

Happy New Year
from the Georgia
Real Estate
Commission!



2016 Calendar

GREC Brokerage Course & Trust Accounts Class Dates:

- January 27-28, 2016
Camden County BOR
www.cccbtor.com
- March 30-31, 2016
Bartow Area BOR
www.bartowrealtors.com

Georgia Instructor Training GIT
March 17-118
www.grec.git.com

[Link to the Georgia
Real Estate License
Law, Rules, and
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Recent National Job Analysis Essential to Developing Licensing Examination Provides Insight into Current Real Estate Practices

Anyone who has taken a Georgia real estate licensing exam is no doubt familiar with the exam provider Applied Measurement Professionals (AMP). AMP periodically conducts a National Job Analysis as the initial step in reviewing Georgia's licensing exams. Last fall they completed their fifth analysis of job tasks completed by real estate licensees, essentially "activities related to listing, selling, transferring, and managing property". Licensees were surveyed and asked to rate the significance of certain tasks to their current real estate practice as well as how often each task was performed.

The results of the survey were analyzed by AMP staff and the AMP Advisory Board composed of state regulators who contract to have their exams administered by AMP. Next using the survey results the content outline of the licensing exams was reviewed and revised. Finally exam questions were reviewed and the final content of the exams established.

AMP provides exam applicants a detailed outline of the subject matter of the exams. Individuals studying for the salesperson or broker exams can review the list of topics and their relative weight in the exam by national and state sections. In addition, broker applicants can complete practice tests or simulations of the broker exam at www.goAMP.com. These simulations are an excellent tool for discussion at sales meetings or training sessions provided by the broker because they present relevant examples of situations that require decision-making by the licensee in the field. GREC provides examples in a guide to Broker simulations at [GREC Guide for Broker Simulations](#).

- For an overview of current real estate practice, The 2015 Summary Report of the AMP National Job Analysis of Real estate Licensees can be viewed in detail at www.goAMP.com. The following describes the demographic makeup of the respondents to the National survey, which includes both brokers and salespersons:
 - Total of 3,619 total respondents
 - Almost 20% are from Georgia
 - 51% from southern states
 - 47% Male 53% Female
 - About 16% of respondents licensed 1 year
 - About 30% licensed from 0-5 years.
 - 60% of the respondents were salespersons

Changes to the exam are aimed at keeping the AMP Real Estate Program examinations reflective of current real estate practice.

Additional information obtained from the survey, such as the use of social media, education level, and age of licensees is graphically displayed on [Page 3](#) of this newsletter. [Go to page 3](#)



Focus on Terminology: "Supervising or Employing Broker"

The term "broker" is defined by the real estate licensing law of each state. In Georgia a broker is defined as a person who provides services for another for a fee, commission, or any other valuable consideration or with the intent or expectation of receiving such payment for brokerage services including negotiating sales, rents, purchases, etc. or a person who advertises as providing these services. (The full definition and description of services can be found in O.C.G.A. 43-40-1. Definitions at <http://www.grec.state.ga.us/about/relaw.html>)

In Georgia, a salesperson, associate broker, or a community association manager means a person who acts on behalf of a real estate broker in performing any act authorized to be performed by the broker. Georgia does not have a formal definition for "supervising broker", although the broker must supervise any licensees that he/she has affiliated with his/her brokerage firm.

A few states have what is loosely referred to as "single licensing". It basically refers to there being only a "broker" license and no salesperson or associate broker licenses. However, in those states there are various levels to the broker license. So in effect, there is still more than one type of license. The key is whether the "broker" supervises (or employs) other licensees.

For example, Colorado makes the distinction between different levels of the broker license:

- 1) The Broker licensee who works independently and has no agents/brokers that he/she holds their license.
- 2) The Employing Broker who manages agents/brokers and has control and custody of the broker's license. The employing broker must complete extensive training before supervising other licensees.

South Dakota has 2 forms of broker license:

- 1) The Broker Associate who cannot supervise other licensees.
- 2) The Responsible Broker must have 2 years active status and must complete additional training before supervising other licensees.

In Georgia, only the broker can hold the licenses of agents of the firm and is required to not only supervise but is also required to provide on-going training to licensees affiliated with the firm in the License Law, Rules, and Regulations <http://rules.sos.ga.gov/GAC/520-1-.07>.

The following graph displays responses regarding broker supervision resulting from the AMP National Job Survey.

Real Estate Licensees Summary Report

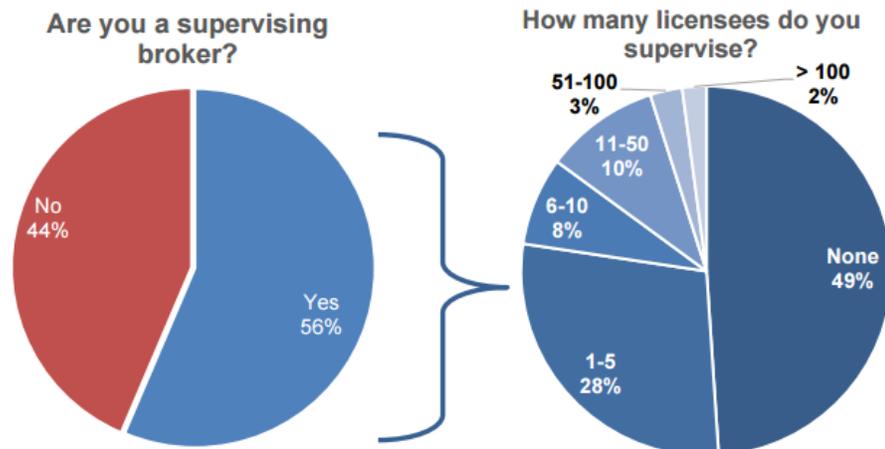


Figure 4. For Broker Respondents Only: Supervising broker and number of licensees supervised.

SUBMIT

Comments
&
Suggestions

**GREC
Online
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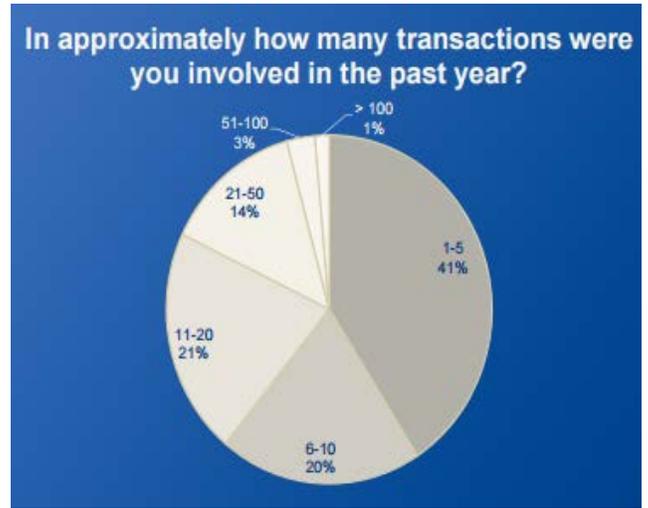
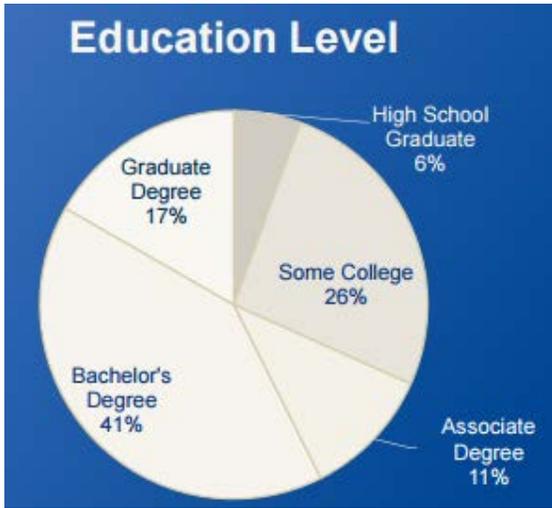
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Interesting Statistics From the AMP Job Analysis



Use of Social Media

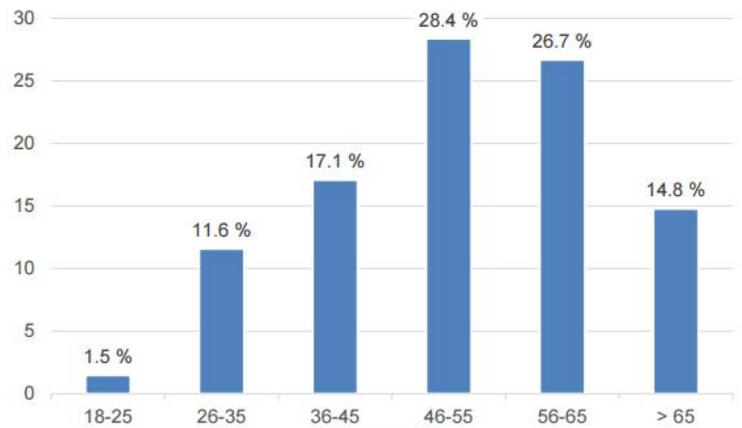
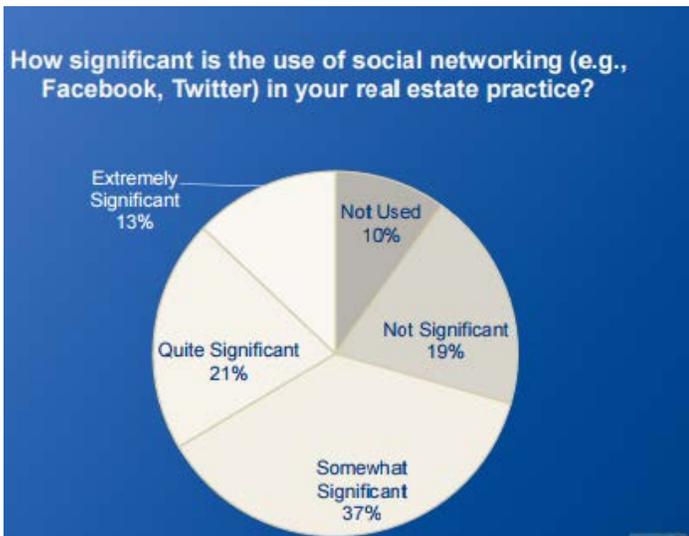


Figure 13. Age

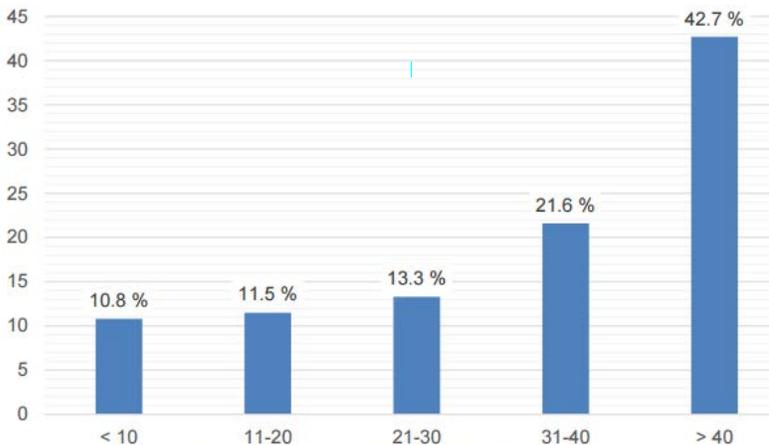


Figure 6. Hours per Week Engaged in Real Estate Activities.

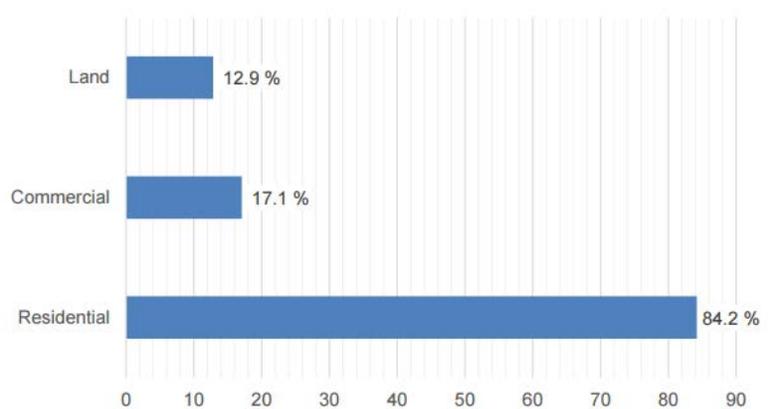


Figure 9. Percentage of Time Spent.



The Appraisers Page

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Valuing Vacant Land

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By: D. Scott Murphy, SRA

The first step in valuing a piece of land is to closely examine its highest and best use. The Fifth Edition of The Dictionary of Real Estate Appraisal by the Appraisal Institute defines highest and best use as: The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value. I prefer this definition as most textbooks don't mention, "appropriately supported" as part of the highest and best use definition.

The appraisers governing body of rules, The Uniform Standards of Professional Appraisal Practice (USPAP), does not have a definition for highest and best use. However, if an appraisal report is prepared, it requires the appraiser to summarize the support and rationale for that opinion. With an improved property there is usually little effort made to define the highest and best use. The vast majority of the time, the current use is the highest and best use. This is due to the first part of the definition, "the reasonably probable and legal use...".

We can value a single-family home as a commercial office space but if it is not reasonably probable and a legal use, we must stipulate in our report that we are basing our value on a hypothetical condition. If the home is within a subdivision and is zoned single family residential there is an extremely low reasonability that someone would use it as a commercial property and equally as low a probability that zoning would allow it and little or no chance the property could get rezoned for that use.

Next we would examine if the proposed use were even physically possible. For example, if we wanted to convert a single-family home to commercial, is it physically possible? Are the improvements such that they meet the requirements for commercial use? Does it meet handicapped requirements? Is there enough land to provide adequate parking? Many of these factors preclude conversion due to physical constraints.

Is the proposed land use change financially feasible? Does it make sense from a dollar and cents standpoint? In general, industrial is worth more than residential. However, we have seen many conversions of old industrial buildings back to residential use. We have seen retail shopping centers re-gentrified to uses historically considered inferior. Which use will yield the higher profit.

Once all those tests are met, it is still the responsibility of the appraiser to "appropriately support" his conclusion. There needs to be adequate data available to support the opinion of highest and best use.

Highest and best use analysis is critical to proper valuation of the property. An incorrect assumption could lead to a misleading opinion of value. As with all valuations, geographical competency is very important. The appraiser must have a firm grasp of the trends in the market and the motives of typical buyers and sellers.

With the proper highest and best use determined the appraiser can move on to preparing the valuation. Most residential appraisers are not properly trained to value vacant land. They rarely analyze highest and best use and most have never completed anything other than a standard form appraisal report. Appraising land is far more complicated than appraising the typical improved property. The biggest error I see in the appraisal of larger tracts of vacant land is the methodology.

If you are appraising a single subdivision lot it is appropriate to do it on an absolute basis. Much like appraising a house, adjustments are made between the subject lot and comparable lots for variances in size, location, topography,



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Georgia Real Estate Appraisers Board

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Valuing Vacant Land

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amenities, etc. However, when appraising raw vacant acreage the valuation must be done on a per acre basis. This requires a shift in mindset and a deeper understanding of the factors affecting value and the motivations of buyers and sellers.

Where many appraisers go wrong is they value the large acreage parcel on an absolute basis. They find the best comparables they can, they adjust for location, topography, then they get to size and this is where their analysis falls apart. They somehow come up with a “per acre” adjustment, which they apply to all the comparables. The problem is that when you are appraising a large tract you are really trying to solve for the price per acre. That applied to the size of the parcel gives you the overall value. So to make an adjustment for the size of the lot is incestuous. The factor for which you are trying to solve cannot be part of the equation.

Instead, the proper way to do it is to establish the price per acre of each of the comparables. Then make adjustments to the comparables based on market extracted amounts for location, topography, utilities, other amenities, improvements and then size but only to the extent that it

represents any economies of scale. The size adjustment is only used if the comparative size of the comparable would impact the per acre value. This is a very important adjustment, which requires great skill and knowledge of the market. For instance, based on the theory of economies of scale (per unit costs decrease as number of units purchased increases) traditionally the larger the lot the less per acre it is worth. So if you have a comparable which is twice the size of your subject property, a positive adjustment should be made to compensate. However, the appraiser must consider the actions of developers and keep in mind certain thresholds for development. Many times the value per acre increases as site exceeds a size suitable for subdivision development. For example, lets say in a given area, based on zoning, utilities and common area requirements, a site suitable for development of a single family home subdivision must be at least 75 acres; then sites at 75 or more acres would sell at a premium per acre over smaller sites.

The appraiser must also analyze surplus and excess land of a site.

Excess Land: In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site’s primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement.

Surplus Land: Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement.

What all that really means is how useful is the acreage. Can it all be developed or is part of it non-developable. Also, many sites can have pieces with different highest and best use. A large parcel on a heavily traveled road could have a strip along the roadway suitable for one use and the rear portion suitable for a different use.

This all makes appraising vacant land a very big challenge. We often get calls from clients looking for land appraisals and are shocked at the fee; “but it is just vacant land” they say. Well I hope you can now understand there is so much more to it.

I welcome your comments and feedback. Please send me ideas for future articles.

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