



BUILD YOUR COMPETENCY IN REAL ESTATE

Texas license holders must be competent in the areas in which they provide services to clients. Find out what this means for brokers and agents and ways for you to meet competency standards required by law.

by Charles Porter

Legislation passed by the 86th Texas Legislature made clear that license holders must be knowledgeable about local market issues in the geographic area in which they work and the characteristics involved in the specific type of property being sold or leased. The Texas Real Estate Commission made corresponding changes to Section 535.2, Broker Responsibility, earlier this year which requires brokers to ensure their sponsored agents have geographic competence.

Most experienced agents understand this concept, and by adding this clarification to the law, the 86th Texas

REALTOR® CODE OF ETHICS AND COMPETENCY

Articles 2, 11, and 12 of the REALTOR® Code of Ethics offer specific guidelines and standards REALTORS® should follow to be competent in the area and specific type of real estate being considered.

Article 2 states REALTORS® will avoid exaggeration, misrepresentation, or concealment of pertinent facts related to a property or transaction. To be in compliance, a REALTOR® would have to have geographic and specific type of property competence.

Article 11 requires a REALTOR® to conform to the standards of practice and competence necessary for a specific type of property. Article 11, Standard of Practice 11-1 provides specific guidelines for REALTORS® when they provide opinions of value or price. (In Texas, license holders cannot provide an “opinion of value” but are allowed to provide estimates of price. See TREC Rule 535.17 for more.)

Article 12 requires REALTORS® to be honest and truthful in their real estate communications and present a true picture in their advertising, marketing, and other representations. To do so, a REALTOR® must be competent in the specific type of property being sold, purchased, or leased for others.

Legislature is emphasizing how important this obligation is for license holders.

The legislation also prompted the revision of TREC Rule 531.3, Competency. According to the rule, license holders must:

1. Be informed on the local market issues and conditions affecting real estate in the geographic area where a license holder provides services to a client
2. Be informed on national, state, and local issues and developments in the real estate industry
3. Exercise judgment and skill in the performance of brokerage activities
4. Be educated in the characteristics involved in the specific type of real estate being brokered for others.

How do you become competent? First, keep in mind that real estate is a three-dimensional product. You can't rely on only aerial photographs and maps to give you the “boots-on-the-ground” observations required to competently advise your client and gain a professional understanding of the marketplace.

Second, you must clearly identify the specific type of real estate being brokered. While there may seem an obvious distinction between the two most basic types of real estate brokerage—residential and commercial—there are many variations and nuances.

For example, an agent who has only performed brokerage activities for single-family home resales certainly will need training and education before representing a tenant in leasing office space in downtown Houston. Retail leasing is equally as complicated. One of the most complex and challenging areas of real estate brokerage is farm and ranch brokerage.

How to Build Your Competency

There are basic universal foundational practices that you can apply to build competency skills. Rely first upon the expertise of your sponsoring broker. Find a mentor who has expert competence in the type of property and its local marketplace; there is no substitute for personal, professional experience in understanding the unique characteristics and culture of any locality's real estate market.

Here are a few more practical suggestions to an agent's path to gain competence that apply to almost all real estate brokerage:

Search the MLS data available. MLS offers the finest platform for real estate data in the industry. However, most commercial, retail, new homes, office warehouse, and farm and ranch properties are not listed in MLS systems. If the property is located in an MLS jurisdiction, running comparative market analyses helps you

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build competence in a local marketplace.

Visit the county appraisal district website. Almost all 254 Texas counties have appraisal district websites offering information such as current valuation and changes over time, size of land and improvements, tax rates of the various taxing jurisdictions, and much more.

A competent agent will review the massive amount of information publicly available at the appraisal districts. Interviewing appraisers who work at the district can be very informative. Keep in mind that the business cultures of local areas are highly variable, and these cultural differences are often reflected in local official publications.

Get familiar with the real property records of the area. Not only are filed land deeds available to the public, but so are mineral leases, mineral and water deeds, and subdivision plats.

Talk to ancillary service providers. Ask title company representatives in the area for suggestions for professional consultants such as surveyors, attorneys, architects, civil and structural engineers, geotechnical engineers, and others. Follow up with these professional consultants to discover potential market information, geographical information, and myriad other pieces of information that likely are unique to the local marketplace.

Talk to other brokers and agents who are noted on sales and lease signs. Ask about the current conditions in the local marketplace. Find out if there are continuing education courses offered in the area that include information about current local conditions in the real estate industry.

Talk to Farm Services Agency representatives. If you are interested in expanding your knowledge of farm and ranch country, talk to local FSA offices. FSA offices typically have old aerial photographs sometimes as far back as the 1940s. You may also be able to learn about farm subsidies.

Stop in and visit with the local farm implement dealers such as John Deere or Kubota, the feed and seed supply stores, the local lumber yards and hardware stores, and in today's volatile energy market, talk to the area's oil and gas landmen.

Conduct research on groundwater conservation districts. If providing brokerage services in an area that is a groundwater conservation district (GCD), which includes municipal areas as well as rural areas in some parts of the state, talk to the GCD general manager and staff to discuss the groundwater regulations and exemptions. A visit to the Texas Water Development Board site and the Texas Commission on Environmental Quality (TCEQ) site provides maps of the state in which a local GCD has jurisdiction over area groundwater. Almost all GCDs now have websites as well that include contact information and rules and bylaws for review by the public. You can learn about water rights issues in the area from the TCEQ website.

Conduct a market study. A market study is a map of all neighboring tracts individually numbered with corresponding notes per tract. This helps you build a personal visual database of the marketplace.

A few days in the local marketplace will allow a you to build a profile of invaluable unique local information for you and your client. In today's modern world of text messages and emails, eye-to-eye interviews have taken center-stage significance for agents who want to gain competency in the characteristics of a specific type of real estate.

Any of the prior suggestions can be modified to fit all types of real estate. Through competence, you can better serve the public.

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HOW BROKERS CAN HELP AGENTS FOLLOW TREC RULES

Texas REALTORS® offers members the *Model Brokerage Policies and Procedures* manual for \$99.99 plus tax. Free updates are included as part of your purchase.

The manual provides Texas brokers with written policies and procedures as required by TREC. An upcoming revision to the manual will offer license holders practical guidelines to meet geographic competency requirements along with step-by-step methods brokers can use to ensure their sponsored agents meet competency requirements. Specifically, Chapter 3, "Establishing Competency," offers guidelines in policy setting and procedures to implement the policies established. Search "Model Brokerage Policies and Procedures Manual" on texasrealestate.com to purchase and download the guide.