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**4** misconceptions about seller's disclosure p.10

■ Exit strategies for high-end real estate p. 14

■ BUILD YOUR BROKERAGE WITH THIS IN MIND p. 16



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# INSIGHTS



## Chairman

“ Our work as real estate advocates never ends.

With the hugely successful legislative session behind us, it's already time to look forward to the 2020 elections.

As a presidential election year, we expect record high voter turnout.

Texas REALTORS® really shine during election season because we consistently vote in higher percentages than non-members.

Another way Texas REALTORS® stand out is getting involved early to support the candidates who have demonstrated support for private property rights and the real estate industry.

This early engagement shows candidates that Texas REALTORS® are behind them. It also lets our members and other voters know which candidates support policies that protect real estate consumers and the Texas economy.

Early engagement is spear-headed by the Texas REALTORS® Political Involvement Committee. Every region of the state has representatives on the PIC, which over-

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sees our association's grassroots political activity.

Starting this month, these volunteers will spend hundreds of hours considering factors such as candidates' relationships with your local association, their responses to our candidate questionnaire and in-person interview, and their voting history.

Search "early engagement" at [texasrealestate.com](http://texasrealestate.com) to find a timeline of the 2020 primaries that explains how Texas REALTORS® will be engaged every step of the way.

Even though the 2020 elections may seem a long way off, take comfort that the dedicated volunteer leaders of your association are already discussing these high-stakes elections, positioning Texas REALTORS® for another successful election season.

**Tray Bates**

## ADD THIS TO YOUR ACCOMPLISHMENTS



Did you know you're a member of an award-winning association?

Thanks to you, Texas REALTORS® earned the National Association of REALTORS® President's Cup for 2018.

### How You Did It

You earned this recognition just by doing what you do best: advocating for real estate consumers.

This award recognizes your hard work to raise funds used to support candidates and officeholders who support the Texas real estate industry.

The criteria also include your response to critical calls for action and subscription to the REALTOR® Party Mobile Alerts text message program. (Just text [txrealtors](http://txrealtors.com) to 30644 to sign up.)

### A Stand-Out State

Texas was the only large state to receive this recognition this year—quite a feat for an association with more than 120,000 members.

Our association previously won the award in 2012—and is working to earn it again for 2019.

Visit [realtorparty.realtor](http://realtorparty.realtor) to see the full list of 2018 winners.

### Share the News

Take your photo with the President's Cup during the Texas REALTORS® Conference in Fort Worth from September 12 to 15, where it will be on display.

Be sure to include the hashtags [#realtorparty](https://twitter.com/realtorparty) and [#txrealtors](https://twitter.com/txrealtors) to tell followers you're a proud Texas REALTOR®.



“ Our Agent Relationship Manager did an absolutely fabulous job and was very easy to work with. We moved the closing up by a few weeks and there was no problem getting it closed with her help. The buyers and I were very happy with our experiences. Thank you so much! ”



**Jeff Yeomans**  
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# BUSINESS

## DO SOLAR PANELS ADD VALUE TO A HOME?

Whether solar panels add value to a home depends on your local market and the details of the system itself.

Factors that can limit the value of solar panels include:

- Few similar sales with solar panels in your area will make it harder for an appraiser to show that solar panels increase value.
- Leased systems, as opposed to owned, are unlikely to add value.
- Aging systems that produce less energy or are nearing the end of their effective life will add less value.

Documenting what, if any, value is added by solar panels will involve calculating the expected energy output over the remaining life of the system and how that will impact utility bills. The PV Value tool at [pvvalue.com](http://pvvalue.com) can help you calculate the energy production of the system. You can provide that calculation along with all details of the system—including ownership, size, age, production, location, warranty, inverter specifications, energy storage details, and other pertinent details—to the appraiser.

More information is available through the online course “Selling the Sun: Establishing Value for Solar Homes” from Elevate Energy and the U.S. Department of Energy through NAR. Search the course name at [onlinelearning.realtor](http://onlinelearning.realtor) to sign up.



## NAR RELEASES REPORT ON LGB BUYERS AND SELLERS



The National Association of REALTORS® released its first-ever *Profile of Lesbian, Gay and Bisexual Buyers and Sellers* in June to coincide with LGBT Pride Month. The report examines data about LGB real estate consumers compiled from NAR’s *Profile of Buyers and Sellers from 2015 to 2018*.

According to the report, bisexual homebuyers were the most likely to indicate they were first-time homebuyers (58%), followed by lesbian and gay buyers (36%) and heterosexuals (32%). Bisexuals were also the youngest buyers—a median of 36 years old—and had the lowest median income of \$62,400. In comparison, lesbian and gay buyers were the oldest buyers at 45 years old. Heterosexual buyers reported a median age of 44 and a median income of \$91,200, similar to \$92,900 for lesbian and gay buyers.

Bisexual buyers purchased the smallest and oldest homes, with a median square footage of 1,840 square feet and median year built of 1966. Lesbian and gay buyers followed with a median square footage of 1,900 and a median year built of 1974, while heterosexual buyers purchased the largest and newest homes (2,060 median square feet, 1985 median year).

NAR Research studies buyer behavior and characteristics of dozens of demographic profiles. NAR’s Texas-specific research shows that the percentage of homebuyers who identify as gay or lesbian has increased from 2% in 2015 to 5% in 2018.

“The American Dream of homeownership traverses across the spectrum of our society—including sexual orientation—and REALTORS® always have and will continue to advocate so that anyone who wants to, and is capable of purchasing a home, is able to do so,” says NAR President John Smaby.

The full report is available on [nar.realtor](http://nar.realtor) by searching the term *LGB Buyers and Sellers*.



## HOW THIS TEXAS AGENCY OPENS OPPORTUNITIES FOR COMMERCIAL GROWTH



The Texas Commission on Environmental Quality (TCEQ) administers the Voluntary Cleanup Program, which cleans contaminated sites so the land is safe to use for development.

Once a formerly problematic site is treated under the program, future lenders and landowners receive protection from liability to the state. A Voluntary Cleanup Program certificate of completion is one way to escape the hurdles of redeveloping land with an environmentally unfriendly past. But what types of properties qualify for the program? Here are a couple of examples.

A 71-acre central Austin property used as a chemical research facility was turned into a mixed-use property through the Voluntary Cleanup Program. Once contamination from the facility was remediated, the property could be built upon for residential and commercial use, as well as a transit stop for Austin's MetroRail.

Another success story from the program is in Dallas. Crescent Court—which had residences, industrial businesses, and office complexes from the '70s to 2003—was contaminated by petroleum-related chemicals. Once remediated, the land was used for development of the Rosewood Court building in the Crescent Complex.

Learn more about the Voluntary Cleanup Program and application process on TCEQ's website at [tceq.texas.gov/remediation](http://tceq.texas.gov/remediation).



**ONE-QUARTER OF BABY BOOMERS** plan to retire near their grandkids, even if that means moving to another state. Austin and Dallas are in the top five “baby chaser” markets in the U.S., according to Meyers Research.

## RPR ROLLS OUT CUSTOM LABEL OPTION

A new Mailing Labels feature from RPR allows you to create farming or prospecting lists based on any RPR search. Generate up to 2,000 preformatted labels per month for your mailings to

commercial and residential property owners.

“RPR has been one of my core business tools for years. With the addition of this feature, RPR can now do more to help REALTORS® generate new opportunities with buyers and sellers,” says Jennifer Archambeault, broker/owner of Urban Provision, REALTORS®, in Austin.

“REALTORS® know how important it is to keep their prospecting pipeline full and to have the right tools to

create dynamic direct mail campaigns,” says former Texas REALTORS® Chairman and NAR 2020 First Vice President Leslie Rouda Smith. “The new Mailing Labels feature in RPR will give agents a simple way to market new listings, *just sold* properties, or promote their brand,” says the Plano-based broker.

Learn how to use the new feature in the post “Create Your Own Mailing Labels in RPR: A How-To Video” at [blog.narrpr.com/tips](http://blog.narrpr.com/tips).

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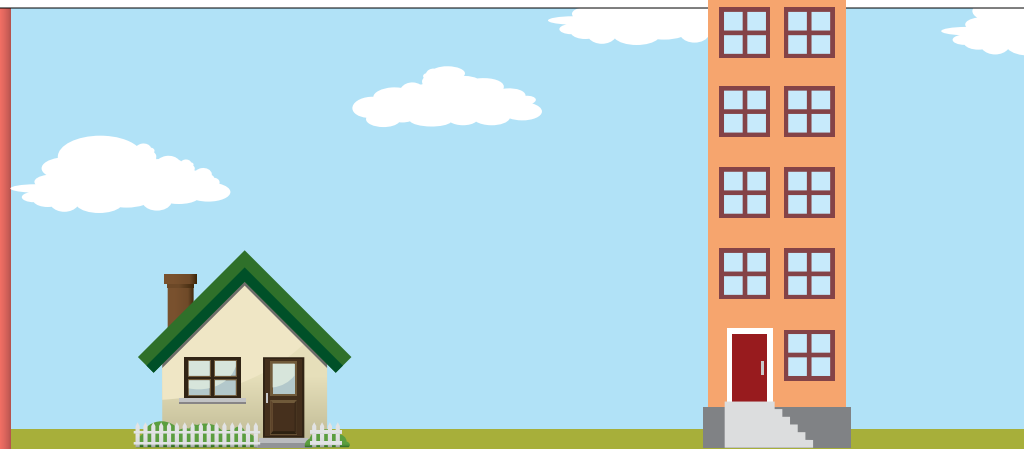
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## CHARACTERISTICS OF NEW HOUSING

The U.S. Census Bureau released in July its *2018 Characteristics of New Housing Report*, which provides annual statistics on new, privately owned residential structures. Here's a sample of the nationwide data in the report. Find more information at [census.gov/construction/chars/highlights.html](https://census.gov/construction/chars/highlights.html).

- The median sales price of new single-family homes sold in 2018 was \$326,400, while the average sales price was \$385,000.
- 119,000 contractor-built single-family homes were started in 2018. The median contract price was \$281,200.



### Of the 840,000 single-family homes completed in 2018:

- 84,000 had two bedrooms or less
- 376,000 had four bedrooms or more
- 31,000 had one and one-half bathrooms or less
- 306,000 homes had three or more bathrooms
- 778,000 were framed in wood
- 59,000 were framed using concrete
- 270,000 had a patio and a porch
- 69,000 had no outdoor features.

The median size of a completed single-family house was 2,386 square feet.

### Of the 345,000 multifamily units completed in 2018:

- 150,000 had one bedroom
- 35,000 had three bedrooms or more
- 341,000 were conventional apartments
- 3,000 were townhouses
- 216,000 were in buildings with four floors or more
- 302,000 had individual laundry facilities
- 28,000 had shared laundry facilities
- 235,000 were in buildings framed in wood
- 31,000 were in buildings framed in steel.

The median size of multifamily units built for rent was 1,081 square feet, while the median of those built for sale was 1,414 square feet.

## ARE YOUR CLIENTS ELIGIBLE FOR THESE HOMEBUYER-ASSISTANCE PROGRAMS?

The Texas State Affordable Housing Corporation (TSAHC) offers resources like downpayment assistance, mortgage interest tax credits, and fixed-rate mortgage loans to help Texans own a home.

Send your clients to [tsahc.org/homebuyers-renters/eligibility-quiz](https://tsahc.org/homebuyers-renters/eligibility-quiz) to find out whether they qualify for TSAHC's programs. Users will be asked their job title, whether they are first-time homebuyers, the county in which the home is located, how many people are in their household, and a range for their gross income. Learn more about TSAHC's programs at [tsahc.org](https://tsahc.org).







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\*Google Analytics, January 2017

# LEGAL & ETHICS

## AVOID THESE 4 MISCONCEPTIONS ABOUT SELLER'S DISCLOSURE



It's not uncommon for your clients and even other agents to get confused about Texas seller's disclosure rules. Here are four issues you may encounter.

**MISCONCEPTION #1:** Sellers are only allowed to use the Texas Real Estate Commission's promulgated disclosure notice.

**FACT:** Sellers can use TREC's *Seller's Disclosure of Property Condition*, Texas REALTORS® *Seller's Disclosure Notice* (TXR 1406), or a different disclosure form as long as it meets the minimum statutory disclosures required by Texas law. TREC's form helps sellers meet the statutory requirements. The members-only Texas REALTORS® form includes these minimum disclosures but adds extra details that can reduce your seller's risk of a disclosure dispute.

**MISCONCEPTION #2:** Sellers aren't allowed to complete a disclosure notice unless it's for a single-family property.

**FACT:** The Texas Property Code requires a seller's disclosure for residential real property comprising not more than one dwelling unit. However, sellers with other types of properties, like a duplex, can still be liable for material defects the seller has knowledge of. In situations such as this, completing a seller's disclosure—though not required—can help reduce a seller's risk.

**MISCONCEPTION #3:** Once sellers complete a disclosure notice and provide it to the buyers, they shouldn't update it even if they find out new information about the property.

**FACT:** Sellers should disclose known material information about the property's condition even if those conditions were discovered after providing the disclosure notice. Sellers aren't required to update the first notice and can complete the members-only *Update to Seller's Disclosure Notice* (TXR 1418).

**MISCONCEPTION #4:** It's OK if an agent completes the seller's disclosure notice if the seller directs the agent to do so.

**FACT:** The seller's disclosure is for the seller—not the real estate agent. While you can provide the form and answer your clients' questions, you should not complete the form for a seller.



**Legal Q&A**

*What does it mean for the contract if a term is left blank?*

A term left blank in a contract does not automatically equal a zero value, nor that the section is not part of the contract. Instead, a blank item would most likely be deemed ambiguous. When courts come across ambiguous language or terms in a disputed contract, the court may insert a reasonable term based on the facts and circumstances. If the parties cannot come to a resolution about what the term or value should be, a court would have to decide the value of that term for them.

To best protect the parties to the contract, all terms should be carefully reviewed and addressed. For example, if the paragraph says to check only one box, make sure only one is checked. Avoid leaving anything blank, and if a blank requires a dollar amount, don't use *market* or *TBD*.

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**EXECUTIVE ORDER SAVES PLUMBING BOARD FOR NOW**

In June, Gov. Abbott issued an executive order to suspend a law that would've abolished the Texas State Board of Plumbing Examiners and the Plumbing License Law. Gov. Abbot's order delays the abolition or expiration of the licensing body until disaster needs subsides or the issue is addressed by the next legislative session. The Plumbing Board can continue to license and regulate plumbers until May 31, 2021, to give the legislature time to take action. Inspectors must continue to be licensed as a plumber to conduct sewer line inspections and static pressure testing.



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# WHAT THE CODE OF ETHICS SAYS ABOUT YOUR CMAs



Make sure you're not violating the REALTOR® Code of Ethics when creating broker price opinions and comparative market analyses. Standard of Practice 11-1 says that when REALTORS® prepare these types of opinions, they must:

- Be knowledgeable about the type of property being valued
- Have access to the information and resources necessary to formulate an accurate opinion
- Be familiar with the area where the subject property is located

Unless a lack of any of these is disclosed to the party requesting the opinion in advance.

If you aren't pursuing a listing or assisting a buyer with a purchase offer, you must include the following information, unless the party who requests the opinion requires different information.

- Identification of the subject property
- Date prepared
- Defined value or price
- Limiting conditions, including statements of purpose(s) and intended user(s)
- Any present or contemplated interest, including the possibility of representing the seller/landlord or buyers/tenants
- Basis for the opinion, including applicable market data
- If the opinion is not an appraisal, a statement to that effect
- Disclosure of whether and when a physical inspection of the property's exterior was conducted
- Disclosure of whether and when a physical inspection of the property's interior was conducted
- Disclosure of whether the REALTOR® has any conflicts of interest.

## DON'T FORGET ABOUT TREC RULES

Texas law says a real estate license holder is obligated to provide a broker price opinion or comparative market analysis when negotiating a listing or offering to purchase the property for the license holder's own account as a result of contact made while acting as a real estate agent. In addition, the license holder must also provide whoever requested a BPO, CMA, or estimated worth or sale price with the following written statement, reproduced verbatim and in at least 12-point type:

"This represents an estimated sale price for this property. It is not the same as the opinion of value in an appraisal developed by a licensed appraiser under the Uniform Standards of Professional Appraisal Practice."

MLSs and RPR should provide the disclaimer when analyses are created through these platforms.

For more information about TREC rules, search *BPO* on [texasrealestate.com](http://texasrealestate.com) and read the blog post "TREC Adopts Changes to Rules for Consumer Notices, BPOs and CMAs, and More" from November 2017.

## Your Forms

For certain counties located near an international border, Texas law may prohibit the sale of a property that lacks required water and sewer services. Even if a sale of such property is permitted, a buyer may face additional costs or restrictions under Texas law if there's a lack of basic infrastructure, such as water, sewer, roads, or drainage. That's why Texas REALTORS® created *Information Regarding Property Near an International Border* (TXR 2519), which is designed to inform the buyer of the risks, provide resources on the law, and advise the buyer to consult an attorney.

Find TXR 2519, along with more than 130 other members-only forms, at [texasrealestate.com/realtorforms](http://texasrealestate.com/realtorforms).



## LEGAL & ETHICS

### Legal Hotline

800-873-9155

REALTORS® acting as property managers sometimes ask if they are required to disclose the name of the property owner to the tenant. The answer is yes. Texas Property Code Section 92.201 requires that a landlord disclose the name and either a street or post office box address of the holder of record title (the owner) to the tenant. Disclosure may be made by including the information in a copy of the lease or in written rules given to tenants before they request the information.

—Laura Miller, staff attorney



## TEXAS REAL ESTATE COMMISSION: BRANCH OFFICE LICENSES NOT REQUIRED AFTER SEPTEMBER 1

Legislation enacted in the 86<sup>th</sup> Texas Legislature repealed Section 1101.552 of The Real Estate License Act, which requires that a broker who maintains more than one place of business must obtain a branch office license for each additional office.

Therefore, beginning September 1, TREC will no longer require branch office licenses. If you currently have branch office licenses, you do not need to renew them.



## WHAT'S GOING WRONG

You can learn from others' mistakes by browsing the latest disciplinary actions taken by the Texas Real Estate Commission. Visit [trec.texas.gov](http://trec.texas.gov) and look for *Disciplinary Actions* under the *Public* menu.

Search disciplinary actions by city, date range, type of violation, and other criteria. You also can download a PDF of a disciplinary action's order that includes TREC's findings of fact in the case.



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# Exit Strategies for High-End Real Estate

Learn the basics and the benefits of like-kind active and passive exchange options that help sellers defer capital gains. **by Les Sweetow**

Texas property owners have witnessed extraordinary property appreciation since 2011, driven in part by buyers migrating from states like California to avoid high taxes. According to a May 2019 Legg Mason commercial real estate report on the rise of the Sunbelt, Texas led the nation in domestic migration measured over a 10-year period from 2008 thru 2018. Industry forecasts for projected growth continue to name Texas as the percentage leader in population growth through 2030, well outpacing second-place Florida.

## How Increased Migration Is Affecting Texas Property Values

The growth in domestic migration has benefited Texas property owners, with demand outpacing supply, resulting in higher prices.

In the luxury-home market, Austin, Dallas, Houston, and San Antonio rank in the top 40 of U.S. cities with the high-

est percentage of million-dollar homes, according to a July 2018 LendingTree report. Luxury home sales in Texas were a strong driver of the Texas housing market during the first 10 months of 2018, according to the Texas REALTORS' *2018 Texas Luxury Home Sales Report*. The median price for Texas luxury homes was \$1.35 million, with the average price per square foot at \$358.

The April 2019 Home Price Index report from the Real Estate Center at Texas A&M University reported data which support that Texas realty demand and home-price appreciation have grown well beyond the four largest metro areas. Of course, no one has recognized these trends better than REALTORS®, who continue to play a pivotal role in facilitating these transactions throughout the state.

## When High Property Values Hurt Owners' Bottom Line

While homeowners welcome the benefits

associated with higher property values and increasing equity, price appreciation also comes with the sobering reality for some property owners that the tax implications of a sale may be unacceptably high.

Even with the Internal Revenue Code (IRC) 121 exclusion of gain from sale of principal residence up to \$250,000 for single tax payers and \$500,000 for married couples on principal residences owned for at least two years, the consequence of a sale may still lead to significant capital gains if the realized gain is well in excess of the property's adjusted basis—and well beyond the IRS exclusion limits. Many owners of expensive properties with a low adjusted basis have chosen instead to lease the property for years to avoid realizing a capital gain at closing.

## How a 1031 Exchange Can Benefit Sellers

You may be familiar with IRC 1031 exchange rules as they apply to residen-





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tial and commercial investment real estate, but few are aware of the opportunity to convert a primary residence into a rental property and then qualify for a section 1031 exchange by combining IRC 121 with IRC 1031.

If the primary residence has been leased for two out of the last five years preceding the sale of the property, owners may be able to exchange their property into another property and defer the capital gains if the replacement property is held for investment.

Under IRC section 1031, the owner of an investment property can exchange into a like-kind property of equal or greater value held for productive use in trade or business, or for investment.

Like-kind properties don't have to be the same type as the property being sold to qualify. They can include raw land, single-family houses, apartments, commercial properties, and so forth. Under certain conditions, oil, gas, and mineral rights qualified as real property may also be able to benefit from an exchange.

Vacation and second homes may also qualify under a safe harbor if the unit has been leased at fair market value for a qualified period during the year. Given the complexity and the risks of failing to adhere to strict IRS guidelines, agents should advise their clients to seek tax and legal advice prior to contemplating any such transaction.

### **The Result When a 1031 Exchange Is Done Properly**

In a qualified 1031 exchange, property owners can defer paying federal and state capital gains taxes to include depreciation recapture. The exchange process

must prevent actual or constructive receipt of funds and, as such, is often managed through the services of a professional qualified intermediary to navigate the complexity of the process. Many attorneys and tax professionals as well as large national property exchange companies engage in this service.

While a new opportunity to list a property for sale that otherwise would have remained a rental is apparent, some property owners may not want to take on the active management of a new and yet unknown exchanged property, electing instead to keep their current residence as a rental. However, passive exchange alternatives exist which don't involve active property management, yet these alternatives still offer many of the same risks and rewards associated with active property ownership and management.

### **Types of Passive Exchange Options**

Two types of passive exchange options include an exchange into a Qualified Opportunity Zone Fund or a Delaware Statutory Trust (DST).

#### **QUALIFIED OPPORTUNITY ZONE**

Qualified opportunity zones are nominated by the state and certified by the Treasury Department as areas designated as economically distressed and in need of improvements for economic development. The fund invests in zone development, and investors are given the opportunity to benefit from the potential growth in the community through higher asset values and returns associated with the fund's investment.

#### **DELAWARE STATUTORY TRUST (DST)**

DST property exchange offerings are limited to accredited investors as defined by the U.S. Securities and Exchange Commission (SEC). They offer investors a fractional beneficial interest in large, institutional quality and professionally managed commercial properties. The advantage of this type of interest is that small investors may be able to exchange both debt and equity into the types of properties usually limited to institutional investors without the burden of active management or participation. Investors in DST offerings will not have any management or operational control.

As property values continue to climb and baby boomers seek to downsize, many owners will seek your advice on how to achieve their desired real estate objectives.

Both DSTs and qualified opportunity zone funds can provide excellent returns to an investor's portfolio but are highly speculative and offer substantial risks. Your clients should be advised to seek legal, tax, and investment advice prior to investing.

As property values continue to climb and baby boomers seek to downsize, many owners will seek your advice on how to achieve their desired real estate objectives. Owners who face the potential for considerable capital gains may not be aware of the potential to exchange into an actively managed or passive fractional beneficial property interest. Owners of properties subject to condemnation under eminent domain may also be able to initiate a like-kind exchange under IRC 1033 Involuntary Conversions, and will additionally benefit from sound advice. The ability to provide clients with valuable insights and options will further demonstrate a commitment to serving their best interest.

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# Creating A Diverse, Inclusive Broker

By letting agents be themselves, seeking out diversity in recruits, and avoiding knee-jerk assumptions, these Texas brokers are building brokerages that welcome all.

**by Bridget McCrea**



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# age

**M**ohammad-Ali Tukdi never set out to emphasize diversity in his real estate firm, but that's exactly the way things unfolded for this broker/owner of Dash Realty. With agents in Dallas, San Antonio, Houston, Midland-Odessa, and Austin, the brokerage has become known as a welcoming, inclusive place for agents of all ethnic backgrounds, genders, religions, and lifestyle preferences.

Tukdi, who is from Pakistan, is humble about the fact that his brokerage is garnering attention for its diverse ways. "I never had diversity or inclusion in mind when building my company; it really just happened natural-

ly," says Tukdi, who has more than 180 agents in Texas and is a member of nine local REALTOR® associations. He's been active in the Asian Real Estate Association of America (AREAA), for which he served as treasurer at one point. "I think that played a role in getting us to where we are today," says Tukdi.

If he had to pinpoint the secret to his diverse agent-hiring approach, Tukdi says it would come down to a simple management philosophy: Instead of wanting your agents to be like you, always encourage them to be true to themselves. "I'm open-minded, and I really don't want my agents to be like me," says Tukdi. "I'm always here to help them grow and succeed, but ultimately I just want them to be themselves."

### **"Looking" Like the Populations We Serve**

As the U.S. demographic makeup continues to become

more diverse, one would assume that real estate brokerages would be morphing to "look" more like the populations that they serve. According to the latest U.S. Census numbers, for example, the population of Texas is 42% white, 39.4% Hispanic or Latino, 12.7% black or African American, 5% Asian, and 2% two or more races. That means groups considered "minority" populations now combine to total nearly 4.6 million more Texans than the white population of the state.

That's something that Texas brokers should pay attention to, says Socar Chatmon-Thomas, broker/owner of Elegant Estates by Auction in Austin and an At Home with Diversity (AHWD) instructor. "The world is not all white, and the world is not all black," she says. "As a nation, a state, and an industry, it's time we realize that the world is more brown than anything else. But real estate isn't—if it were, we wouldn't be having

these conversations."

Calling Texas a "majority-minority state," Chatmon-Thomas says the tides are slowly changing as more brokers integrate diversity and inclusion initiatives into their recruiting practices. In many cases, however, she says those efforts don't have a strong effort or commitment behind them.

"I don't think the brokerages are actively recruiting people of color, or going into high schools and telling 18-year-olds, 'Hey, guess what? Want to make some money? How about going to real estate school, becoming somebody's apprentice or assistant, and then branching out on your own?'" Chatmon-Thomas says. "In most cases, the thought doesn't even cross an agent's or broker's mind that



Mohammad-Ali Tukdi



Socar Chatmon-Thomas



they're in an office where there are no people of color."

## Help Wanted

When Tukdi got into real estate in 2007, the market was in a pretty shaky place. Not really wanting to work on commission, he says he got his real estate license anyway and decided to give the business a shot. "I was broke at the time, and this was one of the few businesses you could start with zero investment," Tukdi recalls. "I needed to feed my family, so I basically had to make this work."

Tukdi worked on his own as an apartment locator for two years, then got his broker's license in 2009 and opened his own company. "I had no agents; I just rented some space and started my business," he says. Having endured his fair share of struggles—both financially and in life—Tukdi says when he started building his team, he immediately gravitated to individuals who were hard workers but were dealing with

challenges and needed help building their businesses.

"I would meet with them and try to figure out what component they were missing and what was lacking," says Tukdi. "Then, I'd figure out how to help them overcome their obstacles and grow their businesses." As he grew his brokerage, Tukdi says he also sought out individuals who saw him as less of a boss and more of a coach and mentor. More important, he says, is that he took lessons from everyone he brought on board, and continues to do so today.

"I consider myself the student," says Tukdi. That approach has not only helped this Texas broker attract a diverse agent base, but it has also kept agent turnover to a minimum. "My agents are like family to me," says Tukdi, who doesn't keep formal business hours. "I'm there for them and available around the clock. Even on a Sunday at 8 p.m., they know they can reach out to me for whatever they need."

## Breaking in to Commercial Real Estate

Peggy Jones always knew she wanted to run her own commercial real estate brokerage, but she wasn't quite sure how to get there. Licensed since 2004, she became a broker two years later, earned a master's degree, and hit the streets in search of a broker to work for. "None of them would even talk to me," says Jones, who is now manag-

ing director at SVN/PJP Commercial Brokerage in San Marcos, "because I didn't have enough of a background in the industry.

"I'd built campgrounds and had development experience," she says, "but none of that really seemed to matter." Disappointed but not deterred, Jones became a loan broker who handled commercial deals, but remained interested in commercial brokerage.

She looked at the franchises and applied for jobs at some large national brokerages without success until applying for a position at SVN/PJP in New Braunfels—a company that at the time was attempting to expand its agent diversification efforts.

"I watched one of their videos where someone talked about having more women and minorities become a part of SVN," says Jones. "I thought, *Wow, maybe I should pick up the phone and call them.*" Jones makes no secret about how disheartened she was leading up to the day she picked up that phone, hoping for a different outcome this time.

She got what she was yearning for. "With your experience," the voice on the other end of the line told her, "you should be running your own brokerage instead of working for someone else." After the firm invited her to attend a training program and reduced its franchise fee to make it more affordable for

her, Jones became managing director of the firm's San Marcos location.

Today, Jones is two years into a five-year franchise commitment with SVN. She's turned her own experience into an advantage in an industry that, according to the National Association of REALTORS' *2018 Commercial Member Profile*, is 70% male with a median age of 60. "That's not a good representation of the population at all," says Jones.

Jones says she's making incremental changes in her own company and has demonstrated a commitment to diversity and inclusion at her firm. For example, she recently hired three agents with different backgrounds.

Jones sees good training as one way to address this issue, and says it stands to reason that someone who went through the licensing and training process should be respected as a capable professional, regardless of the color of their skin, their ethnicity, gender, or lifestyle preference.

"Don't just automatically assume that because someone doesn't fit your profile, he or she hasn't been adequately trained and isn't capable of handling the business."

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**BRIDGET MCCREA** is a writer and former real estate agent in Florida who has written for Texas REALTOR® and many other REALTOR® and business publications.



Peggy Jones

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# Tell me about it



## HOW REALTORS<sup>®</sup> LEVERAGE TESTIMONIALS

Two members share how they successfully use clients' feedback.

“They’re effective, and they’re free. What more do you want from marketing?” says Judy Kay about testimonials.

As broker-owner at RockCenter Realty in Galveston, Kay puts testimonials on her website and in her client materials. “Testimonials from buyer clients go in my buyer packets, and I put testimonials from sellers in my listing packets.”

Kim Erwin, broker-associate at Keller Williams Island Properties in Corpus Christi, also uses testimonials. “People want to do business with people who do good business,” she says, “and testimonials are one of the best ways to show potential clients that other people were satisfied with your services.”

Erwin says about half her clients offer to give a testimonial, and she asks the other half after the transaction closes. “Some clients send me an email, but others will put a card or letter in the mail.”

She has looked into services that you can use to solicit testimonials from clients, but Erwin prefers direct feedback. She says the questions asked by those services aren’t as useful. “A form might ask, ‘Did your agent close the transaction on time?’ Well, a yes/no answer to that question doesn’t tell the whole story.”

Kay also gets her feedback straight from clients. “I ask them in person—usually while we’re waiting to get the keys or waiting for a check to get funded at closing. I’ll say, ‘Do you

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Testimonials are a valuable marketing tool. However, unless you understand how to acquire and properly leverage them, you could be losing leads. Find out the science behind effective testimonials from a psychology professor, see how two members market their business with testimonials, and learn a four-step process to get better testimonials.

by Ward Lowe

Good testimonials reinforce that you're doing the right thing for clients—they're like referrals.

—Kim Erwin

mind texting me a couple of sentences about how you think the process went? Or anything I could do better in the future?" Everyone has their phones on them, so it's pretty immediate."

Kay and Erwin both ask if they can use the testimonials on their websites and other materials. Getting permission is an essential step, and neither have encountered much resistance from clients providing feedback.

"Good testimonials reinforce that you're doing the right thing for clients—they're like referrals," says Erwin. "I've had people tell me they found my site and decided to contact me because of the testimonials."

Kay has another, more personal way that she benefits from testimonials: "They act as a pick-me-up. When I have a bad experience with a client, I sometimes look at the testimonials to remind myself that I'm very good at my job."



When I have a bad experience with a client, I sometimes look at past testimonials to remind myself that I'm very good at my job.

—Judy Kay

## WHEN AND WHY TESTIMONIALS WORK

Marlone D. Henderson, associate professor at the University of Texas at Austin Department of Psychology, answers questions about the science behind decision-making and when testimonials work best.

### **Texas REALTOR®: How do testimonials factor into decision making?**

**HENDERSON:** When people look for external information to make decisions, they rely on two general types of information. The first kind is case-based information, such as a testimony from someone with experience with a product or service. The second is aggregate information, which is the experiences of many people or general trends. It's usually a big sample size and tells us what happens to most people.

### **How do people use these types of information?**

People tend to be drawn to testimonial or case-based information. It's easy for them to wrap their heads around it, because they can visualize it. It's concrete. They understand what it means to have bad service at a restaurant or to have a real estate agent who doesn't return their calls.

Aggregate information can be hard to process, whether it's because there are complicated

*People tend to be drawn to testimonial-type information. It's easy for them to wrap their heads around it, because they can visualize it.*

—Marlone D. Henderson

statistics or because it's abstract information. For example, how does a 4-star restaurant look different than a 4.5-star one?

The drawback to relying on case-based information is that you could have a testimony that doesn't represent how things work for most people most of the time. Even the best restaurants have bad reviews.

**Does that mean testimonials are more effective than aggregate information?**

It depends if the customers are thinking about a transaction in the near or distant future. People's brains think in abstract or concrete ways based on time.

If you ask someone what his life will be like in 10 years—the distant future—he'll say general, more abstract things: "I hope I'm healthy. I want my kids to do well."

If, however, you ask him about tomorrow—the near future—he'll be more detailed, more concrete: "I have a closing in the morning then I'm going to lunch. After that, I'm heading to the gym."

When people are in that detailed, concrete mindset, they'll be swayed more by the testimony. If they're thinking generally, they'll be swayed more by the aggregate information.

So, testimonials work better on potential clients thinking about near future actions, like buying a house in two months. Aggregate information tends to work better with potential clients planning for the distant future, such as a multi-year plan to downsize.

You can tailor your marketing based on the audience. Potential clients who are ready to buy or sell get testimonials, while people without a clear plan or timeline might be more receptive to hearing about your high sales numbers or other ways you rank highly versus area agents.



## 4 STEPS TO EFFECTIVE TESTIMONIALS

**1. Ask right away**

If you've done a testimonial-worthy job, clients are usually willing to give you a good testimonial. Ask right after the transaction ends, when they're happy with the outcome and the satisfaction is fresh in their minds.

**2. Look for a problem**

You want to let clients say whatever they want about how great you are. However, some transactions are more complicated than others. If you helped close a particularly challenging one, suggest to the client that he or she mention how you solved it.

**3. Be flexible on format**

Text, email, hand-written note—it doesn't matter how they deliver the information as long as they do. Certain clients might be more comfortable sending you a video clip, which you can use or transcribe into print.

**4. Get permission**

Make a list of all the ways you might use testimonials—e.g., website, social media, email newsletters, listing packet. When your clients send the testimonial, reply with a question that includes are your intended uses: "May I use this on my website and social media channels with your name?" Using the client's name enhances your testimonial's authenticity, which makes it more credible.

# Tell me about it



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## WHAT SELLERS SHOULD KNOW ABOUT THE RISKS OF RECORDING BUYERS

If you have smart-home technology that can record video or audio, make sure you don't run afoul of the law when your home is being viewed by potential buyers.

Illegally recording is a felony offense in Texas, and anyone who has been recorded in violation of the law can bring a civil suit to recover \$10,000 for each occurrence, actual damages in excess of \$10,000, punitive damages, attorney's fees, and court costs.

If you are putting your house on the market, here's how to avoid trouble with your technology.

### THE "ONE-PARTY RULE" WON'T PROTECT YOU

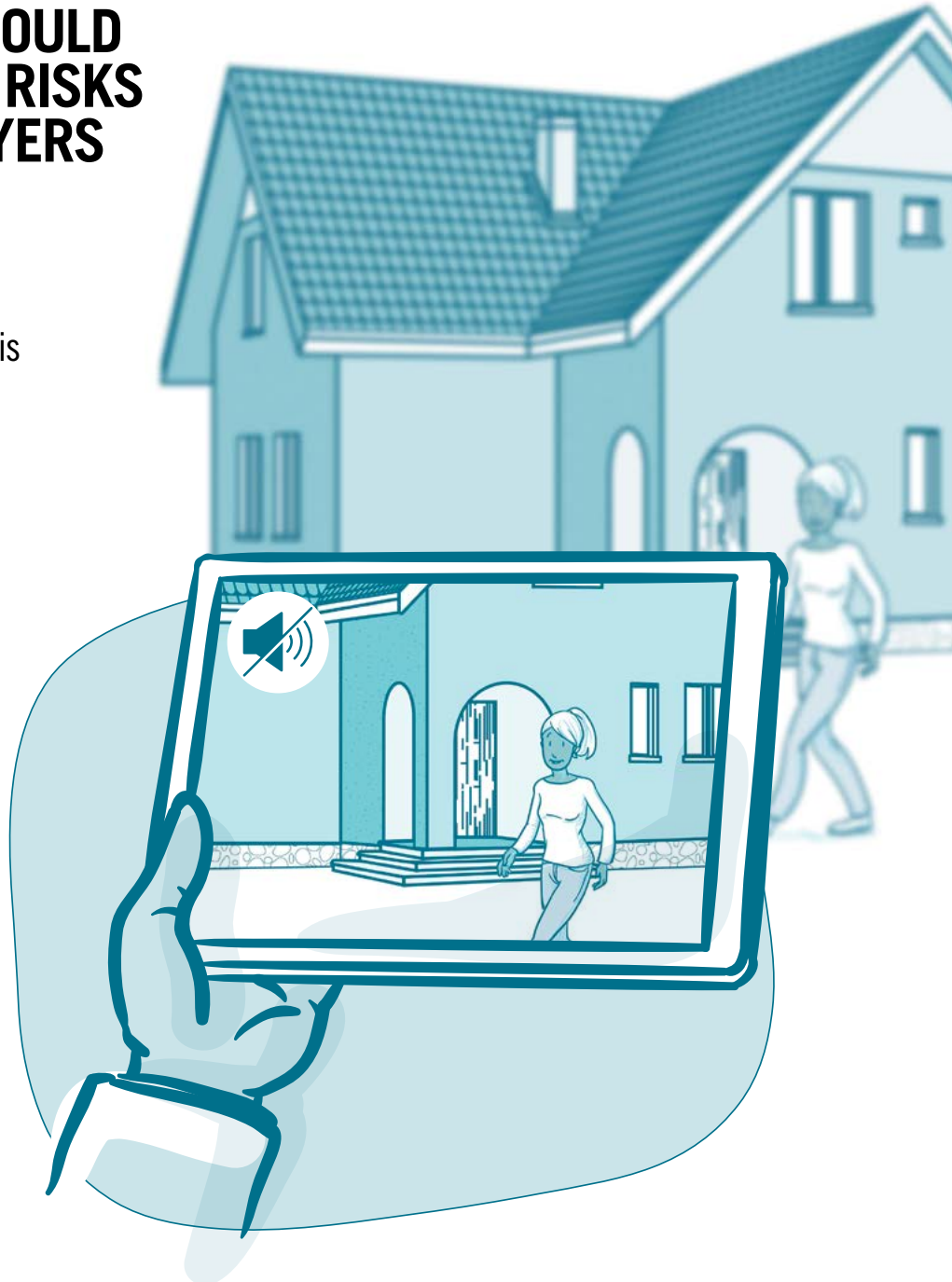
If you think you can get away with eavesdropping on a buyer showing, think again. Although Texas law allows you to record audio of your own conversation without the consent of the person you are speaking to, this "one-party rule" does not apply when you are not present and participating in the conversation. You cannot record audio of a conversation merely because the conversation happens inside your home.

### BE CAREFUL WITH VIDEO

Many homes have security cameras that record video. Silent video from security cameras is generally allowed as long as it isn't in a private area of a home. For example, silent video from a common part of your home—such as the exterior, foyer, or garage—is likely OK. Silent video from a bathroom is not allowed. It's never a good idea to record video and audio together during a showing.

### VISITORS' PRIVACY IS PROTECTED BY LAW

Just because someone is in your home does not mean you can record whatever you want. Texas privacy laws exist to protect individuals, and courts have found in favor of visitors when a homeowner goes too far with surveillance.



Don't risk a lawsuit just to overhear what a buyer thinks about your property. Leave proper feedback-gathering to your REALTOR®.

# TAKE 5

## WILL YOU LOWER YOUR COMMISSION?

If your prospects want to negotiate a lower commission than what you've proposed, they may be reacting to circumstances unrelated to your value as an agent. Asking a few follow-up questions may shed more light on their motivations and reveal an alternative opportunity that benefits everyone. Start by considering the following scenarios.

### ARE THEY WORRIED ABOUT CASH ON HAND?

If you're working with buyers looking for a rebate, find a way to tactfully inquire if they're worried about budget, downpayments, or closing costs. You may be able to point them to resources about assistance programs or financing options that can serve a similar need.

### ARE THEY CONSIDERING GOING WITH DIFFERENT OR LIMITED SET OF SERVICES?

Make sure your prospective clients understand the full suite of services you offer, and ask if they've shopped around for other agents or brokerage, which gives you an opportunity to point out if the comparison isn't like-to-like.

### ARE THEY MAKING ASSUMPTIONS BASED ON SOMEONE ELSE'S EXPERIENCE?

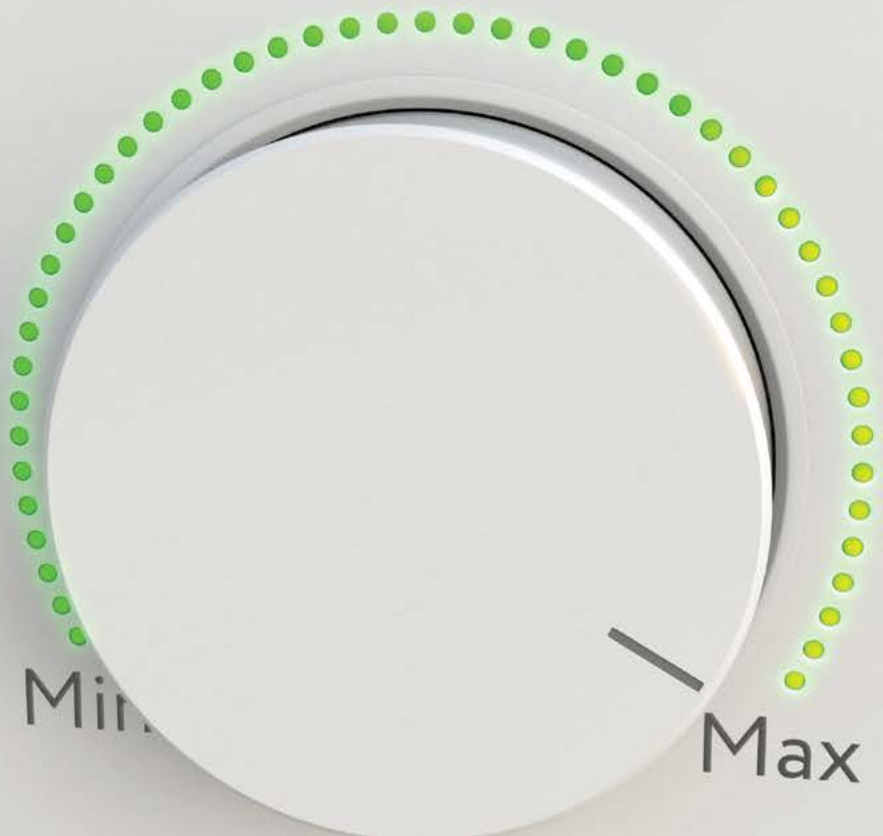
Maybe they've talked to a friend or neighbor who worked with a different brokerage model or negotiated a different commission amount. Inquiring about assumptions they may have will allow you to support your commission based on the particulars of their property, the local market, and your plan for marketing the property.

### DO THEY THINK THEY ALREADY HAVE A BUYER LINED UP?

If sellers think there's already enough interest in their home that an offer is practically in hand, they may question your value. Challenging the seriousness of that interest may not go over well, but you could reach a compromise in the listing agreement—for example, a lower commission amount if a named party they know purchases the property but a higher amount if you bring a different buyer.

### ARE THEY LOOKING FOR A BARGAIN?

Some consumers are just looking for the cheapest price. If your questions lead you to that conclusion, you may decide that it's best for both parties if you refer them to another broker.



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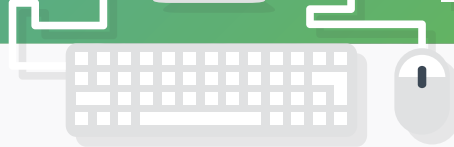
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### ACCESS ANYWHERE, ANYTIME

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### MORE ABOUT US

OHGuests is a global company, a SaaS web-based and Mobile App Open House Management platform has been purpose-built from the ground up that provides agents and brokers a clear, concise and organized solution to maximize and secure their leads through innovative paperless technology.

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