REAL ESTATE PRINCIPLES

Chapter ONE
Introduction to Real Estate

PERFORMANCE OBJECTIVES

After completing this chapter, you will be able to:

1. Trace the history of property ownership in California.
2. List the "bundle of rights" attached to real estate ownership.
3. Distinguish between real and personal property.
4. Identify and apply the "five tests of a fixture."
5. Identify and describe real estate trade associations.

I. CALIFORNIA REAL ESTATE HISTORY

A. California's history is a dramatic panorama of settlement and conquest and
   is closely tied to California Real Estate history.

1. The first people in California were the Native American Indians. They
   were governed by tribal rights to the use of the land they occupied.

2. Spanish rule in California began in 1513, when _______ first
   sighted the land that is now California.
   a. The Spanish king made land grants to noblemen who had
      distinguished themselves, usually in military capacities.
   b. Under Spanish domination the Mother Church was granted 21 Missions up
      and down the coast of California.

3. The American Period established Fort Ross in Northern
   California in 1812, and did not leave the area until 1840.

4. Mexican rule began in _______ when New Spain (Mexico) won its
   independence from Spain.
   a. Mexican land grants called _______ _________ were given to
      private citizens.
   b. American rebels raised the "Bear Flag" in 1846, beginning the war with
      Mexico.

5. With the Treaty of ___________, which ended the war with
   Mexico in 1848, California became a United States territory.
   a. The Gold Rush of 1849 brought many settlers to California.

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b. Statehood was granted in _______.
   c. The California ownership recording system was adopted and the Board of
      land _______ was formed to settle claims to private land.
   d. The English _______ _______ system, although reminders of the Spanish
      system were retained.

B. Modern California

1. Most California residents live in _______ areas.
2. California's leading population centers are _______ and the _______ Bay Area.

II. REAL PROPERTY VERSUS PERSONAL PROPERTY

When you own real property, you possess certain property rights called the
"_______ of _________," including:

* the right to own,
* the right to possess,
* the right to _______,
* the right to _______ and
* the right to _______.

* the right to exclude those who do not share ownership

A. Real Property consists of:

1. Land, including:
   a. the surface of the earth
   b. A reasonable use of the airspace above the land
   c. Minerals and substances beneath the surface, to the center of
      the earth.
   d. Landowners are entitled to a reasonable use of underground
      waters known as underground water rights.
   e. Owners of land bordering a river or stream are entitled to a
      reasonable use of surface waters by exercise of _________ rights.

2. That which is a fixture to the land, including:
   a. things artificially and permanently affixed to the land, such as
   b. things permanently attached to a permanent addition to land,
      such as siding attached to a building.
   c. things naturally affixed to the land, (but not crops) such as

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B. The California Association of Realtors® is the state affiliated group and provides services for California members.

1. Unauthorized use of the term Realtor® constitutes a violation of the Department of Real Estate regulations.

C. The Purposes of the associations are:

1. to unite its members
2. to promote high
3. to safeguard the land buying public
4. to foster_______ for the benefit and protection of Real Estate
5. to cooperate in the economic growth and development of the State

D. Another National Real Estate organization is the National Association of Real Estate Brokers ______.

1. This group formed by a group of African American brokers was founded in 1947 and called the organization Realtists.

E. The California Association of Real Estate Brokers (CAREB) is affiliated with NAREB and has several local boards throughout the state.

IV. OTHER MAJOR PROFESSIONAL DESIGNATION ARE:

A. AIREA- American Institute of Real Estate Appraisers. Members may earn a designation known as MAI or "Member of Institute".

B. IREM- Institute of Real Estate Managers

1. Members may earn designation as CPM, Certified Property Manager.

V. Careers in Real Estate

A. In addition to sales jobs, real estate licensees may expand into the following fields:

1. Loan officer
2. Appraiser
3. Escrow officer
4. Title officer

B. Opportunities are available in:

1. Local, state, and federal government
2. Right of way agents
3. Plant owners
4. HUD housing staff

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3. That which is appurtenant to the land, something affixed or annexed to and transferable with the land, such as, a right of way over adjoining land or stock in a Mutual Water Co.

4. That which is immovable by law (such as fire extinguisher in an apt)

B. Personal property is every kind of property that is not ______ property.

1. Personal property is ________, while real property is immovable.

a. Personal property can be intangibles such as any paper work used in Real Estate such as leases, contracts, deeds, and promissory notes.

2. Crops cultivated annually are called__________ and are personal property.

C. The status of property can change. Real property can become personal property, and personal property can become real property. For example, trees are real property, but when cut down and made into boards they become personal property.

D. Fixtures are items of personal property attached to land in such a way they become ________ property.

1. The five tests used in court to prove whether or not an item is a fixture.

   a. ________ of attachment.
   b. ________ between parties.
   c. ________ of parties.
   d. ________ of the parties.
   e. ________ for the land's specific use (or lack of adaptability to other land)

2. In a disagreement over fixtures, and in the absence of an agreement to the contrary, the law favors a ______ over a ________, and ________, who acts in good faith over a landlord.

3. Trade fixtures are those items used to operate a business. They are generally considered ______ property and can be removed by the tenant, who must do so before the lease or possession terminates and repair any damage caused by the removal.

III. REAL ESTATE TRADE ASSOCIATIONS

A. The largest is the National Association of Realtors® (NAR) whose recognized designation is ________

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12. The rights to minerals that lie beneath the surface of the land, unless otherwise specified:
   (a) cannot be conveyed apart from the real estate surrounding the minerals
   (b) are kept by the original owner
   (c) are automatically transferred with the sale of real property
   (d) cannot be leased

13. In addition to the land and those things that are affixed to the land, certain other things called appurtenances are considered to be real property. Which of the following is not real property?
   (a) trade fixtures  (b) a dwelling  (c) a natural tree  (d) a fence

14. When anything is fastened or attached to real property in such a manner as to ensure its permanence, it is usually considered to be:
   (a) personal property  (b) real property  (c) private property  (d) separate property

15. There was some question in the mind of the owner as to whether or not she had the riparian rights on her recently purchased property. She was informed that the riparian rights are:
   (a) a matter of record  (b) listed in the title policy  (c) stated in the grant deed
   (d) not found in any of the above

16. Which of these is classified as personal property?
   (a) seasonal crops  (b) fixtures  (c) land  (d) appurtenant easements

17. In the early history of California, what group of explorers and colonizers were responsible for the development of presidios and missions?
   (a) early Native Americans  (b) Mexicans  (c) Spaniards  (d) colonial Americans

18. The right to a reasonable use of the flowing surface waters upon which a property owner's land borders is called:
   (a) riparian rights  (b) the right of correlative use  (c) the right of appropriation  (d) the right of emblements

19. Which of the following is considered personal property?
   (a) a peach crop sold to the canning factory while still on the trees  (b) real property  (c) airspace above the land
   (d) fifteen acres of land

20. Which is the most important test for a fixture?
   (a) price  (b) intent of the parties  (c) adaptability  (d) appraised value

CHAPTER ONE QUIZ

1. Real property can be most completely defined as:
   (a) land, buildings  (b) land, fixtures, minerals
   (c) land, items affixed to land, immovable by law
   (d) land, affixed to land, appurtenances, immovable by law

2. Under the treaty of Guadalupe Hidalgo in 1848, the United States acquired the territory of California from:
   (a) Spain  (b) Mexico  (c) France  (d) Native American Indians

3. Zoning laws have the greatest impact on which "right" in the bundle of rights?
   (a) right to use  (b) right to dispose of  (c) right to possess  (d) right to exclude

4. Property owners whose land borders a river have rights to a reasonable use of the water, known as:
   (a) appropriation  (b) riparian rights  (c) seizure use rights  (d) extraction rights

5. Airspace directly above a parcel of land is considered to be:
   (a) personal property  (b) fixture  (c) a chattel  (d) real property

6. A deeded easement or right-of-way over the land of another is considered to be:
   (a) personal property  (b) an encroachment  (c) an appurtenance  (d) a lien

7. An investor leases a building to a tenant who then opens a retail store. The tenant installs a cash register. The (affixed) cash register is best described as:
   (a) real estate  (b) trade fixture  (c) real property  (d) leased property

8. Which of the following is considered to be personal property?
   (a) easement  (b) a bar in the ground  (c) mortgage contract
   (d) stock in a mutual water company

9. In a legal sense, real property includes all of the following, EXCEPT:
   (a) a lumber pile  (b) that which is immovable according to law
   (c) the land beneath the surface of a lot  (d) a garage

10. The rights of an owner are referred to as the "bundle of rights." Which of these is NOT one of these rights?
    (a) The unrestricted right to the use of riparian waters  (b) the right to possess
    (c) the right to borrow against real property  (d) the right to use

11. Courts frequently have to make a decision as to whether some item does or does not go with the real property when it is sold. In making their decision they use the "five tests of a fixture." Which of the following is NOT a test of a fixture?
    (a) method by which property is attached
    (b) whether the property is considered adaptable
    (c) whether the property is being used
    (d) relationship of parties involved