Fall 1996

Tierra Grande

Journal of the Real Estate Center at Texas A&M University

Tierra Grande Vol. 3, No. 4 Journal of the Real Estate Center at Texas A&M University

AT THE CENTER

Benchmarks 2

FEATURES

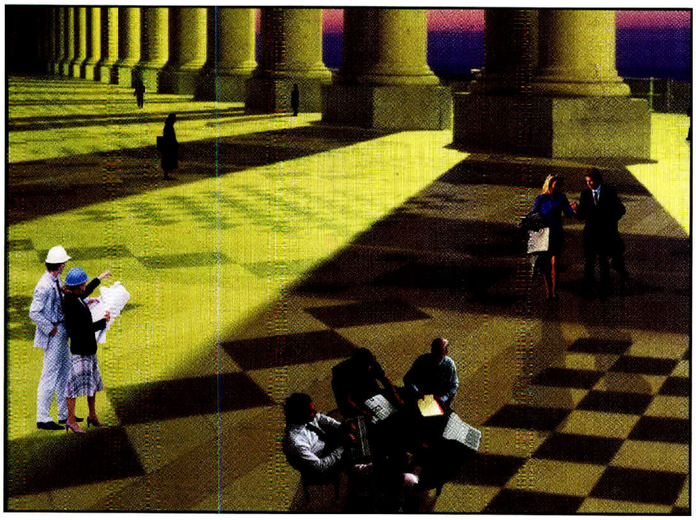
Technology Challenge
Downsizing America's Real Estate Industry 4
by John S. Baen and Randall S. Guttery

INSTRUCTOR'S NOTEBOOK

Expected Rate of Return 14
by Wayne E. Etter

COLUMNS

Advertising
You Can't Say That 16
by Judon Fambrough



Info Tech Redefining Profession

What happens when established industry patterns and structures are eroded—or even eradicated—by phenomenal outside forces? Unfortunately, the real estate business is undergoing a major paradigm shift as a result of cataclysmic change within information technology.

"Information is power in any local real estate market, but control is passing from its former keepers via technological innovations," say authors John S.Baen and Randall S.Guttery.

This is just one of the implications the University of North Texas professors discuss in "Downsizing America's Real Estate Industry" on p. 4. Their thorough analysis of the potential impact on every aspect of real estate from residential sales to mortgage banking and insurance is not to be overlooked.

Retrieving Principal Part of the Deal

Investors may use rate of interest to measure an investment's desirability compared to an alternative. Another factor in the equation ranks as equally important, however. The expected rate of return is a combination of **the return on** and **the return of** the investment. In *Instructor's Notebook*, Wayne E. Etter illustrates several methods that may be used to compare real estate investments based on both factors. See "More Than Interest: Expected Rate of Return" on page 14.

A Taxing Vacation

What did you do on your summer vacation? Taxpayers may find this time-worn theme important once more, especially those who own a vacation home. Depending on length of stay and other circumstances, owners may get a bonus in lower taxes.

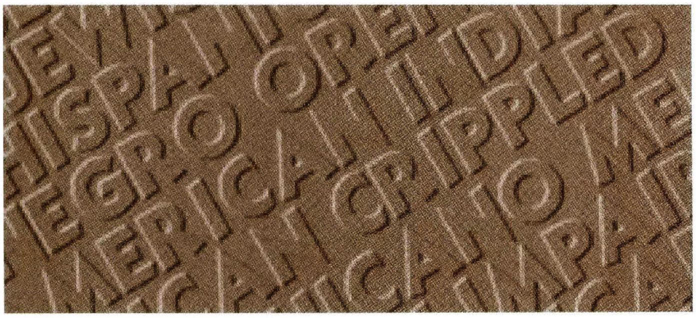
In "Vacation Home Tax Benefits" on page 17, Jerrold J. Stern explains the rules for potential deductibility.

Income Tax
Vacation Home Tax Benefits 17
by Jerrold J. Stern

Economic Forecast
Projected Growth Trends 18
by Jared E. Hazleton

CENTER PRODUCTS

Order Form 20



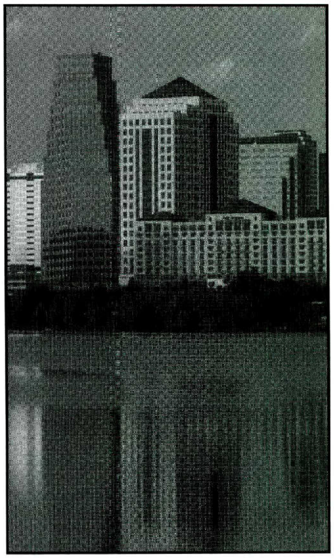
HUD's Word Test for Real Estate Ads

"Adults only, over 40." Does this ad pass or fail HUD's word test? An Oregon Multiple Listing Service learned that it fails, even though it was printed only in the "remarks section" of their publication and reflected the condominium's bylaws.

Language that suggests any preference, limitation or discrimination in violation of the Fair Housing Act is forbidden. HUD publishes a list of unacceptable words. Judon Fambrough explains the "in" and "out" words; see "You Can't Say That: Advertising Taboo List" on page 16.

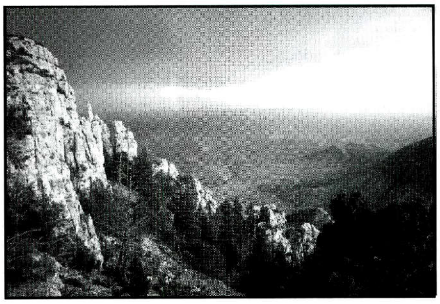
Growth Trends Show State's Economic Diversity

During the coming decade, the Texas scene will be business as usual. Jared E. Hazleton, a research fellow with the Center and director of the Center for Business and Economic Analysis, reviews the most recent population and economic projections from the U.S. Department of Commerce in "Texas Metros: Projected Growth Trends." Population and income reflect the state's economic diversity, and communities will find these figures useful in assessing how to meet future goals. See page 18.



¿Qué pasa?

As far as the eye can see . . . it's still Texas terrain. Hunter Peak, also called Pine Top Mountain, at 8,368 ft. ranks among the state's ten highest elevations. Artifacts from earlier cultures are still found in the region; some are displayed in the Culberson County Historical Museum in Van Horn, the county seat. Cover photograph by Laurence Parent.



Director, Dr. R. Malcolm Richards; **Associate Director**, Gary Maler; **Chief Economist**, Dr. Ted C. Jones; **Senior Editor**, David S. Jones; **Associate Editor**, Dr. Shirley E. Bovey; **Assistant Editor**, Kammy Senter; **Art Director**, Robert P. Beals II; **Circulation Manager**, Gary Earle.
Typography, Real Estate Center; **Lithography**, Wetmore & Company, Houston.
Advisory Committee: John P. Schneider, Jr., Austin, chairman; Gloria Van Zandt, Arlington, vice chairman; Michael M. Beal, College Station; Conrad Bering, Jr., Houston; Melissa C. Cigarroa, Laredo; Dr. Donald S. Longworth, Lubbock; Carlos Madrid, Jr., San Antonio; Andrea Lopes Moore, Houston; Kay Moore, Big Spring; and Pete Cantu, Sr., San Antonio, ex-officio representing the Texas Real Estate Commission.
Tierra Grande (ISSN 1070-0234), formerly *Real Estate Center Journal*, is published quarterly by the Real Estate Center at Texas A&M University, College Station, Texas 77843-2115.
Subscriptions are free to active Texas real estate licensees who provide their name, address, telephone and license numbers to Department TG at the address given. Other subscribers, $20 per year in Texas and $25 per year for nonresidents. **Views expressed** are those of the authors and do not imply endorsement by the Real Estate Center, the L. Lowry Mays College of Business Administration and Graduate School of Business, or Texas A&M University.
Photographs/Illustrations: Background by Superstock, art compiled by Robert Beals, pp. 4, 5; Real Estate Center photo library, pp. 6, 7, 8 (bottom), 12, 13, 14, 17, 18; Robert Beals, pp. 8 (top), 9, 10, 11, 16; Laurence Parent, pp. 18, 19.

Benchmarks

Center's Web Site Tops

The International Real Estate Directory (IRED) named the Center's web site one of its "Top 10 Hot Picks for August-September 1996." IRED lists more than 7,000 real estate web sites worldwide.

"The Real Estate Center offers more information in one place than any entity we have seen," says Becky Swann, editor of IRED's U.S. section.

Located at http://recenter.tamu.edu, the web site went online in October 1995 and received 334 "hits" from users during its first month. In July 1996, hits soared to 56,600—some 1,800 per day.

And the information is free, nearly 8,000 pages of it. Statistics on 310 U.S. metropolitan markets, the 50 states—including building permits and civilian employment—and the District of Columbia may be accessed.

Much of the on-line information is specific to Texas. Housing statistics for 45 major markets and building permit information for the 254 counties are included. Population projections to the year 2000 plus the latest research results are found on the web site also.

Helpful hints for homebuyers, home sellers and real estate agents as well as updates on court rulings and regulations affecting Texas real estate may be downloaded from the Center's web site.

Retailing and Retail Real Estate Conference Set

A one-day conference starring retailing and retail real estate experts is set for November 13 at the Hyatt Regency Hotel in Houston. Well-known names from the world of retailing and retail real estate development will speak on what lies ahead for the retailer, financier, developer and consumer.

Opening the conference is Leonard L. Berry, director of the Center for Retailing Studies and JC Penney Chair of Retailing Studies at Texas A&M University. Berry, recognized internationally for his expertise in services marketing, will speak on "Retailers with a Future."

A panel of retailers from prominent businesses will respond to Berry's remarks.

Joseph H. Ellis of Goldman, Sachs & Co. will present his Wall Street analysts' perspective.

Newcomer's Guide Eases Transition

Relocating to Texas offers attractive options. Corporations find the state's economic environment appealing as a new company site, and many employees transfer each year. The milder climate and open spaces lure retirees in droves. Those who buy property and settle down for the long term, however, may discover that their move changes more than the landscape and weather.

A retired couple from California was shocked earlier this year when they found themselves powerless to stop a drilling company from exploring for oil on their land near San Antonio. In Texas, the owner of the mineral rights may enter private property and drill for oil without the surface owner's consent.

Newspaper accounts of the couple's dilemma prompted the Center to publish a new booklet. *A Newcomer's Guide to Texas Real Estate* outlines the unique aspects of owning or renting Texas property. New Texans can be better prepared whether they rent, buy or sell property in the state.

The California retirees now know that Texas law protects their property from unsecured creditors. They can not use their home equity, however; Texas' unique homestead law precludes owners from borrowing against the equity in their home.

Based on publications written by Judon Fambrough, senior lecturer and attorney with the Center, the booklet covers legal points that newcomers might encounter for the first time. Topics include private property rights, mineral leases, landlocked property, water rights, homeowner's insurance and landlord-tenant relations.

Texas expects the state's population to hit 33.8 million by 2030—up from 18.4 million in 1994—and it will be growing twice as fast as the nation. Much of the growth will be immigration from other states and countries.

David S. Jones, senior editor, co-authored the guide with Fambrough. To order the new publication, see page 20.

Marc J. Shapiro, chairman of Texas Commerce Bank, will speak at the luncheon.

Afternoon sessions focus on development. Ed Wulfe and several panelists will address "Development and Re-Development in the 21st Century." Wulfe is a Houston developer. The final address will propose strategy for next century's retailing industry.

Registrants may contact Margaret Benedict by calling 409-845-9691. The cost is $95. Sponsors for the conference include the Real Estate Center, Wulfe & Co. and *Shopping Center Business* magazine.

Center Communicators Win Awards

Real Estate Center publications took three of the top awards at this year's Brazos Bravo Awards. The annual competition is sponsored by the Brazos Valley Chapter of the International Association of Business Communicators.

A Brazos Bravo Award recognizing the area's best overall continuing communications program was presented to Senior Editor David S. Jones. Jones and Art Director Robert Beals won an Excellence Award for one-time communications programs. Their promotional campaign "Hooked on Real Estate" was featured at last year's state convention of the Texas Association of Realtors.

Jones, Beals, Associate Editor Shirley E. Bovey and Assistant Editor Kammy Senter received an Excellence Award for the Center's quarterly magazine, *Tierra Grande*.

Fambrough Completes 15 Years of Service

Judon Fambrough, senior lecturer and attorney at law, received a 15-year service award from the Real Estate Center. Fambrough, author of the Center's best-selling publication—*Hints on Negotiating an Oil and Gas Lease*—has written numerous articles and reports on real estate law. He is the sole author of the Center's *Law Letter*, now in its eleventh year of publication.

Fambrough joined the Department of Agricultural Economics faculty at Texas A&M in 1977 to teach agricultural economics and agricultural law; since 1981, he has taught oil and gas law in addition to his work at the Center.

A decorated Vietnam veteran, Fambrough holds a Juris Doctorate degree from the University of Missouri.

Refining, Petrochemical and Gas Processing Plant Appraisal for Ad Valorem Taxation

Notables from the oil and gas refining industry will meet at the Plaza Hotel in San Antonio on November 17-19 to discuss ad valorem tax issues. Instructors for the one-and-one-half day conference come from firms such as Purvin & Gurtz, Valero Refining Company and American Appraisal Associates Inc.

Participants will hear presentations on economic trends, accounting and appraisal approaches to valuation and the valuation of intangibles. Eleven hours of continuing education units are available.

To register, call Margaret Benedict at 409-845-9691. The cost is $475 to preregister and $525 at the door. Sponsors are the Real Estate Center and the Department of Finance at Texas A&M University.

Publications Catalog Released

Catalogs may choke many mailboxes, but the Center's latest release will not be included unless requested. Or, for those who prefer electronic media, download it from the Internet.

"Every Center catalog records the trends, issues and data specific to a particular year. The publications resulting from on-going and new studies reveal a shared history and active partnership between academic research and real estate," says Director R. Malcolm Richards.

Nearly every page shows a new or revised publication on major topics of current interest; lead-based paint, cyberspace, landlords' and tenants' issues, commercial property and building great service are just a few of the topics or new reports and articles.

Request a free catalog (publication 306) to find the latest research results for the real estate industry.

Austin Broker Named Advisory Committee Chairman

John P. Schneider, Jr., was named chairman of the Center's Advisory Committee in September. Schneider, owner of an Austin brokerage firm, served as vice chairman during the previous six months.

Gloria Van Zandt, president of the Arlington-Mansfield Division of Wm. Rigg Realtors, is the new vice chairman.

Downsizing America's Real

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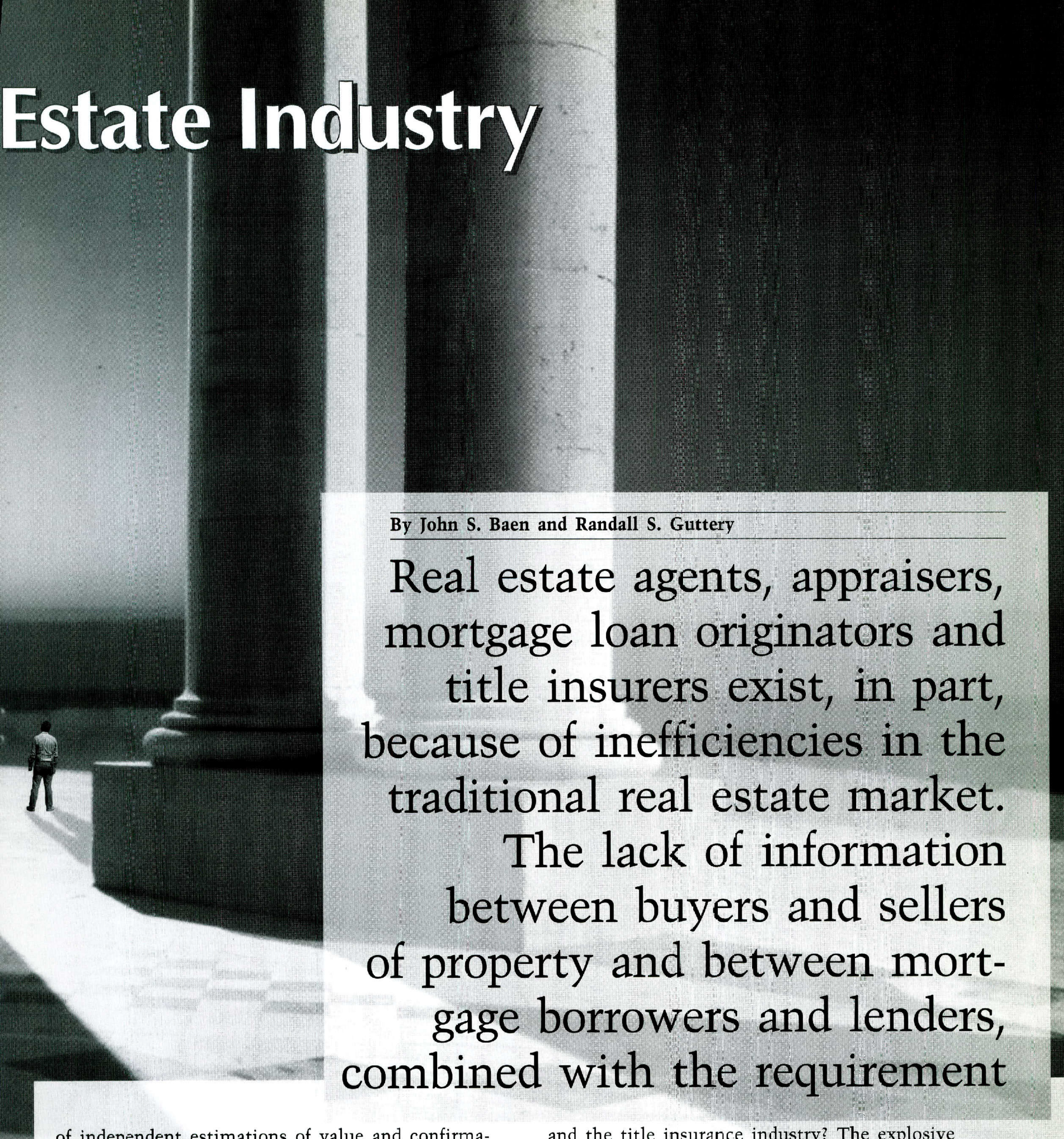
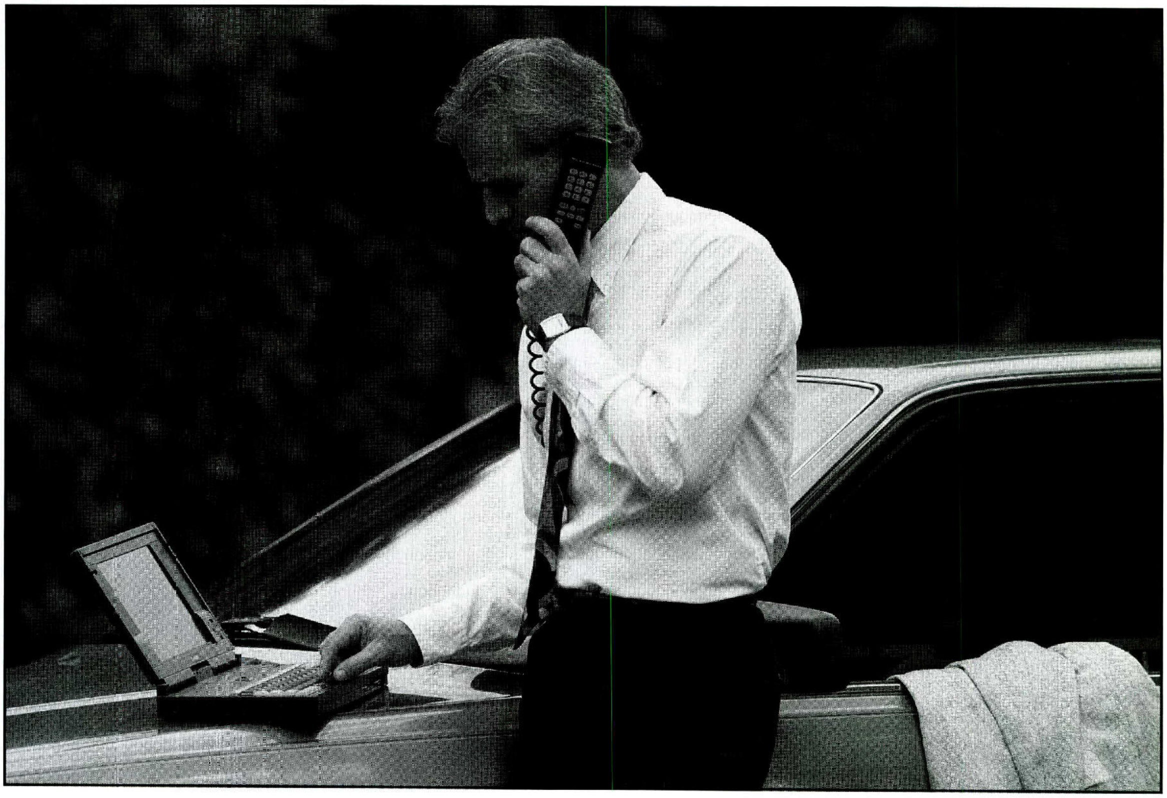
Estate Industry



By John S. Baen and Randall S. Guttery

Real estate agents, appraisers, mortgage loan originators and title insurers exist, in part, because of inefficiencies in the traditional real estate market. The lack of information between buyers and sellers of property and between mortgage borrowers and lenders, combined with the requirement of independent estimations of value and confirmation of valid land titles, ensures full employment for millions of Americans. From 1980 through 1993, an average of 700,000 people per year were employed full-time as real estate agents or managers; nearly two million worked in the banking industry each year, and more than 100,000 were subdividers or developers or both. Technological advances, however, have already begun to alter the trend.

What will be technology's effects on real estate brokerage, appraisal services, the mortgage markets and the title insurance industry? The explosive growth of both consumer and business computing, coupled with the availability of the Internet and user-friendly real estate databases containing previously unavailable market information, is revolutionizing the real estate industry. During 1995 alone, the number of web sites offering real estate for sale grew fortyfold—from 100 to more than 4,000. The real estate industry, mortgage markets, supporting professions and service providers are in the throes of a paradigm shift that will have major implications in



Technology will soon divide buyers and sellers from licensed agents and associated service providers.

employment and levels of compensation, thereby reducing comparatively high transaction costs associated with the sale and purchase of real estate.

Signals that the real estate industry is in a state of change are widespread. For example, membership in the Greater Dallas Association of Realtors fell 28 percent, from 6,400 members in 1987 to approximately 4,600 in early 1995, according to the *Dallas Morning News*. Additional evidence came from the Appraisal Institute's National Board of Directors' Meeting in April 1996, when it was announced that membership candidates would decrease an estimated 30 percent between 1994 and 1996. Moreover, *The Wall Street Journal* reported on March 20, 1996, that renewals for two-year Texas appraisal licenses have dropped 5 percent per year since 1993.

Real Estate Brokerage: Caught in Power Struggle

Real estate agents will continue to provide valuable services to homebuyers and sellers. Numerous academic studies have documented real estate brokerage fees in the United States that are relatively high when compared to other countries. Professionalism, technical information, ethics, financing information and third-party negotiations have long been the hallmark and justification for real estate fees of 5 to 7 percent in the United States. Commission rates, however, average only 3 to 4 percent in South Africa and New Zealand and 3 percent in the United Kingdom, although there is no measurable difference in the service quality rendered outside the United States.

Information inefficiencies in the residential real estate market are being capitalized into real estate agents' listing and marketing fees. In any local real estate market, information is power. Until now, this power has been controlled by Realtors via the National Association of Realtors (NAR) and its affiliated state and local chapters, and indirectly through the Multiple Listing Service's (MLS) barriers to entry for non-NAR members and nonlicensees (e.g., "for sale by owner" sellers).

Buyers, sellers and real estate service providers are affected by technological innovations and increased market efficiency. These advances are helping increase

Change is inevitable. The rate of technological change, however, continues to accelerate. While real estate professionals have embraced some technology, such as cellular telephones, facsimile machines and voice mail, many remain untouched by the exploding mass of electronic information and related databases that are transforming the way real estate is marketed and sold.

Two years ago, the term *Internet* was likely spoken only at computer companies and universities and then primarily by those wearing plastic pocket protectors and tape-wrapped eyeglasses. Today the dream of a 48-hour closing is reality. Computerized loan origination and electronic title plants coupled with e-mail allow an uninterrupted progression from showing to closing.

Within the real estate transaction, these technological changes are altering the responsibilities of all participants. Technology is creating winners and losers.

consumers' understanding of traditional marketing approaches, which are being seriously challenged. The two markets are independent of each other, but until now they have been one in the public's mind. Technology soon will divide the *real estate market* (buyers and sellers) from the *real estate marketing market* (licensed agents and associated service providers).

Power struggles and litigation over who is authorized to access housing market information are emerging as the result of the drive for increased efficiency through technology and the rapid emergence of "free" information on the Internet. The real estate "open market" marketing revolution that is underway will further test and question who owns market information on particular homes or groups of homes that are for sale or have been sold. While agents, buyers, sellers, tax assessors and appraisers each believe only they own the data about properties that are for sale or have been sold, this technological metamorphosis may result in the data belonging in the public domain.

> A transfer of power to consumers will devalue information and services from licensees.

If information is power, and more information about real estate markets will be available to the general public through technology, a transfer of power to consumers will devalue information and services previously available only through real estate licensees. The Internet and world-wide web could replace much of the public's need for agents' traditional house-hunting services. If buyers and sellers can use their computers to gather information about each other's offerings, as well as about data on, say, demographics, crime statistics and student SAT scores, then they may question paying agents the typical 5 to 7 percent of the gross selling price for acting as a facilitator or intermediary. Buyers and sellers in the new technology economy are unconcerned that these may be "fighting words" among real estate professionals.

Some real estate participants are attempting to meet the challenge. NAR attempted to control data through the Realtor Information Network (RIN), its listing access vehicle. Many local boards are creating their own Internet pages that are available to the public, while charging their agents local access fees and listing fees. Most of these home pages purposely exclude important information about specific properties, however, so that prospective purchasers have to contact the listing agents directly. In contrast, Microsoft's network system—Real Direct—poses a challenge even to agents' cyber listings by posting property for only 15 cents. Technology is transforming and transferring valuable information previously monopolized by the real estate profession into a virtually free service. If real estate participants do

Technology is transforming the real estate profession by transferring once-limited information into a virtually free service.

Winners are obviously the consumers, given the quantum leaps in information available for making purchase and sales decisions. Who then are the losers? Without question, the losers will be real estate professionals who once were essential to the information flow facilitating the transaction process. Today this information is commonly available from an electronic database, allowing consumers to circumvent the value added to the process by the real estate professional.

This article, although intended to raise provocative questions about the future of real estate services, also may raise the blood pressure or even the anger of the reader. We solicit responses to this article and will report them in a future *Tierra Grande.*

Address comments to:
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facsimile: 409-845-0460
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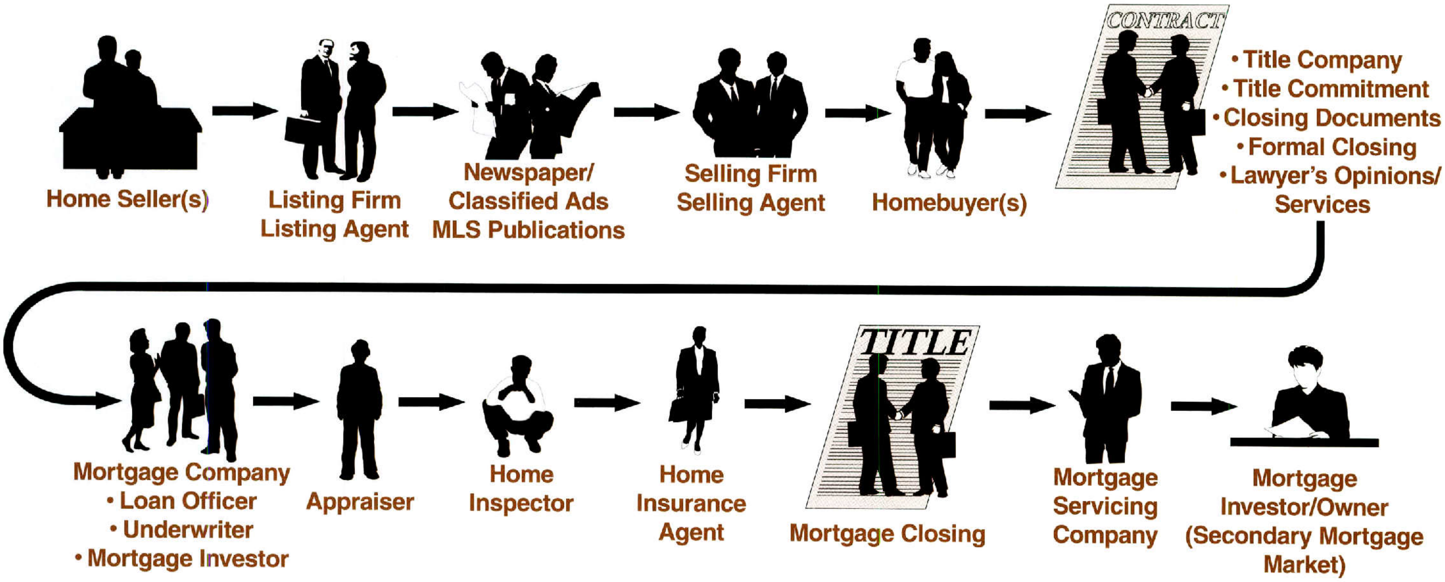
College Station, Texas
77843-2115

20th Century Traditional Real Estate Transactions

Participants and service providers = 16+ Participants



not provide complete information, the market will find ways to function without them.

Many other technological innovations and resources in real estate brokerage have surfaced recently. The MLS data are available in several cities on compact disk and updated weekly. Electronic and fax transfers of listing contracts and offers to purchase have become acceptable business practice, thereby reducing transaction costs and services required, as well as saving time. Satellite auctions and property marketing channels are available. E-mail, voice mail, cellular phones and pagers have increased efficiency and productivity of individual agents.

Long-distance learning, seminars and franchise informational meetings are being presented via satellite and video-phone conferencing technology.

Long-distance learning, seminars and franchise informational meetings are being presented via satellite and video-phone conferencing technology. Computer based contract forms have added efficiency, standardization and professionalism to the preparation of contracts, leases and other documents. Electronic cameras allow photos to be transmitted electronically and downloaded into a computer's hard drive, transferred over the Internet and printed by the end user in either color or black and white.

Another innovation offers traditional real estate classified ads and photographs on the Internet at no charge (e.g., the *Dallas Morning News'* Internet real estate listings at http://cityview.com/dallas/realesta/). This begs the question as to why newspapers are willing to offer free real estate classified advertising to potential buyers without the purchase of a paper. In the new economy, they have no choice but to do so; otherwise, they may lose their primary revenue source derived from advertising. Nevertheless, this new state-of-the-world may soon provide real estate participants viable alternatives to advertising in newspapers while maintaining market penetration.

Anticipated changes in real estate brokerage are widespread. Complete property-specific and market information is becoming available to ***all*** market participants, not just to members of NAR via the MLS. The increased availability of expanded real estate databases will include, but not be limited to, property prices and trends, statistics on crime, information on the environment, local school performance on national exams, ad valorem tax rates and historic appreciation rates.

Increased productivity and sales per full-time agent in major markets will result in a gradual decline in the total number of real estate agents, a drop in average income per licensee or both. Overall service and face-to-face customer contact time required by agents will be diminished greatly. Generally reduced real estate commissions, with fixed marketing fees per transaction and/or reduced listing percentages on a sliding scale, could become the norm.

Agents increasingly offer support services, such as collateral assessments (i.e., valuation) for loan processes, lender property inspections, coordination of required repairs, coordination of property closings and electronic transfers of closing papers to mortgage lenders. Large franchise brokers such as Century 21, Coldwell Banker and ReMax will experience growth trends with links in services and products currently associated with property ownership (e.g., home renovations and repair; lawn care and maintenance; home moving, storage, and transfer businesses; home warranty plans and insurance). Brokers prospecting for listings will use their agents to tele-market sellers and to search Internet home pages that advertise reduced brokerage fees or "special offerings," thereby accelerating competitive pricing for real estate services. Real estate licensees can either embrace these changes positively or expect to be employed elsewhere in the new economy. These changes likely will begin in large metropolitan areas' higher-priced neighborhoods but will spread rapidly throughout the market.

Real estate licensees can either embrace these changes positively or expect to be employed elsewhere in the new economy.

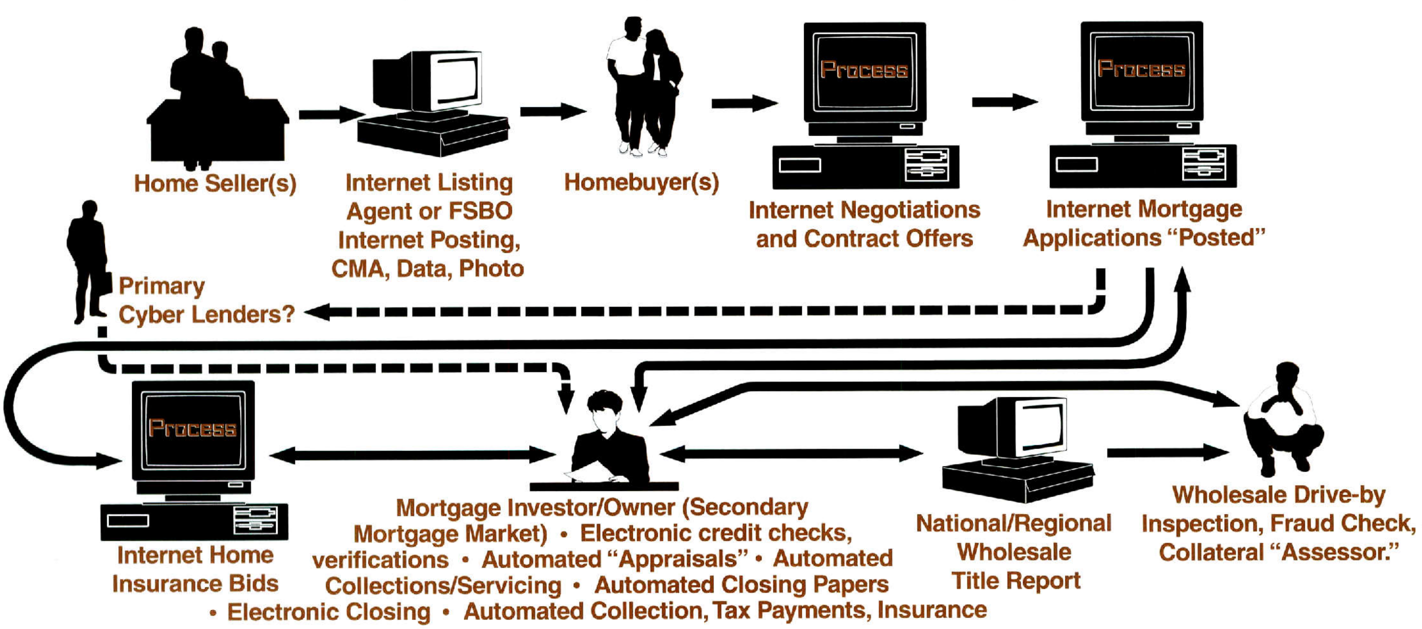
Appraisal Services: Less Demand, Less Money

Technological innovations, the growing availability of real estate databases and reduced regulatory requirements for appraisals by FDIC-insured banks on houses valued less than $250,000 have adversely affected appraisers' income, as shown by a Center study indicating 51 percent of home sales do not have an appraisal. As well, appraisal requirements by secondary mortgage market investors (e.g., the Federal National Mortgage Association [FNMA or Fannie Mae] and the Federal Home Loan Mortgage Corporation [Freddie Mac]) have been relaxed. New cyber appraisals and the generally less volatile housing market today, compared to the 1980s, contribute to less demand for traditional appraisals and, therefore, appraisers' services in the immediate future.

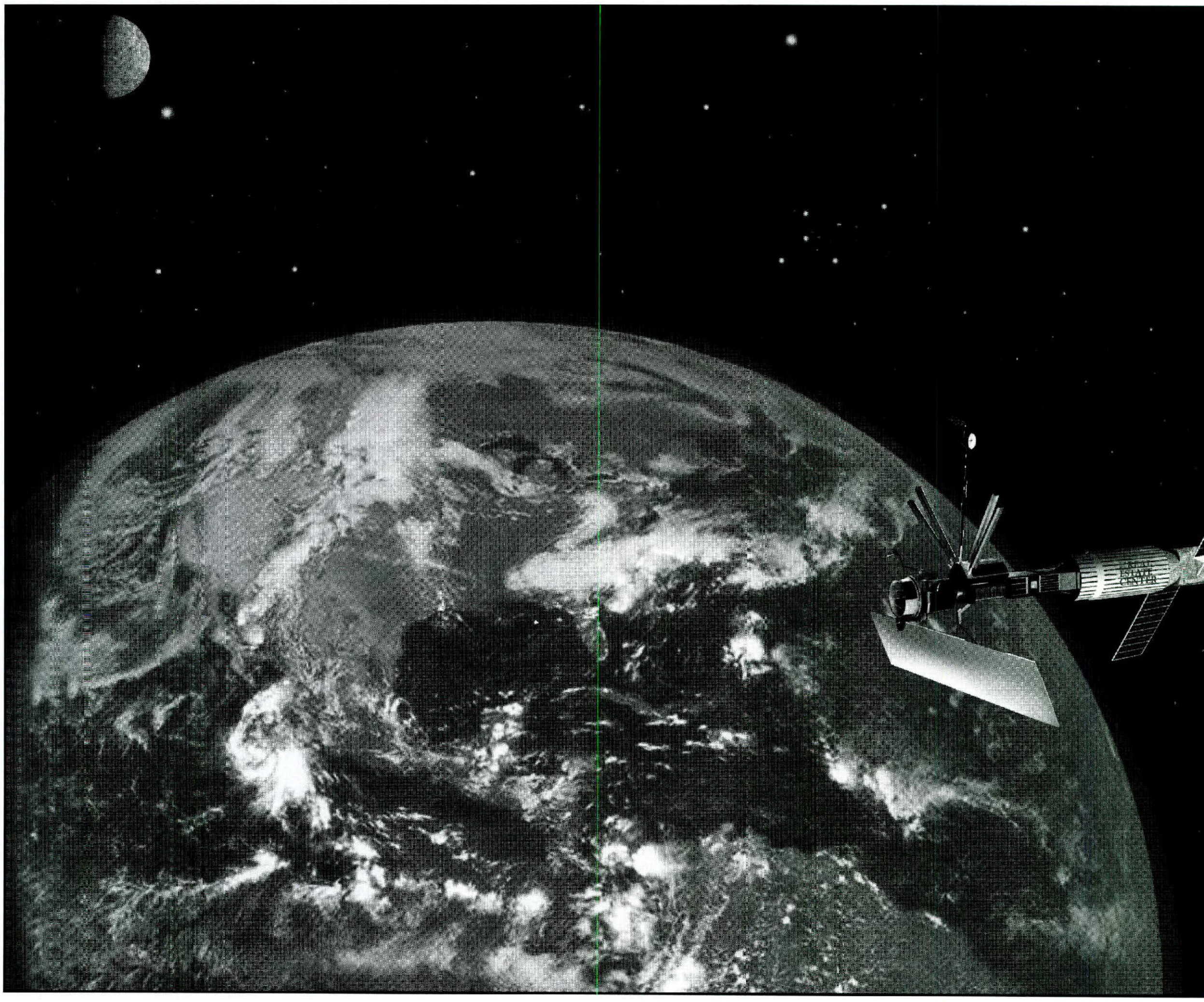
With the growth of structured databases, more appraisals will be automated, resulting in **fewer appraisers** who will be **paid less money** to complete

21st Century Traditional Real Estate Transactions

Participants and service providers = 4.5 to 5 Participants



Primary lenders may be left out of the picture as the technological era relentlessly increases efficiency and speed. Electronic deposits and withdrawals have created instantaneous mortgage payments and defaults. Paperless appraisals via modem or satellite are now available. County courthouse records and tax information are on-line in most states.



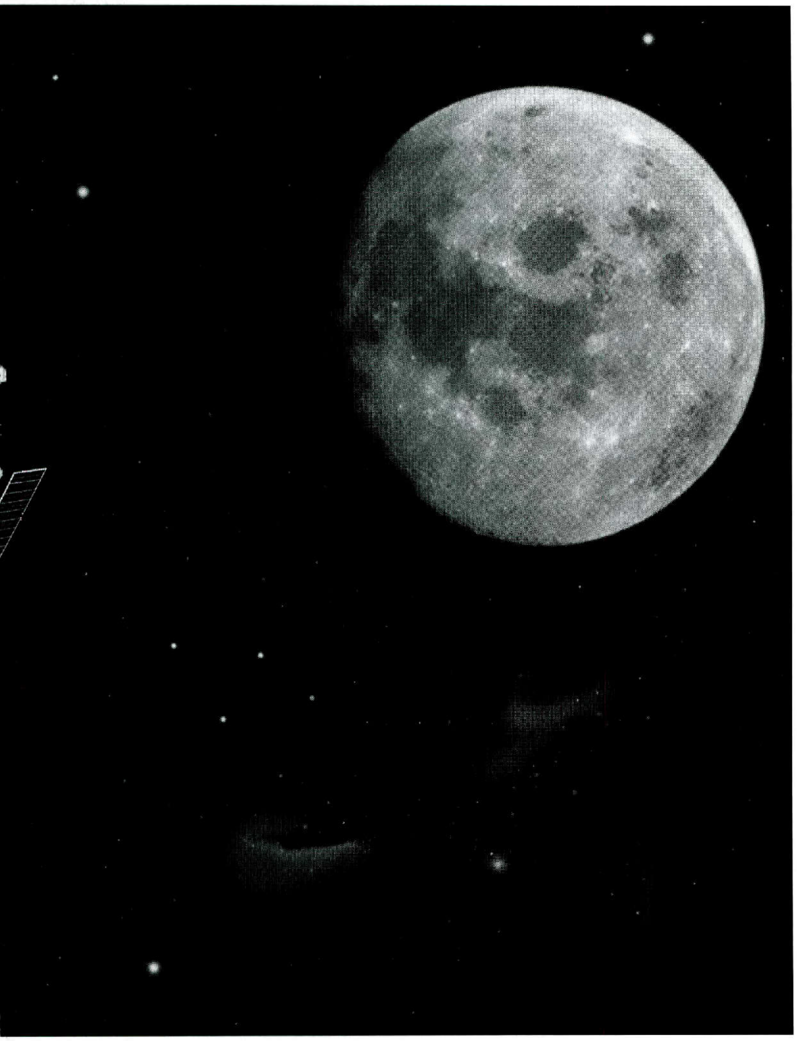
more appraisals in less time. Previously, appraisers were relied upon for their independent knowledge and judgment; now, they are being forced to conform their opinions to computer-generated adjustment grids, regression analysis and statistical norms. Kenneth Nicholson, president of the Appraisal Institute, suggests that mass appraisal firms soon will receive a little more than half of their current fees.

Freddie Mac has adopted and implemented an automated "collateral assessment" feature as part of its new Loan Prospector Program™, using a nationwide network of real estate agents and brokers who merely drive by subject properties to inspect exteriors and make "fraud checks." The current automated appraisals are available for 100 counties across the United States and are projected to include 350 counties by year-end 1996.

These changes raise the questions: who is at risk or responsible for "over valuation" of collateral, loan losses or both? Will all valuation risk or negative loan values/losses be transferred to the secondary mortgage market? Freddie Mac offers a collateral assessment solution for all risk profiles, relieving lenders of this responsibility and of the need to represent and warrant appraisals. The implication of this, if adopted by the secondary mortgage market, would set the scene for a possible partial by-pass or complete elimination of both appraisers and primary lenders in the marketplace. Homebuyers and borrowers could proceed directly to the secondary mortgage market for loan application, underwriting, approval and funding. In sum, many inefficient real estate services will be eliminated.

Several current technological innovations, trends and resources are influencing the appraisal industry. EDI or electronic data interchange (paperless appraisals via modem or satellite) are available. Floor plan sketching and area calculations are made using CADD programs. County courthouse records and tax information are on-line in most states. Integrated computer software can merge report forms, sketches, maps, photos and demographic information. On-line environmental reports are available from Marshall and Swift, an international construction cost database. Freddie Mac has statistically-based models for assessing collateral nationwide. Digitized, on-line flood certification services are available. Geographic information services (GIS), desktop mapping, demographics and neighborhood identification programs (e.g., Map Info, Arc Info, TIGR) are commonplace.

A seriously reduced demand for residential real estate appraisals and, therefore, appraisers is expected to continue. New, "non-core" business appraisal activities to counteract this decline soon should include: home inspections; business valuations;



environmental assessments; investment and disposition consulting; lead-based paint assessment, inspection, and abatement; ad valorem tax consulting and property owner representation; and "spot check" audits, allowing FNMA or mortgage originators to perform traditional appraisals on randomly chosen properties to measure the accuracy of artificial intelligence appraisals.

Primary Mortgage Market May Disappear

Technology has played a major role in the emerging "new bank" and in commercial bank downsizing. The number of bookkeepers, receptionists and secretaries has declined significantly, resulting, in part, from bank executives preforming many secretarial support tasks (e.g., word processing and spreadsheets) and using e-mail, voice mail, faxes by modem and other tools. ATMs have replaced many tellers, while advances such as electronic deposit and withdrawal capabilities have transformed the relationship between banks and their customers—they rarely meet face-to-face. Fax-modem consumer loan applications provide 24-hour service and funding guarantees. These new banking features are on the cutting edge, where many real estate services are likely to be in the near future.

The challenge will be to determine how real estate loans will be originated, underwritten and serviced—and by whom.

Banks, thrifts and mortgage companies downsized in several regions of the country in the late 1980s, the response, in part, to bad real estate loans. Subsequently, many regional "superbank" mergers and expansions (e.g., NationsBank, Midatlantic Bank, Meridian Bank, Chemical Bank) have closed many previously competing branches, further reducing banking employment. Even downsized, more efficient and technologically improved banks that may be enjoying prosperity are now being challenged severely by new, nonregulated "nonlocation nonbanks" using only mail and telephone line transactions. These nonbank "branches" are located in every home with a mailbox or telephone. Both traditional and nonbanks will face even more competition from Internet banking.

Since 1990, many depositors and real estate borrowers have used both automated direct deposits and mortgage payment debits. Laws are in place to protect a customer's funds in case of electronic errors. The concept of the fully automated bank is a reality in terms of deposits, withdrawals, saving and checking accounts, consumer loans and credit cards. The challenge will be to determine how real estate loans will be originated, underwritten and serviced, as well as by whom. As the new technological era moves relentlessly toward increased efficiency, speed and fewer real estate service providers, the secondary mortgage market and consumers may by-pass primary lenders altogether. **The secondary mortgage market may become the primary and only mortgage market.**

Several innovations in the primary mortgage market are, or will soon be, a reality. Electronic deposits and withdrawals have created instantaneous mortgage payments whereby insufficient funds in the mortgagor's account creates immediate mortgage default. Mortgage interest rate bulletin boards and "electronic listing services" will provide increased competition in mortgage lending rates, thereby driving rates down—all else held equal. Faxed or electronically transmitted mortgage applications and other real estate related documents are common. Internet loan applications will be posted by potential *borrowers*, who will then receive "bids" or offers on loans from lenders. This role-reversal will result in lenders seeking borrowers, not vice versa.

Growth of Internet banks with distant or nonpublic facilities will increase competition with traditional banks, reduce overhead and make interest rates more competitive. Growth of "nonbanks" (e.g., G.E. Capital, USAA) will increase competition, in part because of reduced regulation. Reduction in mortgage loan application time, the result of electronic verifications, credit checks and the relaxing of appraisal requirements for loans less than $250,000 is occurring.

Electronic secondary loan sales, approvals, commitments, purchases and transfers are becoming commonplace. Computer-generated loan application programs with built-in, automatic audit and verification features are being developed by larger lenders. Computer-generated mortgage documents for each loan type are being provided to borrowers at the time of loan approval. Remote tele-marketing of mortgage lending, refinancing equity loans and home improvement loans is a growing trend.

Secondary Mortgage Market Poised at Every Level

Fannie Mae and Freddie Mac have taken the lead in implementing applied business computing and technology. These mortgage investors anticipate that other real estate industry participants will follow suit. Both FNMA and Freddie Mac realize that, indirectly, they control the residential mortgage market; therefore, they can require others both to follow their rules and standards and to use their computer programs and technological innovations. This new methodology affects primary lenders, appraisers, mortgage servicing firms and, ultimately, homebuyers.

Their initiatives and technological innovations in the real estate market have them poised to conduct mortgage operations at every level. These include, but are not limited to:

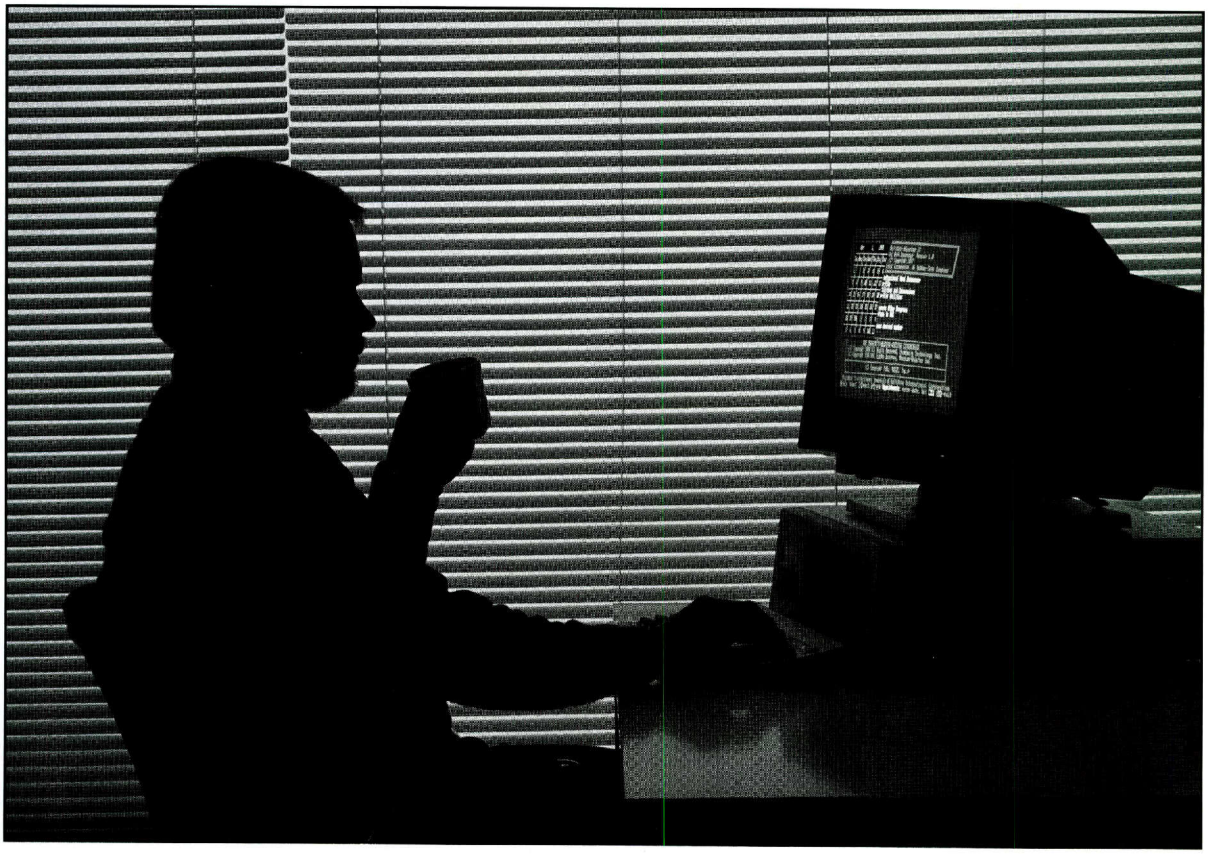
- customer-buyer education of residential and investment properties
- direct lending activities
- traditional and new loan products for primary lenders and
- developing new markets and operating systems services through computer software and technologies that are copyrighted and retain their trademarks.

The many innovations initiated by Freddie Mac (e.g., the automated Loan Prospector) and Fannie Mae (e.g., Desktop Originator™ and Desktop Underwriter™) are fully automated, desktop, personal computer programs that organize borrower information, qualify borrowers for the appropriate loan, perform underwriting tasks and prepare associated documents in a standardized format and quality. While primary lenders generally collect borrower information, originate mortgage loans and eventually sell the loans in the secondary mortgage market, streamlining and efficiency could allow FNMA, GNMA and Freddie Mac to make loans directly to borrowers. Innovations, initiatives and policies in the secondary market will be responsible for significant changes soon in the entire housing market.

Title Insurance Industry: Increased Competition, Efficiency

Title companies provide important title information and guarantees for buyers and lenders. Nevertheless,

Both FNMA and Freddie MAC realize that, indirectly, they control the residential mortgage market. Therefore, they can require others both to follow their rules and standards and to use computer programs and technological innovations.



technology is having an impact on courthouses, ad valorem tax offices and title insurance companies. Many courthouses and tax offices are merging information by assigning shared property or parcel identification numbers (in many states parcel identification numbers are required on all legal documents referencing real estate). Public records are being transferred to electronic data files that can generate complete historic "chains of title" because they are updated daily as new documents are filed on individual properties. Title company microfilming is being replaced rapidly by computer output to laser disc, compact discs or optical discs that allow computer-generated reports on mainframes to be transferred on-line. The public sector potentially could provide title and tax reports in a useable form on demand. While interpretation and assurance of marketable title require professional opinions, an explosion of organized, precise title and tax information is quickly replacing out-moded title searches through historic documents.

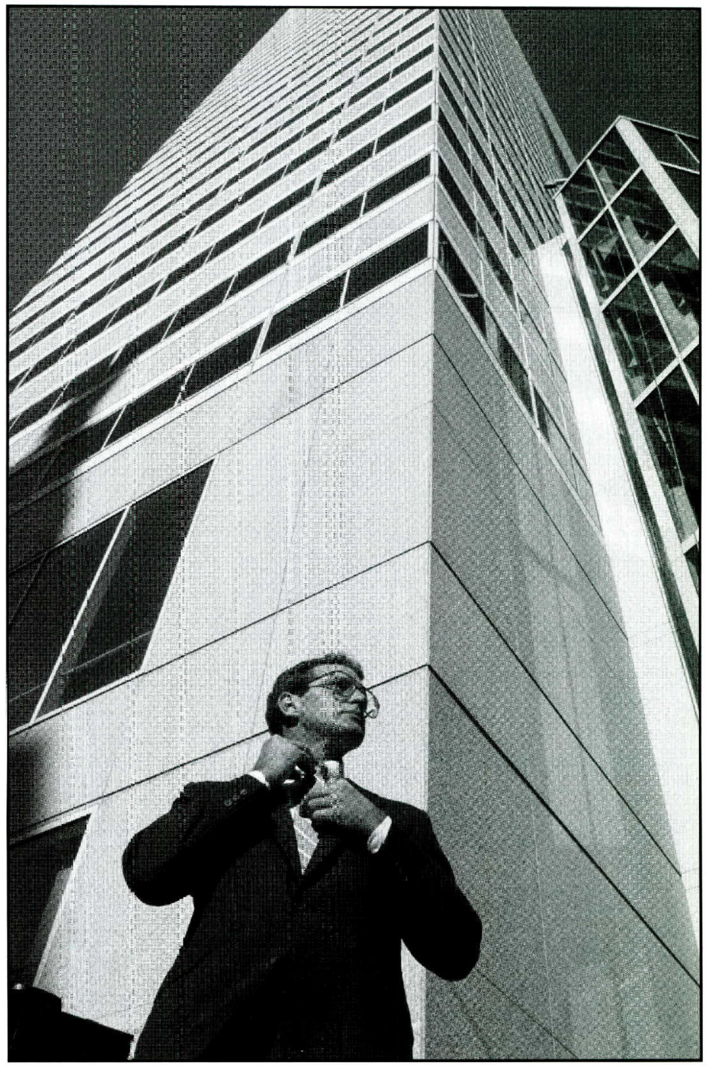
Title companies' on-staff attorneys traditionally have provided important closing or escrow services that extend beyond insuring the title of a particular property, including deed and mortgage preparation. Technology is challenging who may provide these services in the future, however. Software programs create customized, legally-binding real estate documents, such as sales agreements, leases, mortgages and deeds. It remains to be seen whether the legal profession and title companies will transfer their services to lenders, the secondary mortgage market or others.

Increased competition and efficiency resulting from improved technology has major implications. For example, increased accessibility and retrieveability of title and tax information from courthouses will challenge state-imposed title insurance premium rates (as in Texas) and the proposed required use of attorneys for title opinions (as in Virginia). Also, the cost and charges for document preparation associated with property transactions will decrease as a result of both widespread availability of software and consolidated services of primary and secondary mortgage providers.

Dramatic Drop in Real Estate Service Providers

The impact of technology on the real estate profession, industry and market will be profound and will seriously influence virtually all aspects of and participants in what has been characterized as a relatively inefficient and high transaction cost business. The traditional real estate transaction of the 20th century, when contrasted with the real prospect of the 21st century "cyber-technology" market of the near future, has startling implications.

Serious downsizing in the number of service providers required is likely, as well as a 50 percent reduction in total transaction costs. The average number of real estate service providers who participate in a typical residential transaction is projected to nose-dive from 16 to only five. Assuming this projected scenario, these lower costs and requisite increased efficiencies in the marketing process will amount to a wealth transfer from licensed agents, lenders, appraisers, attorneys and loan servicers to buyers and sellers. Moreover, a tremendous cost to the real estate profession in terms of employment and income is a probability.



Serious downsizing in the number of service providers required is likely, as well as a 50 percent reduction in total transaction costs.

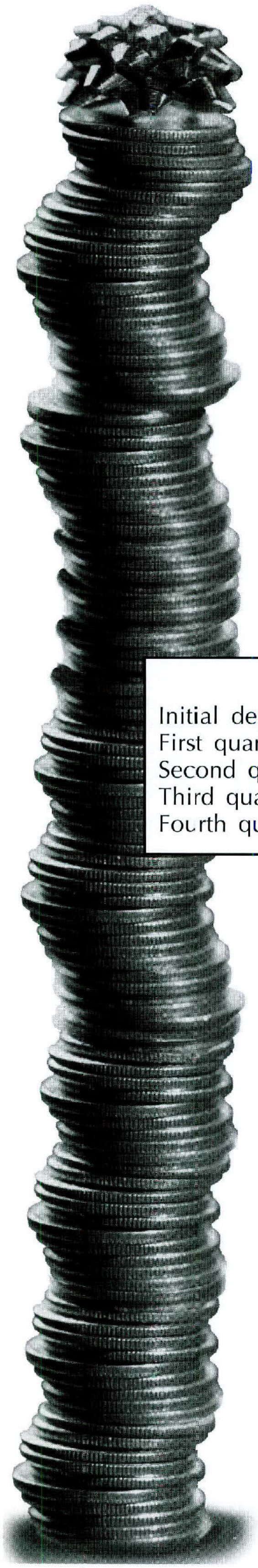
External validation of these projections is ever-present. Bill Gates, chairman of MicroSoft Corporation, the world's largest computer software company, recently identified real estate as one of the industries that will be "revolutionized" by technological change. Only time will tell if technology and the real estate profession are compatible. For certain, more research needs to be conducted immediately to study the logic and direction of technology and its ramifications on consumers, financial institutions and real estate participants. Real estate practitioners need to carefully assess their positioning and preparedness for the technological revolution.

For more information, order special report 1143 using the order form on page 20.

Dr. Eben is an associate professor and Dr. Guttery an assistant professor in finance, insurance, real estate and law at the University of North Texas.

More than Interest
Expected Rate of Return

By Wayne E. Etter



When selecting the best investment from competing alternatives having similar risk, an investor should prefer the one having the largest expected rate of return. Because the expected rate of return may be calculated in different ways, it is important to know how it was calculated when comparing alternatives. For direct comparison, each expected rate of return should be calculated in the same way.

What is a satisfactory measure of the expected rate of return? Consider, for example, the consequences of placing $1,000 on deposit with a savings institution that promises annual interest of 6 percent compounded quarterly.

		Balance
Initial deposit	$1,000.00	$1,000.00
First quarter's interest	15.00	1,015.00
Second quarter's interest	15.23	1,030.23
Third quarter's interest	15.45	1,045.68
Fourth quarter's interest	15.68	1,061.36

If, at the end of the year, the depositor receives $61.36 interest, has the depositor received a 6 percent return, compounded quarterly? Yes; however, if the investor received the $61.36 interest but could not recover the initial $1,000 deposit because the savings institution failed, what is the return? Although highly unlikely, under these circumstances the depositor would not receive a 6 percent return—in fact, the return is negative.

An investment's rate of return is a combination of ***the return on*** and ***the return of*** the investment. This *Instructor's Notebook* explains the principal rate of return measures used by real estate investors.

Discounted Measures

An investor purchases a property for $100,000 with the expectation of receiving $10,000 from operations at the end of the first year, $15,000 at the end of the second year and $20,000 plus $120,000 from the property's resale after three years' operation. The expected internal rate of return (IRR) on the $100,000 investment is 19.9 percent. As the following illustration reveals, these cash benefits yield a 19.9 percent annual return on the funds invested and provide for the recovery of the initial investment.

Year	Cash benefit	Return on investment	Return of investment	Invested funds
0	($100,000)		$100,000	
1	10,000	$19,900	($9,900)	109,900
2	15,000	21,870	(6,870)	116,770
3	140,000	23,237	116,763	(7)*

*Difference from rounding

Thus, the IRR, a discounted measure of the rate of return, is composed of both the return on and the return of the investment; all relevant cash flows during the planned holding period are taken into account. Because much of the return results from the property's appreciation that is recovered at resale, the annual cash benefits at the end of the first and second years are inadequate to provide a 19.9 percent return on the invested balance in those years. The difference between the required cash benefit and that actually received each year is added to the initial investment to be recovered from the resale at the end of the third year. Depending on the property's resale for the expected IRR is typical for most income property investments.

An income property's expected IRR for the holding period can be calculated by using the estimated

- annual net operating income (NOI) and the net resale price or the
- annual before-tax cash flow and the before-tax cash flow from resale or the
- annual after-tax cash flow and the after-tax cash flow from resale.

When the expected IRR is estimated using NOI, the return is calculated on the property's total cost; when either before-tax or after-tax cash flow is used, the estimated rate of return is calculated on the equity investment if mortgage financing is used.

Next consider a ten-year, 10 percent, $100,000 mortgage loan. The lender's expected IRR on the $100,000 loan is 10 percent if the borrower receives the full amount of the loan from the lender. (If no points, fees or other charges are deducted by the lender, the mortgage interest rate equals the annual percentage rate [APR] and the IRR). As shown in the illustration, the level annual payment is sufficient for the lender to

- receive an annual return on the unpaid mortgage balance equal to the lending rate and
- recover the principal amount of the loan during the repayment period.

Year	Annual Payment	Annual Interest	Principal Payment	Unpaid Mortgage Balance
0				$100,000.00
1	$16,274.54	$10,000.00	$6,274.54	93,725.46
2	16,274.54	9,372.55	6,901.99	86,823.47
3	16,274.54	8,682.35	7,592.19	79,231.27
4	16,274.54	7,923.13	8,351.41	70,879.86
5	16,274.54	7,087.99	9,186.55	61,693.31
6	16,274.54	6,169.33	10,105.21	51,588.10
7	16,274.54	5,158.81	11,115.73	40,472.37
8	16,274.54	4,047.24	12,227.30	28,245.06
9	16,274.54	2,824.51	13,450.03	14,795.03
10	16,274.54	1,479.50	14,795.04	(0.01)

Other business investments and bonds can be similarly illustrated. The estimated IRR on income properties and other business investments, therefore, is directly comparable with bond and mortgage yields. Bonds and mortgages, however, are contracts to pay specified amounts at particular times. Income properties and other business investments involve estimated cash flows from future operations, not contractual obligations to pay. Accordingly, some investors are wary of using the IRR and prefer nondiscounted measures.

Nondiscounted Measures

Nondiscounted measures of the rate of return are used widely and provide excellent information when they are used properly. These measures express the relationship between a single year's cash benefit (some investors may substitute an annual average for two years or more) and the property's cost or the equity investment. The principal nondiscounted measures include the:

- overall capitalization rate or the free and clear rate of return (net operating income/property's total cost)
- before-tax, cash-on-cash return or equity dividend rate (before-tax cash flow/initial equity)
- after-tax, cash-on-cash return (after-tax cash flow/initial equity)

These rate of return measures indicate the estimated percentage of the initial investment or total cost to be received in a particular or an average year. They do not consider other year's cash benefits from operations or the cash benefits from resale expected at the end of the holding period. Thus, they measure only the current return on investment; for this reason, nondiscounted measures are best used when a stable cash flow is expected during the holding period.

Investors who rely on nondiscounted measures consider the relationship between a property's annual cash benefits and the property's cost to determine the sufficiency of the property's long-run rate of return, given the risk and similar property investments. By studying the property's market area and other relevant factors in the same manner as investors who use discounted measures, they determine the property's prospects for continued cash flow and appreciation. Unlike investors who use the discounted measures, however, these opinions are not quantified and included in the rate of return calculation.

Although these rate of return measures may provide good information for a skilled user, they cannot be compared directly with the IRR, with bond yields or with mortgage yields because of the differences in their calculation.

Using Multipliers to Value Property

Rather than requiring a specific rate of return, an investor might be willing to pay $10 for every $1 a property generates in annual NOI. If so, the investor would be using the NOI multiplier to value the property. The gross income multiplier and the net income multiplier also are used by investors to estimate value. Multipliers are not rates of return; they are used to express the relationship between a property's income stream and its value.

The market capitalization rate is the reciprocal of the NOI multiplier. Although it is expressed as a percent and may appear to be the same as the overall capitalization rate or the free and clear return, it is not a rate of return. Like the NOI multiplier, the market capitalization rate expresses the relationship between a property's income stream and its value and is used to convert an income stream into value. Standards for using multipliers and the market capitalization rate are derived from the market by examining comparable properties.

Both discounted and nondiscounted measures are used to estimate a real estate investment's expected rate of return. Discounted measures include all relevant cash flows for the investment's planned holding period; accordingly, they are particularly useful when cash flow variations are expected during the property's planned holding period. Nondiscounted measures focus on a single year's cash flow and are most suitable when stable cash flows are during its planned holding period. Either method, when used proficiently, can serve as a yardstick for comparing proposed investments. Care must be taken, however, when comparing expected returns if they were not calculated in the same way.

Dr. Etter is a professor with the Real Estate Center and of finance at Texas A&M University.

You Can't Say That

Advertising Taboo List

By Judon Fambrough

Language is serious business in real estate. A federal mandate prohibits language that may suggest discrimination or prejudice in real estate advertising.

The Fair Housing Act prohibits discrimination in the sale or rental of housing based on a person's race, color, religion, sex, handicap, familial status or national origin. It is a violation to make, print or publish or cause to be made, printed or published any notice, statement or advertisement regarding the sale or rental of a dwelling that indicates any preference, limitation or discrimination based on the seven categories.

This point was emphasized recently when an Oregon Multiple Listing Service (MLS) included in the "remarks section" of its publication that property was for "adults only, over 40." The statement reiterated the condominium's bylaws. The MLS considered the language proper because the act applies to advertising only. As the MLS found out, the act applies to any "notice, statement or advertisement."

The U.S. Department of Housing and Urban Development (HUD) publishes a list of words, phrases and symbols it says conveys, either overtly or tacitly, discriminatory preferences or limitations. Their use may violate the act.

Words indicating a possible preference or limitation based on race, color or national origin include: *white private home, Jewish home, Hispanic residence, Negro, black, white, Caucasian, Oriental, American Indian, Mexican, American, Puerto Rican, Philipino, Polish, Hungarian, Irish, Italian, Chicano, Hispanic, Chinese, Indian* or *Latino.* However, phrases such as *master bedroom, rare find* or *desirable neighborhood* are acceptable.

The words *woman, man, single* or *multifamily dwelling* suggest a possible preference or limitation based on sex. However, restrictive advertisements based on sex are permissible for dormitory facilities at educational institutions. Also, the terms *mother-in-law suite* and *bachelor apartment* are permitted because they refer to physical descriptions.

> *HUD publishes a list of words, phrases and symbols it says conveys discriminatory preferences or limitations.*

Protestant, Christian, Catholic or *Jew* imply a possible preference or limitation based on religion. The legal name of an entity that contains a religious reference (Roselawn Catholic Home) or a religious symbol such as a cross may be a violation unless a disclaimer is added such as, "This home does not discriminate on the basis of race, color, religion, national origin, sex, handicap or familial status." The terms *apartment complex with chapel* or *kosher meals available* do not in themselves violate the act.

Crippled, blind, deaf, mentally ill, retarded, impaired, handicapped or *physically fit* are words that may evoke a possible preference or limitation based on handicap. While information about physical access to housing (wheelchair ramp) is lawful, phrases such as "no wheelchairs" are not.

Advertisements describing the property (great view, fourth floor walk-up, walk-in closets), services or facilities (jogging trails) or neighborhoods (walk to bus stop) do not violate the act. Neither do advertisements describing the conduct required of residents (nonsmokers, sober).

Advertising that denotes familial status may not discriminate against families that include one or more children younger than 18 years old. Protection extends to pregnant women also.

Words HUD says may indicate a preference or limitation based on familial status include: *adults, children, singles, mature persons* or *adult building.* Advertisements for occupancy by older persons within HUD guidelines are proper. Also, the terms *two bedroom, cozy, family room* or *quiet streets* are permissible because they describe the property.

The federal guidelines go beyond the use of specific words or phrases. Other words and phrases are prohibited if used in a discriminatory context, such as *restricted, exclusive, integrated, traditional, board approved* or *membership approval.* Also prohibited are symbols, logotypes or colloquial terms that imply or suggest preferences or limitations.

Directions to the property may imply a discriminatory preference or limitation. For example, using landmarks with racial or national-origin significance may be a violation (two blocks from the

Booker T. Washington School). References to existing black or white development may imply discrimination. References to a synagogue, congregation or parish may indicate a religious preference. Names of facilities that cater to a particular racial, national origin or religious group, such as a country club or private school designation, or names of facilities used exclusively by one sex may indicate a preference.

Discrimination may be implied based on the chosen media. For example, the use of media catering to the majority population in an area may discriminate against the minority population. Even the use of English or Spanish in an advertisement may suggest discrimination in certain bilingual areas.

Finally, pictures and human models used in an advertisement may be viewed as discriminatory. For example, the exclusive use of young, old, white, black, athletic (nonhandicapped), single, Catholic or Jewish persons may violate the law.

The legal penalty for a violation is harsh. An aggrieved person has two years to begin a lawsuit. The potential recovery includes actual and punitive damages plus reasonable attorneys' fees and costs.

The aggrieved party may seek an administrative hearing in which HUD attorneys represent the claimant. An administrative law judge may order the violator to:

- compensate the plaintiff for actual damages, including humiliation, pain and suffering;
- provide the plaintiff housing (an injunction);
- pay civil fines ranging from $10,000 to $50,000 based on the number of violations and
- pay reasonable attorneys' fees and costs.

A copy of the HUD memorandum outlining rules for advertising under the Fair Housing Act is available. It is on the Internet at http://www.fairhousing.com/hudguid2.htm.

Fambrough is an attorney, member of the State Bar of Texas and senior lecturer with the Real Estate Center at Texas A&M University.

Vacation Home Tax Benefits

By Jerrold J. Stern

Vacation time—an opportunity to relax and temporarily escape the typical routine—generally excludes thoughts about the tax bill. Those who are fortunate enough to own a vacation home, however, might relax even better when they discover the potential tax benefits. Under certain circumstances, a vacation home, such as a cottage or boat with sleeping accommodations, can reduce income taxes. In fact, a new court decision makes it easier for some vacation homeowners to claim these benefits.

Three categories of rules cover vacation homes.

Nominal rental rules. If the rental period is less than 15 days, then ignore rental income and related deductions for tax purposes. All property taxes and mortgage interest generally are deductible in full.

Residence rental rules. If the rental period is 14 days or longer, then either the residence rental or the rental property rules apply. The residence rental rules apply if personal use is more than 14 days and also greater than 10 percent of rental days. Thus, if the taxpayer uses the residence as a vacation home for 20 days and rents it to others for 190 days, then the residence rental rules apply: both the 14-day test is met (20 days are more than 14), and the 10 percent test is met (20 days are more than 10 percent of 190 days, or 19 days).

Under the residence rental rules, rental property expenses are deductible up to the amount of rental income. Losses cannot reduce income tax. If expenses exceed income, the excess can be used in a future tax year but only to the extent that future rental income exceeds future rental expenses.

Rental property rules. If the rental period is 14 days or longer and residence rental rules do **not** apply, then rental property rules go into effect. For example, suppose that the rental period from the example was 210 days (instead of 190 days); the rental property rules would apply because the 10 percent test is not met. Twenty personal days are less than 21 days or 10 percent of 210 rental days. The significance is that the rental property rules enable the taxpayer to **deduct losses** if rental expenses exceed rental income as long as certain other conditions are met too.

New court case. The case of *Razavi v. Commissioner of IRS* makes it easier for taxpayers to avoid the 10 percent test and thus qualify to deduct losses under the rental property rules. The Razavi family owns a Florida vacation home located on resort property. Their guaranteed lease agreement with the resort provides the family with fixed annual rent. If family members use the vacation home, their rental charge is $10 per day. During the year under IRS audit, the Razavis rented the home for 27 days of personal use. The home was rented by the resort to third parties for 200 days.

Given the facts of the *Razavi* case, how many days should be used for the 10 percent test?

Under certain circumstances, a vacation home—even a boat with sleeping accommodations—can reduce income taxes.

a. 200 days (the number of days the home was actually rented to third parties by the resort)?

b. 365 days (the number of days covered by the guaranteed lease agreement) ?

c. 338 days (365 lease agreement days less 27 personal use days)?

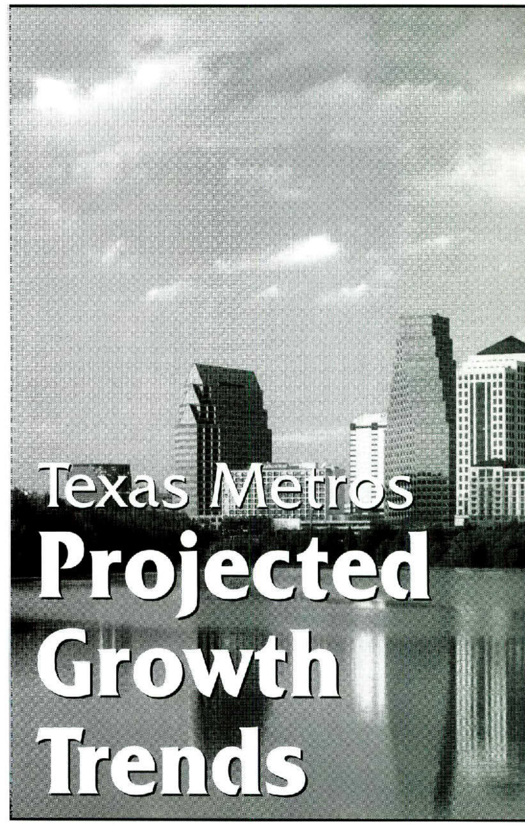
The IRS position was that 200 days should be the appropriate period, resulting in the 10 percent test being met (27 personal days exceed 20 days, or 10 percent of 200)—thereby precluding the family from deducting losses resulting from the residence rental rules. However, the Sixth Circuit Court of Appeals came to the family's rescue.

Disagreeing with the IRS and overturning the U.S. Tax Court, the appellate court found that 338 days was the proper time period because the family rented the home to the **resort** for 338 days (365 days less 27 personal days). The appellate court concluded the actual number of occupancy days (200) was irrelevant. The 10 percent test was avoided (27 days are fewer than 34 days, or 10 percent of 338), triggering the deductible loss provision of the rental property rules.

Final hurdle. Once the rental property rules apply and a loss is generated, the taxpayer still must satisfy the passive loss rules. These rules delay but do not eliminate the deductibility of losses from real estate rentals under certain conditions.

The best way for taxpayers to address the passive activity rules is to seek the advice of a tax accountant or attorney. ▣

Dr. Stern is a research fellow with the Real Estate Center at Texas A&M University and a professor of accounting in the Graduate School of Business at Indiana University.

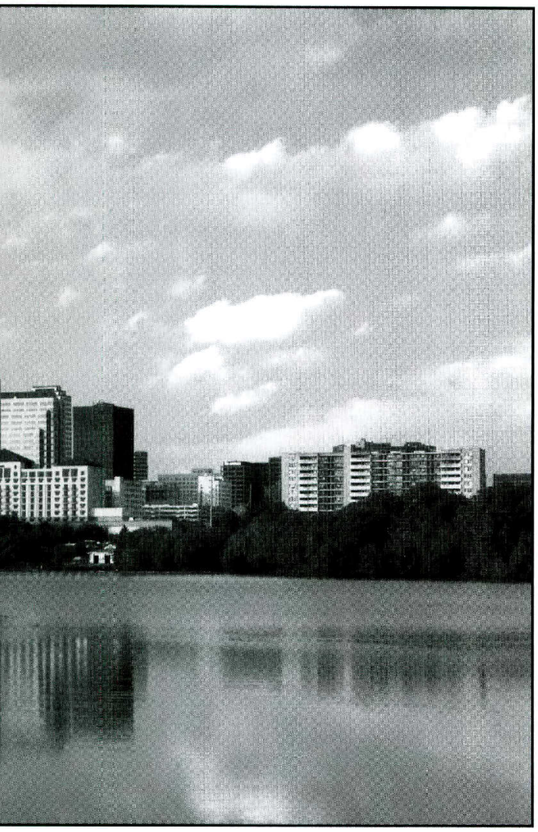


By Jared E. Hazleton

Nothing demonstrates the diversity of the Texas economy more than the recent population and economic projections released by the Bureau of Economic Analysis of the U.S. Department of Commerce. The forecasts reveal a range of expected growth in population and income among the state's 27 Metropolitan Statistical Areas (MSAs) during the next decade.

The projections are baseline estimates that assume past economic relationships will continue and no major policy changes will occur. The projections are useful for assessing future market conditions. They provide a "business as usual" scenario to assist public and private decision-makers in anticipating problems and assessing the impact of policy.

The table shows the percentage change in population between 1993 and 2005, real personal income and real per capita income for each MSA. In addition, the per capita income is compared to the nation's for both 1993 and 2005 in each area.



Only Austin and San Marcos appear in the 20 fastest growing areas in the nation, and only Wichita Falls—at 3.1 percent—is among the 20 slowest growing. Most Texas cities, however, are projected to show higher population growth than the national average increase, which is forecast at 11.8 percent.

At the other end of the spectrum, the largest population increase is projected for Austin-San Marcos at 25.3 percent, largely resulting from inmigration. Laredo and McAllen-Edinburg-Mission expect population growth more than twice that of the nation, resulting from inmigration and a relatively high natural increase rate.

In constant 1987 dollars, the nation's personal income is projected to climb 29.1 percent between 1993 and 2005. About half of the state's MSAs expect a larger increase. The biggest rise in personal income is forecast for Laredo, a whopping 51 percent jump. Other border economies—El Paso, Brownsville-Harlingen-San Benito and McAllen-Edinburg-Mission—also expect personal income gains larger than the nation's. Much of this relative growth, however, is a result of their larger increases in projected population. Rapid population growth accounts for much of the 46.5 percent gain in personal income forecast for Austin-San Marcos.

Reflecting population and income growth, per capita income in constant 1987 dollars for the nation is projected at $18,752 in 2005, 15.5 percent more than 1993. Significantly, all Texas MSAs except Houston expect to meet or exceed the national rate of per capita income growth. Nonetheless, by 2005, Dallas, Fort Worth-Arlington and Houston will remain the only Texas cities with an average income higher than the nation's. Moreover, Texas border MSAs will continue to rank at the bottom of the average income scale; the four lowest-ranked cities in the nation in constant 1987 dollars include: El Paso ($11,710), Brownsville-Harlingen-San Benito ($10,471), Laredo ($10,221) and McAllen-Edinburg-Mission ($9,399).

The actual economic performance of Texas MSAs during the next ten years will reflect not only a continuation of current trends but also of initiatives these communities may undertake to promote growth and economic development. The projections do provide each community with a means of assessing just how far it has to go to meet local goals and expectations. ⊞

Dr. Hazleton is a research fellow with the Real Estate Center and director of the Center for Business and Economic Analysis at Texas A&M University.

Population and Income Projections for Texas MSAs, 1993-2005

Area	Percentage Change, 1993-2005 Population	Real Personal Income	Real Per Capita Income	Percent of U.S. Per Capita Income 1993	2005
United States	11.8	29.1	15.5	100.0	100.0
Abilene	6.6	27.0	19.1	84.8	87.5
Amarillo	7.7	27.0	17.7	90.8	92.5
Austin-San Marcos	25.3	46.5	17.0	94.9	96.1
Beaumont-Port Arthur-Orange	5.4	26.2	19.7	87.5	90.7
Brazoria	15.9	35.7	17.2	86.6	87.8
Brownsville-Harlingen-San Benito	17.5	42.8	21.5	53.1	55.8
Bryan-College Station	23.0	29.0	19.0	70.2	72.5
Corpus Christi	7.6	28.2	19.2	82.2	84.8
Dallas	17.9	36.9	15.9	113.5	114.0
El Paso	15.8	35.8	17.3	61.5	62.4
Fort Worth-Arlington	18.6	37.0	15.5	100.5	100.6
Galveston-Texas City	10.3	29.0	17.1	93.1	94.4
Houston	18.8	34.5	13.2	107.8	105.7
Killeen-Temple	12.6	33.0	18.3	74.4	76.3
Laredo	24.4	51.0	15.5	51.7	54.5
Longview-Marshall	9.5	29.6	18.5	84.9	87.1
Lubbock	7.5	28.1	19.0	86.3	88.9
McAllen-Edinburg-Mission	24.4	48.6	19.4	48.5	50.1
Odessa-Midland	6.8	25.2	16.8	92.9	93.9
San Angelo	9.0	27.8	17.0	84.6	85.7
San Antonio	16.3	35.8	16.7	86.0	87.0
Sherman-Denison	8.3	26.7	17.4	87.2	88.7
Texarkana	5.7	25.3	18.2	77.6	79.4
Tyler	14.6	32.8	16.2	94.3	94.9
Victoria	14.1	34.2	17.4	92.6	94.1
Waco	8.8	28.9	18.5	82.0	84.1
Wichita Falls	3.1	21.1	17.8	90.5	92.3

Notes: Personal income and per capita personal income were computed in 1987 dollars.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Metropolitan Area and BEA Economic Area Projections of Economic Activity and Population to the Year 2005," *Survey of Current Business* 76:6 (June 1996), pp. 56-72.

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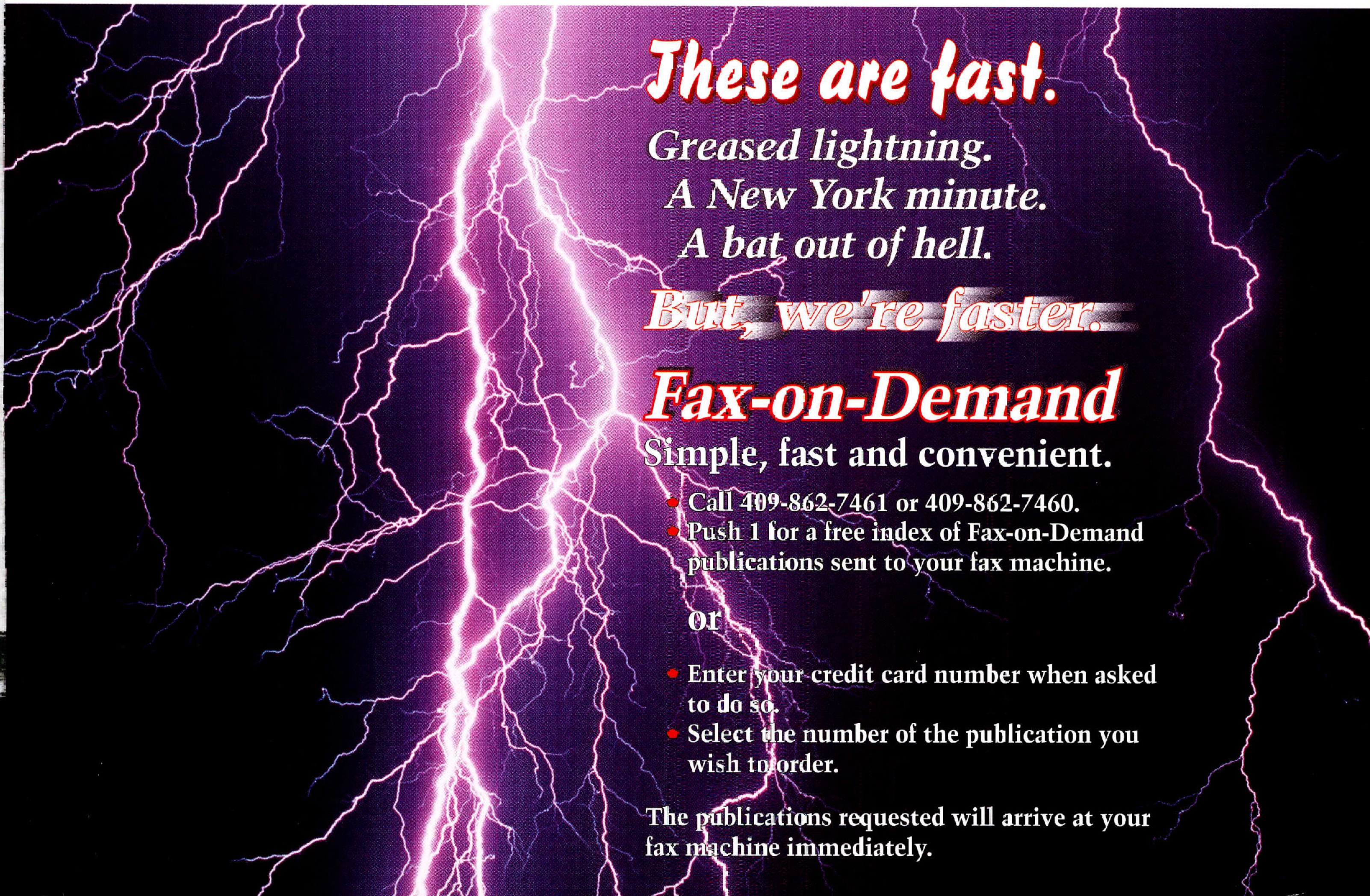

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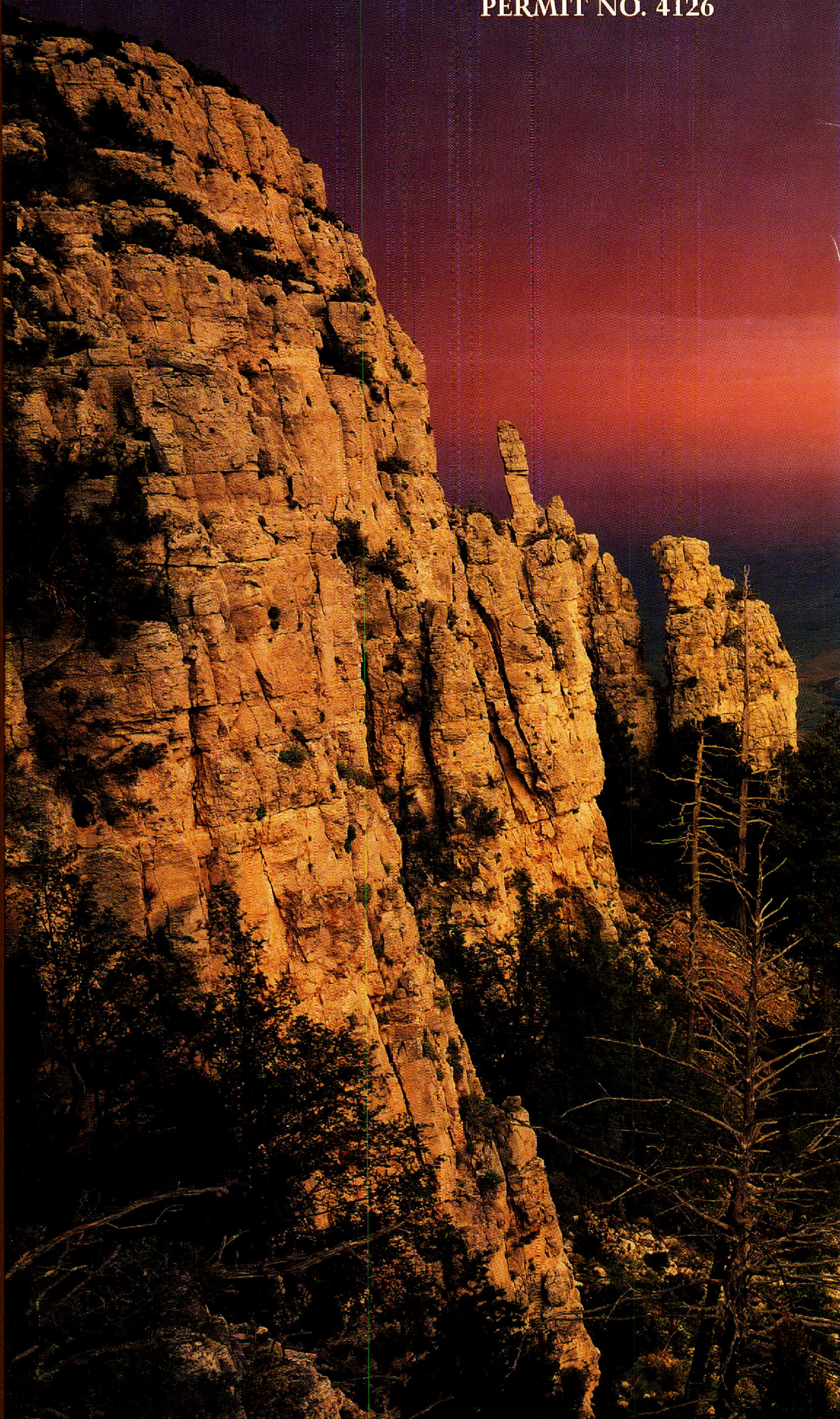

In This Issue

Downsizing the Real Estate Industry

Rates of Return

Forbidden Advertising Words

Vacation Home Tax Benefits

Projected Growth Trends

SOLUTIONS THROUGH RESEARCH