Licensing or certification is required for many federally related transactions, and many states require licensing or certification for other transactions as well.

Property management is conducted by a **property manager**, a person or company hired to maintain and manage property on behalf of the property owner. The property manager's scope of work depends on a **management agreement**, and the basic responsibility of the property manager is to protect the owner's investment while maximizing the owner's financial return.

Financing is the business of providing the funds that make real estate transactions possible through loans secured by a mortgage or deed of trust on the property, with funding provided by commercial banks, thrifts (which include savings associations), credit unions, mortgage bankers, and mortgage brokerage companies.

Subdivision and development involve splitting a single property into smaller parcels (subdividing) and constructing improvements on the land (development).

Home inspection is of interest to both purchasers and homeowners, and an inspection report will show results of a thorough survey of observable property conditions. A state license may be required of a home inspector.

Real estate counseling involves independent advice based on sound professional judgment regarding how to buy, sell, or invest in property.

Types of real property include **residential, commercial, mixed use, industrial, agricultural, and special purpose**, which can be privately or publically held.

Discrimination in the provision of housing and related services is prohibited by federal law.

The **real estate market** reflects the principle of **supply and demand**, influenced by the **uniqueness** and **immobility** of parcels of real estate. When the supply increases relative to demand, prices go down, and when demand increases relative to supply, prices go up.

The factors affecting the **supply** of real estate include labor force availability, construction and material costs, government controls (environmental restrictions, land use policies, building codes, zoning), and monetary policy that impacts interest rates and the money supply.

The factors affecting the **demand** for real estate include population, demographics, and employment and wage levels.

The buyer of a home can benefit from **tax deductions, exclusion of gain** on the sale of the home, and **tax credits**, when available.

Advantages of **investing** in real estate include a typically high **rate of return**, greater **control** over the investment than other options, property **appreciation** over time that leads to **equity buildup, leveraging** of funds to provide greater purchasing power, and the **tax benefits of depreciation, deductions**, the use of a property **exchange** to avoid taxation, and treatment of income from a property sale as **capital gain**.

Disadvantages of real estate as an investment include its lack of **liquidity**, so that it may take a long time to convert into cash, and the fact that it requires **active management** to make sure it is being managed properly.