

Book Review

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This section contains reviews on textbooks, professional books, and other scholarly books that are appropriate to real estate. Areas of interest include, but are not limited to, mortgage markets, real estate investments, real estate finance, asset and property management, real estate development, corporate real estate, valuation, and other areas related to real estate. If you have an interest in reviewing a book, please contact the editor.

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Barron's Real Estate Handbook, Jack P. Friedman, Jack C. Harris, and Barry A. Diskin, Sixth Edition, Barrons, 764 pages, 2005.

Reviewed by: Stephen E. Roulac, Roulac Global Places LLC and University of Ulster

If you stay up past your bedtime on a school night—even later than when all the first-run television shows air and the talk show hosts run out of steam—or on a Saturday morning, do some channel surfing away from the cartoons, chances are you will come across a *real estate guru* pitching his *virtually-nothing-down, get-rich-quick* real estate system.

Listening to these real estate pitches, you might be a more than a bit skeptical. If you listen carefully, you will hear statements made with *confident certitude* that you, as a professional property analyst, would only make with numerous qualifying assumptions, and disclosures of potential contingencies. But before you switch the channel in disgust, scoffing at the absurdity of the promise, dubious at the impossibility of the too-easy path to riches that is being laid out before you, somehow you are lulled to a pause.

The next thing you know, an earnest, sincere, *born-again* type is proclaiming how *he was down, he was out, he was discouraged, his life was at a dead end, there was virtually no hope*. But then he, perhaps just like you and others in the audience, in search of the key to the American Dream, decided to act. He bought the system. And that one decision made all the difference.

As you are digesting this message, a couple tells their story. Although they use a different style, different words, basically it is the same message. They too, have dramatically improved their life by following the guru's path to riches. They confide that the guru's system could make all the difference for you, too.

All you have to do is call the 800 number and get a package of information resources worth thousands of dollars, for just a small pittance. Maybe what you are being pitched to do is to sign up for a free workshop, where the secrets will be revealed. Even though the free lunch was officially repealed sometime ago, these real estate promoters seem to have gotten a Monopoly game equivalent of *Pass Go—Stay Out of Jail* card.

If you do end up calling the 800 number, odds are you will be handed off to a honey-toned salesperson, a master of the upsell. Before you know it, what was a \$19.99 basic *get started in real estate* kit is a \$199.99 premium package. *But wait ... don't hang up ... there is more ... something really special ... you just have to hear it!* It just so happens that coming to your area is a special training session. For only \$299.99, you can attend this training session. If you balk, you may be told that well, they will make a special exception for you. You'll get a ticket at a very discounted rate.

Once you get to the special training session, you will be pitched and pitched and pitched—and then pitched some more. Odds are, a substantial part of the unused

credit capacity on your credit card will be depleted by time the weekend is over, as you snap up irresistible offers that the real estate pitchmen dazzle before you. At least one of the pitches will be to sign up for a several thousand dollar training program providing you personal wealth building coaching and exposing you to truly extraordinary techniques that convert hustle into untold riches.

Not interested, you say. What is wrong with you? Look at all these people in the audience who have done so well! Certainly, you are at least as smart as they are! Surely you don't want them to get ahead of you, do you? I mean, after all, if they are in on it, why shouldn't you get your share of the American Dream?

If you follow this through to its conclusion, you will find that all the money that you might have spent for a downpayment to buy a property goes to pay for the secrets of how to buy the property with nothing down. If you did not go to these real estate trainings, but rather just took the money that you might have spent and applied it as a downpayment, you could buy the property with much lower leverage than the real estate gurus advocate. In fact, they have to teach you tricks how to buy property with the other guy's money, or little or nothing down, or to flip it right away, so you can make \$10,000, or \$20,000, or \$50,000 or maybe even six figures!!!

Because you have to spend so much to go to these courses, unless you have the prospect of a quick hit, it's hard to justify spending that much money. No small number of people who sign up for these courses, do so with the knowledge that they could never pay the credit card bill that will soon arrive, but the appeal is so enticing, they plunge ahead anyhow, somehow thinking they will make enough money from the quick-profit real estate deals to more than cover the cost of the course.

By this time, as a real estate professional, a serious student of the discipline, someone who reads the *Journal of Real Estate Literature* seriously—after all, you have read all the way through from cover to the book review section, where you are now diligently reviewing this review—you may be wondering why you are working so hard, when everyone else is making big money in real estate but hardly working up a sweat! Is there something wrong with this picture?

Perhaps this little story is not really about you. Perhaps the little story is about a “friend” who is fixated on real estate. Perhaps this friend, on learning that you work as a professional property analyst, asks you to suggest which real estate guru program you would recommend. What to do?

Or perhaps your “friend” has already bought a real estate guru's program. Perhaps your “friend” is chattering on about this, that and the other, advancing ideas that you know to be incorrect, suggesting techniques that you know to be unethical, proclaiming shortcuts that you know to be illegal, advocating arrangements that, if discovered, could lead to serious slammer time.

The first neophyte, knowing he doesn't know but wants to know, has a common *similar need to know*, as does the second neophyte, who doesn't know what he doesn't

know, but somehow thinks he already knows it all, for he has gone to the television real estate evangelist's program and drunk the Kool-Aid. Yes, if you go to enough real estate gurus' programs, odds are you will be served Kool-Aid.

Shaking yourself alert, you realize you have spent the better part of your Saturday morning watching the real estate guru's *get rich quick in real estate* infomercial. Then you remember Sunday afternoon's family gathering: your young distant cousin is looking forward to getting some advice, as she wants to learn about real estate so that she can buy a house. What to tell her? You shudder at the thought of suggesting that she go to one of the real estate guru's courses. But you also know that she is unlikely to have the stamina to read a serious textbook or a heady treatise for professional analysts. And you know that your aunt expects you to give her some solid guidance.

You could do much worse to refer any of these three—a young person just getting started in real estate, the student wanting a more basic comprehensible understanding than an abstract text presentation, or the consumer seeking to know something about real estate—than to recommend the sixth edition of *Barron's Real Estate Handbook*. Although the dust jacket copywriter watched too many infomercials when working on the assignment—proclaiming the book to be “a veritable goldmine of information for real estate brokers and sales persons, for anyone buying or selling real estate, or for those considering real estate as a business investment”—*Barron's Real Estate Handbook* covers a potpourri of real estate topics.

This handbook is a useful reference for the unschooled real estate neophyte. And for the serious professional who wants to have a solid library of reference tools, this book can save lots of time. Indicative of the range of what the *Real Estate Handbook* aspires to cover is the first third of the alphabet soup promotion appearing on the cover: “**A**ppraisal, **B**rokerage, **C**ontracts, **D**evelopment, **E**conomics, **F**inance, **G**overnment, **H**ousing, **I**nterest...”

As one-stop shopping is popular in retailing today—you only have to look at the great success of the strategy that built Wal-Mart into the world's largest retailer—*Barron's Real Estate Handbook* could be thought of as a low-end one-stop shop real estate information resource. Just as when you want high fashion you go to Savile Row or Paris or London rather than Wal-Mart, if you want an upscale version of real estate knowledge, you would go somewhere else. But this is not the market that Jack Friedman and colleagues seek to serve with their *Real Estate Handbook*. They overtly say that their target audience is the lower end, as opposed to the upper end, of the market; the lower end of the market necessarily is more basic, less subtle; simple rather than complex; limited rather than comprehensive. Consequently, the coverage of many topics in the *Real Estate Handbook* reflects this orientation. Illustrative of this less than nuanced approach is how EBITDA (earnings before interest, taxes, depreciation, and amortization) is defined as “a term used to analyze REITs.” Analogizing to the valuation realm, this is somewhat akin to saying the discount rate is a tool used in appraisal. Yes. True. But there is so much more to say. If you want to know more, you would need to go somewhere else.

The *Handbook* is a form of information product that can take on many attributes and dimensions. Handbooks can be narrow or broad in treatment, emphasize practice or theory, aim at a basic or sophisticated audience, adopt inch-wide shallow treatment or mile-deep thorough coverage, appeal to the insider or the neophyte. Friedman et al.'s *Handbook* aims to serve the broad, basic, neophyte practitioner in its approach. From this reviewer's perspective, it would be good to see more explicit emphasis on the desirability of probing, and the pursuit of various topics in greater depth. Although a lot of information is packed between the covers, I would like to see more explicit prompting, even exhorting to take the next step, consult the more thoughtful treatise, go the extra mile to explore greater depths, magnitudes and dimensions of the subject matter.

One of the particularly positive appeals of this book is that illustrations are extensively employed to illustrate design styles, convey spatial relationships, and communicate the essences of concepts. Although it has been said that a picture is worth a thousand words, the *Real Estate Handbook* most effectively employs visual images in its communications, supplementing the very terse word treatment of various terms, with extensive graphics of building styles, and physical relationships of property attributes. They even include pictures to help you distinguish the difference between an ant and a termite. Of course, what the authors don't say is that if you can get close enough to actually look at the termites, you may be too late, or at least be looking at a very expensive repair bill. Their bias to graphic depictions would be applauded by my late good friend James Graaskamp, who more than once commented that it was quite surprising that real estate books and other writings about real estate, a discipline that is so visual and tactile, tend to be *light on the ground*, when it comes to employing visual images.

Appraisal practitioners will welcome the authors' advocacy in the treatment on pricing housing that homeowners seeking the highest possible price would do well to retain an appraiser to aid the process. A recognized appraiser, specializing in review appraisal and litigation assignments. Jack Friedman (along with his co-authors) advocates that property owners *do their homework* when making a pricing decision. Initially, sellers are admonished to do some first-person empirical research, by checking the pricing of other properties. Then the sellers are urged to talk to real estate brokers to obtain their suggestions on listing prices.

The third approach the authors advocate is "to call a professional, independent fee appraiser." For the assignment of advising a homeowner on pricing decisions, they suggest, "Fees typically range from \$350 to \$500. ... In any case, an appraiser's fee may be money well spent, especially since the appraiser may be able to suggest ways to increase the market value of your home." They then suggest various questions to ask the appraiser, concluding, "An appraiser and an appraisal report can really be useful. The \$350 to \$500 appraisal cost can provide plenty of information."

Most people, of course, view the appraisal in connection with a house transaction as serving nothing more than a compliance function to qualify for the desired loan. The appraisal role proposed by the *Real Estate Handbook* authors is in a consultative

capacity, to enable people make more informed decisions, not only about pricing, but also about how to position and maximize the property to realize the best outcome.

From the appraiser's perspective, such assignments can be especially rewarding. Rather than being called in after the fact, to justify someone else's decision, the appraiser serving in the consultative capacity can help make the deal happen. Further, the appraiser can participate in the value creation process. Indeed, some appraisers may find it would be beneficial to coordinate with the *Real Estate Handbook's* authors and their publisher to have pages 24 and 25 reproduced and distributed to homeowners, as part of a new business marketing campaign.

The coverage of the role of the real estate appraiser in facilitating the sale of a house illustrates the necessary *quick brush* treatment of a book such as the *Real Estate Handbook*, for more can be said on this topic than is feasible in the space allowed. An important benefit of involving a real estate appraiser in an advisory capacity in the marketing campaign to sell the house is that by having the appraisal already done, the homeowner can offer that package of information with the sale of the property to the prospective purchaser.

A home offered with an appraisal in hand is more valuable than a home offered with no appraisal. Further, having a completed appraisal could enable a prospective purchaser to move quickly to the head of the line for financing, perhaps to capture the advantage of more advantageous terms than could be realized were a slower, due-diligence process, leading to a protracted close, required. Because time is money, getting an appraisal done before you sell the house, means the seller can get paid more quickly. And the more information you provide a buyer, the more likely the buyer would be to proceed with confidence, especially to pay a higher price. Information, after all, reduces uncertainty. The less uncertainty the prospective purchaser must confront, the more inclination the prospective purchaser may have to pay premium price.

The *Barron's Real Estate Handbook* is a useful need-to-know reference for the neophyte and also a utilitarian overview/abridged reference for the serious property professional who wants a complete reference library. It is a great way to get Aunt Sally off your back to find a guide for your young cousin or niece who wants to get into the real estate business. The volume might provide a very helpful guidance to the *don't know it but want to know it* real estate newbie. And finally, it can be even more valuable to the *know it all but doesn't know what he doesn't really doesn't know* newbie who is convinced that the several thousand dollars he spent on the real estate guru's training course is not only going to make all the difference, but is all he needs to know.

The price of this book is perhaps 1% of the real estate guru's training package. Although the *Real Estate Handbook* contains maybe a thousandth of the guru's inspiration, this reference contains many multiples of the actual information content of many of the much-more expensive training programs pitched by the real estate gurus on the infomercials.
