



REAL ESTATE

Bulletin

EDMUND G. BROWN, *Governor*

October 6, 1962

W. A. SAVAGE, *Commissioner*

Special Real Estate Education Conference Edition

COMMISSIONER COMMENDS OBJECTIVES

Commissioner W. A. Savage extends his greetings to all attending this special conference, co-sponsored by the State Division of Real Estate and the California Real Estate Association, with the hope their deliberations may contribute appreciably to the improvement and expansion of the real estate education programs throughout California.

As a possible stimulus to your constructive thinking, the following pages of this special conference edition contain articles, in whole or in part, which have appeared in the *Real Estate Bulletin* during the past two years, dealing with various aspects of real estate education and its vital prerequisite—research.

If the real estate industry is to continue its climb toward its ultimate objective of a deserved professional status in the public mind, the continual improvement of content and presentation techniques of all industry related educational programs is a "must." This is the crux of your and the Division of Real Estate's immediate concern. This special edition of the *Bulletin* is dedicated to the achievement of that commendable goal.

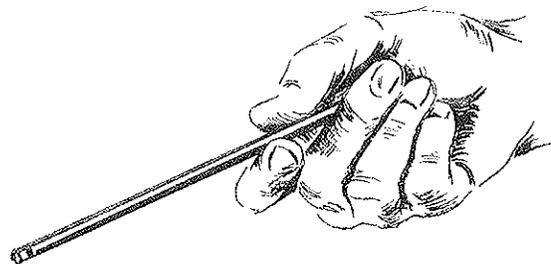


W. A. SAVAGE
Real Estate Commissioner

*educated
yesterday?*

*stop
learning today?*

*uneducated
tomorrow!*



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EDMUND G. BROWN, Governor

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THE OFFICE GREMLIN SAYS:

"In business, industry, or the professions, sincerity is a necessary teammate but never a substitute for knowledge and skill."

**RESEARCH, PRODUCTIVE
TRADE TOOL**

By the Office Gremlin

Gather facts,
Organize facts,
Analyze facts,
Deduce from facts and then
equate
Results with practice in Real
Estate!

An Approach to Professionalism

If all the words which have been written or spoken by real estate people to real estate people during the last decade, challenging all to conduct their affairs in such a way as to win professional status for the industry, were laid end to end, they might readily reach to the moon.

But most of the words die an early death. And, even if this were not so, words alone have not yet cured a malady or built a new system. This takes positive action!

And who is to act? The Division of Real Estate—the regulatory agency—certainly, but the law also provides for a complementary and earlier action. Every licensee comes into the industry through the narrow tip of a funnel, the outlet controlled by the practicing broker. The would-be salesman licensee can't file an application, pay his fee, or take an examination until an employing broker has certified, under penalty of perjury, that he has ascertained the applicant to be "honest, truthful, and of good reputation." The broker further pledges that, should the applicant be licensed, he will "exercise careful supervision over (the salesman's) real estate activities while so employed."

The Broker License

Then, before the applicant can obtain his broker license, each employing broker has another chance to "close up the funnel" because he must again certify, under penalty of possible "suspension, revocation or denial" of his license, that the applicant has been a full-time employee of his between specified dates, and attest to the nature and extent of the applicant's performance.

Since every employing broker has pledged himself to exercise careful supervision, there can be no valid excuse at this point for certifying an unworthy applicant.

It therefore can be said that many incompetent, careless, or patently dishonest real estate licensees whose activities as agents leave a stigma upon the calling, has been handed the opportunity for malpractice by the in-

tentional or careless connivance of employing broker or brokers.

It would be much simpler, and far less costly, if brokers would simply shut off ingress to the industry by putting a finger over the small end of the funnel instead of letting whoever will slip through with their blessing and expect the commissioner to mop up the resulting flood of disciplinary problems.

Mailing Applications

One added assurance of effective control at the funnel tip is for the broker to control the process by insisting upon mailing the completed application form. This will prevent the addition of background information by the applicant of which his sponsor was not aware when he signed the application.

The whole situation may be summed up in the statement that an industry can only become a profession as it is manned by professionally-minded men. As the applicant thinks, so the salesman becomes; as the salesman becomes, so the broker will be; as the broker is, so will be the public image of the industry.

When employing brokers realize their full responsibility under the law, they will assure the entrance into the industry of the right thinking and competent, and endorse no others.

Deputies in Training

The Division of Real Estate, along with other state agencies, is encouraged by the administration to conduct in-service training programs. The extent of the Division's quest for personnel self-improvement may be seen in the fact that 593 man hours of deputy and attorney time were devoted during the past year to instruction and 2,688 man hours to receiving instruction.

One never finishes the study of Real Estate — there is always a higher degree!

"Money Means A Lot, But . . ."

A widely published display advertisement by a national stock brokerage firm has a Madison Avenue type exclaim, "I don't like to say this, but money means a lot to me!"

The line is supposed to be an attention getter because the writer quite rightly assumes that practically every reader would accord the same importance to money. This is probably the chief reason for the flood of applicants constantly seeking entry into the real estate industry. They want money, for all manner of reasons, and "someone" has told them that it grew in the real estate business like mushrooms in a wine cellar.

They rush for examination training and perhaps get through the licensing process only to quickly find out two important truths: (1) "someone" can spread an amazing amount of nonsense; and (2) even though men and women possessed of training, vision, skill and will to work hard can make money in real estate, making money on a soundly productive long-term basis demands more know-how, know-what, know-why, know-where, and know-when than any one week head-jamming has ever yet been able to impart.

Tighter Tests Try Applicant

A license applicant's reaction to a challenge offers, perhaps, one measure of probable success or failure in his chosen field of activity.

With this concept in mind, two contrasting evaluations of the recent general strengthening of examinations administered by the Division of Real Estate and, in particular, the upgrading of the salesman's renewal and the original broker license tests, are of especial significance.

"I don't want to be a lawyer, or a broker," wrote one examinee after taking the test for renewable salesman license, "just an honest salesman . . ." And he ended his diatribe by decrying the necessity of taking "your ridiculous exams just to sell property."

Compare this attitude with that of a Santa Clara broker who writes, "From talking to fellow licensees, I've come to the conclusion that the tightening up of licensing exam requirements has put us all on our toes."

Pre-License Education Required by Two States

Pennsylvania and Florida have moved to establish professional education as one of the prerequisites to licensure as a real estate broker.

Under the new Pennsylvania law, the candidate for broker license in addition to having three years full-time experience as a real estate salesman must "have such professional education as the commission may by rule and regulation prescribe, but no such regulation shall bear upon the amount of general education possessed."

The Pennsylvania Real Estate Commission has set up a graduated three-step program for application of the professional education prerequisite. Beginning June 15, 1963, in order to qualify it will be necessary for a broker license applicant to have completed real estate courses totaling 8 units of credit, offered by a school or college accredited by the commission. On June 15, 1964, the requirement will be increased to 16 units and to 24 units in 1965. It is the commission's plan to specify the courses which will meet the standard.

Florida Requirement

The Florida Real Estate License Law reads, in part, "For the purpose of performing its duty to educate registrants . . . the commission may conduct, offer, sponsor, prescribe or approve real estate educational courses for all persons registered with the commission as real estate brokers, or salesmen . . ."

The commission is authorized to require "the satisfactory completion of one, or more, of the educational courses" thus developed, or the equivalent thereof "as a condition precedent, for any person to become registered as a real estate broker." At the present time the candidate for a real estate broker license in Florida must satisfactorily complete what amounts to a two-unit course in Real Estate Principles offered by Florida University Extension before he is eligible for examination. The standards may be raised in the future.

The nature of the required course of study is described as:

"This is not a course to teach you

COMPUTERS HELP REAL ESTATE RESEARCH

Examining the characteristics of 134,000 loans, as in the case of the junior trust deed study, or 78,000 loans for the research on the Cal-Vet program, is a large statistical undertaking. Fortunately, the University of California is well equipped with computers. At UCLA, the Western Data Processing Center serves universities and colleges in the 11 Western States. The Real Estate Research Program has access to these facilities without direct cost.

REAL ESTATE EDUCATION IN JUNIOR COLLEGES

In recognition of our ever more complex economy which demands a more comprehensive and continuous process of real estate education, and in accordance with the law (Sec. 10451.5, B. & P.C.) providing for the advancement of real estate education, a deputy commissioner-coordinator is engaged in meeting with junior college business division representatives in order to encourage a cooperative approach to the development of sound real estate instructional programs in the state's junior colleges.

Specifically, the coordinator calls attention to teaching aids available, local and statewide demands for real estate education, means of recruiting effective teachers, teacher training possibilities, available financial backing for programs, and stimulates cooperation between institutions and local leaders in real estate.

The ultimate goal is that every real estate licensee or prospective licensee may have available within the area of his operation professional educational resources adequate to his need.

how to sell real estate. Nor is it a course to help you pass the broker's exam. It is, instead, a course to teach all of the fundamental, theoretical and practical concepts which, when assembled in an orderly manner, comprise and constitute the essence of real estate and the real estate industry."

Real Estate Curriculum for Junior Colleges

A cherished objective of those interested in raising the standards of real estate practice was brought a step nearer when a real estate curriculum conference held on the Alta Loma campus of Chaffey College drafted a real estate program as a suggested pattern for junior colleges.

Sponsored jointly by the college and the Division of Real Estate, a widely representative group of real estate instructional specialists considered related matters, including: (1) possible legislative enactment of minimum educational prerequisites for real estate licensees; (2) more effective co-ordination of junior college and university extension programs with emphasis upon reciprocal transfer of real estate certificate credits; and (3) the current needs and desires of the industry as to training essentials.

Curriculum Pattern

On a foundation of general education requirements and electives, the conference drafted the following recommended curriculum structure leading to the association in arts degree with a major in real estate:

- A. Required real estate courses
 1. Principles of real estate
 2. Real estate practice
 3. Real estate finance
 4. Real estate law
 5. Trends and factors in real estate
- B. Courses for those specializing in appraising
 1. Real estate appraisal I
 2. Real estate appraisal II
 3. Building cost estimating
 4. Residential design and construction
- C. Additional courses for brokers
 1. Property management
 2. Real estate taxation
 3. Escrow procedure
- D. Related business education courses required for the AA degree
 1. Business law
 2. Business math or equivalent
 3. Business communications
 4. Salesmanship
 5. Accounting, bookkeeping or equivalent
- E. Business education courses related to real estate, acceptable as electives

1. Insurance (an equally divided house as to whether this should be required or elective)
2. Small business organization and management
3. Advertising and sales promotion
4. Sales management
5. Introduction to business

Some Personal Points of View

In an excellent summary of conference findings, Louis J. Gentile, Chairman, Business Division, of Chaffey College, listed the following personal reflections:

1. In planning two-year programs, we should not only consider our youth but also the potential among our full-time day students over 21 years of age.
2. In the certificate area, a demand exists for a *State Certificate Program*. (A real estate certificate conference was held in February. See next *Bulletin*.)
3. University extension may concentrate on a postlicensing program, but the prelicensing area is a must for the junior college if real estate practice is to be upgraded. A sound educational program for those who may enter the field is the only guarantee of upgrading toward professional stature as the challenge of the newcomers will demand added skills and information gathering by those already in the field.
4. Differences in units of credit for comparable courses may need study and adjustment.

Constant Re-evaluation Is Needed

5. No syllabus can be written which can successfully resist the obsolescence built into anything man creates. An evaluation of the available syllabi is being conducted by those who have used them in teaching situations and needed revisions are contemplated.
6. Constant attention to quality of instruction is required, as is the continuing search for and training of qualified instructors.

One Reason To Fight For Higher Standards

There are unquestionably many motives driving those who call for more demanding qualifications for the attainment of a license to practice real estate, including, undoubtedly, some selfish ones. But, regardless of the stimulus behind some cries for professionalism, there remains only one *reason*—one inescapably valid cause, soundly anchored in fact, which calls responsible licensees, educators, and governmental representatives to the fight for higher prelicense requirements and post license standards of practice: The public interest must be more effectively served and protected.

This is the philosophy which runs like a binding thread through every section of the license law, through every planning conference considering legislation or the application of legislation, through every implementing act of the commissioner and his regulatory personnel.

Well-Defined Goal Is Best Assurance Of Attainment

The public must be protected. And there is no better means of insuring that protection than the statutory insistence that each person granted the privilege of a license shall have proved his possession of a body of knowledge equal to the responsibility assigned by that license, together with the capacity to use such knowledge effectively, and the integrity to use it ethically.

The Public Has Right to Justified Confidence

When a citizen assumes that, because brokers and salesmen have authorizations to practice bearing the Great Seal of the State of California and the signature of the Real Estate Commissioner, these licensees may be depended upon to serve his interests with both technical skill and a high level of professional concern, he has a right to know that his assumption is true.

Search and Research

In Real Estate "Perfection" is another word for constant pursuit of knowledge and improved service.

Junior Colleges Expanding Real Estate Education

The growing frequency and complexity of real estate transactions in the modern economy and the regulatory problems related thereto continue to stimulate those primarily interested—including the commissioner, leaders in the industry and educators—to develop and expand the available educational resources in this field.

A significant outcome of this effort is the widespread and obviously increasing interest in the development and improvement of real estate education programs on the part of California's junior colleges.

Using moneys allocated by the Commissioner from appropriations by the legislature from the Real Estate Education and Research Fund for the advancement of "real estate education" in the "University of California, state colleges and junior colleges," the following projects, among others, have been conducted by junior colleges under agreement with the Division of Real Estate:

1. A survey of real estate education in California by Chaffey College.
2. Development of teacher's guide for the course, Real Estate Practice, By Pasadena City College.
3. Development of a workbook for the course, Real Estate Practice, by Pasadena City College.
4. Construction of a teacher's guide and manual for the course, Foundations of California Real Estate, by Orange Coast College.
5. Development of a teacher's guide for the course, Real Estate Principles, by American River Junior College.

Two additional projects are in progress at the junior colleges:

1. A combination manual-workbook with teacher's utilization guides for the course, Appraisal of Residential Real Estate, by Santa Monica City College.
2. A combination manual-workbook with utilization guide for the course, Residential Design and Construction, by Orange Coast College.

WORKSHOP FOR REAL ESTATE TEACHERS

An example of the constructive use to which real estate education and research funds are being put was afforded when financial assistance was provided to bring junior college instructors from Northern California to the Sacramento State College campus for a three-day workshop in real estate teaching, starting March 28.

The intensive program, under the direction of Professor B. E. Tsagris, was carefully planned to give advanced training in techniques, methods and subject matter to junior college instructors—most of them part time. In turn, real estate courses taught by these instructors and intended for real estate practitioners are expected to benefit accordingly.

The expert faculty was drawn from Sacramento, Chico, San Jose, and Los Angeles state colleges, Sacramento City College and University Extension. Real estate brokers participated as observers and consultants. Some of the same staff had participated in an earlier workshop conducted at San Francisco State College.

COMMISSIONER'S NOTE ON RESEARCH FEATURE

Many licensees have told me they would welcome more information on the activities and results of the real estate research programs at the Berkeley and Los Angeles campuses of the University of California. These programs are supported largely by legislative appropriations from the Real Estate Education and Research Fund which, under the law, is to be "used by the commissioner . . . in the advancement of education and research in real estate at the University of California, state colleges and junior colleges." The fund is maintained by apportioning to it one-fourth of the license fees paid by brokers and salesmen.

To bring research information to all licensees, we are introducing a new feature in this Bulletin—an additional four pages carrying "The Researchers' Report . . .", which will be continued as a supplement in three issues a year.

Canadian License Official Commends California Progress

A recent communication from Colonel Herbert R. Fullerton, President, Canadian Association of Real Estate Boards and Chairman of British Columbia's Real Estate Council, contains the following commendatory paragraph:

"The progress that you in California have made in the field of real estate license law and real estate education is an example and inspiration to all concerned with these subjects on this continent."

Such praise might unduly inflate the ego, except that most of us here concerned are painfully aware of the distance between where we are and that high degree of regulatory effectiveness and educational attainment toward which we strive.

THE OFFICE SCRIBE SAYS:

"Speed the day when applicants aspire to real estate as an unfolding career rather than retire into real estate as an escape from a career."

We hope this device will improve communication between the practitioners and those who conduct research as an academic function. We hope also that the new feature will make the studies conducted at the University of California and state colleges more useful to licensees, helping them in professional activity.

We are proud of having this unique plan which makes it possible to devote a portion of the license fees to forwarding real estate research and education. As a business, an object of commerce and a resource, real estate is among the most poorly understood segments of the State's economy and of the many local economies within the State. Research can make a great contribution to a better understanding of real estate by those within and without the industry.

W. A. SAVAGE
Real Estate Commissioner

Real Estate Research Report From California State Colleges

Simply put, research is the process of "finding out." It is the vehicle through which knowledge is expanded or specific problems attacked. In real estate, it is the involvement and employment of techniques to find the core of facts which will add knowledge of real property and activities relating to it. Oftentimes relationships revealed by research can be utilized to explain and predict land utilization and behavior of communities, industry and institutions. Also the knowledge gained by research must be used as a basis of content in educational offerings.

In past issues of the *Bulletin*, reports have appeared on the real estate research programs at the Berkeley and Westwood campuses of the University of California. The Legislature has also authorized real estate research at the state colleges and we here offer a series of brief reports on the work they have been doing. The reports have been prepared by the state colleges and are printed with a minimum of editing.

It is worthy of note that four years ago only one of the six colleges now engaged in real estate research offered a real estate major; now, all six offer or soon will offer a degree with a major in real estate. It is apparent that research participation is a potent training aid for the undergraduates who will be tomorrow's real estate brokers and teachers.

Los Angeles State College

By DONALD G. MORTENSEN and ROBERT R. MORMAN

Testing Procedures for Selection of Real Estate Sales Personnel

The development of personnel tests to help brokers improve their selection of salesmen is the research project undertaken by a research team from Los Angeles State College, working under a grant of funds from the Division of Real Estate. Under the general co-ordination of Donald G. Mortensen and research direction of Robert R. Morman, the project has been moving along with the probability of the materials being ready for distribution later this year.

Need for improved selection appears to be universally recognized. Brokers have requested it, and potential salesmen have been interested in some measure of aptitude. Brokers and national organizations from outside the State of California have been making frequent inquiries as to progress.

The November-December 1960 issue of the *Bulletin* described the project. Two articles have appeared in the *California Real Estate Magazine*, October 1960 and December 1961.

Starting with a survey and analysis of the brokers' requirements for successful salesmen, the project proceeded to the development of items for a personal data form and a composite test. The personal data form included questions about family, education, experience, assets and liabilities, memberships, leisure time activities, health, and miscellaneous other items. The test form included measures of ability to think, interest in sales work, aptitude for selling, and general attitude and values.

After the test items were developed, they were given preliminary trial. Evidence justified continued research.

SAN DIEGO STATE COLLEGE

By DON C. BRIDENSTINE, E. ALLAN HALE, WILLIAM H. HIPPAKA

Real estate research in the School of Business Administration at San Diego State College began in 1958 with the authorization of a study project, "Trends in Urban Residential Development in San Diego and Imperial Counties."

Real estate research work now in progress at San Diego State College includes Professor Don C. Bridenstine's "Handbook on Basic Economics of Money and Finance for Real Estate Agents," Professor E. Alan Hale's and Professor Kenneth Sharkey's study, "The Use of Census of Housing Data in the Analysis of Local Housing Markets," and Professor Oscar J. Kaplan's and Professor William H. Hippaka's study, "San Diego County Real Estate Investment Groups." All of these projects are being conducted under the auspices of the Bureau of Business and Economic Research of the School of Business Administration. This research organization, headed by Professor Donald

FRESNO STATE COLLEGE

By C. E. ELIAS, JR. and IRVING DAVIS

Impact of Governmental Installation

Fresno State College has two ongoing real estate research programs. The first, a careful analysis of the "Impact of the Lemoore Naval Air Station on Land Use, Value and Taxation," is scheduled to be completed by June 30 of this year.

Case Materials Project

The second real estate study being carried out by Fresno State College has to do with the compilation of

actual real estate oriented case study materials for instructional and reference purposes.

HUMBOLDT STATE COLLEGE

By the Division of Business

Humboldt State College entered the real estate research program in 1960 when the proposal to explore the real estate educational and research needs of the people of Humboldt County was accepted. This exploratory study, using secondary source materials; two mail surveys; and interviews and discussion with local real estate practitioners, people whose work is related to real estate, and real estate teachers and researchers from other educational institutions was completed in August 1961.

1961-62—

A Study of Communication Problems in Residential Real Estate Transactions. This research, currently under way, is intended to study such phases of communications as advertising; motivations which influenced recent transactions; attitudes of clients toward salesmen, including original client contact, follow-up, and degree of satisfaction; degree of understanding of the terminology used by the real estate salesman; and finally a study of reasons why buyers do or do not employ the services of a broker.

SACRAMENTO STATE COLLEGE

By B. E. TSAGRIS

The Sacramento State College Division of Business Administration Real Estate Research Group has completed three reports and is currently engaged in a fourth in their proposed series on directional growth studies the Sacramento Metropolitan Area. 1

(Continued on next page)

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digest of the most recent report entitled, "Trends in Multi-Family Housing: Sacramento Metropolitan Area, 1950-1970," which provided information on housing, population, employment, and income in Sacramento County, was published on page 533 of the January-February *Bulletin*. The study reported, in detail, the methodology and the formulas used to project Sacramento County population, employment, and apartment building construction to 1970. It is felt, not only that the reported analytical tools may be useful in similar studies of other areas, but that the basic findings may be equally applicable to comparable community centered sectors.

Commercial Site Study Completed

A second report completed in August 1960 was entitled, "Emerging Pattern of Commercial Sites." This study reported the geographic topographic, and historic setting of the Sacramento Metropolitan Area. The analytical section of this project quantified the emerging pattern of commercial sites in the county. The findings presented in this study may assist in the prediction of changes in land use patterns which may occur in established or potential commercial areas. These findings and the research techniques employed should be of general interest.

Effect of Industrialization in Land Values

The present contract calls for a study of the impact of Sacramento County industrialization on land values. The current study has a threefold purpose: (1) to determine, through an analysis of over 1,000 verified unimproved land sales in the county, the impact of industry on land values; (2) to prepare a statistical analysis of the county business patterns comparing the growth of various sectors of the county with the State of California and the United States; and, (3) to determine, from a questionnaire survey of representative firms, which factors influence the location of industry. More than 500 questionnaires have been mailed throughout the State and approximately 200 usable responses have been received.

SAN JOSE STATE COLLEGE

By ROBERT W. TRAVIS

Research became a part of San Jose's real estate program in 1956, when the first of several unsponsored studies were undertaken by individual staff members. Within two years the increasing interest in research led to the establishment of the Real Estate Research Bureau, which immediately began to participate in the real estate research program sponsored by the Division of Real Estate and financed by the Real Estate Education and Research Fund. In 1960, an eight member Advisory Committee composed of local real estate men was created to assist the bureau with the planning of future research programs.

Two Types of Research Projects

Research projects undertaken for the State Division of Real Estate have been of two types—audio-visual and narrative reports. With respect to the former, during 1960-61, a 35 mm-filmstrip, with accompanying narration on a disc recording, entitled "Real Estate Appraisal: Single Family Dwelling" was prepared as a joint venture of the Bureau and the Audio-visual Service Center. Dr. Charles L. Suffield, head of the Real Estate Department, planned the content and Dr. Jerrold E. Kemp, Co-ordinator, Materials Preparation Services, Audio-visual Service Center, wrote the script and supervised the photography and reproduction into an 80-frame filmstrip. The filmstrip, which was designed to present an overview of the appraisal process for single-family houses, has been used as an introduction to the appraisal process in real estate classes at both junior and state colleges. A second filmstrip entitled "Real Estate Appraisal: Multiple Family Dwelling" is currently in the planning stage and should go into production next summer.

IN LIEU OF HINDSIGHT

If every real estate broker and salesman were as blessed with foresight as he is with hindsight, the golden age would indeed be here.

In lieu of this unexpected miracle, suggested are hard study, hard work and close analysis of experience.

University Extension Offers Rich Real Estate Program

Arrangements for summer and fall offerings of specialized real estate courses at the professional level by University Extension, University of California, have been completed and descriptive brochures are in preparation for mailing to licensees.

Summer courses will be given on campus and in downtown San Francisco and Los Angeles beginning early in July; while the fall program commences in early September at Westwood, Berkeley, the downtown Extension Centers in Los Angeles and San Francisco as well as in some 44 communities throughout the state.

Approximately 1,000 persons have been awarded the Real Estate Certificate, having completed the eight required courses, and have thus prepared themselves for positions of greater leadership in the industry.

Estate Finance, Legal Aspects of Real Estate, Introduction to Real Estate and Urban Land Economics, Urban Renewal, Urban Renewal for Private Investment, Principles of Real Estate Appraisal, Advanced Real Estate Appraisal, Real Estate Appraising for Investment Purposes, The Essentials of Real Estate Syndication, Property Management, Income Tax Aspects of Real Estate Transactions, Tax Planning for Real Estate Transactions, Real Estate Exchanges and Taxation, The Essentials of Income Property Transactions, Commercial and Investment Properties, Estimating for Residential Construction, Estimating for Light Commercial Construction, Creating Residential Income Property, Essentials of Residential Design and Structure, Planning Construction and Design, and City and Regional Planning.

For specific information, write to University Extension, University of California, 2441 Bancroft Way, Berkeley 4, Calif., or 813 South Hill Street, Los Angeles 14, Calif.

Courses to be offered in one or more numbers at the several locations are: Trends and Factors Influencing Real Estate, Real Estate Practice, Real

Real Estate Research—UCLA

The Real Estate Research Program at UCLA has moved from its former quarters on Westwood Boulevard in Los Angeles to the sixth floor of the new Graduate School of Business Administration Building on the Los Angeles campus of the university. As in the past, the offices are open to anyone who wishes to visit and study in the real estate library.

The move did not interrupt research at UCLA and further progress can be reported. Two major studies entitled *The Secondary Mortgage Market—Its Purpose, Performance and Potential* and *The Cal-Vet Program—A Study of State-financed Housing in California* have gone to press and will be available by the end of the year. Conclusions from these studies were discussed in the May-June *Bulletin*. The following are some of the ongoing and recently completed projects.

Management in the Light Construction Industry

More than 6 percent of all civilian employment in California has been provided by construction activity in every year from 1947-1959. The direct impact of the industry on local economies, however, varies from area to area. In 1960, as few as one out of every 17 wage and salary workers was in construction in the Los Angeles metropolitan areas, and as many as one out of every 11 workers in the Sacramento area.

Clearly, the industry's contribution to economic activity goes beyond direct construction operations. For every person directly employed in construction, approximately 1.55 persons are employed in the production of materials and services utilized in construction. While the real gains to the State's economy associated with an effective construction industry are almost impossible to measure, it is quite evident that the large influx of persons into California could not have been accommodated without an effective construction industry capable of expanding efficiently in the face of unprecedented demand.

Very little is known as to individual construction firm's structure and be-

havior in the market. Consequently, James Gillies and Frank G. Mittelbach of UCLA have studied the problem of management decision-making in construction, by analyzing in detail the operations of a selected group of firms. The study is somewhat similar to Professor Case's previous report on real estate brokerage firms.

A number of conclusions are developed from the study. The process of subcontracting together with the small size of the typical construction firm and the instabilities of the market creates unique organization problems. Fluidity in organizational structure is of key importance for successful operations. Highly centralized authority relationships predominate among construction firms primarily because of concern about market instabilities, fear of loss of key personnel, and unwillingness to delegate the making of key decisions involving large expenditures. The complex and highly structured organizations so common in other industries have not developed in construction. However, the difficulties and risks so often cited as limiting the need for more complex organizations are overemphasized.

Significantly, it was found that construction firms, at least in Southern California, enter and leave various types of markets with relative ease. Many firms build a wide variety of types of buildings both residential and nonresidential. If this holds for other parts of the country, a national policy to stabilize any one type or portion of the construction industry may be an unnecessary and unrealistic objective.

It seems probable that in the future most successful construction firms will be characterized by continued integration of nonconstruction processes as part of their operations, and by the ability to solve "special problems," in such areas as urban redevelopment, housing for special groups, the building of recreational and community facilities, etc. Construction "technical know-how" by itself will simply not be enough for growth in volume of operations and profits.

The study also includes extensive

discussion of construction management performance and behavior

Selected Characteristics of Loans by Savings and Loan Associations

In the May-June 1961 *Bulletin* the results of a study of junior financing in Los Angeles County were reported. More recently UCLA, in co-operation with the Savings and Loan Commissioner's office, prepared an analysis of the junior loans associated with senior financing by state-chartered savings and loan associations in California during a two-week period in April, 1961. At the same time, data were gathered with respect to fees and charges to borrowers of first trust deeds.

Local Mortgage Markets and Residential Construction

Does the composition of lending institutions in a local area and the extent to which mortgage funds are derived from outside a local mortgage market influence residential construction activity? How does residential construction activity in a locality respond to changes in national credit conditions? These and other questions were examined in Professor Harold Dilbeck's doctoral dissertation which was sponsored by the Real Estate Research Program at UCLA, during 1960-61.

The findings in general support the view that fluctuations in residential construction are directly associated with the structure of the local mortgage market. In areas where a large proportion of funds is supplied by such lenders as life insurance companies and commercial banks the response of residential construction will be greater to changing conditions in the money and credit market. In contrast, the fluctuations will be less severe in areas where a relatively large share of the funds is supplied by institutions such as savings and loan associations. More severe fluctuations in residential construction in areas where commercial bank and insurance mortgage lending predominates occur because of the close relationship between the range of investment alternatives of these institutions and their limited ability to supply the mortgage market through the conventional mortgage.

Research At Berkeley

Just off the press in May is the Berkeley Program's newest research report, *Housing for the Elderly in California*.

The study emphasizes the problems of the 30 percent of the elderly living in rooming houses, hotels, and with younger relatives. Large numbers of these would enter the market for standard types of housing, given needed financing help.

Most of the more than 400,000 elderly homeowners in the state have incomes over \$2,000 per year, with substantial equities. Specially designed homes, incorporating features which add to the comfort, convenience, and safety of the elderly, might be sold to many of this group.

By contrast, about 80 percent of the elderly sharing the homes of relatives have incomes under \$1,000 per year. Subsidies would be needed to do anything much for this group. Between these extremes are many for whom some type of housing assistance can mean a shift to new and better dwellings.

The study discusses the major types of public and private efforts to provide better housing for the elderly—co-ops, sponsored rental projects, converted hotels, public housing, etc.

The study concludes that rent certificates, an old remedy, have real promise for solving the old age housing problem.

Urban Renewal

Urban renewal provides the focus for three current studies.

Economic Aspects of Urban Renewal: Theory, Policy, and Area Analysis—recently completed and sent to every local redevelopment agency in the U.S.—seeks answers to the all-important question: should we rehabilitate or clear the land? The study analyzes the effects of code enforcement upon owners and dispels the idea that the problem of slums and deteriorating neighborhoods can be easily solved.

The second study, summarized in the *Bay Area Real Estate Report*, First Quarter 1961, answers the question: where do people move when they are displaced from urban redevelopment projects? The author finds that most former occupants move to a location as near as possible, those with higher incomes moving farther. In general, rents paid are increased substantially

for all, with housing standards improved slightly.

Equity Investment in Real Estate by Financial Intermediaries, a study nearing completion, analyzes the opportunities for profitable investment in areas being cleared and resold for private redevelopment under Federally subsidized urban renewal. For the investor, it evaluates the unique opportunities and the special risks in redevelopment projects. For the local redevelopment agency, it points to aspects of planning, restriction, and marketing which can make the land more salable at better prices and thus reduce the financial burden on the taxpayer.

RESEARCHERS INVITE YOU

Many questions on land values, taxation, population, building activity, housing costs, and other real estate topics are often addressed to the Real Estate Research Program. **Although not in a position to carry on research for individual licensees, members of the staff can usually suggest helpful sources of information. They don't guarantee, but they do try.**

Brokers and salesmen are welcome to visit the Real Estate Research Program libraries on the Berkeley and the UCLA campuses to locate texts and reference books on all aspects of real estate. In addition, pamphlet collections of thousands of items cover such a wide range of pertinent subjects as appraisal, housing finance, urban renewal, industrial location, central business districts, etc. Library hours are weekdays from 8 to 12 and 1 to 5.

The libraries are located at Room 208, Stephens Memorial Building in Berkeley; and at 1314 Westwood Boulevard in Los Angeles.

DIVISION OF REAL ESTATE PUBLICATIONS

With the 1962 edition of the *Reference Book* now off the press and available for immediate delivery, the Division of Real Estate has for sale the following current publications. They may be obtained from any office of the agency, or by writing to the State Division of Real Estate, 1015 L Street, Sacramento 14, California.

PLEASE DO NOT SEND STAMPS OR C.O.D. ORDERS

REFERENCE BOOK, 708 pages \$2.60*

This book contains laws and information relating to real estate, real estate licensing, and examinations; real property securities dealers, subdividing, etc.; as well as the full text of the Real Estate Law and the Commissioner's Regulations.

The topics of business opportunities and mineral, oil and gas brokerage are outlined in the book. In addition, special parts of the book contain information concerning license examinations, reference materials and tables.

The Reference Book is recommended for anyone preparing for a license examination and for all licensees as a reference source.

CALIFORNIA REAL ESTATE LAW, 160 pages..... \$1.04*

This pamphlet contains the full text of the Real Estate Law as found in the Business and Professions Code. In addition, it contains the Commissioner's Regulations, as well as a digest of pertinent sections of other state codes affecting the practice of real estate.

SUBDIVISION MANUAL, 102 pages..... \$0.78*

A comprehensive treatment of the multiple aspects and procedures of subdivision development from planning to marketing. Spells out in detail the application of law relating to subdividing as administered by the Real Estate Commissioner, the Subdivision Map Act, and the Commissioner's Regulations affecting subdivisions.

* Tax included. 10% discount is given on a purchase of 50 or more books of the same type.

Creed for a Real Estate Broker

Contributed by a licensee

My state has licensed me to practice the brokerage business of real estate.

I deem that license a privilege and a trust which I shall safeguard with all my diligence, my integrity and my honor.

I am aware that I occupy an important position in the economic life of my community and shall therefore always strive for status of trust and confidence.

In cooperation with my fellow real estate brokers, I pledge myself to maintain and improve the standards of our profession.

Because of the personal relationship that exists between myself as agent and my principal who may be the buyer or seller, I am aware that obligations are imposed which add grave responsibilities.

I am the procuring agent through whom homes are created.

I facilitate the selection of commercial property where merchants can best offer their wares.

I am the instrumentality through whom manufacturers select the most suitable site to turn the wheels of industry.

I am an important factor in the creation of communities, the building of cities, the development of our nation.

I am a real estate broker.

Dr. Fred E. Case of U.C.L.A. has recently received the \$1,000 George L. Schmutz Memorial Award of the American Institute of Real Estate Appraisers for Technical Papers in the Field of Real Estate Valuation. The award, the purpose of which is to recognize outstanding new contributions to knowledge in the field, was granted to Dr. Case for his study entitled *Los Angeles Real Estate—A Study of Investment Experience—a study sponsored by the Real Estate Research Program.*

ONCE UPON A TIME

The *Bulletin* editor had the privilege recently of sitting in on one of those "What is wrong with real estate?" gab fests by a representative group of California brokers. The problems bandied across the coffee cups left him with a nostalgic hangover and, back at his desk, he pulled from the file a remembered letter from an old-timer who spoke of conditions in real estate sixty years ago.

"At that time," he said, "the status of the profession (so called) was none too high. The real estate man was virtually unrestricted and unrestrained as far as any official rules and regulations were concerned. . . . A state real estate license was unheard of and no Real Estate Commissioner or Commission existed."

The Real Estate Image of 1902

"To become a real estate agent," he continued, "one simply had to paint a sign on the door, print a few business cards, and you were in business." The result: "A large and varied assortment of agents," a goodly number of whom "were totally unfitted for the job; they had nothing but a vision of easy money—no real selling ability and no technical knowledge as to the various legal steps and documents involved in making a deal." Most of these, he recalls, took "a brief fling at the game, became disillusioned, and dropped out."

He further referred to a prevalent type of real estate agent "who gave the profession a black eye." Possessing a "gift-of-gab but shy on ethics," said he, "this character had a free hand to paint the rosy picture and sign up the victim on some dubious deal without fear of reprisal or loss of license. 'Caveat emptor' was his creed. It was a mark of special distinction . . . to put together a highly complicated three-cornered deal involving dummies, illusive equities—and other now banned deceptive et ceteras—all parts dovetailing in one escrow, jigsaw-puzzle fashion, without any of the principals involved knowing what was really going on."

He said much more which we omit in our hurry to get to his conclusion that "the rating of the average real estate man was not the highest. By many he was 'viewed askance'—they kept their weather eye open when he was around."

The old-timer reminisced of sixty years ago. To set this picture over against that of today, the industry still has its problems, as any industry must, but it has come a long, long way.

Foundations for New Image

Every one of the 50 states now has a license law, principally through the efforts of organized real estate. In California we have a Real Estate Commissioner with a Real Estate Commission to counsel him and a Division of Real Estate to carry out his policies for public protection and industry improvement throughout the state; and, most important of all, we have a sound body of law upon which to base all of this constructive activity.

This law is a living thing, growing and changing as public awareness of need grows and changes, but always steadfast in safeguarding the public good. A significant thing about it is that the vision of leaders in the real estate industry set in motion the forces which put it there. And the constant, effective concern of industry leadership, working co-operatively with the commissioner and his team, serve to keep that law and its implementing regulations abreast of the needs of the times.