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KEEP THE IRS AT BAY
PAGE 19

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RE+VIEW™

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Publisher/CEO: Christine M. Todd, CAE, RCE, cmtodd@nvar.com
Editor-In-Chief: Jill Parker Landsman, jlandsman@nvar.com
Managing Editor: Ann Gutkin, agutkin@nvar.com
Editorial Assistant: Steve Russell, srussell@nvar.com
Advertising Sales: Arlene Braithwaite, arlenetbg@comcast.net
Graphic Designer: Wanda Ng Fontana
Photographer: Jan Z Duga
Contributors: Jeannette Chapman, Frank Dillow, Michael Fried, Shawn Hanna, Brenda Heffernan, Michele Lerner and Steve Russell.

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8407 Pennell Street, Fairfax, VA 22031-4505
Telephone: 703.207.3200 | FAX: 703.207.3268
Web: nvar.com
E-mail: re+view@nvar.com
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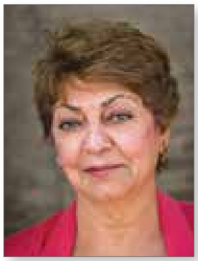

FAMILY MATTERS:

HONORED TO BE A REALTOR® MEMBER; GRATEFUL THAT YOU ARE, TOO!

By Mary Bayat

In my final column as the chair of your association, I offer my sincere thanks – to you, to our NVAR staff, to our dedicated board of directors and to our CEO Christine Todd, who will retire at the end of this year.

Our association is like a family for the Northern Virginia real estate community. For the past 26 years, Christine has been a true matriarch – tough when she had to be, yet always supportive and nurturing for our members, staff and volunteer leaders. Please read the interview on page 6, to learn about her tenure at NVAR and her commitment to the success of our association and to each of our members.

I also want to extend a warm welcome to our new CEO, Ryan Conrad. He is ready to "take NVAR even further!"

As this issue's cover article about working with family members reveals (page 24), the experience has rewards and challenges. There's a saying that "you can't choose your family." Yet almost 12,000 Realtors® and affiliates choose to make NVAR part of their professional family – many could join a different organization. And almost half of our NVAR staff members have worked at the association for at least 10 years. This does not happen by accident!

I am proud of the high caliber of our instructors, speakers and the programming that we provide. You can see examples of this in the Economic Summit and Convention coverage in this issue.

I have appreciated the engagement of so many of you: our members. I am touched by your calls and emails. It is gratifying to learn that you feel connected to the work that NVAR does with you and for you.

I hope that you continue to take advantage of everything that NVAR provides to our members. I challenge you to attend a new program, class or event in 2016 – you'll be glad that you did! I wish each of you great success in the coming year.

This year has been an honor and privilege for me.

Thank you for allowing me to serve NVAR.

Mary Bayat
2015 Chair of the Board

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The views expressed in this publication may not reflect NVAR policy, and may be the opinions of the writer or interviewee. Reach us by email at re+view@nvar.com.

THE BITTERSWEET FAREWELL, WELCOMING NEW BEGINNINGS

CEO Christine M. Todd Winds Down Her 26-Year Run, Noting Her Role in 'RE-Inventing' NVAR

By Jill Parker Landsman

How did you learn about the chief executive officer position 26 years ago at NVAR?

I was recruited by the then CEO of the Virginia Association of Realtors® who thought I would be a good "fit" for NVAR. I knew it would be a long shot for them to hire someone so young, a woman and a "Yankee." I was wrong.

What did you learn about NVAR while you were doing your homework about the association?

I learned that NVAR was the largest local Realtor® Association with 13,800 members. My association in Salem, Massachusetts had 1,500 members.

What were the toughest challenges that you faced when you first arrived?

Hiring and firing staff. We had 65 employees, a printing plant in the building, a fleet of run down delivery trucks and a staff that was overwhelmed and underperforming. I had to re-write job descriptions and create a new team that had the skills and dedication to "re-invent" NVAR.

When you arrived, what did you learn about past mistakes that had taken place at NVAR before you came?

An association consultant briefed me on the results of his internal audit and outlined the managerial problems and decaying infrastructure. From there, I worked with leadership to set our priorities and a build a roadmap to the future.

Tell us about your journey in re-inventing the MLS process for NVAR and our region.

Our dedicated leadership had the vision to understand that we are a region where buyers and sellers want to explore all markets. This was a member-driven idea that I only had to implement!

How does an association remain relevant in today's industry?

It is important for staff and leadership to stay on top of industry trends that can have a profound impact on our profession. I measure and analyze everything. This helps leadership make decisions based on the future, not the past.

What new challenges occurred after you were in the position for a few years?

Most of the challenges came from the rapid intervention of technology. I was very concerned that real estate agents and brokers were not keeping up with the new world order of email, websites, online marketing and social media. I am happy to report that our members and staff did meet the challenge.

What were the toughest decisions you had to make when reflecting back on your NVAR tenure?

Those tough decisions always revolved around the human resource side of managing a business. I have to constantly evaluate my talent pool of staff and get the right people, in the right job, at the right time.

What were some of the highlights of your career as the NVAR CEO?

In 1997, the president of the National Association of Realtors® presented me with the William R. Magel Award of Excellence in Association Management. I accepted the award at the NAR Board of Directors meeting in New Orleans, escorted to the stage by then-NVAR Chairman Stan Stewart.

What industry milestones have you seen in your career?

The growth and power of NAR as a lobbying force for homeownership and private property rights and the introduction of **Realtor.com**.

"Thank you NVAR members for the trust you placed in me 26 years ago. I wish you all continued success as we journey through our time on earth!"

How did you get involved in international real estate consulting?

The leadership of NAR asked me to work with them in designing and teaching courses on association management for the newly formed associations in Eastern Europe and Russia. It was a great honor to be asked to take on such an incredible responsibility. I co-presented these classes with 10 NVAR leaders who traveled with me.

In your point of view, what are the dangers to the industry?

Profiteers who exploit the Internet and online marketing to fill their pockets while totally disregarding the moral responsibility we have to open the doors of decent and affordable housing for all.

What will the next chapter in your life look like?

As a former high school teacher and aspiring actor, I plan to pursue a consulting and mentoring career. I want to share my successes, failures and encouragement with volunteer leaders and association executives. I also plan to spend more time with the "love of my life," my husband John, skiing, boating, traveling and getting into better physical shape!

What would you like your legacy to be?

Leaving NVAR in pristine condition with a debt-free GOLD LEED certified headquarters, an incredibly talented staff, inspired leadership and a healthy environment where Realtors® can achieve success and prosperity.

What a great ride it has been being CEO of NVAR for the past 26 years! I loved representing NVAR around the globe, at NAR meetings and throughout Northern Virginia. The people I have had the privilege to work and play with and the places I traveled to fill my heart my joy. The memories I have accumulated along the way will last a lifetime. Thank you NVAR members for the trust you placed in me 26 years ago. I wish you all continued success as we journey through our time on earth! +

Jill Parker Landsman is the NVAR Vice President, Communications & Media Relations

Convention Tracks Trends, Tools for Success – Today and Tomorrow

Opening keynote speaker Stefan Swanepoel, author of the NAR-commissioned D.A.N.G.E.R. Report and the annual Swanepoel Trends Report, wowed the audience with technology trends for the future.

Trends for **Tomorrow**
Tools for **Today**

2015 NVAR Convention & Trade Show

October 13
Northern Virginia Community College
Annandale Campus

HUNDREDS OF REALTORS® gathered on Tuesday, Oct. 13 for NVAR's annual Convention & Trade Show. From Stefan Swanepoel's opening keynote, to the closing reception on a packed trade show floor, attendees encountered new ideas, technologies and even a new CEO. Pictured here is a sample of highlights. For more Convention images, visit **go.nvar.com/con15pix.**

2014 Chairman Mario Rubio was honored as NVAR's 2015 Realtor® of the Year.

Representatives of Convention sponsor MBH get a visit from incoming NVAR CEO Ryan Conrad (second from left) and 2015 NVAR Chair Mary Bayat (second from right).

Trade Show exhibitor Long & Foster showers attendees with cash – just one of the many great give-aways offered.

NVAR CEO Christine Todd, who retires at the end of this year, heads into the reception held in her honor on the Trade Show floor.

Convention Advisory Group Chair Veronica Seva-Gonzalez (second from left) makes the rounds on the Trade Show floor to thank exhibitors. She is pictured here with (left to right) Realtor® Thai-Hung Nguyen, exhibitor Sanam Vivansia, of Strategic National Title Group, and Realtor® Miguel Calvo.

The 2016 NVAR Board of Directors was introduced during the Annual Meeting. Pictured here (left-right): Immediate Past Chair Mary Bayat, Chairman Virgil Frizzell, Chair-Elect Suzanne Granoski, Secretary-Treasurer Bob Adamson, Lorraine Arora, Nicholas Lagos, Craig Lilly, Tracy Comstock, Brian Block, Gary Lange, Christine Richardson, Moon Choi, Genevieve Concannon and Veronica Seva-Gonzalez. Not pictured: Reggie Copeland and Christine Macro.

Convention continued on page 11

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Trends for Tomorrow
Tools for Today
2015 NVAR Convention & Trade Show

NV/RPAC Silent Auction: Results are Loud & Clear

Thanks to the generous donors listed below, and two who wished to remain anonymous, the NV/RPAC Convention-day Auction raised more than $6,400.

Bidders had more than 16 donated lots to consider!

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Homeownership Rates and Household Formation in the NVAR Region

WHO IS MISSING FROM THE OWNERSHIP MARKET?

By Jeannette Chapman

NATIONALLY, U.S. Census Bureau data shows that the homeownership rate has fallen to a 48-year low, and household formation has slowed, diminishing the overall demand for housing.

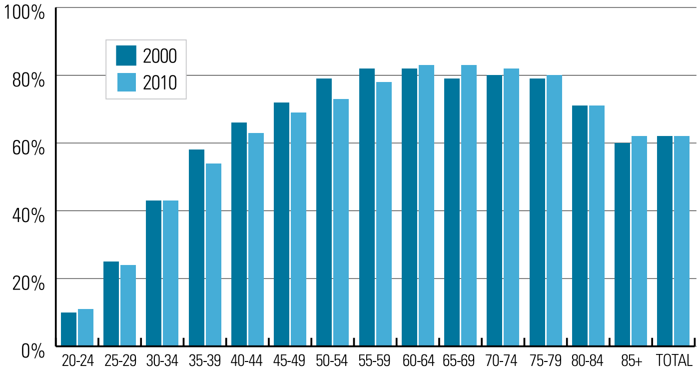
The Recession strained budgets and many changed their living situations in response: adult children remained in their parents' homes and parents moved in with their adult children. The subsequent slow-down in household formation led to "missing households," or households that were unformed largely because of economic circumstances. According to Federal Reserve Bank of Cleveland estimates, there may have been as many as 2.6 million unformed households in 2010 compared to pre-recession conditions.

The increase in renter-households and the doubling-up of households has had a significant effect on the existing home sales market nationwide. Although the Washington-area economy fared better than the nation's, similar trends have been seen here. In the NVAR region, the homeownership rate decreased by 0.5 percentage points between 2000 and 2010, and there may have been as many as 20,630 unformed households. Together, these factors resulted in an estimated 22,700 fewer owner-households in the NVAR region in 2010. Of these would-be owners, the majority were not Millennials, but were between 35 years old and 59 years old.

HOMEOWNERSHIP RATES

In 2000, 62.3 percent of all households in the NVAR region were homeowners. In 2010, the homeownership rate had decreased 0.5 percentage points to 61.8 percent (Figure 1). While the overall decline is modest, the decrease for younger households is more pronounced and is offset by increases for older households (Figure 1).

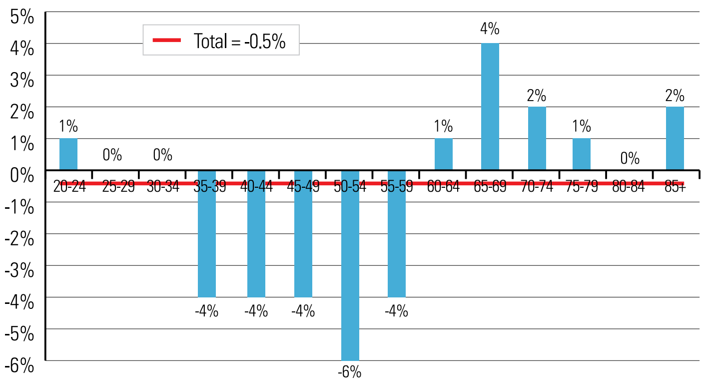
Figure 1: Homeownership Rates by Age of Householder, 2000 and 2010



Source: U.S. Census Bureau (2000 and 2010 Census, microdata)

Figure 2 shows the percentage point difference in the homeownership rates in 2000 and 2010 by the age of the head of the household. Of the age groups, householders between 50 and 54 years old had the sharpest decrease in their homeownership rate, falling 6 percentage points. Four age groups had homeownership rates that were 4 percentage points lower in 2010 than in 2000: 35-39 years old, 40-44 years old, 45-49 years old, and 55-59 years old.

Figure 2: Percentage Point Change in Homeownership Rates by Age of Householder, 2000 to 2010



Source: U.S. Census Bureau (2000 and 2010 Census, microdata)

Which Age Groups are "Missing" Owners?

The decrease in the homeownership rate reflects a combination of preferences and economic circumstances which may not return to what they were in 2000. But for many, homeownership remains a goal. If homeownership rates in 2010 were equal to those in 2000 for select age groups, there would have been 12,980 additional owners in 2010 (Figure 3). This excludes all age groups with a higher homeownership rate in 2010 than in 2000, which consists mostly of older households.

Figure 3: Estimated Additional Renter Households, 2010

	HOUSEHOLDS
25-29	200
30-34	170
35-39	2,250
40-44	2,180
45-49	2,550
50-54	3,490
55-59	2,140
Total	**12,980**

Source: U.S. Census Bureau (2000 and 2010 Census, microdata), and GMU Center for Regional Analysis

HOUSEHOLD FORMATION

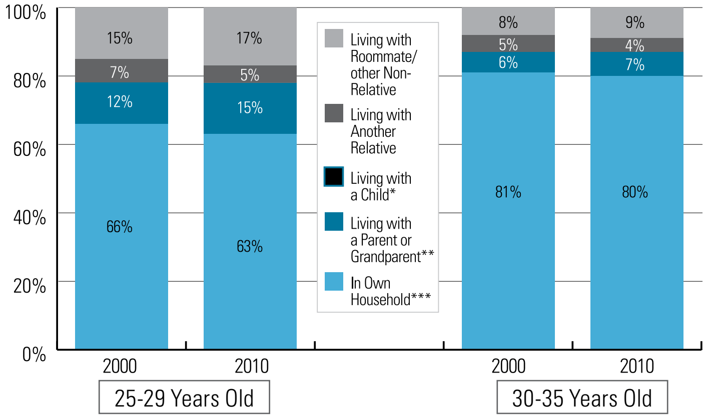
Compared to 2000, fewer people between 20 and 59 years old were living in their own household in 2010. Unlike their younger counterparts, more people over 60 years old were living in their own household in 2010 than in 2000. Advances in healthcare, technology and other services have allowed older adults to remain independent for longer, a trend which is expected to continue.

In 2000, 66 percent of all 25-29 year olds were living in their own households compared to only 63 percent in 2010, a decrease of 3 percentage points. The decrease for 30-34 year olds was not as pronounced (-1 percentage point), but just as meaningful to the home sales market. Delayed household formation will also delay homeownership, resulting in fewer first-time home buyers in these age groups.

Instead of living in their own households, 15 percent of 25-29 year olds and 7 percent of 30-35 year olds were living with a parent or grandparent (Figure 4). Also, a larger share of both age groups was living with roommates in 2010 than in 2000. While this may enable them to save for a down-payment, student loans and weak job and wage growth have had a lasting impact on the finances of those in these age groups.

"…[If] economic conditions were improved, it is likely that there would be higher rates of household formation."

Figure 4: Share of People by Household Situation, 2000 and 2010



*Includes biological, adopted and step child, grandchild and son-in-law, daughter-in-law
**Includes biological or step parent, parent-in-law, or grandparent
***Includes the head of household, spouse or partner of head of household

Source: U.S. Census Bureau (2000 and 2010 Census, microdata)

What Age Groups are "Missing" Households?

Similar to homeownership, a person's living situation is driven by a combination of preferences and economic and/ or employment situation. However, if economic conditions were improved, it is likely that there would be higher rates of household formation.

If household formation in 2010 followed 2000 patterns, there would have been 20,630 additional households in 2010 (Figure 5). This excludes people over 60 years old, who were more likely to live in their own households in 2010 than in 2000. Of these 20,630 households, an estimated 9,970 households would likely have been owners, based on the 2000 homeownership rates in for each age group.

Figure 5: Estimated Unformed Households by Age Group, 2010

	HOUSEHOLDS	
	TOTAL	LIKELY OWNERS
20-24	3,760	370
25-29	4,670	1,150
30-34	1,450	630
35-39	1,570	910
40-44	1,650	1,100
45-49	2,800	2,030
50-54	3,490	2,760
55-59	1,240	1,020
Total	**20,630**	**9,970**

Source: U.S. Census Bureau (2000 and 2010 Census, microdata), and GMU Center for Regional Analysis

Market Metrics, continued on page 14

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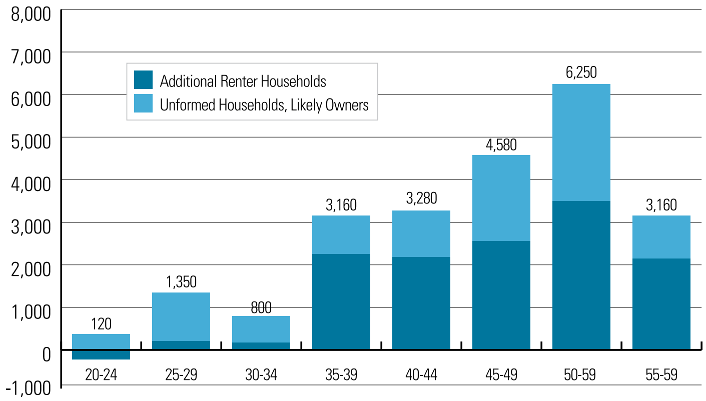
Similar to the nation, there are many missing households from younger people in the NVAR region. But the number of older adults who are not living in their own household is also significant, because they traditionally have higher homeownership rates.

TOTAL "MISSING" OWNER-HOUSEHOLDS

The NVAR region had an estimated 22,700 fewer owner-households in 2010 than it would have had under pre-Recession conditions. In 2010, the oldest Millennials, those born between 1980 and 2000, would have been 30 years old, and account for just 6 percent of the total missing owner-households. Generation X, people born between 1965 and 1979, accounted for approximately one-third of the total (32 percent) and Baby Boomers, born between 1946 and 1964, accounted for approximately 62 percent of all missing owner-households.

Between 2010 and 2015, Millennials have become a larger force in the NVAR region's housing market because of their sheer number. Their tepid presence in the ownership market continues to be a concern. However, Generation X and the younger Baby Boomers should not be overlooked. Those groups also are not participating in the homeownership market as would be expected.

Figure 6: Estimated Missing Owner Households by Age of Householder, 2010



Source: U.S. Census Bureau (2000 and 2010 Census, microdata), and GMU Center for Regional Analysis

Due to the challenges in the labor market, a tight housing supply and overly stringent underwriting standards since the recession, homeownership rates have declined. The data shows that families have consolidated and the rental market remains strong locally. As consumer confidence increases, people may decide to enter the housing market, move up or downsize, and bring homeownership back to 2010 levels. +

Jeannette Chapman is a research associate at the George Mason University Center for Regional Analysis.

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Wanted in Northern Virginia: Wealth-Creating 'Gazelles'

EMERGING BUSINESSES WITH GREAT JOBS ARE NEEDED TO PING LOCAL ECONOMY

By Steve Russell

NVAR Chair Mary Bayat (left) and CEO Christine Todd welcome panelist Lawrence Yun, NAR senior vice president of research and chief economist

JOB GROWTH, low mortgage rates, higher sales prices and TILA-RESPA Integrated Disclosure (TRID) were the headlines that Moderator Ken Harney opened with at the 19th Annual NVAR Economic Summit on Sept. 9. The event, which took place at the Fairview Park Marriott in Falls Church, packed the large ballroom with hundreds of Realtors®, dozens of industry affiliates, four sponsors and two breakfast buffets.

Reflecting on development since the 2014 summit, Harney touched on what has improved, such as sales prices in Fairfax, and some things that didn't, especially federal spending. Following his quick refresher on TRID regulations that became effective just days later, Harney introduced the National Association of Realtors® Chief Economist and Senior Vice President of Research Dr. Lawrence Yun.

After reviewing factors contributing to the national and regional economy, Yun focused on employment. From his view, the employment rate is back to relative normal. However, Yun said "We are creating jobs but the wages are not really growing." This condition, he explained, means that more people rent for longer since they may not accumulate the down payment nor can they qualify for a loan.

Yun noted that the job market is solid locally. "From 2000 to today, 600,000 jobs have been added to the region.

"Northern Virginia is showing, I would say, statistically slightly better than the nation in home sales, slightly under in terms of home price growth," he said. "On average Northern Virginia is following the national trend. In areas where they are losing jobs or are experiencing slow job growth, the housing market is much weaker, so it's all about jobs," Yun continued.

HOUSING STOCK

A crucial variable Yun pointed out is the effect of the rental market on home buying.

"Rents are rising at a seven-year high," he said. "Homeownership has fallen to a 50-year low; we do not want to become a renter's nation."

As rents continue to climb, more renters become intrigued by the prospect of buying, he explained. Rising rent prices, Yun noted, "can push qualified buyers to buy."

While new buyers consider entering the market to escape renting, they are finding it difficult to locate or build an affordable home.

"Home builders are not building; we hear the complaint about a lack of inventory," Yun said of the current housing supply. "There is trouble getting construction permits, and there is a major shortage of construction workers," he explained.

Sharing survey results compiled by his NAR Research department, Yun noted that finding the right property was ranked highest among all generations for being the most difficult step.

JOB FORECAST

Looking ahead, Yun said to watch for Federal Reserve action regarding a possible interest rate hike and to observe new construction and inflation trends.

As the economy grows, Yun suggests the housing market in this region will continue to improve as well. As construction barriers are resolved for builders, new home sales nationwide are expected to exceed 900,000 units in 2016, according to the World Journal Report and the National Association of Home Builders.

George Mason University Center for

Regional Analysis Director Dr. Terry Clower told the audience that the DC metro region is still technically growing, but this regional economy is too specialized. While the number of jobs is increasing, Clower said, the pace is slow and the supply of better quality jobs is lacking.

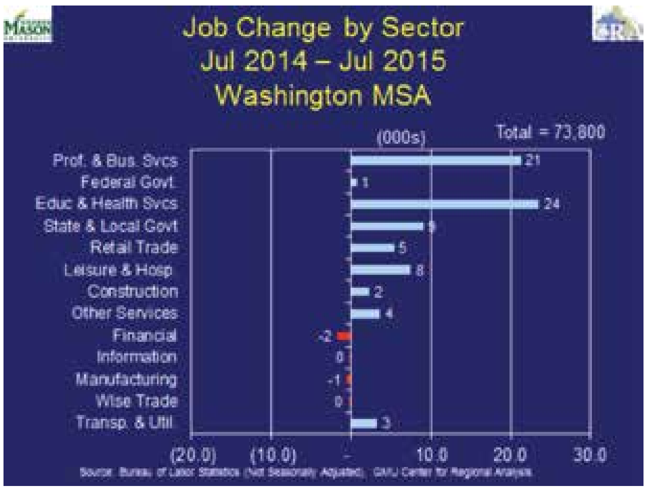
The number of professional and business services, education, leisure and hospitality jobs has risen locally, but the region has lost out on information technology and manufacturing jobs, he added.

REGIONAL POTENTIAL

"Exports are a key to growing the economy," Clower pointed out.

An export-heavy focus involves higher wage jobs, which increases the value of the local economy. Exporting products out of the region and internationally also allows businesses to pass on the cost of local tax burdens to consumers. We can expect an export heavy approach from manufacturing and tech companies, he explained.

"We can start seeing real growth in our industrial sector if we can handle it correctly," Clower said, regarding potential businesses looking to scale up. For example, if a successful startup moved to Prince William County or Loudoun County instead of Silicon Valley, then Northern Virginia benefits.



Promising start-ups relocating out of the region was one of three challenges identified by the summit's final speaker, Jonathan Aberman, chairman of TandemNSI. The other two factors: The importance of technology and focusing on converting business-to-government (B2G) dealings into business-to-business (B2B) opportunities.

Aberman explained how new technology could affect our lives. He described recent developments such as 3D printing, artificial intelligence and robots as tools that could change our day-to-day needs. Aberman cautioned the audience, "energy in this country is about to change dramatically."

Our tax dollars have been paying for this new technology, he noted. The Department of Defense and other metro-area government agencies are contracting companies and scientists from across the country. While some of this work happens locally, the region is losing more to Silicon Valley, he warned.

Our two most significant economic development challenges are, changing the stream of money so it stays here and ensuring that there are more B2B contracts since there are fewer B2G prospects.

Entrepreneurs makes up one-fifth of our economy and these "gazelles," as Aberman describes the start-ups, are integral to developing and growing our region. During the pre-recession "Internet boom" the D.C. region had an abundance of these fast growing, successful telecom "gazelles."

"We're at the cusp of being a leader in a place where real estate prices and commercial real estate and residential real estate continue to drive our region – or not," Aberman concluded.

Being on top of technology is paramount to keeping our region's successful entrepreneurs. Aberman explained how the Internet has created an advantage for efficiency.

"What the Internet does, is it creates an enormous advantage for the most efficient [companies] and it creates a tremendous penalty for the less efficient," Aberman said. "It's a winner-take-all economy. That means you want to make sure that the 'gazelles' in that economy are here, because you want the winners," he concluded.

While Yun and Clower emphasized the impact that the job market has on housing, Aberman was more focused on why the correlation exists and what jobs are important to keep around. Yun pointed out the job market is growing overall. However, as Clower illustrated, there are gaps in the quality of these new jobs and many industries related to housing are still suffering, particularly new construction.

All four speakers exercised some caution when proclaiming the state of housing and the economy in the near future, but the consensus was that the recent growth is promising. Aberman told the audience, "This region has the potential to be a dominating economy in the U.S."

Clearly, Northern Virginia has had a strong, diversified economic base in recent decades. The speakers expressed their optimism about that continuing in the near future in spite of the softening of federal contracting. Speaker consensus was that the strength of the local technology sector and the quality-of-life appeal in Northern Virginia will help fuel a strong real estate market for the near and far term. +

Steve Russell is the NVAR editorial projects specialist.

Five Ways to Keep the IRS Far from Your Door

By Michael S. Fried, JD, MBA, LLM Tax

ACCORDING TO THE INTERNAL REVENUE SERVICE, most licensed real estate agents operate their business as a sole proprietorship. This means they have not formed a partnership with other agents, or created a corporation or limited liability company to operate their business.

Many other real estate agents operate through a limited liability company owned exclusively by a single agent. These single-owner entities are often called Single Member LLCs. The owner of a Single Member LLC reports the company's sales commissions and related business expenses directly on his or her own tax return. For income tax purposes, the owner is treated as a self-employed sole proprietor.

1. MAKE YOUR ESTIMATED TAX PAYMENTS

The failure to make estimated tax payments is one of the biggest tax mistakes made by many Realtors®. Real estate agents operating as sole proprietors directly or as owners of Single Member LLCs are classified as statutory non-employees and are treated by the IRS as self-employed. Self-employed individuals must report their income and expenses on their tax returns, pay the IRS quarterly estimated tax payments, and pay their own Social Security and Medicare taxes.

Unlike the typical employer-employee relationship, a real estate broker does not withhold the agent's share of income, Social Security, or Medicare taxes from commissions, and does not make "employer" contributions of Social Security or Medicare taxes. As a result, on top of income tax, a self-employed real estate agent must pay both the employer and employee's share of Social Security and Medicare taxes, equaling 15.3 percent of net taxable income. This extra federal tax burden does not include the agent's state tax liability.

Commonly, a real estate agent's uneven income and substantial Social Security and Medicare tax liabilities will result in the underpayment or non-payment of estimated taxes. The failure to pay quarterly estimated taxes often becomes a precursor for a real estate agent to under-pay, or simply not pay, the agent's yearly income tax liability due on April 15 each year. Although it takes 48 months for the "failure to pay" penalty to reach its 25 percent maximum of the unpaid tax liability, the "failure to file" penalty reaches its 25 percent maximum within five months of the tax return due date.

The large penalties and accumulating compound interest accruals related to tax delinquencies make it imperative for the self-employed agent to budget for and make quarterly estimated tax payments.

2. CONSIDER USING A SUBCHAPTER S CORPORATION

A Subchapter S Corporation is often a useful tool to manage the payment of estimated tax obligations. It can also be helpful for tax planning and to maximize an agent's tax deductions. The typical employee receives a regular weekly, monthly, or bi-monthly net paycheck, after employer deductions for tax withholding. The typical employee is forced to develop a personal expense budget based on the employee's pay schedule and net paycheck.

On the other hand, real estate agents generally receive gross commission payments made on an irregular schedule and in uneven amounts. The agent must balance these irregular receipts against obligations for tax liabilities, business expenses, and personal living expenses. This is often not easy.

One way for a real estate agent to improve the budgeting and tax withholding process is the use of a Subchapter S Corporation. This structure can be used to convert the agent from a self-employed taxpayer into an employee receiving a net paycheck. Although the net income of a Subchapter S Corporation flows through to a Sub S Corporation's shareholder, the company is not disregarded for payroll and certain other purposes.

Unlike a sole proprietorship or Single Member LLC, a Sub S Corporation can pay wages to its shareholder, noted here as the agent, and issue a "net" paycheck after income, Social Security, and Medicare taxes have been withheld and paid over to the IRS. In order to be most effective, this structure often provides for the agent's broker to pay the agent's commissions to a third-party recipient, often the company's accountant or payroll provider. That third-party will withhold and pay taxes to the IRS based on the agent's commissions earned during the pay period, and issue a "net" paycheck to the agent.

In addition to its tax withholding and budgeting advantages, a Subchapter S Corp can also be used to minimize the agent's employment tax expense. For example, the corporation can divide its profit between salary and dividends paid to its agent. Although the real estate agent

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"...[Accurately] tracking income, payables, cash flow and profitability is the only way for a real estate agent to measure financial performance and properly budget for tax, business and personal expenses."

will pay income tax on the company's entire net profit, (self) employment tax will only be payable on the agent's salary, not on the dividends paid to the agent. This can result in a significant employment tax savings to the agent and to the company.

With proper planning, the Sub S Corp can be used to pay and deduct other legitimate business expenses. For example, it may be possible to pay family members deductible wages to perform services for the real estate business of the Sub S Corp. In some cases, the family member (often a spouse) can be the beneficiary of a medical reimbursement plan set up by the Sub S Corp that is tax deductible for the corporation (reducing the net profit reportable by the shareholder) and not subject to the adjusted gross income limitations ordinarily applicable to an individual's medical expense deduction. The taxation and use of a Subchapter S Corp is often complex, and an agent considering its use should consult with a qualified tax professional.

3. SET UP A TAX-DEDUCTIBLE RETIREMENT PLAN

Every real estate agent should set up a tax-advantaged retirement plan. An agent, whether doing business as a sole proprietor, partnership, limited liability company, or corporation, can choose from a broad array of tax advantaged plans that will provide current tax deductions and allow tax-deferred savings growth. These plans have varying compliance and reporting requirements, and allow for different contribution deadlines. For example, the traditional Independent Retirement Account (IRA) contributions are generally due by April 15, the original return deadline.

Other more complex plans permit contributions up to Oct. 15 or later. Choice of the proper retirement plan involves a variety of factors, including the agent's expected income level, whether the agent is operating as a sole proprietor or through an entity, whether the agent or entity has other employees, and the agent's personal tax and financial requirements. A qualified retirement plan professional should be consulted.

4. CAPTURE DEDUCTIONS AND KEEP ADEQUATE RECORDS

A Realtor's® day is filled with listings, property tours, clients, marketing, and other activities. It is not surprising that the hectic pace makes it difficult to keep records and receipts for business mileage and car expenses, marketing and promotion costs, entertainment and meal expenses, business supplies, insurance costs, and other expenditures. However, accurately tracking income, payables, expenses, cash flow and profitability is the only way for a real estate agent to measure financial performance and properly budget for tax, business and personal expenses. Also, maintaining expense receipts and documentation becomes more critical if a tax auditor knocks at the door.

Fortunately, Smartphones have made the task of tracking and maintaining receipts and records easier than ever before. A number of excellent mobile Apps have been created that can easily and accurately track and record an agent's mileage and expenses. In some cases, the mobile device can be used to scan receipts directly into the App for easy, real-time record keeping. Many of these Apps even create real-time expense reports and financial statements.

5. FILE ACCURATE, HONEST TAX RETURNS

Most importantly, agents must prepare and file tax returns with the same level of professionalism, ethics and honesty that are used to conduct a real estate business. Do not play the "audit lottery" by intentionally under-reporting income or over-stating deductions.

According to the Annual Data Book published by the IRS, audit rates have decreased by 13 percent over the last four years. However, the amount of revenue recovered has grown by more than 20 percent. The IRS still pays special attention to tax returns filed by small business (SB) and self-employed (SE) taxpayers, the status of almost all real estate agents. The IRS is using sophisticated information technology and software tools to identify and target SB/SE returns that appear to substantially under-report income or overstate business deductions.

The consequences of an audit can be severe, including the assessment of large fraud penalties, and in the most egregious cases, criminal prosecution. +

Michael S. Fried is a Founding Member of Fried & Rosefelt, LLC, a law firm that concentrates on resolving federal and state tax issues.

TRISH SZEGO NAMED VIRGINIA REALTOR® OF THE YEAR

The Virginia Association of Realtors® named Trish Szego, director of new agent growth for Century 21 Redwood Realty, as its 2015 Realtor® of the Year at its annual convention in Williamsburg on October 7. Szego was VAR's 2012 president and served as NVAR's chair in 2004.

"This 2015 VAR Realtor® of the Year honor is awarded to someone who demonstrates exceptional service to our industry throughout Virginia," said Mary Bayat, the 2015 NVAR board chair. "Trish's track record for decades-long service and leadership to NVAR, the National Association of Realtors®, our VAR agents and their clients makes us so proud of her." +

NVAR GIVES BACK TO THE COMMUNITY

BENEVOLENT NVAR APPRAISER MAKES A DIFFERENCE IN LOCAL SUBSTITUTE TEACHER'S LIFE

NVAR is always an advocate for homeowners. Sometimes challenges can arise. We are proud to share this story about a substitute teacher in need of immediate help to avert a foreclosure.

One of the attorneys for the Low Income Tax Payer Clinic at Legal Services of Northern Virginia was representing a low-income client in a housing/foreclosure/bankruptcy matter. The attorney needed an appraiser for her case. The staff at Legal Services of Northern Virginia reached out to NVAR.

Chris Call, IFA, GAA of AREAS Appraisers, Inc., former NVAR Board member, provided the appraisal services. LSNV sent this email to NVAR.

"Thank you so much for the referral to Chris Call. He has offered to do the appraisal for our client on a deeply discounted basis. Thanks to him, we should be able to get a judgment for over $92,000 removed from her home! She is thrilled!"

Do you have a story to share? Email re+view@nvar.com and let us know how you are giving back to our Northern Virginia community. Your story may appear in a future issue of RE+VIEW. +

10 Tips To Keep Your Email Safe And Secure

By Shawn Hanna

EMAIL IS A USEFUL and essential tool. Unfortunately the very things that make email great also make it a priority target. Luckily there are a few basic steps you can take to help safeguard your in-box. Knowledge is power, so let's first explore some ways that email is attacked.

Spoofing is the first thing to keep an eye out for, as the other attack methods usually build off of this. Spoofing involves scammers masking their email address as someone's email that you may be more likely to open, such as a friend, family member, or your bank.

Phishing is a method of tricking you into giving up personal information. You may get spam or a spoofed email from what looks like your bank asking you to click a link to verify your email and password. That link usually leads to a scammer's computer.

Malware Distribution involves putting harmful files into in an attachment, link, or even in the body of the email itself. This email tries to entice you to click a link or download a file, which actually installs a virus.

Hijacking email accounts is another tactic. This can cause huge problems, as the scammers have all your emails and contacts. They can send out phishing messages to all your contacts posed as you. Passwords get hijacked in a few ways; such as phishing, keyloggers, or brute force attacks that attempt all possible words and common combinations.

Now that you know some basic attacks, here are **10 simple tips** you can take to help protect yourself:

1) For any web-based email like Gmail and Hotmail: if you are ever unsure of who sent an email, even if it looks like your bank or someone you know, simply **hover your mouse** over the sender's name in your inbox (don't click!) to see the true email address. This can help you find spoofed emails.
2) Always have anti-virus and anti-malware software installed and up to date. Free options include AVG and Malwarebytes.
3) Use a separate email to sign up for newsletters, social media, subscriptions, etc. Keep your main email only for personal and financial use. Never give it out. Many websites routinely sell their email lists, so having a separate email protects your real information.
4) Avoid accessing accounts over public wi-fi. Hackers can look at traffic in public wi-fi to see any account information. Also, avoid using public computers to access accounts.
5) Make your password complicated. Mix in upper case, lower case, numbers, and symbols. This helps with brute force attacks. Use different passwords for different accounts so if one gets compromised, your other accounts are safe.
6) Enable two-factor authentication whenever possible (such as offered with Gmail). If you try accessing your email from a new computer or device, you will be sent a text with a code to enter to confirm your identity. The scammers will not receive that code, so they won't be able to log into your account.
7) Never click on links or download attachments unless you are certain they are safe. If you have any doubt, confirm with the sender.
8) Never click on links in emails from banks or online shops. If you receive anything from a bank or online store asking for information, go to the website directly. If there is a legitimate message you can find it there.
9) Do not open spam or unfamiliar emails.
10) Never click on pop-up boxes in websites. Just close them.

With a minimum of effort, you can exponentially increase your odds of avoiding the hassle and stress that an email hack can bring.

If your email is compromised you should take these steps immediately to help mitigate any damage:

1) Change your password.
2) Check your sent folder to see any emails that were sent in your name.
3) Warn your contacts list.
4) Run a virus scan.
5) Watch your email and sent folder after changing your password.
6) Report the incident to your email provider, which can log the attack and may provide more details. +

Shawn Hanna is NVAR's Director of Technology Initiatives

WE ARE FAMILY AND BUSINESS PARTNERS

RULES OF CONDUCT FOR RELATIVES WHO WORK TOGETHER

By Michele Lerner

Whether family members get along perfectly or enjoy a healthy sibling rivalry, working together in a real estate business can bring special rewards to relatives. A wealth of family relationships is represented in Northern Virginia real estate, from husband-and-wife teams to parent-and-child teams to siblings who work in the same brokerage. While going into business together sometimes happens serendipitously rather than as the result of a long-term plan, these local families who work together and relax together say they wouldn't have it any other way.

MEET THE FAMILIES

Vinh Nguyen, broker/owner of Westgate Realty in Falls Church, has led his own brokerage for more than 20 years. It wasn't until he had as many as 125 agents working for him that three of his sisters, Lieu Nguyen, Ava Nguyen and Bic DeCaro, and his nephew, Taylor Kaldahl, joined the business.

"My parents were in business and invested in real estate, so that may be where our entrepreneurial interest comes from," says Nguyen. "I started in real estate after I got my master's degree in economics and realized that I found office and government work dull. My sisters all have managerial experience, but so far all three want to stay as sales agents rather than join the management side of the brokerage."

Ryan Nicholas, a Realtor® with the DamonSellsHomes Team with Coldwell Banker Residential Brokerage in Fairfax, says that while the team bears his father's name, it was actually his mother who was the first in the family to go into real estate. Damon Nicholas followed his wife into real estate after she had been in business for a couple of years.

"My mother stepped back a little and just worked on lead development while my siblings and I were growing up, and now she's back to working with clients again," says Nicholas. "I got a job in sales after college and was promoted to district manager, but my dad kept saying that everything I was learning was related to real estate. I finally decided that I should try out working with them and it's been a great experience."

Nicholas says that while it's always great to have a mentor or a coach at work, "having your parents as your coaches is even better. It's like having a personal sounding board."

Sue Goodhart, with the Goodhart Group at McEnearney Associates in Alexandria, got into real estate with her husband Marty as a side business to the furniture business they already owned. They quickly realized that real estate was something they wanted to do together full-time.

"Marty's a back-office type person, and I'm the front-office type person who loves to be out meeting people all the time," says Goodhart. "Our daughter Allison helped us out sometimes during the summer and basically learned every role in the business. She started out as an assistant and then got her license while she was in college. She joined us full-time when she graduated." This year, Allison was named by Realtor® Magazine as one of its "30 Under 30" honorees.

Goodhart credits her daughter with helping the business grow, keeping everyone organized and training the staff while selling real estate.

Hans and Steve Wydler, a team of brothers who work in Northern Virginia, D.C. and Maryland, always thought they might go into business together someday, but real estate wasn't part of the plan until Hans Wydler got involved in the field.

Hans Wydler, an associate broker with The Wydler Brothers Team with Long & Foster Real Estate in Bethesda, started out in the media business and then three Internet start-up companies, until he caught the real estate bug 14 years ago. His brother Steve Wydler, also an associate broker with The Wydler Brothers Team, says he "made fun of my older brother for a few years for going into real estate until I realized what a good business it is. I quit my job as a practicing attorney and worked as a real estate agent for a year before we joined forces and became a team."

Both of the Wydlers' wives work behind the scenes to support the business, too.

"I went to business school and Steve went to law school, so we make a good team," says Hans Wydler. "We know each other so well and understand how the other thinks. We love the collaborative process and sharing ideas."

Gail Belt, the matriarch of The Belt Team with Keller Williams Realty in McLean, and her husband Jerry Belt have been in real estate for more than 40 years. Jerry Belt joined her real estate team after retiring from the federal government, and their children Terry and Christy joined the team after working in commercial real estate and mortgage banking.

"We each worked on our own before joining the team, which I think is important to our success," says Terry Belt, CEO of the team. "Even though I was in commercial real estate and Christy ran seven mortgage bank offices, the door was always open to join our mom's team."

The Belt Team has 10 members, four of whom are family members.

"The family members are the core of the team and we establish the values and the commitment to integrity for the whole team," says Christy Belt Grossman, COO of the team. "It's absolutely great to be able to work with people you like and trust and who share common values."

ADVANTAGES OF WORKING WITH RELATIVES

Families who work together say the trust and knowledge they have of one another makes a great foundation for a business.

"One of the best things about working with my husband and my daughter is that we know the business will be handled in the way we want," says Goodhart. "We share the same philosophy of service to our clients and to our community."

The Wydler brothers say that the complete trust they have in each other and shared values and objectives add to the strength of their business. Steve Wydler adds that even when they disagree they still know that their underlying principles are intact.

"Real estate is a deal-based business, and even though we're co-owners of the

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"One drawback to being brothers as well as business partners is that when we're working out our differences there's less of a filter."

business, we don't work on the same deals," he says. "We can get advice from each other and support each other while staying independent as agents."

Terry Belt says one of the best things about working in a family business is that "you always know you've got each other's back. There's no hidden agenda because of the trust we have in the family."

"One of the biggest advantages for me, especially in the beginning of my career, was the opportunity to live with my parents and be there for the things you don't learn in a classroom," says Nicholas. "I could listen in on late night calls and contract discussions that often take place in the evening at home."

Nguyen adds that family members tend to hold each other to higher standards and have a healthy ability to criticize each other.

OH BROTHER – THE CHALLENGES OF WORKING WITH RELATIVES

While most family members see nothing but positive outcomes from working together, relatives who do so need to take a deliberate approach to keeping work at work during family gatherings. Nguyen says that business "stays at the office" for the most part, especially any problems that need to be addressed, although sometimes opportunities get mentioned when the family is socializing.

The Belt family members established ground rules so that they don't talk about real estate at their family gatherings.

"We've consciously decided that we need to separate our work and life discussions," says Nicholas. "My Dad will often start out by saying 'speaking as your Dad' or 'speaking as your coach' so I know whether he's giving me personal advice or business advice."

When Nicholas had his first real estate transaction, he says his parents were extremely excited. He suggested that they treat him as another professional, not as parents who were proud of their kid.

It can be challenging to stop family dynamics from seeping into the workplace.

"One drawback to being brothers as well as business partners is that when we're working out our differences there's less of a filter," says Hans Wydler. "We're more likely to be less civil with each other than we are with other people, but then again, we make up quickly after an argument, too."

Steve Wydler says the brothers know each other's hot points and can get to flashpoints faster than if they were purely professional colleagues.

"A silly example is that when we first became a team we shared an expensive camera, and this created friction because the camera was never where we needed it to be," says Hans Wydler. "It's so easy to go back to acting like little kids, but in that case we were able to get a second camera so we would stop arguing about it."

Terry Belt says family members need to manage their expectations and realize that being part of a team can mean getting less attention for their personal success.

"I've been in the business for 28 years now, but on some level I will always be Gail Belt's son," says Terry Belt. "I realized early on that it would be that way and that it doesn't matter, you just have to put your ego aside."

Grossman said her family adjusted their personal interactions as the team has grown. For example, her father now reports to her instead of to her mother.

The attitudes of others on the team who are not family members also need to be considered.

"I recently had an agent call me to complain that I give all the good leads to my sisters, but I definitely don't do that," says Nguyen. "I give leads to people who are successful and have built a good business no matter who they are.

Tips for Working with Family Members

- >> Establish your relationship upfront and talk about how you'll separate your family relationship from the professional relationship.
- >> Start out with a trial period and an open mind so that if the working relationship doesn't succeed it won't cause personal problems.
- >> Bring in family members with experience in other fields since they have different skills to bring to the business.
- >> Determine your skill set and the skills of each family member, and then add non-family staff to fill in the gaps.
- >> Find the right balance so that all family members believe they are getting a fair deal in terms of the work they do and their income.
- >> Have a written business agreement and plan for the future.
- >> Make sure other non-relative members of your team feel equally important to the business.

My sisters have done that on their own without any help from me."

Nicholas says he works even harder because he wants to make his parents proud and also because he wants to prove to others that he's there because of his talent, not because he's being handed things as the son of the business owners.

"It's extra motivation to do well," he says.

One drawback to working with close relatives is the extra challenge of trying to take a vacation together – something that's always a little difficult for people in a career that requires attention 365 days a year.

"We've worked hard to build the business so that we can take a vacation together," says Goodhart. "There's no question it's hard to have three people from a six-person office gone at the same time, but we try to be thoughtful about how we can be out at the same time."

SUCCESSION PLANNING: KEEP IT IN THE FAMILY

While Sue and Marty Goodhart aren't ready to retire anytime soon, they take great satisfaction in knowing that their daughter can run the business when they are ready to slow down.

"Having Allison as part of the business has made us want to do even better, to build our business even more so that it can run well whether Marty and I are part of it or not," says Goodhart.

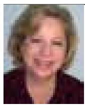
The Wydler brothers have a written operating agreement in place that describes how the two share revenue and expenses and what will happen to the business in the future.

"Our agreement spells out what will happen if one of us wants to retire or change careers or if someone becomes incapacitated," says Steve Wydler. "We have a buy-sell agreement and key man insurance in place."

Grossman says The Belt Team has a written plan to transition the business from her parents to herself and her brother.

"We worked with an outside coach to start the conversation about how the business would be run," says Grossman. "We don't have family members waiting in the wings to succeed us, but we have had conversations about selling the business someday in the distant future if other family members don't want it."

Being related to a successful Realtor® offers a valuable opportunity to learn the business within a safe environment, surrounded by the most trustworthy people you know: your family. +



Michele Lerner, a freelance writer based in the Washington, D.C. area, has been writing about real estate and personal finance for more than 20 years.

Innovation Struggles to Lift Commercial Real Estate

VIRGINIA'S IDLING ECONOMY STALLS THE OFFICE MARKET

By Frank Dillow

ANYONE WHO REMEMBERS when cell phones were simply mobile telephones rather than today's powerful computing devices would acknowledge that technological innovations have altered the way we work, play and communicate.

Yet innovation as a current driver for economic expansion and consequently, growth in the commercial real estate market, has not been impressive.

America's long held leadership in innovation capacity has faltered since 2000. It now ranks next to last out of 44 countries, according to recent Congressional testimony of Stephan Ezell, vice president of the Information Technology and Innovation Foundation (ITIF).

Likewise, technological innovation has failed to spark productivity gains in the economy. Greg Ip reported in the *Wall Street Journal* on August 13, "America's annual productivity grew just 0.4 percent for each of the past five years, one of the slowest stretches since World War II."

Innovation has also done little to spark Virginia's recent level of annual growth in its gross domestic product, ranging from a high of 0.7 percent in 2012 to a flat 0.0 percent in 2014.

According to the federal government jobs report released on October 3, 2015, the economy only added 142,000 new jobs nationwide in September, while the nation's workforce dropped to 62.4 percent of the population, the lowest level since 1977, with 5.1 percent of all workers remaining unemployed.

Generally the commercial real estate market recovers with the economy, the key driver being job creation.

While Virginia's unemployment level of 4.5 percent is one of the best in the country, the "sluggish economic growth" throughout the DC area resulted in this region's rating of dead last in job growth in major American markets in 2014, reported Lawrence Yun, chief economist for the National Association of Realtors® (NAR), at NVAR's September Economic Summit (See page 16).

The quality of D.C. area jobs also continued to decline, with lower paying jobs replacing jobs lost in higher paying categories, noted Dr. Terry Clower, director of George Mason University's Center for Regional Analysis.

Despite Northern Virginia's low unemployment rate, the scarcity of new jobs and the lower paying quality of the jobs that were created provides mixed signals for the commercial property markets, especially the office market. Although office jobs grew at a faster rate than overall employment, demand for office space continued to be held back. Companies are continuing to economize, designing more efficient workspaces and encouraging telecommuting.

Positive signs in the local job market emerged in the second quarter. Federal employment is no longer declining and federal procurement has stabilized. Clower noted that 40 percent of Northern Virginia's economy is still tied to the federal government.

These signs of optimism are reflected in the commercial market. Office leasing activity for the newer buildings located near a Metro line slowly started to pick up in the second quarter. The District's office vacancy rates dropped slightly to 14.9 percent at the end of the second quarter from their high of 15 percent in April. Nationally, that period was the second strongest in the past seven years, according to CoStar's second quarter office report.

One consideration is simply the ample supply of vacant office space at increasingly attractive rent rates. The Rosslyn-Ballston Corridor shows a current vacancy rate of 21 percent, compared to a historical average closer to 10 percent. Just a few years ago, the rate was less than 5 percent. Similarly, other Northern Virginia submarkets continued with high vacancy rates such as Southeast Fairfax County at 20.9 percent, and the Alexandria/I-395 corridor at 20.4 percent.

Led by a 371,000-square-foot office leased by the U.S. Marshall's Service at Crystal Gateway 3, and a 136,000-square-foot lease signed by Capital One bank at 1750 Tysons Boulevard, the second quarter was positive for absorption, which is the total amount of space leased minus the total amount of space vacated.

"Almost 60 percent of all leasing activity happened in Tysons within a quarter-mile of one of the four new Metro stations," Revathi Greenwood, local director of research for commercial firm CBRE, told Biznow in a July report. "Even more impressive, 88 percent of all leases signed in the second quarter in Northern Virginia were Class-A properties."

While new office properties are in greater demand, older buildings continue to be a drag on the market. For many tenants it is preferable to move into new buildings with more efficient use of space and more attractive amenities than it is for them to renew current leases. Nearly 7.2 million square feet of new office space in 31 buildings is currently under construction throughout the D.C. area, according to CoStar.

With the anticipated addition of 2,000 new apartments in Tysons during the next 24 months, commercial tenants who haven't previously looked in the suburbs may be interested.

The largest office construction projects currently underway in the D.C. area are located in Northern Virginia, including the 975,000-square-foot Building 3 at the Capital One headquarters campus in Tysons (entirely preleased to Capital One) and a new 700,000-square-foot facility at 2401 Eisenhower Ave in Alexandria, which is 97 percent preleased to The National Science Foundation.

Jonathan Aberman, a D.C.-area spokesman on technology and innovation, painted a more optimistic picture of the anticipated economic impacts of new innovation in technology in his presentation at NVAR's Sept. 9 Economic Smmit. Technological innovation has the ability not only to reshape our lives, but also to drive economic development through entrepreneurs, he observed. According to Aberman's estimates, 20 percent of the current economy has been created by innovative startup companies.

Virginia's high-tech innovators historically led growth in such areas as telecommunications and software, he explained. Today, 95 percent of these startups in the D.C. market are in government services, information technology and health care. Increased office demand among these new companies is beginning to cut into the longtime dominance of government contractors in local commercial real estate.

"The key innovative technologies are here now and will reshape the economy," Aberman predicted, citing artificial intelligence, robotics, drones, virtual reality, 3D printing and DNA-based medicine.

With resources in Northern Virginia such as large quantities of ubiquitous data capacity, a young highly-educated workforce, and access to international markets, Aberman noted that the applications for these technologies for national defense, homeland security and health care could become the drivers for future economic growth.

If so, technical innovations could also help to redefine commercial real estate. Highways could be replaced by "data ways," and densely populated "live-work-play" environments could replace Northern Virginia McMansions and strip malls. +

Frank Dillow is a past chair of NVAR's Realtor® Commercial Council and is a vice president in Long & Foster's Commercial Division. He can be reached at francis.dillow@longandfoster.com.

Voters Still Window Shopping As Campaign Season Continues

'ANGRY OUTSIDERS' AND THE RECOVERING ECONOMY ARE SHAPING MESSAGES FROM BOTH SIDES

By Liz Milner

IS THERE AN UNDERLYING LOGIC behind the craziness of today's politics? Charlie Cook, editor and publisher of the Cook Political Report and analyst for the National Journal Group sought to analyze the forces that have caused the pathological government gridlock during NVAR's annual Politics & Pancakes breakfast on October 13.

FIVE FORCES TO BE RECKONED WITH

Saying "elections are like fingerprints, all are different but some are more unusual than others," Cook, whom the *New York Times* described as "one of the best political handicappers in the nation," sought to predict the political landscape of our near future. Political parties, he said, don't usually "commit suicide," but five political forces are driving both parties toward the edge of the cliff.

Ideology. Moderates were the glue that held the system together, Cook explained, but now that politics has become so polarized, that glue has lost its grip. Democrats are now more liberal than they were under the Clinton Administration, while Republicans are far more conservative than they were under Bush, he said.

In order to win primaries, Cook noted, candidates have to appear tough and unyielding so moderates can't survive to the actual election. Media also fuels the ideological rift, he added. Before the internet, everyone drew from the same news sources.

Now, he said, viewers choose the media that validates their ideological predilections.

Delegate Kathleen Murphy (D), Senator Jennifer Wexton (D), and Delegate Eileen Filler-Corn (D) catch up over breakfast before Charlie Cook takes the stage.

Economic Anxiety. There's a widespread perception, Cook noted, that a majority of Americans have been left behind by the economic recovery and that upward mobility and economic opportunity are no longer realizable goals for them. He explained that this sense of insecurity is intensified by crises in the Greek and Chinese economies that reveal how vulnerable the U.S. economy remains.

Populism. The rise of protest groups such as the Occupy Movement and the Tea Party, combined with the emergence of oppositional public figures such as Bernie Sanders and Donald Trump, indicates that large numbers of Americans are rejecting politics as usual, he explained. Within the political parties, old alliances are breaking down. Business interests and traditional values advocates find themselves increasingly at odds in the Republican Party, Cook noted, while Democratic Party stalwarts such as environmentalists and unions often take opposing sides on key issues.

Supervisor John Cook (R) shares a light-hearted moment with Realtors® at the pre-Convention breakfast.

Politics & Pancakes speaker Charlie Cook (left) is pictured with NVAR Sr. V.P. for Government and Public Affairs Mary Beth Coya and Cary Melnyck of Monarch Title (center), the event sponsor.

Congressman Don Beyer (D) was one of many elected officials on hand to meet with NVAR members and hear Charlie Cook's election insights.

Politics & Pancakes continued on page 32

continued from page 31

Culture Wars. The political goals of Democrats and Republicans are fundamentally different, Cook pointed out. The highest policy priorities of Republicans are national security, protection from terrorists and upholding America's place as number one in the world, Cook said. Democrats are more interested in jobs, social equality and environmental protection, he added.

The rift between the two parties has been widened by the emergence of a group that Cook terms "the angry, exotic wing of the Republican Party" or "the angry outsiders." Barry Goldwater and George Wallace were the forerunners of this group, he explained.

Now, the angry outsiders are challenging the conventional Republicans for control of the Party. Cook noted that Ronald Reagan would not win an election today if he were to run with the positions he advocated in 1980.

Frustration With Government. Cook believes the anger at Washington and career politicians is concentrated on the Republican side. Republican politicians control Congress, yet they have made few of the changes they promised to their "rank and file," he said.

Cook describes the angry outsider wing of the Republican Party as having a massive temper tantrum. Like most temper tantrums, this one, Cook believes, will eventually subside as radicals learn to compromise to achieve what is possible. At this point, however, they are, "declaring a Chapter 11 political bankruptcy."

ELECTION PREDICTIONS

On the Democratic side, Cook believes that Hillary Clinton was seriously wounded by the e-mail scandal and embassy attack in Benghazi. Now her ratings among Independent voters have been seriously eroded and she needs them to win, he said. Cook doesn't see Bernie Sanders as a serious candidate. Sanders is perceived as "a flake in a sideshow" by his colleagues in Congress, and so far only two members of Congress have endorsed him, Cook said.

Sanders, who would be 79-years old at the end of his first proposed term, calls himself a Democratic Socialist, which will not play well in the heartland, Cook theorized. Cook doesn't see any of the other Democratic contenders as a serious threat to Hillary's nomination.

On the Republican side, Cook identifies the full slate of Republican candidates as either conventional or unconventional. He says that Jeb Bush inherited "a badly damaged brand" from his brother and then added to his handicap by underperforming as a candidate. After Jeb Bush, Cook predicts that the second most likely candidate for the Party's nomination will be Marco Rubio since he appeals to both Latinos and young voters. Chris Christie will have a hard time being a contender because Donald Trump has overshadowed him, Cook said. The two most viable "angry outsider" voter choices in Cook's opinion are Carly Fiorina and Ted Cruz.

Cook also weighed in on the probable outcome of 2016 elections. Traditionally, he said, after a president has served two consecutive terms, Americans vote for change. One would expect the Republicans to take the Oval Office in the upcoming election. However, new, powerful demographic forces are coming into play that may alter this.

1) The number of African-Americans, Latinos and Asians who vote rose dramatically in the last election. These voters, Cook said, tend to vote democratic.
2) The number of voters born after 1980 is growing and these voters tend to be social liberals, he noted. Republicans have a hard time gaining traction with this group, Cook explained.

He added that pollsters have identified the pivotal group of voters in the next election as variously being, "married white women," "non-college educated white women" and "married white suburban women." Hillary Clinton obviously has a great deal in common with these voters. If she can put her recent scandals behind her, Cook said, she might be able to build a winning coalition.

"It might be time for a change," Cook warned, since there are "changing demographics. The country is changing." +

Liz Milner is a freelance writer in the Washington, D.C. metro area.

CULTIVATING A CARPOOL CULTURE

The I-66 Challenge: Diverging Strategies Straddling the Beltway

By Steve Russell

THE NORTHERN VIRGINIA REGION recently overtook Los Angeles as having the most congested traffic in the country, according to Gary Garczynski, speaker at the Sept. 3 NVAR Public Policy Forum, Fixing I-66. Aiming to explain how the plans for addressing the highway and congestion issues will help to improve traffic conditions, Garczynski cited a report by the Texas A&M Transportation Institute and INRIX Inc. that commuters in the D.C. metro region spend an extra 82 hours each year stuck in traffic.

"The biggest challenge is I-66," says Garczynski, president of National Capital Land and Development Company and Northern Virginia district representative on the Commonwealth Transportation Board. He is also a member of the Northern Virginia Transportation Authority. Garczynski told the audience that the solution is a "tale of two diverging strategies," inside and outside the beltway. Tackling the traffic mess will take years of planning, funding and construction, he noted.

OUTSIDE THE BELTWAY PROPOSED PLAN

The solution "can't be just more pavement," Garczynski said of the proposal to add lanes. The Transform 66 website states its outside-the-beltway objective as "improving multimodal mobility along the I-66 corridor by providing diverse travel choices in a cost-effective manner."

Garczynski explained that a significant objective to achieve the outside-the-beltway goals is to accommodate more than automobiles while limiting the amount of land taken by using eminent domain.

The project has already reduced the number of eminent domain takings that were originally proposed. This process is one of the most contested issues within the Transform 66 project, Garczynski said. In order for the widening project to occur, privately owned land needs to be purchased and redeveloped for converting it into the expanded highway. The Virginia Department of Transportation (VDOT) is working to limit takings, but has been clear that such land acquisition is necessary to accomplish the goals of adding multiple transportation methods or additional lanes.

Integrating public transit outside the beltway could greatly improve congestion on eastbound I-66.

Current proposals include:

- two express lanes alongside three regular lanes in each direction
- space in the median for future transit
- dedicated express lanes access points
- safety and operational improvements at key interchanges throughout the corridor
- additional transit services such as new and expanded Park & Ride lots and bus service
- corridor-wide bikeway, trail and sidewalk improvements.

Garczynski stated that I-66 is likely going to have "an accommodation for some type of rail or bus rapid transit in the middle, and a separation between the free lanes [and the toll lanes] will be just like you see on the [I-495] beltway now." Additional High Occupancy Traffic (HOT) lanes are also included in most proposals, he noted.

PROPOSED FUNDING

Outside-the-beltway projects are expected to be funded via public tax dollars and public-private partnership contributions. One form of proposed income, the dynamic tolling system, has faced scrutiny in past projects and met similar concern at the September forum, he explained.

"If we pay for it with your taxes, in all likelihood we will not just need some cooperation from the state, but also some dollars contributed from the Northern Virginia Transportation Authority," he said.

INSIDE THE BELTWAY

Space constraints to expand roadways and the goal of getting people into Washington drive the need for alternative I-66 options inside the beltway, Garczynski noted. One of the first solutions he mentioned was the conversion of I-66 to HOT lanes with a non-tolled HOV-3+ option (currently HOV-2).

A second major change would be to widen I-66 between the Dulles exit and Ballston. "Forty-four percent of people who use I-66 inside the beltway don't use the Roosevelt Bridge," Garczynski said.

Other proposed solutions include:

- bike and pedestrian access
- tolling non-HOV3+ during peak hours
- improved transit service (metro, bus).

Garczynski believes adding these options will facilitate building a "carpool culture" on I-66. For more information about this project please visit **transform66.org.** +

Steve Russell is the NVAR editorial projects specialist.

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Changes to Your Licensing Education Requirements:

UNDERSTAND NEW RULES FOR CARRYOVER CREDITS AND FLOOD HAZARD EDUCATION

By Brenda Heffernan

CARRYOVER CREDITS FOR LICENSEES

Beginning Nov. 1, 2015, licensees are permitted to carry over excess continuing education credits from one license term into the next. The credit carryover applies only to credits that are earned in the six months immediately prior to the licensee's license expiration date. The credits are limited to salesperson and broker continuing education credits (not post licensing). Both mandated and elective course credits may be carried over.

The regulation applies to salesperson and broker licenses that expire on or after Nov. 1, 2015, which means that it will first apply to licenses that expire on Nov. 30, 2015.

For example, the carryover period for any surplus CE completed by a salesperson or broker with an expiration date of Nov. 30, 2015 will be the six-month period of Jun. 1, 2015 through Nov. 30, 2015. The surplus CE earned during that six-month period will carry over into the Dec. 1, 2015 through Nov. 30, 2017 license term.

The DPOR database will likely not be ready to display the surplus CE credits carried over for individual licensees by Nov. 1, 2015. Licensees should contact DPOR staff directly with specific questions at 804.367.8526 or REBoard@dpor.virginia.gov.

FLOOD HAZARD EDUCATION REQUIREMENTS

Beginning Jan. 1, 2016, post licensing and continuing education curricula for salespersons and brokers must include information about flood hazard areas and the National Flood Insurance Program. Licensees are not required to take a stand-alone course on these topics. Flood instruction content will be included in VREB-approved post licensing Real Estate Law courses and continuing education courses covering Legal Updates.

All brokers and salespersons who renew their license after Dec. 31, 2015 must have completed a VREB-approved course that includes flood instruction. Some courses will contain VREB-approved flood instruction content as early as Oct. 1, 2015. Licensees taking PL Real Estate Law or CE Legal Updates courses between Oct. 1, 2015 and Dec. 31, 2015 should check with their education provider to determine if the course includes flood instruction. If a license is renewed after Dec. 31, 2015 and the licensee already completed a Legal Updates course that did not include flood instruction, the credit will count toward elective credit and the licensee will be required to take a course with flood instruction. All courses taught at NVAR as of November 1, 2015 contain VREB-approved flood instruction. For more information, email education@nvar.com. +

Brenda Heffernan is NVAR's vice president of education, counsel.

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INTERSTATE MOVING | RELOCATION | LOGISTICS

VESTA SETTLEMENTS

FEATURED OFFERINGS

RPR Basic
Time: 1 - 3 p.m.
Date/Location: December 10 .... Fairfax

RPR Advanced
Time: 1 - 3 p.m.
Date/Location: November 12 .... Herndon
December 17 .... Fairfax

POST-LICENSING EDUCATION (PL)

VA Agency Law & Ethics (Day 1)
Time: 9 a.m. - 4 p.m.
Date/Location: November 16 .... Herndon
January 25 .... Fairfax

Contract Writing (Day 2)
Time: 9 a.m. - 4 p.m.
Date/Location: November 17 .... Herndon
January 26 .... Fairfax

Real Estate Law and Board Regulations (Day 3)
Time: 8:45 a.m. - 4:45 p.m.
Date/Location: November 18 .... Herndon
January 27 .... Fairfax

Fair Housing and Current Industry & Trends (Day 4)
Time: 10 a.m. - 3 p.m.
Date/Location: November 19 .... Herndon

Risk Management & Escrows (Day 5)
Time: 9 a.m. - 4 p.m.
Date/Location: November 20 .... Herndon

Risk Management & Escrows (Day 4)
Time: 9 a.m. - 4 p.m.
Date/Location: January 28 .... Fairfax

Fair Housing and Current Industry & Trends (Day 5)
Time: 10 a.m. - 3 p.m.
Date/Location: January 29 .... Fairfax

BROKER PRE-LICENSING

Broker Appraisal (6 Wednesday sessions)
Time: 9 a.m. - 5 p.m.
Date/Location: February 3 - April 9 .... Fairfax

To register for a course listed, view a class description or find other offerings,visit

RealtorSchool.com

CONTINUING EDUCATION (CE)

16 hr CE - Evening
Time: 6 - 9:30 p.m.
Date/Location: November 10 (Part 2A) ....Herndon
November 12 (Part 2B) ....Herndon
December 8 (Part 1A) ....Fairfax
December 10 (Part 1B) ....Fairfax
December 15 (Part 2A) ....Fairfax
December 17 (Part 2B) ....Fairfax

Specialty CE: Rules and Tools of Advertising
Time: 9 a.m. - noon
Date/Location: November 13 (Part 1) ....Fairfax
November 20 (Part 2) ....Fairfax

Specialty CE: Conquering Contracts
Time: 9 a.m. - Noon
Date/Location: January 15 (Part 1) ....Fairfax

16 hr CE - Day
Time: 8:45 a.m. - 4:45 p.m.
Date/Location: November 14 (Day 1)................Fairfax
November 21 (Day 2)................Fairfax
December 12 (Day 1)................Herndon
December 19 (Day 2) ....Herndon
January 16 (Day 1) ....Fairfax

Broker CE : Brokerage Risk and Liability
Time: 8:45 a.m. - 12:25 p.m.
Date/Location: November 18 ....Fairfax
December 16 ....Fairfax

Broker CE : Productive Agents and Offices
Time: 1 - 4:45 p.m.
Date/Location: November 18 ....Fairfax
December 16 ....Fairfax

CE: 8 hr Mandated Course
Time: 8:45 a.m. - 4:45 p.m.
Date/Location: November 23 ....Herndon
December 21 ....Fairfax
January 6 ....Herndon

CE Elective: New Rules of Real Estate Finance
Time: 8:45 a.m. - 12:25 p.m.
Date/Location: November 24 ....Herndon

CE Elective: Home Innovations and Trends
Time: 1 - 4:45 p.m.
Date/Location: November 24 ....Herndon

CE Elective: Detection and Prevent of Contract Fraud
Time: 8:45 a.m. - 12:25 p.m.
Date/Location: December 22 ....Fairfax

CE Elective: Home Innovations and Trends
Time: 1 - 4:45 p.m.
Date/Location: December 22 ....Fairfax

CE Elective: Home Innovations and Trends
Time: 8:45 a.m. - 12:25 p.m.
Date/Location: January 7 ....Herndon

CE: New Rules of Real Estate Finance
Time: 1 - 4:45 p.m.
Date/Location: January 7 ....Herndon

D.C. CONTINUING EDUCATION (CE)

D.C. Fair Housing and D.C. Legislative Update
Time: 9 a.m. - 4:15 p.m.
Date/Location: November 17 ....Fairfax
January 12 ....Fairfax

NEW MEMBER ORIENTATION

Time: 9 a.m. - 12:30 p.m.
Date/Location: November 21 ....Herndon
December 18 ....Herndon
January 6 ....Fairfax
January 23 ....Herndon

Time: 6 - 9:30 p.m.
Date/Location: December 3 ....Fairfax

FAIRFAX HQ ACCESSIBILITY:
Underground parking is available with direct access to lower level classrooms. Elevator is available, accessible from main entrance on building's west side.

Statement of Ownership, Management and Circulation (10/2015)
Filed: October 14, 2015
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EXTENT/NATURE OF CIRCULATION MEMBER BENEFIT		AVERAGE NO. OF COPIES EACH ISSUE DURING PRECEDING 12 MONTHS	NO. OF COPIES OF SINGLE ISSUE NEAREST TO FILING DATE
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Paid Circulation	Outside County	11,388	11,827
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Signed – October 14, 2015 Jill M. Landsman, RE+VIEW Editor-in-Chief

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Property Management

FROM CREDIT CHECKS TO EVICTIONS – YOUR FAQS ANSWERED

By Sarah Louppe Petcher

Q. What is the Definition of Property Management?

A. Property Management is not a defined term within the Code of Virginia, nor is there a standard definition within the industry. Typically, a property manager is responsible for securing tenants, collecting rents and maintaining a leased property. Maintenance may include preventive or corrective maintenance, cleaning and repairs.

Q. Is Property Management a Licensed Activity in Virginia?

A. It depends. If the service being provided is an activity that requires a real estate license, then it is a licensed activity. If the activity does not require a real estate license, then it is not a licensed activity. See examples below.

Q. What constitutes Licensed Activities?

A. Licensed Activities include the following property leasing activities:

- Advertising or showing a property for rent
- Answering questions about rental listings
- Processing a lease application
- Discussing, explaining, interpreting or negotiating lease terms or preparing a lease
- Negotiating or agreeing to any commission, commission split or referral fee
- Holding security deposits or prepaid rent on behalf of an owner.

Q. What constitutes Unlicensed Activities?

A. Unlicensed Activities include the following property related services:

- Performing clerical duties, including taking calls from tenants or scheduling appointments
- Performing property inspections or having keys made
- Engaging contractors on behalf of a property owner to make repairs, or perform cleaning or yard maintenance
- Placing signs on properties
- Recording and depositing security deposits and advance rents.

Q. Can a real estate salesperson or associate broker act independently of his or her broker to collect rents on behalf of a property owner?

A. Yes, but only if the rent is made payable to the landlord and given directly to the landlord or deposited directly to the property owner's bank account.

Q. Can a salesperson or associate broker hold rent in escrow on behalf of the property owner?

A. The salesperson or associate broker may not act independently of the broker. All rent must be deposited into the broker's escrow account.

Q. What if the property is the licensee's own personal investment property?

A. The broker is still responsible for depositing all security deposits and pre-paid rents into the brokerage's escrow account.

Ask NVAR continued on page 46

continued from page 45

Q. Can a real estate salesperson who performs property management set up a separate LLC to accept, hold and disburse rents and security deposits on behalf of property owners?

A. No. Such activities cannot be done independently of a broker. Setting up a separate LLC, or any other type of entity, does not exempt the licensee or the broker from following Virginia real estate laws and regulations.

Q. When must a salesperson or associate broker submit rental application deposits?

A. Rental application deposits shall be deposited by the end of the fifth business banking day following approval of the rental application by the landlord unless all principals to the lease have agreed otherwise in writing. This means that salespersons or associate brokers must deliver deposits to their broker in sufficient time for them to meet these deadlines.

Q. When does a salesperson or associate broker have to deposit Prepaid Rent?

A. Prepaid rents and funds paid to a licensee must also be deposited in escrow within five business banking days of receipt unless an alternative is agreed to by the parties in writing.

Q. Are there persons who can provide property leasing without a real estate license?

A. Yes, but it is limited to owners of real estate and their employees. +

Sarah Louppe Petcher is General Counsel for NVAR.