

# TEXAS REALTOR

Succeed in Texas Real Estate

January/February 2023 \$3.50

A full-page portrait of Marcus Phipps, a man with short brown hair, smiling. He is wearing a blue suit jacket, a white shirt, and a purple patterned tie. He is standing in front of a black wrought-iron fence with gold stars on top. In the background, the Texas State Capitol building is visible under a blue sky with some clouds.

## 2023 CHAIRMAN MARCUS PHIPPS

Brings Authenticity  
and Transparency p.16

TR TEXAS REALTORS

Are you ready for  
desktop appraisals? p. 9

How to work with  
homebuilders p. 12

Cap rates and commercial  
real estate p. 28

# CONTENTS



**THIS AD  
WON'T END  
DISCRIMINATION  
IN REAL ESTATE.**

## PEOPLE WILL

If recent events have taught us anything, it's this: we have more work to do. Racism is real, tragically so. Discrimination, in all its forms, still casts a long shadow in this country, and too many are being denied the opportunities that all Americans deserve. Our commitment to the diverse communities we serve starts with a Code of Ethics. Our code sets a higher standard for fairness in housing than any federal law, it's backed by a culture of member accountability, and it extends to our work on Capitol Hill, where we continue to advocate for meaningful change.

At the National Association of REALTORS® we believe that fairness is worth fighting for, and we won't stop until the fight is won. Because that's who we are.

**If you experience or witness discrimination in real estate, we urge you to report it.**

Visit [hud.gov/fairhousing](https://www.hud.gov/fairhousing) to file a complaint with the Department of Housing and Urban Development.



REALTORS® are members of the National Association of REALTORS®

COVER PHOTO: @sanjaypatel

**3 INSIGHTS**  
Texas REALTORS® healthcare member benefit program

You can make a difference during the 88<sup>th</sup> Texas Legislature

Commercial webinar on 1031 exchanges

**4 BUSINESS**  
Disconnect to better connect  
Is that can of paint still good?

**5** Assume nothing about what your clients know  
How TREC helps military families

**6 LEGAL & ETHICS**  
Protect yourself from disputed-value claims

**7** Fact or Fiction: Should inspectors note whether a roof needs gutters?

**8** Code of Ethics changes for 2023  
Your Forms:  
*Wire Fraud Warning (TXR 2517)*

**31 SHARE THIS**  
Team up with your REALTOR®

**32 TAKE 5**  
Build lasting relationships with clients

**9 FEATURE**  
**Are You Ready for Desktop Appraisals?**  
*by Brent Bowen*

In early 2022, Fannie Mae and Freddie Mac started allowing some appraisals in which the appraiser never sets foot in the listing. How is that possible? And what do you need to know to make your properties ready?



**28 FEATURE**  
**What's a Cap Rate?**  
*by Charles Porter*

Capitalization rates are a valuable tool in estimating the sales prices of commercial properties. Get out your calculator and jump into the world of net operating incomes and desired returns.



**16 COVER STORY**  
**2023 Chairman Marcus Phipps**  
*by Joe Olivieri*

The 2023 Texas REALTORS® chairman preaches selfless assignments, empowering agents, and doing whatever it takes to help your clients thrive. Also, meet your 2023 Leadership Team, regional vice presidents, and committee leaders.



**12 FEATURE**  
**Building Relationships in New-Construction Transactions**  
*by Joe Olivieri*

It's easy to understand why buyers like new construction. But these transactions have important differences from other residential home sales. Learn how you can help your clients and the builders.



**14 FEATURE**  
**REALTOR® Day at the Texas Capitol and Riding with the Brand**

Come to Austin for fun, barbecue, and the opportunity to champion real estate issues—in person once again! Find out why you should come to the event and how you can enter to win a REALTOR®-branded Harley Davidson motorcycle.



**MARCUS PHIPPS** Chairman of the Board  
**JEFF CONN** Secretary/Treasurer  
**RUSSELL BERRY** Immediate Past Chairman  
**TRAVIS KESSLER** CEO  
**ANGELA BRUTSCHÉ** VP of Comm. & Mktg.  
**MARTY KRAMER** Editor-in-Chief  
**WARD LOWE** Assoc. Dir. of Communications  
**PATEE FRANKS** Digital Marketing Specialist  
**JOE FISHER** Marketing Specialist  
**JOEL MATHEWS** Art Director  
**JOSHUA BANKS** Graphic Design Manager  
**CHRIS NELSON** Graphic Designer

**CHANGE OF ADDRESS OR EMAIL**  
Members should always send postal address or email changes to their local association.

**CONTACT THE EDITORS**  
editor@texasrealtors.com  
512-480-8200  
P.O. Box 2246  
Austin, TX 78768-2246

**ADVERTISING SALES**  
Mohanna Sales Representatives  
214-291-3648  
texasrealtorsinfo@mohanna.com

Texas REALTOR® (ISSN 1068-1248) is published monthly except combined issues in January/February and September/October by Texas REALTORS®.

**POSTMASTER**  
Send address changes to:  
Texas REALTOR® magazine  
Attention: Membership  
P.O. Box 2246  
Austin, TX 78768-2246

Periodicals Postage Paid at Austin, TX, and at additional mailing office. Annual dues of members of the association include \$5 for a one-year subscription to Texas REALTOR®. Annual subscription rate to others: \$25. Single copy rate to others: \$3.50. Office of publication: 1115 San Jacinto Blvd., #200, Austin, TX 78701-1906; mailing address: P.O. Box 2246, Austin, TX 78768-2246; phone: 512-480-8200; fax: 512-370-2390.

All articles and paid advertising represent the opinions of the authors and advertisers, and do not necessarily represent the opinions of the editors of Texas REALTOR® or the association and should not be construed as a recommendation for any course of action regarding financial, legal, or accounting matters by the association or Texas REALTOR® and its authors.

Contributions are not deductible for federal income tax purposes. Contributions to the Texas REALTORS® Political Action Committee (TREPAC) and the Texas Association of REALTORS® Federal Political Action Committee (TAR FedPAC)—which makes contributions to the REALTORS® Political Action Committee (RPAC)—are voluntary and may be used for political purposes. The amount indicated is merely a guideline, and you may contribute more or less than the suggested amount. You may refuse to contribute without reprisal, and the National Association of REALTORS®, Texas REALTORS®, and its local associations will not favor or disadvantage anyone because of the amount contributed. Until the RPAC annual goal is met, 70% of an individual's contribution goes to TREPAC and may be used to support state and local candidates; the remaining 30% is sent to TAR FedPAC to support federal candidates and is charged against your limits under 52 U.S.C. 30116. (Exception: 100% of an individual's contribution goes to TREPAC if the individual is an employee of an affiliate member of Texas REALTORS®.) After the RPAC annual goal is met, 100% of an individual's contribution goes to TREPAC and may be used to support state and local candidates. You may contact the Texas REALTORS® political committee administrator at 800-873-9155 to obtain information about your contributions.

Federal law prohibits TREPAC and FedPAC from soliciting contributions from persons not included in the following groups: Members of the association, executive and administrative personnel of the association, and the families of both groups. Contributions received in relation to this publication from a person outside of these groups will be returned.

©2023  
Texas REALTORS®  
All rights reserved.



It's not a **RED** problem.  
It's not a **BLUE** problem.  
It's a **PURPLE** Solution.

Be part of the #PurpleSolution  
in 2023 by investing in TREPAC.

Visit [trepac.com/purplesolution](http://trepac.com/purplesolution) to  
help TREPAC turn Texas purple.

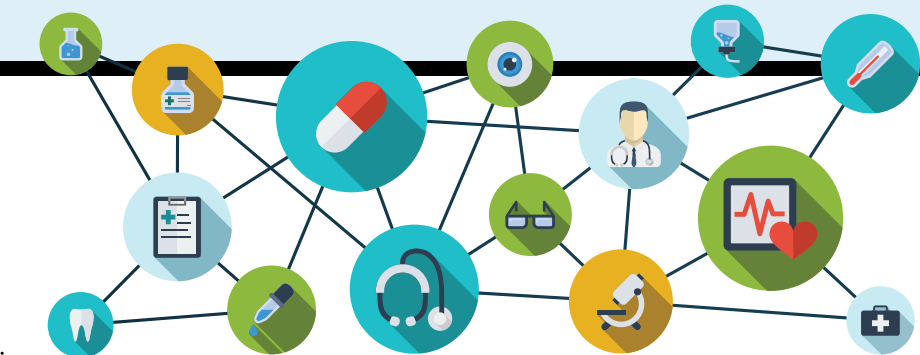


Federal law prohibits TREPAC and FedPAC from soliciting contributions from persons not included in the following groups: members of Texas REALTORS®, executive and administrative personnel of REALTOR® associations, and the family of both groups. Contributions received in relation to this publication from persons outside of these groups will be returned.

# INSIGHTS

Photo & Images: © Hüh © AnoufCanPhotography - stock.adobe.com

## TEXAS REALTORS® HEALTHCARE MEMBER BENEFIT PROGRAM



After years of working toward a healthcare option for members, Texas REALTORS® is proud to announce the launch of a Healthcare Member Benefit Program for Texas REALTORS®. Members will now have access to a national PPO network.

Members can enroll the first day of any month with open enrollment needing to be completed no later than 30 days in advance.

For questions and plan information, contact a member benefit program representative at [capcareenrollment@concordmgt.com](mailto:capcareenrollment@concordmgt.com) or 833-287-4765.

Note: To participate in the member benefit program, you must become an associate member of Amalgamated Local Union 426. You will not be solicited via phone or text for this benefit.

- Large group rates
- In-Network coverage in all 50 states, plus DC & Puerto Rico
- No age rating – 4 tier rates (nationwide)
- Concierge access and support
- Deductible options range from \$0 to \$6,000
- 50% to 100% coinsurance options
- Multiple office-visit copay options
- Access to large, national networks, with discounts for using in-network providers
- 100% preventive care as required by the Affordable Care Act
- Doctor, Specialist and Urgent Care copays
- X-ray and lab benefits

### HIGHLIGHTS OF BENEFITS TO ASSOCIATE MEMBERS

- ACA compliant health benefits (includes all 10 “essential benefits” in ACA guidelines)
- **Fully funded, 1<sup>st</sup> dollar coverage**
- **Groups as low as 1** (available to sole proprietors and 1099 contractors)
- **Coverage cannot be denied** (no pre-existing limitations)

### VOLUNTARY SUPPLEMENTAL HEALTH PLANS

- Empire Accident Plan
- Empire Specified Disease Plan
- Empire Hospital Indemnity Plan
- Anthem Voluntary Life Plan
- Value Added Services

## SPEAK UP FOR TEXAS REAL ESTATE THIS LEGISLATIVE SESSION

Lawmakers are back in the Texas Capitol ... and so are Texas REALTORS®.

Your fellow members and state association staff are hard at work during the 88<sup>th</sup> Texas Legislature, which began January 10. They are meeting with representatives and their staffs, monitoring all bills, and watching proceedings, among many other tasks.

You can help support Texas real estate! Come to Austin March 22 and take part in REALTOR® Day at the Texas Capitol. Join more than 3,000 association members in a day of in-person advocacy. Learn more on page 14.

Be sure to also read up on the association's legislative positions. They can be found at [texasrealestate.com/issues](http://texasrealestate.com/issues).

## TEXAS REALTORS® COMMERCIAL WEBINAR SERIES QUESTIONS YOUR CLIENTS WILL HAVE ABOUT 1031 EXCHANGES

Attend the next Texas REALTORS® commercial webinar March 2 to learn how clients can defer capital gains with 1031 exchanges. Chris Peterson, President of Brazos 1031 Exchange Company, will discuss which properties are eligible, types of exchanges, and other important factors in these transactions. Register by scanning the code with your smartphone.



## DISCONNECT TO BETTER CONNECT



When your phone vibrates, do you instinctively want to pick it up, no matter what time it is or what you are doing? It can be hard to step away from your phone and other digital devices, especially when used for your business. However, excess screen time can lead to exhaustion and stress. While the real estate business doesn't have set hours, here are some tips on how to take a break from technology so that you don't burn out or affect your livelihood:

### Do an inventory

Some devices clock how much screen time you've accumulated and where you are spending the most time. Are you losing more hours to social media or games than you realize? You can set timers for many apps to warn you or restrict your use after a set period. Better yet, try uninstalling the apps, games, and social sites that are taking a big chunk of your time but aren't adding any benefit.

### Find alternatives

Emails, texts, and voicemails are great ways to reach out. However, you can periodically switch up your outreach with methods that don't rely on a tech device. For example, send a handwritten note to check in or deliver invitations to an event or open house. The personal touch will set you apart and leave a lasting impression—and give you time away from your gadgets.

### Add digital breaks to your schedule

You might not intend to multitask, but your devices can be hard to ignore. You may not realize that you are scrolling through Instagram or checking your email in the middle of a conversation—which could cause you to forget important details or appear disinterested. Instead, block out 15 to 30 minutes periodically to step away from digital devices. Use that break to go outside, have a meal, or focus on the person you are with and enjoy the moment.

### Silence the notifications

A quick check of an email while trying to sleep is more disruptive than you think. Just the sound of a notification ping can bring on anxiety. Leave your phone in a different room at night to resist the temptation to check it. If you need your phone nearby for emergencies, you can set it to limit most interruptions with only emergency contacts you designate to break through.

### Set the right expectations

Establish your boundaries upfront to manage expectations regarding your availability. For example, include the best time to reach you in your email signature and on your website. Additionally, set up a chatbot or auto-responder for common inquiries when unavailable so you don't lose a lead or sleep.

While technology is essential for growing your business, streamlining your use and taking breaks can be revitalizing and give you more time to focus on your clients without distractions.



## ASSUME NOTHING

It's easy to assume your clients know more than they do, especially if they are enthusiastic and not asking many questions. But you run the risk of working with confused or uninformed buyers and sellers. Do your best to avoid these situations.

### Don't assume clients completely understand

Explain each step in the transaction carefully and make sure your buyers and sellers understand where they are in the process. When they ask you questions, provide information and then follow up to ensure you have answered them to their satisfaction. Clarify any ideas they seem unsure about. Ask if they would like you to go over anything a second time.

### Don't assume they remember anything from their last transaction

That likely was many years ago. Ask about their experience in the real estate market and build off that. Procedures and forms may have changed since their previous sale or purchase. The way it worked last time may be outdated or even illegal now. You can correct misunderstandings and dispel myths and misinformation.

### Don't assume they are aware of the rules

How would they know that their helpful suggestion is unethical? Or that their proposed solution to a problem isn't allowed by TREC? Use opportunities like these to explain what's required and expected during the transaction.

### Don't assume they understand all the terms and acronyms

Explain industry language, even if it seems widely understood. Do they know what a title is? A survey? Escrow? Clients will feel more comfortable during the transaction if they understand what all of the words mean.

Be sure to explain all industry acronyms, too—even ones you think everyone *should* know. If you say something about MLS, some clients might wonder what Major League Soccer has to do with their home sale (there are Major League Soccer teams in Austin, Dallas, and Houston). You can create fliers, checklists, or overviews to help your clients better understand the purchase or sale.

Part of your job is to educate your clients about the transaction they're working on. Make sure to prioritize this important part of your business. You can access resources to explain many real estate concepts at [texasrealestate.com/sharethis](https://texasrealestate.com/sharethis) or scan the code with your phone.



## 5 WAYS TREC HELPS MILITARY FAMILIES

The Texas Real Estate Commission offers several benefits to active military personnel, veterans, and the spouses of active military and veterans to get and keep a real estate license. Here's how:

1. **Navigate the licensing process faster.** Attach a completed *Supplemental Form for Military Service Members, Military Veterans, and Military Spouses* (TREC SFMS-2) to your license application. If you held the same Texas license you're applying for within the last five years, or you have a current license from another jurisdiction with substantially equivalent license requirements, TREC may be able to help you.
2. **Get credit for your military service.** Ask the commission to check if your military education and training can be used toward your licensing requirements.
3. **Skip the fees.** No base application or examination fee is required if your military service substantially meets license requirements or if your current license elsewhere has equivalent requirements.
4. **Use alternatives to demonstrate competency.** You may not need to fulfill the usual examination, education, or experience requirements.
5. **Get more time for renewal requirements.** If you are on active duty when it's time to renew your license, TREC will give you two more years to complete your continuing education or other license renewal requirements.

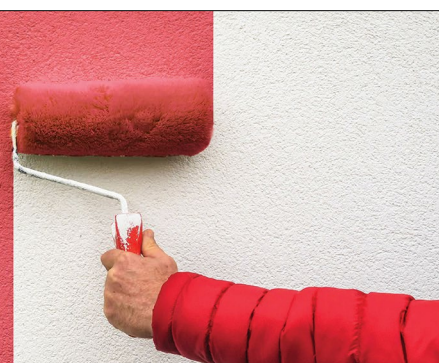
Find additional resources and information at [trec.texas.gov/trec-benefits-veterans](https://trec.texas.gov/trec-benefits-veterans).



**HOW LONG COULD THAT COAT OF PAINT LAST?** Five to 10 years for exterior paint and five to 15 for interior paint, according to *Better Homes & Gardens*.

It depends on many factors, including sun exposure and weather outside, and wear and tear inside. The quality of paint matters, too.

Your clients may not want to wait for the cracks and fading—and greater costs—that come with an aging paint job. They may want to try a new color well before they *have* to repaint. But they also may be able to put their previously used paint to work somewhere new. Leftover paint, properly resealed and stored, can last many years, according to [bobvila.com](https://bobvila.com).





## DISPUTED-VALUE CLAIMS

### How to protect yourself after the transaction

In a disputed-value claim, a buyer alleges the sale price exceeded the true market value. You, as the seller's agent, can be sued by a buyer who is alleging the seller disclosed inaccurate or misleading information.

That information could come from public records, but usually it's shared by the sellers themselves. They might misrepresent the property's square footage or number of bathrooms, or they might fail to disclose unpermitted additions or defective conditions.

Another type of disputed-value claim is when sellers allege the property was worth more than the sale price because the appraiser inaccurately calculated the square footage.

Richard J. Monahan is Divisional Assistant Vice President for Great American Insurance Group. Great American works with The Herbert H. Landy Insurance

Agency, a Texas REALTORS® risk management partner. Here's what he suggests for avoiding disputed-value claims.

#### The stages of a claim

The buyer's attorney may send you a demand letter before a lawsuit is even filed. Notify your errors and omissions (E&O) provider immediately when you receive a demand letter. You and your attorney could try to work out the situation and avoid the claim altogether.

The buyer may file a lawsuit naming you, your broker, and the appraiser as defendants. The buyer may make other allegations such as negligence and fraud.

Your attorney can try to have you dismissed from the lawsuit. If that doesn't work, you can try to settle or go to trial.

The lawsuit will proceed through the exchange of discovery. Parties will conduct interviews and share transaction documents such as emails and texts between the involved parties, Monahan continues. "For example, if the documents show that a real estate professional had no knowledge that the square footage was inaccurate or that there was no easement affecting the property's value, it lends support to the defense of the claim," he says.

Disputed-value claims can be resolved within days or as much as five to six years after the commencement of a lawsuit. Most cases are resolved before trial.

#### How to defend yourself

Losing a lawsuit can be expensive—as high as hundreds of thousands of dollars. Defending a lawsuit, even if you win, can also be expensive. "Typically, higher-value homes and ZIP codes could lead to higher damages valuations and expectations from the claimants," he says.

Your E&O insurance may cover your legal fees and costs plus indemnity for settlement and judgments up to the policy's liability limit. Your coverage may connect you with claim representatives and experts who can help guide you. Reach out to them first.

Next, seek out legal representation; a strong reply to a demand letter from your attorney can sometimes fend off lawsuits before they start. Your E&O provider may choose an attorney for you.

When defending you, your attorney may cite the provision of The Real Estate Licensing Act, which says you can't be held liable for a misrepresentation or concealment of material facts made by a party in a real estate transaction unless you knew the representation was false and failed to disclose it to the other party in the transaction.

Obtain a written seller's disclosure notice during the real estate transaction. There are different approaches as to how involved a real estate professional should be in a seller's disclosure, but Monahan recommends reviewing the document to verify the disclosed information is

consistent with known information. "Having said that, a real estate professional has no duty to inspect listed property," he says. "But if a real estate professional knows that a property's square footage was increased with an unpermitted addition, it should be disclosed to the buyer."

#### How common are these claims?

Most real estate claims nationwide involve an element of disputed value; Texas claims are no different, Monahan says. A common claim in Texas arises from failure to disclose defective foundations.

Monahan says there's no sign yet that the recent market cooling will lead to more claims. "However, if history repeats itself, mortgage lenders may seek to recoup losses from brokers and appraisers after foreclosing on non-paying borrowers by alleging excessive sale prices," he says.

Monahan recommends avoiding future claims by never interpreting property conditions, such as calling foundation cracks "minor"; never acting outside of your areas of expertise; following pre-established office procedures; and maintaining a well-documented file including written confirmations of conversations.

#### Fact or fiction?

An inspector should mark as deficient a roof without gutters if the inspector thinks a lack of gutters presents a risk of flooding or water damage to the property.

**FICTION.** Inspectors are only required by TREC rules to inspect gutters that are present, not determine whether they *should* be present.

## New E&O Program starting at \$570!



### Covers You For Everything You Need:

- Residential, Commercial & Land Sales
- Agent Owned Property Sales
- Open House & Showings
- Pollution/Mold
- Fair Housing/Discrimination
- Property Management Option

Faster qualifying from your Texas Realtors® Risk Management E&O Partner.

Only 4 questions to quote and buy online:  
[cresinsurance.com/new-texas](https://cresinsurance.com/new-texas)



\*Qualification and restrictions apply. Retention payment is required if Damages are paid. Previous transactions covered if you have continuous E&O insurance. All coverage is subject to Underwriting and other qualifications. Read the policy for a full comparison of coverage and benefits. Not applicable on previous policy purchases. Texas License No.: 17030

TEXAS REALTORS

## LEGAL QUESTIONS?

Check out hundreds of FAQs about contracts, advertising, commissions, and more at [texasrealestate.com/FAQ](https://texasrealestate.com/FAQ)





## CODE OF ETHICS CHANGES FOR 2023

Several changes to the National Association of REALTORS® Code of Ethics and the procedures used by Texas REALTORS® to enforce the Code went into effect January 1:

- The word *disability* replaces the word *handicap* in Article 10 of the Code of Ethics, which prohibits REALTORS® from denying equal professional services to any person based on certain protected classes, including persons with disabilities. The change also affects applicable Standards of Practice and the *Code of Ethics and Arbitration Manual*.
- Standard of Practice 3-9 was revised to clarify that the owner or the seller of a property, not the listing broker, sets the terms in which listed property may be accessed.
- A definition of *real estate professional* was drafted for purposes of Article 15 of the Code of Ethics, which prohibits REALTORS® from making false or misleading statements about other real estate professionals, their businesses, or their business practices. Real estate professionals are those engaged in the real estate disciplines listed under Article 11: residential real estate brokerage, real property management, commercial and industrial real estate brokerage, land brokerage, real estate appraisal, real estate counseling, real estate syndication, real estate auction, and international real estate.
- The *Code of Ethics and Arbitration Manual* was revised to clarify that only REALTOR® principals may invoke the arbitration services of the association when involved in a compensation dispute with another REALTOR®. REALTOR® non-principals (sponsored sales agents and broker associates) can participate in an arbitration hearing, but they cannot file for arbitration and they are not considered parties to the dispute.



# Is Your Listing Ready for a Desktop Appraisal? *Are You?*

by Brent Bowen

## Your Forms

Members can use the *Wire Fraud Warning* (TXR 2517) notice to explain how buyers and sellers can protect themselves from scams. The notice describes how criminals impersonate real estate agents, title companies, lenders, or other trusted sources in order to trick people into sending money to fraudulent accounts. The notice emphasizes that if clients believe they are being targeted in a wire fraud scam, they should immediately notify law enforcement, their lender, title company, and agent. The *Wire Fraud Warning* notice can be used with residential, commercial, and farm & ranch transactions. It is one of more than 150 forms exclusively available to members of Texas REALTORS®.



It would have been easy to miss. Maybe you were working with your buyer to win a bidding war, or perhaps you were presenting the 13 offers that came in for your seller that day. With the active market in early 2022, you may have missed the announcement that could change how appraisals work for some properties: Fannie Mae and Freddie Mac made certain purchase transactions eligible for an appraisal where the appraiser never sets foot in the listing. Even if you have heard about the 1004 Desktop appraisal, chances are you haven't seen one ... yet.

You may think that desktop appraisals were just an occasional anomaly during the early days of the COVID-19 pandemic, but the GSEs have been experimenting with desktop valuations for years. Fannie and Freddie are getting very comfortable with these types of valuations, so knowing how to navigate these appraisals is going to be important for appraisers and agents alike.

## What properties are eligible?

According to the *Fannie Mae Selling Guide*, the lender may get the thumbs-up from underwriting for a desktop appraisal when the following criteria are met:

- One-unit property
- Principal residence
- Purchase transaction
- 90% or lower LTV.

## Will the quality of the appraisal hold up?

The initial concerns that arise with desktop appraisals are always related to quality. The obvious question is: "How will the appraiser be able to appraise this house without seeing it?" The answer is *data*. The GSEs have done quite a bit of research and have discovered that when the appraiser is presented with quality data, the results are very similar to traditional appraisals, at least as far as mortgage risk is concerned.

Of course, collateral risk is not the primary concern of real estate agents involved in a transaction. Your concern is that an appraiser who doesn't inspect the home in person will miss something important, which will impact the valuation and put the transaction in jeopardy. The truth is that appraisers who have geographic competency and know the market like they should will have no trouble producing a credible opinion of value, *if provided with enough information*.

## How will the appraiser be able to appraise this house without seeing it? The answer is *data*.



This is where the real estate agent comes in. The system anticipates that the listing agent will be a critical piece of the puzzle in providing the appraiser with verifiable data of sufficient quality and quantity to produce that credible opinion of value.

## What do 1004 Desktop appraisals require?

According to the *Fannie Mae Selling Guide*, 1004 Desktop appraisals require all of the same exhibits that are required for a traditional appraisal. That includes a floor plan with measurements. It is interesting to note that the floor plan is required to be *more* detailed than a traditional appraisal. The floor plan needs to include exterior measurements *and* interior walls. Traditional appraisals don't typically include interior walls on the floor-plan sketches created by the appraiser. Other exhibits will include photos, lists of upgrades and updates, and many other exhibits already included in most listings posted in the local MLS.

## How can you prepare your listing?

Should your buyer's lender request a desktop appraisal, having the following items ready would allow for a near-seamless process:

**Photos** - This is likely the easiest part. The vast majority of listings already include extensive photos. It would be a good idea to have several supplemental photos available as well, which you might not want to post in the listing itself but that would be helpful to provide the appraiser. These photos would include:

- All sides of the home
- Mechanical systems (water heaters, HVAC, etc.)
- Every room of the house, including the utility room and all bathrooms
- Garages
- Backyard, including patios, pergolas, pools, and other amenities
- Views, including undesirable views.

The appraiser is going to know about them anyway, so it's best to give an idea of how the view really influences enjoyment and use of the property. You can point out tall fences or other mitigating factors this way, too.

In most cases, photos will be better than virtual tours or videos, as they are more easily included in the final appraisal report or retained in the appraiser's work file. Virtual tours and videos are great supplements, though. Of course, if you have invested in those, they will already be posted in the listing for all to see.

**Floor plan/measurements** - This may be part of the process you want done by a reliable third party, as DIY online floor-plan generation tools provide mixed results. In many cases, the floor plans themselves are beautiful; however, the measurements may include errors. Using an unreliable floor-plan generator could increase an agent's or broker's risk of a complaint or lawsuit. This is where appraisers can be very helpful. Some appraisers are becoming more proficient at utilizing the floor-plan-generation tools and can make sure that the end result is accurate. The cost for most listings is reasonable, and having

## The floor plan is required to be more detailed than a traditional appraisal.

accurate, ANSI-compliant square footage is often reason enough to pay for this service.

**Updates/upgrades lists** - While a photo may be worth a thousand words, a detailed written description provides context and accuracy. For example, if your listing has a remodeled kitchen, the photos will go a long way toward demonstrating that fact. However, if those photos are supplemented with a document that states that the kitchen remodel was done in 2019 and included Viking appliances and Carrara marble countertops, the appraiser has additional information that may not have conveyed clearly in the photos.

**Third party data** - While the guidelines allow the agent or seller to provide the appraiser with much of the required information, it should be noted that the guidelines require the appraiser to make the determination that the information is accurate, reliable, and sufficient to produce a credible appraisal. Providing thorough, consistent data will go a long way toward that goal; however, utilizing third parties is also helpful. If you hired a professional photographer, state that in the information you provide. If you had an appraiser take measurements and scan your home for the floor plan, let the desktop appraiser know. It is helpful to cite your sources.

Many real estate agents already provide information packets to appraisers, including the rationale and support for the price. The packet that you provide to a desktop appraiser would look very similar but would include the above-mentioned additional exhibits.

## Win-Win-Win

At the end of the day, much of the information needed for a desktop appraisal is information you have already gathered or that would be a great addition to your listing even if a desktop appraisal is never requested. Making sure that your listing is "desktop ready" ensures that your listing will impress today's buyers who expect reams of data when making decisions. Sellers will also appreciate your level of detail and service, and will have confidence in your skill as an agent. That makes being prepared for a desktop appraisal a win for the buyer and a win for the seller, which means that it is a win for you as an agent, too. ★



**BRENT BOWEN** is a Texas Certified Residential Appraiser and President of Texas Valuation Professionals, Inc. (txvaluepro.com) in Plano. After graduating from Baylor University with an enthusiasm for both economics and real estate, appraisal became a perfect fit and has continued to be his focus for the past 25 years.

## ISRAEL SUSTER, Attorney

- Disputes between Managers & Owners.
- Disputes and Litigation Regarding Sale of Homes and Commercial Properties, including Fraud and DTPA Claims. Litigation stemming from foreclosure sales.
- Representation of Owners and Managers in Disputes and Litigation involving Residential and Commercial Properties.
- Tenant Claims, Suits, Evictions and Appeals.
- Tenant Collections.
- Code Enforcement/Zoning Issues.
- Defense of Licensing Complaints.

Representation in North Texas and throughout the State

Named in Texas Super Lawyers



972-380-0130

www.susterlaw.com

The Suster Law Group, PLLC

Principal office in Plano, Texas

## Want to Be in an Upcoming Article?

Share your insights on topics such as:

- What books are essential for REALTORS®
- The most successful closing gift you have given
- How you use innovation in your real estate business

To find more topics or suggest one of your own, visit [texasrealestate.com/magazinesubmission](https://texasrealestate.com/magazinesubmission) or scan the code.

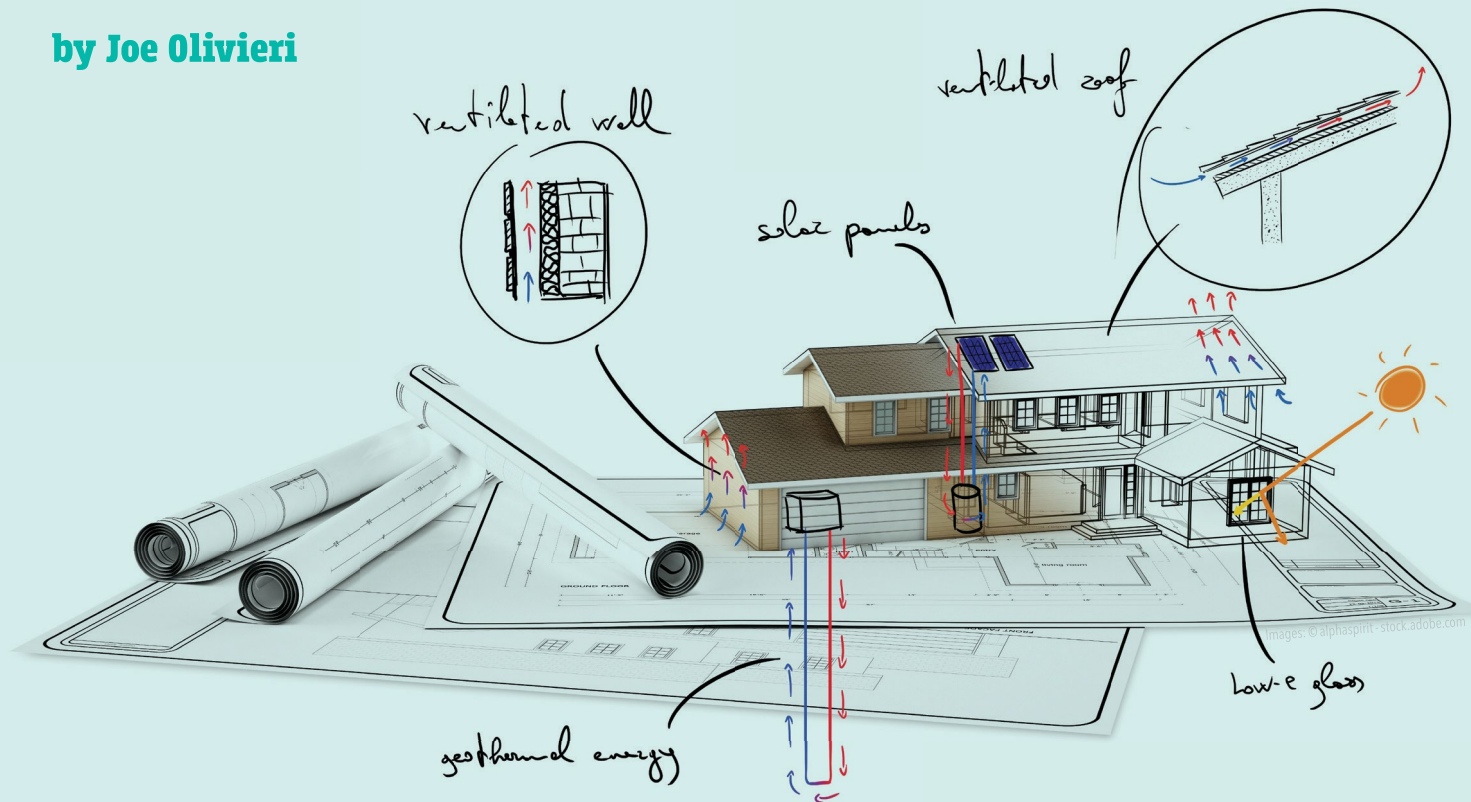
Note: Not all submissions are guaranteed to be published



# Building Relationships

How You and Your Buyer Clients Can Work with Homebuilders.

by Joe Olivieri



It's easy to understand why buyers like new construction. People imagine the homes of their dreams with few compromises, no old components, and the latest design trends.

Clients enjoy making design decisions, and you'll have fun guiding them through the transaction and construction process, says real estate educator Reba Saxon.

But new construction transactions have important differences from other residential home sales. Saxon teaches the CE course New-Home Construction and Buyer Representation Professionals, Product, Process. Here's what she recommends when helping clients buy new homes.



**Touring properties beforehand also adds credibility when you talk to clients.**

-Reba Saxon

## Before meeting your client

Don't wait until you have an interested client to start learning about what's out there. Agents and brokers should get to know local homebuilders.

"Make a dedicated effort to take field trips to subdivisions. Make an appointment to meet with the onsite agent. Go midweek, not on a weekend," Saxon says. "Let them walk you through the site. Learn what benefits the community has to offer. Look at floor plans without having a client there."

Doing so develops relationships with the homebuilders. Onsite agents in Texas are almost always unlicensed and cannot sell homes themselves, but they can refer prospects to you, she says.

Touring properties beforehand also adds credibility when you talk to clients. If clients ask about a subdivision, you can tell them all you know about it. You also learn more about the construction process and each subdivision's benefits.

## Homeowners associations and subdivisions

Unless your clients are custom-building their home on land they already own, their new construction home will be in a subdivision with a property owners association. That's been the case in Texas since the early 2000s, Saxon says.

Research the status of the subdivision and property owners association. Clients need to know about the builder's reputation, the quality of the build-out, and the timing, she continues.

"It used to be that the builder promised six months and delivered in three. Now they promise a year and they cross their fingers. Sometimes they can deliver; other times there are supply chain issues and they can't get the materials they need."

## Advising your client

Saxon encourages agents and brokers to thoroughly research the new home market in general. Most new construction options haven't been built yet. Already built new construction, or spec homes, are less common. "A year ago, when the market was white-hot, there were no spec homes; everything was bought up. It was all to-be-built. It depends on what's happening in the market," she says.

Clients will want to know about the value of various upgrades. "It's easy to go crazy adding upgrades and then the home doesn't appraise for the price they end up paying for it," Saxon says. "Then the buyer will need to make up the difference."

Help your clients look at materials; they don't necessarily have to live with the builder's options. For example, if your clients are considering a spec home, you may consider researching the cost of replacing builder-grade carpet for wood flooring. That could be useful information for them.

Remind your clients it is easier to make changes before or during construction than afterward. If your clients know already that they want ceiling fans in every bedroom, make sure the builders know that and wire the rooms accordingly, Saxon says.

## Your role in the transaction

Your role as an advocate for your clients is especially important during new construction transactions. Clients often aren't aware of all of the questions they can ask homebuilders and onsite agents. Encourage them to ask questions and discuss possibilities.

Your clients may be surprised to learn what can be negotiated, such as the position of the future home on the lot. Do they want the home set farther back or more forward? Do they want their back porch perfectly aligned with their neighbor's porch or offset a little bit? "Having seen more houses than your clients, you'll know how these choices will impact their daily lives," she says.

Advocate for your clients to get a second loan estimate. The builder's lender may not give them a competitive loan unless the lender is competing for business. "Suggest your clients get their own

66

**Encourage your clients to point out everything: a scratch on the granite or a paint splatter. The builder needs to make sure it is in as perfect condition as possible before it is transferred.**



## TAKE THE COURSE

**New-Home Construction and Buyer Representation Professionals, Product, Process**  
February 27 in Beaumont, Denton, and Weatherford

Visit [texasrealestate.com/findacourse](https://texasrealestate.com/findacourse) to register for these and future class dates. Scan this QR code to take the course online.



inspection, too," Saxon advises. Just because it's new construction doesn't mean there will be no issues. "A builder will take an inspection as a punch list. It's important to get an outside inspection."

Your experience will be invaluable to clients during the buyer walkthrough, Saxon says. "Encourage your clients to point out everything: a scratch on the granite or a paint splatter. The builder needs to make sure it is in as perfect condition as possible before it is transferred over to the buyer."

## Check out the contracts

Agents must keep a complete file for their clients, Saxon says. Your clients may be involved with signing off on elements of the project, and it's your job to help your clients keep up with their obligations.

Agents should review the builder's contract for completeness. Make sure the contract includes all applicable addenda. Clients will need to seek the assistance of a private attorney if they have questions about the language contained in the builder's contract.

Saxon says to make sure there is an agreement that spells out how the broker gets paid. Brokers can use the *Registration Agreement Between Broker and Owner* (TXR 2401) or, if the builder is represented by a broker, the *Registration Agreement Between Brokers* (TXR 2402) if the new home was not listed in the MLS.

## Stay involved

Whether the home is old, new, or hasn't been built yet, your clients need your attention and guidance at each step of the transaction. They're counting on you.

Often, the onsite agent couldn't be friendlier or more helpful. A common misconception among clients is that the onsite agent is on their side. They aren't—they work for the builder.

That's a lesson you should take to heart, too. "Many agents feel like they show the client the property, the onsite agent takes over, and they can show up at closing to pick up a check," Saxon says. Though that might happen in some transactions, that's not how a buyer's agent should be serving a client. "There are things you really should be checking. I've had students take my class and realize they have sold several new-construction houses and didn't do enough." ★

**JOE OLIVIERI** is a freelance writer who has written for many newspapers and publications, including *Texas REALTOR*®.





# COME TO AUSTIN

for fun, barbecue, and to add your voice to the thousands of REALTORS® who will champion important real estate issues.

Mark your calendars for an exciting REALTOR® Day at the Texas Capitol on **March 22, 2023.**



## After conducting 181 legislative meetings virtually in 2021, visits to the Texas Capitol are back in person!

You will gather with REALTORS® from your area to visit your state senator and representative to discuss issues like property taxes, HOA rules, appraisals, and more.

Check with your local association for plans to come to Austin together, or, if traveling on your own, arrive by 9:30 a.m. to kick off a day of fun.

This year's event also features NAR's Riding with the Brand, where you can check out the Riding with the Brand bus and enter for a chance to win a custom REALTOR®-branded Harley-Davidson by donating to the REALTORS® Relief Foundation. NAR President Kenny Parcell and other NAR leaders will be on hand at the bus on the south side of the Capitol.

Enjoy a tasty barbecue lunch on the street level of the Texas REALTORS® building just east of the Capitol. You can also meet Texas REALTORS® staff, tour the Texas REALTORS® building, and take part in open house games and treats on the second floor.

For more information about REALTOR® Day at the Texas Capitol, visit [texasrealestate.com/realtorday](https://texasrealestate.com/realtorday). Learn more about Riding with the Brand at [nar.realtor/riding](https://nar.realtor/riding).

**"If you've never come to REALTOR® Day at the Texas Capitol, I assure you that you will end the day feeling great about our industry, our association, and your part in making Texas a better place for all of us."**

— Marcus Phipps, Texas REALTORS® Chairman

**"Our elected officials constantly tell us how important it is that they hear from us about the issues ... and that no group shows up like Texas REALTORS®!"**

— Tom Schwenk, Political Involvement Committee Chairman

**"Our committees work really hard to develop and refine policy positions on behalf of our members—and REALTOR® Day is such an important part of turning those ideas into law!"**

— Jennifer Wauhob, Public Policy Oversight Committee Chairman



Photos from REALTOR® Day at the Texas Capitol in 2019.



*“If we can achieve authenticity and full transparency across all levels of the association, we will have more unity. I am a unifier and a bridge builder.”*

# The Unassuming Leadership of Marcus Phipps

The 2023 Texas REALTORS® Chairman preaches selfless assignments, empowering agents, and doing whatever it takes to help your clients thrive. And put the person in the mirror last.

by Joe Olivieri



## Marcus Phipps will let you know when he feels as if he’s made it in real estate.

Real estate has supported his family since 1997. He has owned his own firm since 2005 and now has 11 agents. He’s volunteered extensively in the local and state REALTOR® associations. At the Shaping Texas Conference in September, Phipps was sworn in as the 2023 Texas REALTORS® Chairman.

While Phipps has built a successful business and earned the respect of peers, he takes nothing for granted. “Real estate is such a meaningful career for me, but after 26 years in the business, I still cannot answer the question of if I’ve made it. There’s always somewhere else to go.”

If anything, real estate has been another avenue for Phipps to help others. Other people’s success is truly what motivates him. “I never seek to be the largest producer in town or in my company,” he says. “I get a whole lot more joy out of writing really nice commission checks for my agents than I do from receiving one of my own. Helping others achieve greatness has been part of my fuel for all the years I’ve been in business.”

He wants members to know they can call him with questions or to seek advice. “You’ll learn I’m not a hard person to talk with,” he says. “I’m very easy to find.”



**RIGHT:** Marcus and Lisa Phipps visit Texas REALTORS® headquarters in Austin. Phipps volunteered extensively with the state REALTOR® association before being installed as chairman at last September’s Shaping Texas Conference.



**LEFT:** Marcus Phipps performs as Harold Hill in *The Music Man*.



**RIGHT:** His favorite role was Tevye in *Fiddler on the Roof*. Phipps was joined in the production by wife, Lisa, and sons Jon and Jordan.

## TAKING THE STAGE

One of Marcus Phipps's great passions is performing musicals onstage.

He is active in the Harlingen Community Theater. He first got involved in the early 1990s during productions of *Joseph and the Amazing Technicolor Dreamcoat* and *Carousel*.

He stepped away from the theater for many years. Phipps got back into it when his kids auditioned for *The Sound of Music* and he ended up being cast as Captain Von Trapp. "I had my first interview for Texas REALTORS® regional vice president over the phone because I was in final rehearsals," he says.

His favorite role was Tevye in *Fiddler on the Roof*. "That role was such a fit for me personally, but it also stretched me and challenged me, especially on memory work." Phipps completely identified with the character, a man who loves his family and community and tries to lead his people.

Phipps enjoyed playing Harold Hill in *The Music Man*. His mother always wanted him to play the role, which he found physically challenging. The song "Ya Got Trouble" is especially fast paced, non-stop, and challenging to sing.

He also played The Baker in *Into the Woods*; he loved the songs in that one. The one role he's never played but always wanted to is Jean Valjean in *Les Miserables*.

“**THE LEADERSHIP JOURNEY IN ANY ROLE IS 100% ABOUT THE 112 MEMBERS OF YOUR LOCAL ASSOCIATION, OR THE 2,000 MEMBERS OF YOUR REGION, OR THE 155,000 MEMBERS OF TEXAS REALTORS®. IT IS NOT ABOUT THE ONE PERSON LOOKING AT YOU IN THE MIRROR EVERY MORNING.**”

### FROM MUSIC TO HOME SALES

Back in 1995, Phipps was the youth and music pastor for a church in Harlingen. He considered getting into the music business and weighed the demands of that career against his responsibilities to his family. "I decided I did not want to be the father of an infant and a husband of only three years and pursuing a Christian recording career," he says.

A conversation with a friend about real estate turned into Phipps selling properties to supplement his church income. "After about a year, the church asked me to go part-time, and my real estate career was thriving, so I just flip-flopped careers."

Phipps has almost exclusively sold houses in his career. The first property he ever sold was a roughly 1,500 square foot house on five acres. The deal closed for \$90,000 on his third wedding anniversary. "I subsequently sold that same client a larger house. I sold that house and then sold them another larger house. Finally, I sold that house when they ultimately left the area. I have always worked by referral and have been a client-for-life kind of guy," he continues.

Phipps started working for a company in Brownsville and built the company's presence in Harlingen. "From almost day one, I was effectively a manager," he says.

Phipps started his own company, Harlingen Homes, in March 2005. It focused on residential sales, but started managing properties in 2008-09 during the Great Recession. Today, Harlingen Homes manages about 50 homes.

His advice to new agents is to work your databases and connections. Tell your networks that you are a real estate professional, then tell



**LEFT:** Jon Phipps has accompanied his father on two Texas REALTORS® trips to visit Capitol Hill in Washington D.C. **CENTER:** Phipps poses on the NAR Riding with the Brand motorcycle, which he hopes to win in November. **BELOW:** Phipps sings as part of leading a Christian concert he organized with 8,000 attendees.

them again and again. Get referrals and grow your spheres of influence. "It's always about your client and never about you," he says.

Phipps only works with referrals and repeat business. "I don't take any incoming calls. I give those to my agents," he says. "The website drives a lot of business, and those go to my agents, too."

Phipps remains an educator at heart. His strategy for generating tomorrow's business is being a great agent for the client he is working with today. "My goal for every transaction is for my clients to know what's happening at all times and completely understand what they're doing and why. They know what the outcome of those actions are going to be."

### A SENSE OF DUTY AND RESPONSIBILITY

Phipps started volunteering with his local board, the Harlingen Board of REALTORS®, out of a sense of duty and responsibility to the association. Phipps joined the MLS Committee. "This was the era of books. I served on the MLS Committee when we transitioned from a book-based system to an online system," he says.

He served on several other local committees, too, including professional standards, public relations, RPAC, and government affairs. He joined the board of directors and later became president of the association.

Volunteering is not a glamorous role, Phipps says. "I have learned that this is a very selfless position. Which is absolutely fine by me. That's who I am. I don't do things for myself; I do things for others. The leadership journey in any role is 100% about the 112 members of your local association, or the 2,000 members of your region, or the 155,000 members of Texas REALTORS®. It is not about the one person looking at you in the mirror every morning. It is not about me."

He has served on the Texas REALTORS® Public Policy Land Use Committee, Budget Committee, Professional Standards Committee, and Political Involvement Committee and was a regional vice president for Region 11 for four years. "I made it a priority to physically visit each board at least once a year, if not more," he adds. "I reached out to them and was an intentional resource and guide to the local associations."

It was his work as a regional vice president that caught the attention of other Texas REALTORS® leaders, who convinced him to begin the leadership path.

Phipps encourages REALTORS® to volunteer on committees, adding that committees fail without the involvement of members from every region in Texas. Every member can bring a unique perspective to committees. "Everything we do revolves around the local association. The water needs and infrastructure needs are very different in East Texas than they are in West Texas."

### LOOKING AHEAD TO 2023

Phipps is task-driven and detail-oriented. He's a planner by nature. His leadership style is to be in front as little as possible and to put others before himself. "It's very much an input-driven leadership style," he says. "I may be the one that's got the reins in my hand, but the horses are going to pull us forward."

In his installation speech, Phipps urged REALTORS® to be authentic and fully transparent in all their personal and professional dealings. "If we can achieve authenticity and full transparency across all levels of the association, we will have more unity. I am a unifier and a bridge builder," he says.



## A JOYFUL NOISE

Christian music has been a constant in Marcus Phipps's life. Phipps grew up in the church; his father was a pastor.

As a vocal music education major at the University of Tulsa, he started working as a choir director at a church in Tulsa. After graduation, he moved to Harlingen and started working as a high school choir teacher. He also worked in church music.

The bulk of his music career was at First United Methodist in Harlingen as the traditional music director working with handbells and choir. He went from traditional to contemporary worship and back again.

He enjoys worship leading, playing keyboard, and singing in other churches. "It's a whole lot of fun to do it with my family because my wife and kids are all musical as well. I have a bass player, a guitar player, a drummer, a sax player, and backup singers all built into my family," he says.

Phipps says that in 2023, the state association will continue its focus on fair housing and tackling any obstacles preventing qualified Texans from buying homes.

Phipps also wants to focus on competency. “A lot of people have gotten into the industry and have only known a bull market,” he says. A REALTOR® must be knowledgeable about the local market; an agent cannot work in Brownsville and claim to be an expert in Abilene.

2023 is a legislative year. Phipps looks forward to a productive session with the help of his team, association staff, committee volunteers, and REALTORS® statewide. He has seen the value of REALTOR® engagement from many perspectives, including as chairman of the association’s Political Involvement Committee. “It’s always critical that REALTORS® are involved,” says Phipps. “There’s been so much legislation we’ve introduced and supported over the years to help our industry, our association, and all Texans, but equally important are the countless harmful proposals that we’ve defeated. I hope to see more members than ever in Austin March 22 for REALTOR® Day at the Texas Capitol.”

#### AT HOME WITH MARCUS

Phipps remembers when he only planned to stay two or three years in Harlingen. Then he met his future wife, a fourth-generation resident.

One day, her father asked Phipps about his plans. Maybe grad school and a master’s degree in sacred music, he said. Perhaps teach or get a job at a large church in a metropolitan area.

“When will you be leaving?” her father replied, implying his little girl wasn’t going anywhere! Phipps and his wife married in 1993 and soon built their own home next door, “140 feet from where that conversation took place.”

Together, the couple has three sons, ages 26, 23, and 17. Phipps loves playing golf with his boys. His most recent accomplishment is only crying twice while officiating his son’s wedding. “Raising three men of God, with good character who love and respect their mother is a huge accomplishment to me,” he says.

#### THE JOURNEY SO FAR

Phipps is gratified by the work he’s done growing Harlingen Homes as a company that people respect. “I’m proud to have a legacy as a person that people can trust and respect,” he says.

He is happy with what he’s accomplished with the REALTOR® association so far, too. “I feel like I’ve done what I could to be a good leader for the members. I’ve helped to influence good things happening within the REALTOR® association. I give more time away in any given week than I ever spend working, and that’s OK with me,” he says. “I love what I do for the association just as much as I enjoy selling houses.” 🌟

**JOE OLIVIERI** is a freelance writer who has written for many publications, including Texas REALTOR®.



**TOP:** Keith Cummins was Marcus Phipps’s first broker. He attended Phipps’s December 2011 installation as president of the Harlingen Board of REALTORS®.

**MIDDLE:** Phipps is proud of his team at Harlingen Homes. **INSET:** Phipps shows off a hat to match his office nickname, the Grand Pooh-bah. **BELOW:** The Phipps family shows their Aggie pride at a Texas A&M football game.



“**I’M PROUD TO HAVE A LEGACY AS A PERSON THAT PEOPLE CAN TRUST AND RESPECT.**”

# Show Your REALTOR® Pride on Your Ride



Make a bold statement about who you are: a proud member of Texas REALTORS® working for buyers, sellers, and property owners.

Order at [myplates.com/design/background/passenger/texas-realtors](https://myplates.com/design/background/passenger/texas-realtors)

All Texas drivers can display how great it is to live in the Lone Star State with this uniquely Texas illustration.

Order at [myplates.com/design/background/passenger/texas-is-home](https://myplates.com/design/background/passenger/texas-is-home)

The specialty plates cost \$30 per year for a non-personalized version or \$70 per year for a personalized one. These fees are in addition to normal registration and other applicable fees. \$22 of each plate fee goes to support the Texas REALTORS® Housing Opportunity Foundation.



# GET TO KNOW YOUR 2023 TEXAS REALTORS® LEADERSHIP TEAM

Texas REALTOR® magazine asked the Leadership Team a variety of questions about the association, their businesses, and themselves. Here's what they had to say.



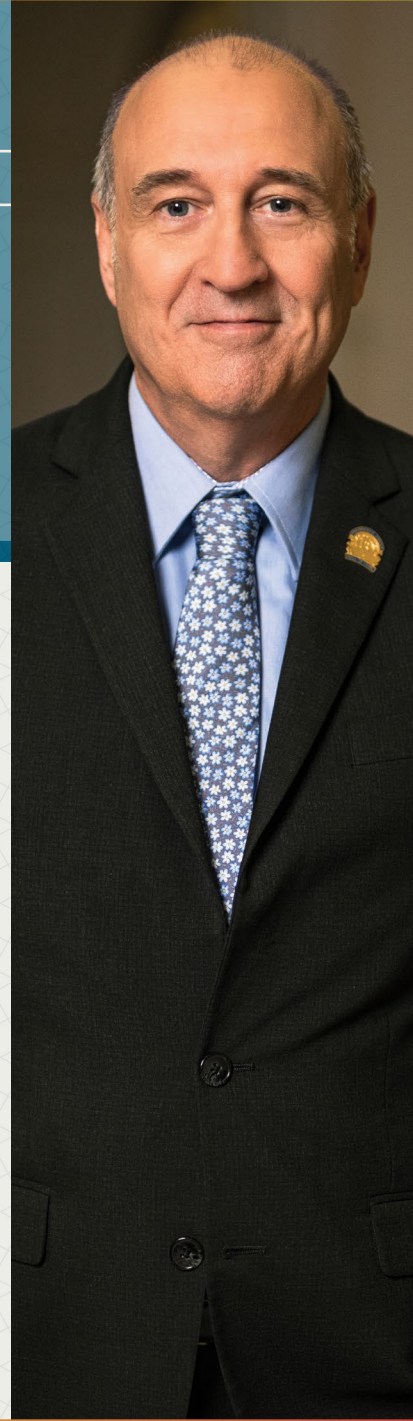
## SECRETARY/TREASURER

**JEF CONN** CCIM, SIOR

Lubbock | 806-787-4779 | jconn@cbclubbock.com

Conn is an industrial and office specialist with Coldwell Banker Commercial in Lubbock. He serves on the NAR Board of Directors and is active with the Young Professionals Network. Conn was the 2017 president of the Lubbock Association of REALTORS® and the 2016 winner of the Texas REALTORS® William C. Jennings Award for outstanding commercial transaction of the year. Conn says brokers can make 2023 a great year by deciding it will be a great year, then putting in their best effort every day to make it happen.

- The best way to make a difference in the industry is to first serve your clients well and be professional. Second, get involved. Your local, state, and national REALTOR® organizations need your expertise.
- I started serving my local board in 2012 and on state committees shortly after that. I got to know many leadership teams and I saw the impact they were making on the industry. I wanted to be part of it!
- As a commercial practitioner, I knew it was important to ensure the commercial side of our business had a seat at the table.
- The market is shifting, and how we did business during the pandemic won't be how it's done going forward. But stick with it. Get knowledge, continue to show up, and start calling people you know to talk about what's going on in the market.
- I've been in the business for more than 15 years, so I have a lot of repeat clients. I make sure to keep in touch with them by going to see them every four to six months. Past clients will call or ask questions. I make sure I am their real estate resource.
- The first property I ever sold was a red metal barn in Plainview. It was approximately 10,000 square feet and sold for \$200,000. It was the deal that gave me the confidence that I could do this business. You never forget your first deal.
- I approach real estate with gratitude and knowing there is enough business for everyone.
- My favorite quote is, "Think bigger."
- I love traveling and fishing. Whenever time allows, I love getting to a beach in Mexico or any body of water where I can fish and just relax.
- The number one thing a visitor must experience in Lubbock is Prairie Dog Town. I'm not joking. I love taking visitors to this random place in our town and making sure they get the T-shirt to match. It's just fun to show the quirky small area dedicated to the pests that tear up our parking lots and pastures.



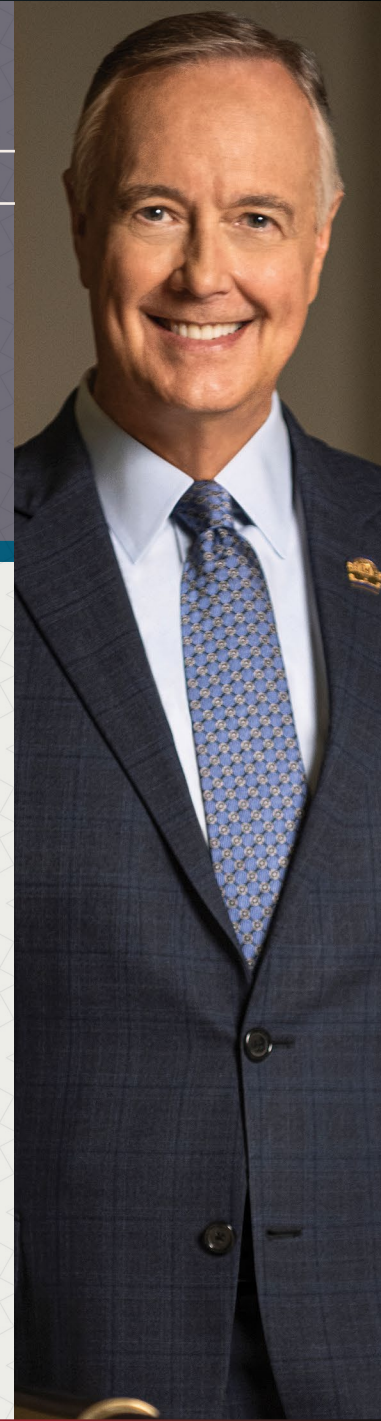
## IMMEDIATE PAST CHAIRMAN

**RUSSELL BERRY** TRLP

Plano | 817-689-2888 | rbdallas@yahoo.com

Berry is the broker of record with Great Western Realty in Dallas. He was the 2016 president of the MetroTex Association of REALTORS®. His previous leadership roles include NAR's RPAC Participation Committee, RPAC fundraising trustee, Texas REALTORS® Budget & Finance Committee member, regional vice president, and Public Policy Oversight Committee chairman. His favorite memories of 2022 are visiting the different boards around the state.

- Being chairman is a team sport. You may have some recognition or chairman-related events, but at the end of the day, all decisions are made by the team. That's how it should be.
- I was surprised that there are as many members on one side of an issue as the other. You may think we all think the same when it comes to real estate issues, but it is just not true.
- Leaders must be good listeners and have clear and concise goals. Be laser-focused and able to be flexible when needed.
- Your best source of future income is the people you know. You know more people than you think. They must be part of your success, and you need to ask them for their business.
- We should never fake it until you make it. That's a callous thing to say when you're dealing with clients' homes and dreams. Just make it. Ask questions, don't give excuses, and know your craft.
- If I could make one training mandatory, I would choose Professionalism 101. The solution lies with each of us. Do your part, get involved, practice what you preach, and correct others. Do the right thing.
- If I didn't sell luxury properties, I'd go into commercial. There's so much to learn and know about that part of real estate. I love learning and mastering new things.



## PRESIDENT/CEO

**TRAVIS KESSLER** RCE, CAE, AHWD, C2EX

Texas | 800-873-9155 | tkessler@texasrealtors.com

Kessler has chaired the strategic planning committees at NAR and Texas REALTORS®. He was previously CEO of the Greater Fort Worth Association of REALTORS® and the San Antonio Board of REALTORS®. Kessler has twice received the Tom D. Morton Award honoring the Texas REALTORS® local association executive of the year. In 2009, he received the William R. Magel Award, NAR's highest honor for a REALTOR® association executive. He has also been named for eight consecutive years to the Swanepoel Power 200 list, which includes the most powerful and influential leaders in the residential real estate brokerage industry.

- Why is Texas a great place to buy, sell, and lease real estate? Texas is the envy of the country with our favorable business climate, overall affordability, and a government that supports growth and business opportunities. An estimated 1,000 people move to Texas every day. Job opportunities, lifestyle options, diverse cities, a cost of living that is approximately 8% lower than the national average, and a tax-friendly environment are just a few of the reasons that help keep a strong real estate market in Texas.
- I believe our upcoming legislative session will pose many opportunities for Texas REALTORS® to have input on key public policy positions impacting our industry. Our positions are formulated through member input and serve as the basis for our advocacy efforts.
- One of my biggest takeaways from our regional meetings is how proud our members are of their hometowns. While these communities directly impact the economics of our business, I also see how REALTORS® give back to enhance the sustainability and livability of these communities.
- I would highly recommend that interested members take advantage of our new Texas REALTORS® Roadmap to Leadership program. It's an education resource and a mentorship program that will help set a path for involvement at the local, state, and national level.
- I stay current about what's happening in the real estate industry through involvement at all levels of the organization. Most importantly, I read every issue of Texas REALTOR® magazine and pay attention to industry issues and trends on websites, social media channels, and industry journals.
- I am most proud of how engaged and involved our members are. We have grown to more than 155,000 Texas REALTORS® and this provides us the resources and strength to be one of the largest and most influential professional organizations in the state. This high level of member engagement helps shape the organization we are.
- In addition, I am proud of our Texas REALTORS® staff. For the fourth consecutive year, Texas REALTORS® was recognized as a Top Workplace in Austin. That's all because of the dedication and commitment we have from our staff.
- Shelley and I have two daughters and four grandchildren. My favorite activity is just being with them. I value every minute I have with them through their creativity, imagination, and humor.



The chairman-elect position is currently vacant following a resignation in October 2022. The Texas REALTORS® Board of Directors will elect the 2023 chairman-elect at the Texas REALTORS® Winter Meeting.

As of press time, Jef Conn was running unopposed for chairman-elect. Should Jef Conn be elected 2023 chairman-elect and vacate the office of secretary/treasurer, an election

will be held for the 2023 secretary/treasurer. As of press time, Christy Gessler is running unopposed for the office of 2023 secretary/treasurer, if that office becomes vacant after the election for chairman-elect.




































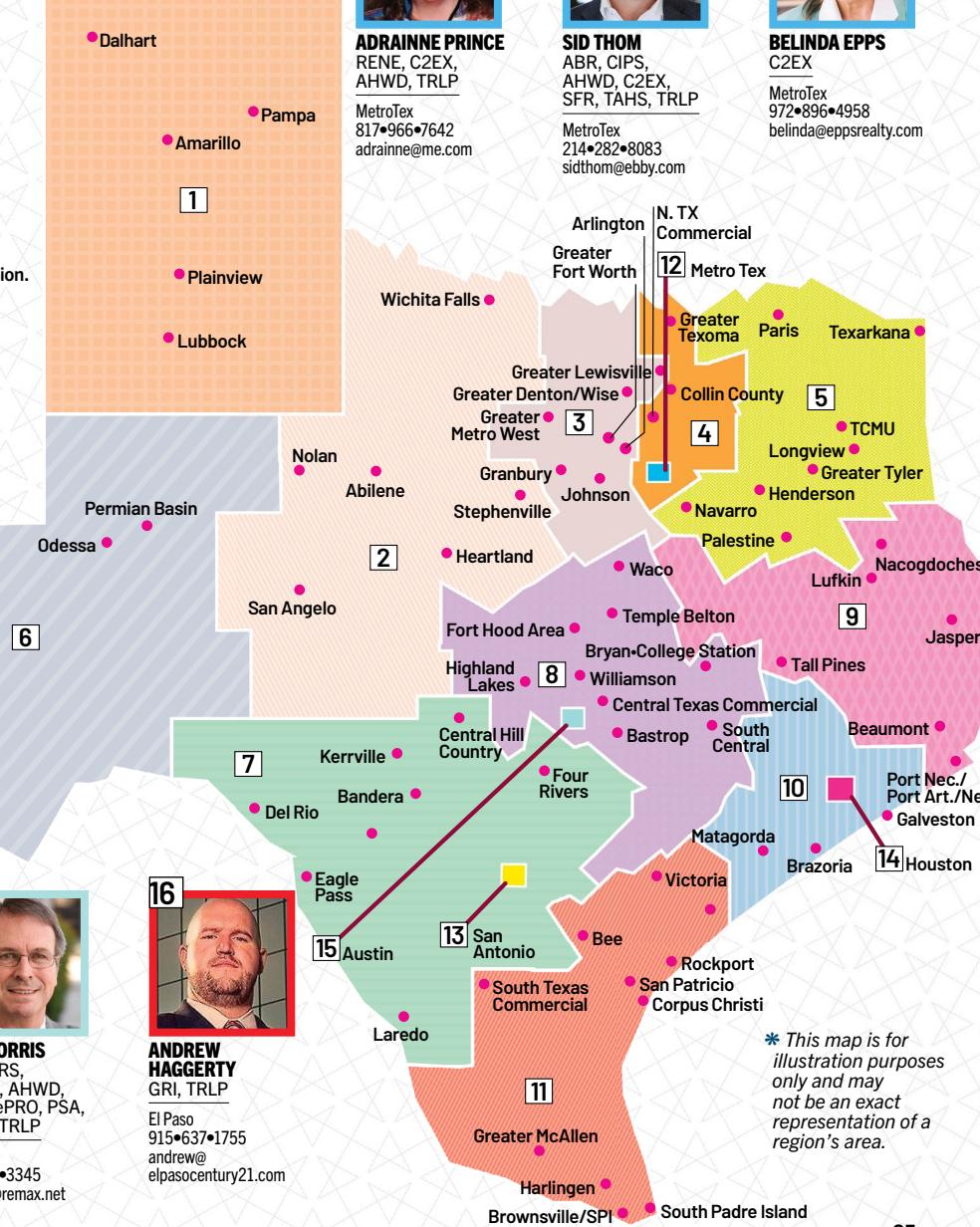











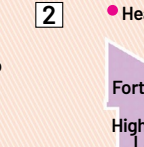











All results of elections for the 2023 and 2024 Leadership Teams will be provided in Texas REALTORS® communications, including in a future issue of Texas REALTOR® magazine.



# 2023 REGIONAL VICE PRESIDENTS

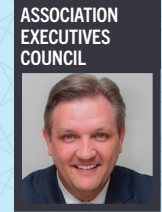
The regional vice presidents are your representatives for policy decisions at the association. Their role is to gather feedback from their regions and provide it to the Texas REALTORS' Executive Board so it can make informed decisions about association policies. If you ever want to provide feedback or have questions about how these policy

decisions are made, contact your regional vice president. Regional vice presidents are also available for board or office presentations and can share the latest information about the industry and your association, including how Texas REALTORS' advocates on your behalf or the value of membership.

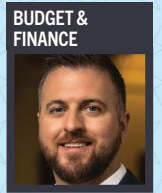
 <p><b>VANESSA DIRKS</b> TRLP, TRLS, TRPM, C2EX Lubbock 806•441•4088 vanessadirks@hucityrent.com</p>	 <p><b>MAX PUELLO</b> GRI, CRS, TRLP San Angelo 325•812•2943 Max.puello@cbltexas.com</p>	 <p><b>J.R. MARTINEZ</b> GRI, ABR, AHWD, C2EX, SRS, TRLP Greater Fort Worth 817•455•6422 jr@kennethjones.com</p>	 <p><b>TIM BEARY</b> GRI, ABR, CIPS, CRS, SRES, AHWD, C2EX, ePRO, PSA, SFR, SRS, TAHS, TRLP Arlington 817•381•5123 tim@bearynichomes.com</p>	 <p><b>BRENDA TAYLOR</b> CIPS, TRLP, AHWD, RSPS, ePRO, C2EX Greater Lewisville 972•489•4050 brendataylor@remax.net</p>	 <p><b>TIM SCHOENDORF</b> Greater Denton/Wise County 940•391•1397 Tim.schoendorf@outlook.com</p>	 <p><b>DAVID LONG</b> GRI, SFR, TAHS, AHWD, C2EX Collin County 972•567•0520 davidlong69@gmail.com</p>	 <p><b>BILL COX</b> SIOR North Texas Commercial 972•562•8003 bcox@careycoxcompany.com</p>	 <p><b>AMANDA PHILLIPS</b> GRI, TRLP Greater Texoma 903•771•4495 aphillipsrealtor@gmail.com</p>	 <p><b>NICK KLINE</b> CRS, C2EX, TRLP Collin County 469•328•3650 nick.kline@compass.com</p>	 <p><b>DEBBIE CONNER</b> SRES, C2EX Longview Area 903•736•5393 debbieconnerlongview@gmail.com</p>	 <p><b>SKEET DOSS</b> CRS Permian Basin 432•352•4826 skeetdoss@aol.com</p>	 <p><b>EMALY BAEHR</b> GRI, ABR, C2EX, TRLP Central Hill Country 512•771•7520 emaly@absolutecharm.com</p>	 <p><b>JACK STAPLETON</b> GRI, CRB, CRS, SRES, C2EX, ePRO, PSA, SFR, MRP, RENE, TRLP, TRLS Williamson County 512•264•5115 jack-stapleton@realtxtexas.com</p>
 <p><b>LENNOX ALFRED</b> ABR, C2EX, TRLP, TRLS, TRPM Fort Hood Area 254•526•0382 lennox.alfred@longhornproperties.net</p>	 <p><b>SONYA POWERS</b> ABR, CRS, ePRO, RSPS, TAHS, TRLP Highland Lakes 512•590•2258 sonya@sonyapowers.com</p>	 <p><b>ANGIE WILLIAMS</b> ABR, CRS, AHWD, C2EX, ePRO Lufkin 936•635•4041 angie.williams@kw.com</p>	 <p><b>GAIL ROBINSON</b> CHMS, AHWD, C2EX Brazoria County 979•235•7573 gail.robinson@coldwellbanker.com</p>	 <p><b>SHARI KIRK</b> TRLP, GRI, RENE, SFR, RSPS, AHWD, SFR, ABR, C2EX Corpus Christi 361•944•3120 sharikirkrealtor@gmail.com</p>	 <p><b>CARL LEATHERMAN</b> ABR, C2EX, CRB, GRI, ePRO, MRP, PMN, TAHS, CREI, TRLP Harlingen 956•357•6276 carl@carlleatherman.biz</p>	 <p><b>JUDY JONES</b> SFR MetroTex 817•366•6348 jmjrealtor@sbcglobal.net</p>	 <p><b>TAYLOR WALCIK</b> AHWD, C2EX, CRS, ePRO, SRS, TRLP MetroTex 214•901•3736 taylorw@ebby.com</p>	 <p><b>CATHY MITCHELL</b> GRI, PMN, AHWD, C2EX, TRLP MetroTex 214•674•9436 cathymitchell@kw.com</p>	 <p><b>ADRAINNE PRINCE</b> RENE, C2EX, AHWD, TRLP MetroTex 817•966•7642 adrainne@me.com</p>	 <p><b>SID THOM</b> ABR, CIPS, AHWD, C2EX, SFR, TAHS, TRLP MetroTex 214•282•8083 sidthom@ebby.com</p>	 <p><b>BELINDA EPPS</b> C2EX MetroTex 972•896•4958 belinda@eppsrealty.com</p>		
 <p><b>JEFF VARNELL</b> GRI, TRLP MetroTex 214•714•5051 jeffvarnell@coppellrealty.com</p>	 <p><b>BETTE WASHINGTON</b> GRI, CRS, C2EX, SFR, SRS, TAHS, TRLP, TRLS MetroTex 469•877•7227 bette@bettewashington.com</p>	 <p><b>JAMES MARTIN</b> GRI, ABR, CIPS, CRS, GREEN, AHWD, C2EX, ePRO, SFR, MRP, TAHS, TRLP MetroTex 214•770•0781 jamesmartin@daveperrymlr.com</p>	 <p><b>CORTNEY GILL</b> C2EX, TRLP San Antonio 210•410•7153 cortney@gsgpropertymanagement.com</p>	 <p><b>GRANT LOPEZ</b> SRES, AHWD, C2EX San Antonio 210•865•6129 grant.lopez@outlook.com</p>	 <p><b>SARA BRISEÑO GERRISH</b> ABR, AHWD, CRS, ePRO, GRI, TRLP San Antonio 210•452•3945 janhincibothom49@gmail.com</p>	 <p><b>JAN HICINBOTHOM</b> GRI, CRS, AHWD, C2EX, ePRO, TAHS, TRLP San Antonio 210•452•3945 janhincibothom49@gmail.com</p>	 <p><b>MARQUIS WILLIAMS</b> C2EX San Antonio 512•658•9399 marquis.c.williams@gmail.com</p>	 <p><b>THERESA HILL</b> CIPS, RSPS, AHWD, C2EX AMBASSADOR Houston 832•766•2420 theresa.hugheshill@compass.com</p>	<p>* REGION 14 has one vacant position.</p>	 <p>The map shows 16 numbered regions across Texas. Region 14 is marked with an asterisk and a note: '* REGION 14 has one vacant position.' Major cities and counties are labeled on the map.</p>			
 <p><b>SHAE COTTAR</b> GRI, AHWD, TRLP Houston 832•324•9393 shae@shaecottar.com</p>	 <p><b>RICHARD MIRANDA</b> ABR, CIPS, AHWD, TRC, TRLP Houston 832•754•8509 richard@mirandarealtors.com</p>	 <p><b>MARIO ARRIAGA</b> CIPS, TRLP Houston 713•452•4232 mario.arriaga@gmail.com</p>	 <p><b>THOMAS MOUTON</b> TRLP Houston 713•302•9377 thomas@exclusiveprops.com</p>	 <p><b>CHAILLE RALPH</b> TRLP Houston 713•906•3966 chaille@garygreene.com</p>	 <p><b>JO ANN STEVENS</b> GRI, ABR, PMN, AHWD, SFR, MRP Houston 713•829•1827 joann@joannsstevens.com</p>	 <p><b>JEMILA WINSEY</b> GRI, SRS, TRLP Houston 713•551•1842 jemila@eralegacyliving.com</p>	 <p><b>JENNIFER WAUHOB</b> GRI, C2EX, TRLP Houston 281•896•4798 jennifer@katygoodlife.com</p>	 <p><b>TERESA SCOTT-TIBBS</b> ABR, C2EX, SFR, BPOR, MRP, TAHS, TRLP Austin 512•431•2442 angelinrealestate@gmail.com</p>	 <p><b>JOB HAMMOND</b> GRI, ABR, CIPS, CRB, CRS, PMN, GREEN, SRES, AHWD, C2EX, ePRO, PSA, RSPS, SFR, MRP, SRS, RENE, C-RETS, TAHS, TRLP, TRLS Austin 512•632•0757 job@altavis.com</p>	 <p><b>BILL MORRIS</b> ABR, CRS, GREEN, AHWD, C2EX, ePRO, PSA, BPOR, TRLP Austin 512•785•3345 bmorris@remax.net</p>	 <p><b>ANDREW HAGGERTY</b> GRI, TRLP El Paso 915•637•1755 andrew@elpasocentury21.com</p>		
 <p><b>JOHN NUGENT</b> Houston 281•734•4330 jnugent@spacenter.com</p>	 <p><b>CATHY TREVINO</b> CIPS, AHWD, SFR, TRLP Houston 713•516•6331 cathy.trevino@sideinc.com</p>	 <p><b>DEBORAH SPANGLER</b> PMN, AHWD, CRS, C2EX Houston 281•703•0333 deborah.spangler@yahoo.com</p>	 <p><b>CINDY HAMANN</b> TRLP Houston 281•413•1187 hamanncindy@gmail.com</p>	 <p><b>MIKE WONG</b> GRI Houston 281•980•3840 mkwong@kw.com</p>	 <p><b>SUSIE KANG</b> CCIM, CIPS, CRS Austin 512•695•1481 joarealty@gmail.com</p>	 <p><b>DAVID PRUITT</b> GRI, ABR, CRB, CRS, GREEN Austin 512•964•3123 dpruit@cbunited.com</p>	 <p><b>TERESA SCOTT-TIBBS</b> ABR, C2EX, SFR, BPOR, MRP, TAHS, TRLP Austin 512•431•2442 angelinrealestate@gmail.com</p>	 <p><b>JOB HAMMOND</b> GRI, ABR, CIPS, CRB, CRS, PMN, GREEN, SRES, AHWD, C2EX, ePRO, PSA, RSPS, SFR, MRP, SRS, RENE, C-RETS, TAHS, TRLP, TRLS Austin 512•632•0757 job@altavis.com</p>	 <p><b>BILL MORRIS</b> ABR, CRS, GREEN, AHWD, C2EX, ePRO, PSA, BPOR, TRLP Austin 512•785•3345 bmorris@remax.net</p>	 <p><b>ANDREW HAGGERTY</b> GRI, TRLP El Paso 915•637•1755 andrew@elpasocentury21.com</p>	<p>* This map is for illustration purposes only and may not be an exact representation of a region's area.</p>		

# 2023 COMMITTEE CHAIRS

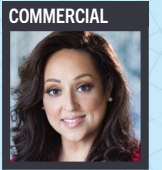
Learn more about what these committees do at [texasrealestate.com/committees](https://texasrealestate.com/committees), and look for the volunteer signup in May.



**ASSOCIATION EXECUTIVES COUNCIL**  
**KENNETH HOGAN**  
RCE, CAE, TRLP  
Abilene  
325•692•9821  
khogan7961@aol.com



**BUDGET & FINANCE**  
**JEFF CONN**  
CCIM, SIOR, C2EX, TRLP, TACS  
Lubbock  
806•787•4779  
jconn@cbclubbock.com



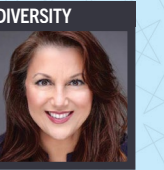
**COMMERCIAL**  
**MICHICA 'MISH' GUILLORY**  
C2EX, GRI, ITI, TACS, TRLP  
Houston  
832•768•1711  
michica@theguillorygroup.com



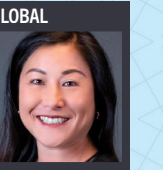
**CONFERENCE**  
**GRANT LOPEZ**  
SRES, AHWD, C2EX  
San Antonio  
210•865•6129  
grant.lopez@outlook.com



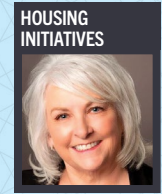
**CREDENTIALS**  
**MARVIN JOLLY**  
ABR, C2EX, TRLP  
Collin County  
214•808•7676  
Marvin@PenFedTexas.com



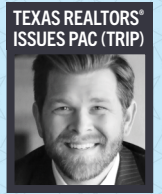
**DIVERSITY**  
**MYSSIE CARDENAS-BARAJAS**  
GRI, AHWD, C2EX, ePRO, MRP, RENE, TAHS  
Greater McAllen  
956•686•8806  
myssiebarajas@par.net



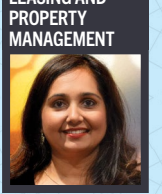
**GLOBAL**  
**SUSAN ANNOURA**  
ABR, AHWD, C2EX, CCIM, CIPS, ePRO, GRI, TAHS, TRLP, TRLS  
Houston  
832•725•7880  
Susan@AnnouraRealty.com



**HOUSING INITIATIVES**  
**DONNA WOODRUFF**  
GRI, TAHS  
Greater Texoma  
903•583•4900  
donna.solidgroundrealtors@gmail.com



**TEXAS REALTORS' ISSUES PAC (TRIP)**  
**CAMERON WILLMANN**  
AHWD, C2EX, TRLP  
Permian Basin  
432•978•4298  
cameron@hauspg.com



**LEASING AND PROPERTY MANAGEMENT**  
**KRISHNA UPADHYAYA**  
ePRO, TRLP, TRLS  
Collin County  
972•908•0793  
krish605@gmail.com



**LEGAL REVIEW**  
**CINDI BULLA**  
AHWD, C2EX, GRI, TRLP  
Amarillo  
806•322•4663  
cindibulla@gmail.com



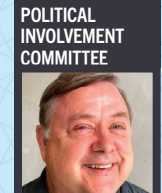
**MEMBER BENEFITS**  
**LENNOX ALFRED**  
ABR, C2EX, TRLP, TRLS, TRPM  
Fort Hood Area  
254•526•0382  
lennox.alfred@longhornproperties.net



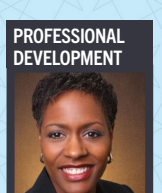
**MLS/TECHNOLOGY**  
**TIM SCHOENDORF**  
Greater Denton/Wise County  
940•391•1397  
Tim.schoendorf@outlook.com



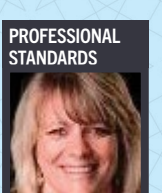
**PUBLIC POLICY LAND USE**  
**MICHAEL LANGFORD**  
TRLP  
Greater Fort Worth  
817•295•5291  
michael@orrealstate.com



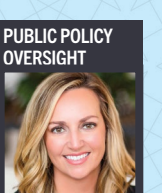
**POLITICAL INVOLVEMENT COMMITTEE**  
**THOMAS SCHWENK**  
Houston  
409•888•6178  
Tom@Talktotgre.com



**PROFESSIONAL DEVELOPMENT**  
**LISA HARRIS**  
ABR, AHWD, CRS, GRI, TRLP  
Amarillo  
806•359•4000  
AmarilloHomeTeam@kw.com



**PROFESSIONAL STANDARDS**  
**MELISSA STAGERS**  
C2EX, PSA  
San Antonio  
210•896•4798  
missy@msrpsa.com



**PUBLIC POLICY OVERSIGHT**  
**JENNIFER WAUHOB**  
GRI, C2EX, TRLP  
Houston  
281•896•4798  
jennifer@katygoodlife.com



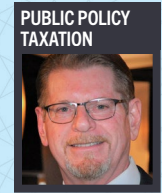
**PUBLIC POLICY BUSINESS ISSUES**  
**DEBORAH SPANGLER**  
PMN, AHWD, CRS, C2EX  
Houston  
281•703•0333  
deborah.spangler@yahoo.com



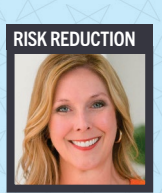
**PUBLIC POLICY INFRASTRUCTURE**  
**TERESA RUTHERFORD**  
AHWD, GRI, TAHS  
MetroTex  
817•996•4433  
Teresa@dfwrealtors.com



**HOUSING OPPORTUNITY FOUNDATION**  
**RENAE PRETTY**  
ABR, C-RETS, C2EX, CIPS, CRB, CRS, GREEN, GRI, MRP, PMN, PSA, RENE, RSPS, SFR, SRES, SRS, TAHS, TRLP  
San Antonio  
210•376•9815  
renapretty@realtysanantonio.com



**PUBLIC POLICY TAXATION**  
**DIXON HOLMAN**  
ABR, C2EX, SRS, TRLP  
Arlington  
817•692•9639  
dixon.holman@yahoo.com



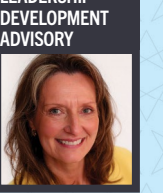
**RISK REDUCTION**  
**KRISTI DAVIS**  
C2EX, CRB, GRI, TRLP  
MetroTex  
214•674•8767  
kristidavis2002@gmail.com



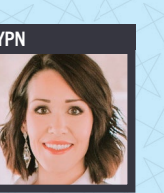
**STRATEGIC PLANNING**  
**BRIAN SALES**  
C2EX, GRI, SFR, TAHS, TRLP  
Permian Basin  
432•853•5100  
BrianS@SalesTeamRealtors.com



**TREPAC**  
**BENJAMIN J. RODRIGUEZ**  
ABR, GRI, SRES, TAHS, TRLP  
Beaumont  
409•782•5764  
sold@setxhomefinder.com



**LEADERSHIP DEVELOPMENT ADVISORY**  
**LEIGH YORK**  
GRI, ABR, CRS, SRES, AHWD, C2EX, EPRO, PSA, RSPS, SFR, MRP, SRS, RENE, TAHS, TRLP  
Greater Fort Worth  
817•613•6420  
leigh@leighyork.com



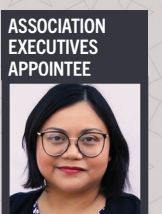
**YPN**  
**JESSICA HOLMES**  
C2EX, ePRO, GRI, SFR, TRLP, TRLS  
Longview Area  
903•987•0685  
jessica@etxpp.com

# 2023 EXECUTIVE BOARD APPOINTEES

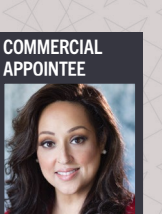
These appointees join the Leadership Team and regional vice presidents to constitute the 2023 Executive Board.

The Executive Board manages all the association's affairs except the following, which require approval of the Texas REALTORS® Board of Directors:

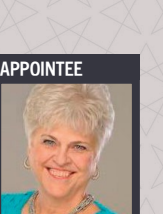
- Amending the association's bylaws
- Electing officers
- Approving expenditures more than 10% of the annual budget
- Approving the strategic plan
- Approving increases in membership dues
- Defining regional boundaries.



**ASSOCIATION EXECUTIVES APPOINTEE**  
**ANA BECERRA**  
GRI, AHWD, C2EX  
Greater Lewisville  
972•316•6741  
director@glar.com



**COMMERCIAL APPOINTEE**  
**MICHICA 'MISH' GUILLORY**  
C2EX, GRI, ITI, TACS, TRLP  
Houston  
832•768•1711  
michica@theguillorygroup.com



**APPOINTEE**  
**SUE ANN TAUBERT**  
GRI, ABR, CRS, C2EX, ePRO, SFR, TAHS  
Harlingen  
956•245•4184  
sataubert@remax.net



**APPOINTEE**  
**JACKY HOWARD**  
ABR, C2EX, CRS, GRI, SRS, TRLP  
Lubbock  
806•790•4708  
jacky@cblubbock.com



**APPOINTEE**  
**MYSSIE CARDENAS-BARAJAS**  
GRI, AHWD, C2EX, ePRO, MRP, RENE, TAHS  
Greater McAllen  
956•686•8806  
myssiebarajas@par.net



# THE DATA YOU WANT, THE WAY YOU WANT IT

MarketViewer gives you the market statistics you define and infographics you can share with clients and prospects. And as a member of Texas REALTORS®, you already have exclusive access to this powerful tool.

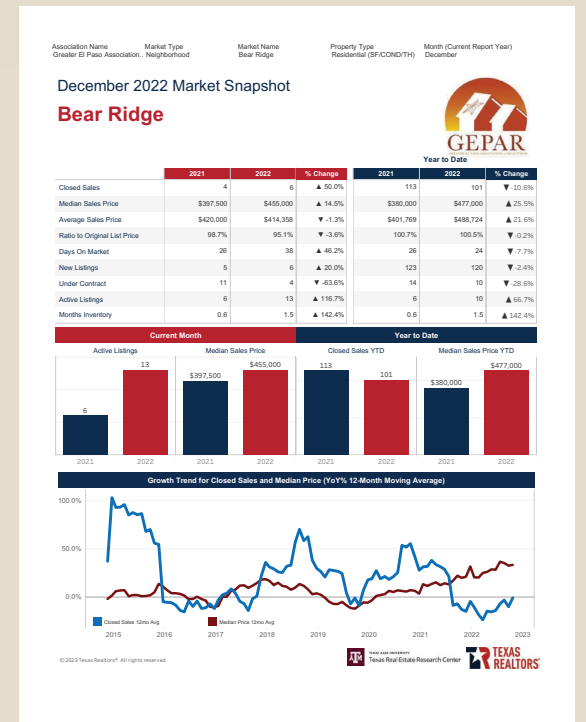
Select a city, county, ZIP code, neighborhood, school district, or other geography. You can then download stats and trends for sales, listings, median price, days on market, days to close, home sizes, year built, and other key real estate metrics.

You'll also find data on mortgage rates, apartment stats, and new construction.

MarketViewer's residential market analytics are brought to you through a partnership between Texas REALTORS® and MLs across the state, while commercial data is provided by REIS/Moody's Analytics. Residential data is corrected for errors and duplicate listings, so you get the most accurate data available.



Visit [texasrealestate.com/marketviewer](https://texasrealestate.com/marketviewer) or scan this code to get the data you want today!



**COMMERCIAL MEMBERS— CHECK OUT MARKETVIEWER'S NEW COMMERCIAL DATA!**

Click the red Report Menu button and look for the Commercial Dashboard to get market stats on 11 commercial property classes.



# What's a Cap Rate?

And How Is It Used To Estimate Sales Prices For Commercial Properties?

by Charles Porter

**R**eal estate agents who practice commercial brokerage are quite familiar with the term *cap rate*, which is short for *capitalization rate*. The term can be confusing to agents who do not participate in commercial brokerage, and it's a mystery to most in the general public. However, it is a simple concept and a valuable tool in estimating sales prices of commercial properties.

Commercial practitioners assist their clients by developing competitive market analyses or broker price opinions to determine a reasonable estimate of sales price for any particular property, just like residential practitioners do for homes. The income approach using capitalization of income is one of the three traditional methods to determine the estimated sales price of commercial property, the other two approaches being comparable sales and replacement cost.

## Definition of Cap Rate

The relationship between a stream of net operating income (NOI) and value of a commercial property is the essence of the income approach. The income approach is arguably the most significant immediate indicator of what a property's closed sale price could be. Why? Because often buyers or investors are most concerned with the net operating income generated by a commercial property, more so than the replacement cost. The comparable sales approach informs the investor's decision to purchase as well, but using cap rates with the income approach to value can provide important information that comparable sales cannot.

The direct capitalization method is the method used most often in the income approach. An important part of this method is choosing the cap rate to use. What is capitalization? It's the process of converting an income stream into a present value. The capitalization rate is the percentage by which the annual net operating income stream is divided to reach the estimated present value.

## How to Use the Cap Rate

Think of a cap rate this way: Assume an investor has a \$1 million certificate of deposit paying 4% annual interest. The amount of interest received is calculated by multiplying \$1 million times 4%, resulting in \$40,000 of interest earned that year. Most of us have done similar calculations all our adult lives. To work that equation from another angle, consider how much money must be invested in the certificate of deposit to generate \$40,000 income at a 4% interest rate. The same equation is used to divide \$40,000 by 4%, the result of which is the \$1 million amount that must be placed in the certificate.

Now apply this type of calculation to a commercial property that generates \$40,000 per annum in NOI to determine what the estimated sales price should be. The buyer/investor determines that 4% is a comparable capitalization rate to other similar properties sold recently in the area (or that 4% equals the rate of return required or desired). The same equation applies. Take the \$40,000 in NOI and divide it by 4%, resulting in \$1 million as the maximum amount the investor could pay for the property and enjoy the 4% return. The cap rate chosen can either be the cap rate used by comparable sales in the area or represent the investor's desired return.

Notice how the chosen cap rate can result in quite different estimated sales prices for the same NOI of \$40,000 per year. Assume that instead of the 4% cap rate used in comparable sales, the investor desires an 8% return and uses 8% as the cap rate for analysis. Following the same calculation process, take \$40,000 in

net operating income and divide it by 8%, which results in \$500,000 as the maximum amount the investor could pay for the property in order to receive the desired return. That's 50% less in sales price than with a 4% cap rate.

Keep in mind that the cap rate is chosen at the sole discretion of the buyer/investor. (Appraisers are not allowed this discretion, nor are brokers developing a competitive market analysis or broker price opinion; they must use comparable sales-derived cap rates in most cases unless they fully disclose why they chose to ignore comparable sales-generated cap rates.)

Fundamentally, determining the characteristics of the prospective property to discover which other properties are truly comparable requires both accurate statistical research and the wisdom of experience. There is nothing more misleading to estimating a probable sales price than using comparable sales that are not credible.

## Developing Comparable Cap Rates

Oftentimes, the NOI of a sold property is reported along with the closed sales price via our reliable MLSs. To determine the cap rate using an MLS, one simply divides the net operating income by the sales price of each reported closing. The agent can then generate a list of cap rates to assist the investor/buyer in determining the market cap rate to use in making the first offer for purchase of the property. There are also other services available to agents to find market cap rates across the nation. One service used by many commercial agents is the

The cap rate chosen can either be the cap rate used by comparable sales in the area or represent the investor's desired return.

The capitalization rate is the percentage by which the annual net operating income stream is divided to reach the estimated present value.





Coldwell Banker Real Estate Cap Rate Surveys, which can be found by searching the term *cap rates* at [cbre.com](https://www.cbre.com). Members of Texas REALTORS® can also access the commercial dashboard of MarketViewer to find cap rates for many property types. (Visit [texasrealestate.com/marketviewer](https://www.texasrealestate.com/marketviewer) and click the red Report Menu button to find the commercial dashboard.)

As real estate license holders in Texas, we cannot use the word *value* in our broker price opinions unless we also hold an appraiser's license, per TREC Rule 535.17. The rule also requires the license holder to provide as part of the broker price opinion the following written statement 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."

Standard of Practice 11-1 of NAR's Code of Ethics also lists several requirements for REALTORS® providing an opinion of price, including having knowledge of the type of property being valued and being familiar with the area where the property is located.

### Cap Rate or NOI: Which is More Significant?

When determining the estimated sales price using the capitalization of income method, which is the more significant element: the cap rate or the accurate net operating income? Since the cap rate chosen is at the sole discretion of the buyer/investor, the more important element is likely to be the accuracy and truth of the NOI of the property. In my work as an expert witness across Texas and the nation, I have witnessed juries and even some judges focus more on the chosen cap rate at the expense of the accuracy of the net operating income generated by the property. However, NOI accuracy is essential.

Let's say the argument is between the use of comparable market-based cap rates of 7% versus 7.25%. If the NOI of the property is \$40,000 per year, then the indicated estimate of the sales price using a 7% cap rate is \$571,429, while a 7.25% cap rate equates to a sales price of \$551,724, a difference of around \$20,000 in the estimated sales price of the property.

However, if the \$40,000 is an inaccurate NOI and the true NOI is \$30,000, the indicated sales price at a 7% cap rate falls to \$428,571; using a 7.25% cap rate at \$30,000 NOI, the indicated sales price drops even lower, \$413,793. The \$10,000 difference in NOI results in a significant diminution of the estimated sales price ranging from \$138,000 to \$143,000. The cap rate chosen in this example pales in significance to the accuracy of the NOI because the NOI more significantly impacts the estimated sales price.

Likewise, watch closely for properties that use pro forma NOI instead of actual NOI. In my view, prudent agents will advise their buyers/

The cap rate is chosen at the sole discretion of the buyer/investor.

investors to not only review the rent roll of the property being considered but also to review each and every tenant lease file. Review not only the lease itself; review *all* the contents of the file. Also, advise the client to seek professional help in reviewing closely the total income and expenses of the property to confirm the actual NOI. This type of in-depth analysis likely will require the assistance of an accountant and full access to the property's financial records.

### The Cap Rate As An Indicator of Risk

Another use of the cap rate is as an indicator of the risk in purchasing the property based on the financial condition of each and every tenant. Financially strong tenants such as publicly traded companies are more likely to honor the financial terms of their leases, hence a lower cap rate would be appropriate to use. Tenants that are financially weaker should be assigned a higher cap rate. Remember, the higher the cap rate applied to the NOI, the lower the estimated sales price.

The best indicator of an interest rate for a risk-free investment short-term is the United States 10-year Treasury Note or T-Bill. As of the day I'm writing this, that rate is 3.67%. Unless the U.S. government fails to honor payment of the interest and/or repayment of the principal, the investment is truly safe. Therefore, any wise investor in a commercial property will demand a return and choose a cap rate in excess of the risk-free rate of the 10-year T Bill.

### Other Factors Come Into Play

Is the chosen cap rate the only factor the buyer and seller should consider when arriving at the final sales price for a commercial property? Of course not. There are other, more in-depth analyses using discount rates in discounted cash flow and in net-present-value analyses of income streams. However, the cap rate applied to the net operating income is almost always the starting line for price negotiations in commercial transactions.

The cap rate is not mysterious or difficult to use and is a valuable tool in estimating sales prices of commercial properties. ★



**CHARLES PORTER** holds a Ph.D. in Economics and Business. He was the author and teacher of Real Estate Finance 4343 at St. Edward's University, a class for seniors in accounting and finance, for many years, and author/teacher of dozens of TREC continuing education courses, including the Texas REALTORS®-provided Commercial Finance for Agents. He currently serves as the Chair of TREC's Education Standards Advisory Council.

# SHARE THIS

Help clients better understand real estate transactions by giving them this information. Download a PDF of this page at [texasrealestate.com/sharethis](https://www.texasrealestate.com/sharethis).

Images: © Visual Generation - stock.adobe.com

## TEAM UP WITH A REALTOR® TO FIND YOUR DREAM HOME

You and your REALTOR® can make a great team. But your REALTOR® can't read your mind. Help your REALTOR® find the best options for you by sharing what you're looking for and offering feedback.



### STATE YOUR PRIORITIES.

Tell your trusted real estate professional about your must-haves, nice-to-haves, and dealbreakers. Your REALTOR® can find available homes with the features that matter to you.

You and your REALTOR® can also discuss the best ways to meet your goals. If privacy is important to you, your REALTOR® could search for larger lot sizes, properties near undeveloped land, or even homes with tall fences or fewer neighbors. If you have plans for a growing family or multi-generational household, your REALTOR® can find homes with more space or remodeling potential.



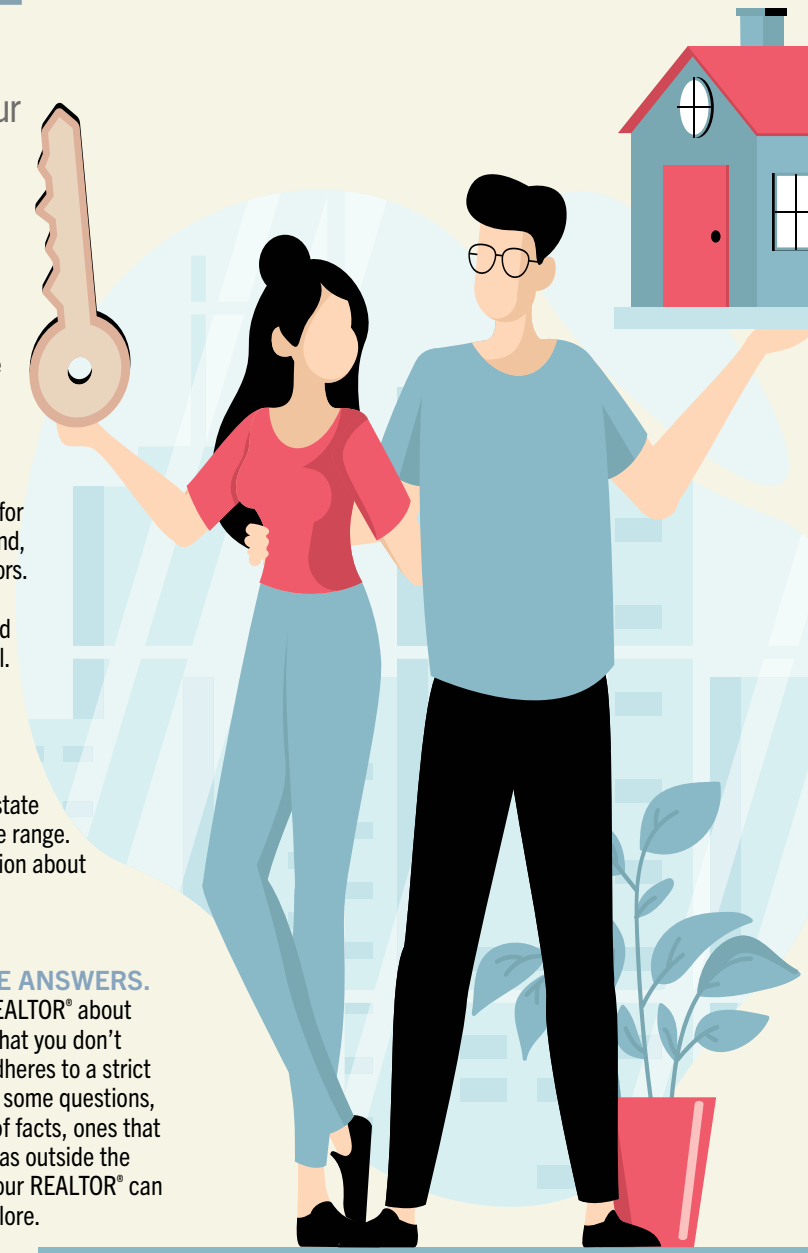
### DISCUSS YOUR BUDGETARY GUIDELINES.

Your REALTOR® is an expert in the local real estate market and can show you options in your price range. Your REALTOR® may also provide you information about assistance programs that could help you.



### YOU DON'T NEED TO HAVE ALL THE ANSWERS.

That's why you hired a REALTOR®! Ask your REALTOR® about any aspect of your home search or purchase that you don't understand. But remember: your REALTOR® adheres to a strict Code of Ethics and may not be able to answer some questions, especially ones that involve opinions instead of facts, ones that deal with legal issues, or ones that involve areas outside the expertise of your REALTOR®. In those cases, your REALTOR® can often suggest impartial sources for you to explore.



By hiring a REALTOR®, you have a professional on your side dedicated to helping you succeed in your transaction. Your vision and your REALTOR®'s expertise are a winning combination to help you find a home you'll love for years to come.

# TAKE 5



## BUILD LASTING RELATIONSHIPS WITH CLIENTS

You know that checking in with past clients is a great way to build relationships that lead to repeat business and referrals. In addition to the obvious occasions like birthdays and holidays, try messaging them during the following times to stay on their radar and maintain the connection you shared during their real estate transaction.

### ON THE ANNIVERSARY OF THEIR HOME PURCHASE OR SALE

Closing day is a major milestone for buyers and sellers. Honor it by thanking them once again for their business. Wish them continued happiness in this next chapter. Perhaps share a photo. Ask them what they remember most from closing or what they wish went differently. They may be touched that you remembered their special day.

### JUST BECAUSE

You don't need a reason to just say hello and send well wishes. Invite former clients to coffee. Say you hope to see them at a community event you plan to attend. Even if they decline, your clients will appreciate the sentiment.

### AFTER RUNNING INTO A MUTUAL ACQUAINTANCE

Messaging after a chance encounter has several benefits. It's casual, unscheduled, and reinforces that you are a trusted member of their social circle. It shows you aren't just a real estate expert; you're also a part of their community.

### WHEN YOU HAVE PERSONALIZED REAL ESTATE UPDATES

Are your clients still interested in what's happening in the market? Most people are! Keep an eye out for their preferences and let them know about relevant developments. They may be thrilled to learn you remembered their goals and shared, say, news of a potential second location for their business or a vacation property that met criteria they previously mentioned to you—even if not part of their concrete plans.

### WHEN SOMETHING REMINDED YOU OF THEM

What better time to share that you're thinking of past clients than when you are actually thinking of them? If you haven't messaged them in a while and something reminds you of them—like an interest or hobby or a news story—send a short message. Be sure to add why you thought of them in case they forgot they shared that information with you.

**Remember:** Building strong connections takes time and consistency. It requires an ongoing effort over months and even years to grow relationships. Supplementing the regular communications you send to your entire sphere with personal contact to individuals will help you forge bonds that last.

# YOU'VE NEVER BEEN TO A CONFERENCE LIKE THIS BEFORE



## Save the Date for REBAR Camp 2023

Thursday, April 20  
South Padre Island



It's casual. It's friendly. And there are no pre-determined topics. That's right—you and other attendees come up with the session themes that are important to you!

Meet up with REALTORS® from across the state and country at this unique education and networking experience, brought to you by Texas YPN. Share tips and tools, learn how to grow your business, and expand your network.

Whether you've been a REALTOR® for 25 years or you just got your license, you'll be sure to gain insights that boost your business now!



# MY ASSOCIATION MY BENEFITS



## SUPERCARGE YOUR MEMBERSHIP

As a member of Texas REALTORS®, you receive thousands of dollars of value through strong advocacy to protect your interests as a real estate professional. Get even more value for your dues by taking advantage of all your benefits!

- Members-only access to 150-plus forms, contracts, guides, and model policies.
- Legal hotline to speak to an attorney about real estate topics.
- Transactions (zipForm agent edition) forms management software and unlimited e-signatures with digital ink.
- Online training for CE courses, designations, and certifications created by and for REALTORS®.
- Discounts on products and services that will save you time and money.

In addition, the REALTOR® Code of Ethics and professional standards are what set you apart from license holders who don't belong to the REALTOR® association. Learn more at [texasrealestate.com/benefits](https://www.texasrealestate.com/benefits).