

Book Review

Editor

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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 particular book or if you wish to be considered as a reviewer, please contact James Frew.

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Core Concepts of Real Estate Principles and Practices. James E. Larsen, 441 pages, John Wiley and Sons, 2003.

Reviewed by: Thomas M. Springer, Florida Atlantic University

Several real estate principles textbooks have left the market over the past decade and others have changed their market niche. *Real Estate Principles and Practices*, by James E. Larsen, has also gone through a change. It went off market in the 1990s but is now reborn under a new publisher, (John Wiley and Sons Inc.), as *Core Concepts of Real Estate Principles and Practices*. So it is again classified as a first edition, even though is more seasoned. This difference is apparent—much thought and effort has now been given to the format and presentation. The material, including all exhibits and extras, has also been updated, while maintaining the core content that instructors and students expect from a course in real estate principles.

Real estate principles texts are written on one of three levels. The highest level textbooks are intended for real estate and finance majors, along with graduate students. These textbooks are typically characterized by greater level of depth across a more diverse range of topics. The intermediate level textbook is best suited for undergraduate students who are majoring in an area related to real estate and taking the course as an elective. These textbooks tend to have more law-related material with less overall depth and detail than the higher level textbooks, but still adequately cover the quantitative topics that are slighted in lower level texts. The lower tier real estate principles textbook tends to be less rigorous and seems more appropriate for community colleges and broker education. A book review by Roulac and Distad, which recently appeared this Journal, compares many real estate principles textbooks. Their article basically divides the list into the same three difficulty groups described here. The textbooks that I include in the intermediate category include those written for both academic and brokerage audiences, whereas the higher category primarily addresses academics and the lower category emphasizes brokerage.

Larsen's *Core Concepts of Real Estate Principles and Practices* comfortably fits into the intermediate category. The text is sufficiently rigorous to warrant inclusion in an upper division real estate curriculum, but not so detailed and advanced that it dampens the demand for undergraduate elective enrollments. Overall, the writing style is "user-friendly" and the author has done an excellent job incorporating examples into the text. Moreover, the text makes generous use of sidebars and inserts, which serve to break up the chapters and keep them interesting to the student. Many chapters include features such as: "From the Wire," "Doing Business," "Consumer Checklist" and "Practitioner Profiles." These present personalized examples, contemporary issues, business practices, professional perspectives, ethical issues and other curiosities that serve to pique and maintain the student's interest. In addition, the "Decision Point" feature offers open-ended questions designed to help the student process the material and to promote discussions. The end of the chapter material contains the obligatory review questions as well as "Real Estate on the Web" exercises. Overall, the text is designed to keep the student motivated.

Organization

Core Concepts of Real Estate Principles and Practices is organized into five sections. The Introduction is composed of three chapters. Chapter 1 discusses real estate markets and the determinants of value. Chapter 2 presents real estate services and serves to familiarize the reader with an overview of real estate careers. The third chapter discusses homeownership and brings in a personal finance perspective.

Part II of the text provides coverage of real estate ownership and real estate law. Chapter 4 covers the various interests in real estate, including ownership, water rights and the transfer of rights. Chapter 5 covers the forms of ownership, including the “investment” forms of ownership. Chapter 6 summarizes the legal restrictions on real estate ownership, both privately-created and through government powers. Chapter 7 provides an overview of the federal income tax law as it relates to real estate. Chapter 8 concludes Part II and provides a synopsis of legal descriptions of real estate.

Part III of the text is on real estate transactions. Starting with an overview of agency and brokerage (Chapter 9), the author proceeds to cover appraisal (Chapter 10), real estate contracts (Chapter 11) and deeds (Chapter 12). Part III concludes with preparing for the closing (Chapter 13) and the closing (Chapter 14).

Part IV of the text, consisting of Chapters 15, 16 and 17, covers the financing of real estate. Chapter 15 presents the legal and contractual aspects of real estate financing, covering such topics as the mortgage contract, mortgage insurance and guarantees, types of mortgages and the foreclosure process. In Chapter 16, the text provides an overview of the real estate finance market participants, the secondary mortgage markets and the common types of loan repayment. Finally, Chapter 17 covers mortgage mathematics.

Part V of the text covers real estate investment and development. Chapter 18 includes the basics of property management and an introduction to leases and leasing. Property insurance is covered in Chapter 19. Chapter 20 covers an introduction to development and market analysis. Chapter 21 concludes the book and covers various aspects of investment analysis including cash flows, financial ratios, and both direct and indirect investment.

I do not cover the topics in this order, but have no difficulty in accommodating a text that is organized in this manner. Regarding content, I believe that the only perfect textbook is one that has been personally written. Thus, we can always find something that falls short of perfection in another’s book. In this work, there are two topics that I would prefer to see covered in greater detail. First, more depth would be useful in Chapter 6, especially the section on government powers affecting real estate. Additional topics could include growth management legislation, wetlands and other environmental laws, the impact and perceived unfairness of down zoning, and many other issues on the interface between real estate development and government entities. Equally important are the economic impacts of said regulations. These impacts often involve the “law of unintended consequences.”

Also, I would prefer to see Chapter 16 strengthened by more coverage of the recent developments in residential lending (such as hybrid loans), as well as some mention of construction loans. These topics could easily replace the current coverage of growing equity mortgages, renegotiable rate mortgages, blanket mortgages and budget mortgages.

Many students (especially those not in real estate related majors) find the quantitative aspects of the real estate principles course to be particularly challenging. In Chapter 17, the author has provided support to the novice student by including a primer on the time value of money and basic mortgage math using both formulas and calculator solutions. Specifically, the author does a good job at keeping the calculator strokes “brand neutral” thus independent of any manufacturer.

While I believe that the math is sufficient for the principles course, I would like future editions of the text to include basic adjustable rate mortgage mechanics in Chapter 17. I would also expand the coverage of real estate investment analysis to include a more detailed discussion of the after tax cash flows and how various risks can impact the cash flows and the investment in Chapter 21 (even though this chapter provides a very good synopsis of the various ratios and methods that investors use to analyze a real estate investment).

Core Concepts of Real Estate Principles and Practices is further supported by a website provided through wiley.com. The website includes an instructor companion site and a student site. The instructor site features an instructor’s manual and a test bank. The student site includes study questions (quiz format with answers below), career advice including many Internet sources, web exercises pertaining to the text and chapter overviews.

In summary, I find this to be a competitive offering that is worthy of consideration for use as a text in a community college or upper division real estate principles class. It is thorough, user-friendly and generally complete. It also includes many useful supplements, including excellent web support.

Reference

Roulac, S. E. and D. D. Distad. Shifting Foundations of the Real Estate Knowledge Structure: Revisiting the Review of Real Estate Principles Texts, *Journal of Real Estate Literature*, 2004, 12:2, 237–65.
