

Book Reviews

Editor

Thomas Musil

University of St. Thomas
Opus College of Business
1000 LaSalle Avenue
Minneapolis, MN 55403

651-962-4263 (Phone)

651-962-4125 (Fax)

tamusil@stthomas.edu

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 Thomas Musil.

Associate Editors

Charles C. Carter

Florida Atlantic University

Kimberly Winson-Geideman

Texas A&M University

William Croteau

PricewaterhouseCoopers

Correction

Volume 14, No. 3 (2006) contained a review of *Real Estate Principles*, 8th edition, by Charles F. Floyd and Marcus T. Allen that was written by Charles Carter, an associate editor of this section. Professor Carter concluded the review with the statement that, "I do not think there is any other text (still in print) that matches this one."

The review as submitted by Professor Carter compared the Floyd and Allen book to another text. However, somehow in the process of producing the issue of the journal for publication, the references to this other text were changed so that they referred to the 6th edition of the Floyd and Allen text. The review as published therefore contains statements about the 6th edition of Floyd and Allen that were not intended by Professor Carter. The editors of the *Journal of Real Estate Literature* regret this error, and apologize to Professor Carter and to Charles Floyd and Marcus Allen as well. The review as intended by Professor Carter is printed below.

The editors

Real Estate Principles, Charles F. Floyd and Marcus T. Allen, 443 pages, Eighth Edition, Dearborn Real Estate Education, 2005.

Reviewed by: Charles Carter, Florida Atlantic University

I recently did a review of a real estate principles book for this journal titled “Modern Real Estate Practice,” also published by Dearborn, by Galaty, Allaway, and Kyle. Since then I have become familiar with the eighth edition of this book and have started using it in my undergraduate principles classes at Florida Atlantic University. The sixth edition was reviewed several years ago in the *Journal of Real Estate Literature*, 8(1): 75–77 (2000) by Carlos Slawson, but I am told by the book review editor that a new review would be welcomed.

I like this book better, but that may have something to do with the type of audience for which it was meant. The Galaty, et al. book is not as rigorous academically, more meant for those studying for the sales associate or broker’s licenses. I was curious as to why exactly the Floyd and Allen book seems to meet my needs better and I thought a formal book review would help me in this regard. It should be revealed from the onset that one of the authors (Marcus T. “Tim” Allen) is a colleague of mine here at Florida Atlantic University.

Organization and Readability

The first thing I noticed was that the book is not as lengthy as other real estate principles books. I am convinced, however, that the book contains all the material that it should. In my previous book review I mentioned the classic principles book by Charles Wurtzbech and Miles, *Modern Real Estate*, now out of print was 801 pages long and the book by Galaty, et al. is 530 pages. My conclusion has to be that Floyd and Allen have done an excellent job of condensing the essential material.

I don’t have a copy of the seventh edition but the review by Carlos Slawson sets out the organization of the sixth edition. The seventh edition contains five ‘Parts’ after the Introduction as follows: I. Real Estate Legal Analysis, II Real Estate Market Analysis, III Real Estate Service Industries, IV Real Estate Finance and Investment Analysis, and V Special Topics. The sixth edition started with Part II (market analysis) and divided Part IV (finance and investment) into two separate Parts, one for finance and one for investment. An extra Part in the earlier edition titled “Real Estate Transactions” has evidently been absorbed into other Parts. There are twenty chapters altogether.

I find that starting with the chapters on real estate law and proceeding the way it does is the best way to teach the material. This follows the general sequence of topics that I’m used to. The chapters requiring calculations are towards the end of the book, chapters 14, 15, and 16. Chapters 17 and 18 covering residential and commercial land development are best left until the end.

Instructors are given access to a website containing files that provide the following for each of the 20 chapters: outlines (both ordinary and PowerPoint® formatted with

illustrations), answers to the study exercises in the backs of each chapter, many multiple-choice and true/false questions (together with answer keys), suitable for quizzes, midterms, and finals, and some other stuff. Students receive a Student Study Guide disk with chapter summaries and six excellent case studies for purposes of class discussion. The case studies have an audio component so you don't even have to read the material. Well-thought-out issues covering two or three chapters per case study are brought to the attention of the students through the use of ten multiple choice questions at the end of each case study.

Topic and Content Coverage

Every chapter contains text boxes or short topics that supplement the material and do an excellent job of illustrating points made throughout the text. Some of these are humorous and all will help students immeasurably to fully grasp the material presented. My favorites are "The Last Change Ditch" and "The Case of the Disappearing Island." The former gives an example of how prior appropriation water rights are handled near Reno, Nevada, and the latter tells a story about how title was determined for an island in the Mississippi River that was forever changing its shape and location.

These text boxes (each titled Real Estate Today) are contemporary and up-to-date. How better to keep the students' interest than to make their reading relevant? The authors' wide variety of experiences and scope of knowledge are made plain by these forty two features. The book is also full of diagrams, figures, and sample documents that greatly assist in learning. About everything you'd expect to see is there, from illustrations of floor-area ratios used in zoning to the supply/demand equilibrium model to illustrate market changes.

Two things I didn't like about the book by Galaty, et al. were 1) an appendix that was too simplistic for any college students and 2) lack of a pictorial representation of the angles in a circle for determining metes and bounds legal descriptions. Floyd and Allen never insult a college student's intelligence and the very diagram of angles in a circle I had in mind is plainly set out on page 26 in Figure 2.2.

Slawson's review lamented the fact that the sixth edition lacked amortization tables. Those have been added to eighth edition. NAR's Code of Ethics and Standards of Practice have been taken out. Excerpts from the Uniform Standards of Professional Practice (USPAP) are set out in the chapter on appraisal. I find that references to the Appraisal Foundation and to USPAP are a necessary part of teaching the basics of appraisal. Key strokes for both the HP calculators and Microsoft Excel are set out in the finance chapters as well as the formulas for the six functions of a dollar. I find these to be very helpful for students.

Conclusion

This latest edition of *Real Estate Principles* is perfect for college classes taught at business schools. A review of recent syllabuses for principles classes shows that it is

in fact being used as the primary reading for a great many of these classes. Perhaps sophomore standing should be attained before taking the class. I don't think there is any other text (still in print) that matches this one.

When Bad Things Happen to Good Property. Robert A. Simons, 380 pages, Environmental Law Institute, 2006.

Reviewed by: Kimberly Winson-Geideman, Texas A&M University.

While a number of texts address contamination issues from a variety of viewpoints, Robert Simons focuses on the practical matter of environmental litigation in his book *When Bad Things Happen to Good Property*. Both the approach and the subject are a welcome addition to the existing literature, providing a detailed roadmap through a regulatory and judicial quagmire that is often characterized by long-lasting litigation, big-money business, and individual property owners holding the proverbial bag. The wide range of introductory and sophisticated topics Simons and his contributing authors cover allows interested persons to develop a fairly comprehensive knowledge of the basic tenets of the economics of contamination and its effects on real estate value. The book also provides professionals such as attorneys and academics interested in environmental litigation and expert witness work with a roadmap through the process—complete with theoretical information, case studies, and practical tools.

Organization

The substantive portion of Simon's book is divided into two parts: real estate issues primarily focused on theory and methods and legal rights and responsibilities, including the litigation process and relevant court cases. Simons integrates the two with a series of real-world case studies that apply the theory, methods, and regulations in several states under a variety of contamination scenarios. The first chapter discusses goals and objectives of the book, stressing the importance of environmental litigation to plaintiffs. In the second and third chapters, Simons explores the theoretical underpinnings of microeconomics and real estate in an effort to simplify complicated topics.

Chapter four examines the peer-reviewed evidence that discusses environmental contamination and its effects on property value. The author explains the peer-review process and the primary and corroborative methodologies most commonly used in the literature. The relevant source of the empirical evidence is then carefully identified, defined, and described. The following chapter uses some of the same studies integrated into a meta-analysis of the effects of contamination on property value. While the study is clearly important, it seems out of place and may be better suited in an academic journal. Even so, it does help form the basis for the analysis in chapter fourteen and would be better located as an introduction to that chapter.

In the sixth chapter, contributing authors guide readers through the conventional approaches to property appraisal including the cost, income, and sales comparison approaches. They provide an important discussion of the valuation methodology for contaminated property, focusing on the responsibility and expertise necessary to determine both unimpaired and impaired value. The chapter concludes with a brief discussion of alternative methods of valuation used in situations involving contamination.

Chapter seven is an excellent illustration of the work an expert witness will do when evaluating the effects of contamination on value. Here, Simons outlines the essential activities of the expert and the techniques that are often used to establish loss, both statistical and descriptive.

While the prior chapters focus primarily on real estate topics, those that follow are dedicated to the exploration of specific legal issues. Chapter eight begins with two examples of cases with opposing outcomes—one that settled for three times the property value, and another in which the jury returned a nominal amount after determining that the plaintiffs use and enjoyment of their property had not been substantially affected. This comparison is a useful illustration of the potential results one can expect in contamination cases. The authors then proceed through the litigation process beginning with the identification of the parties involved in the disputes and concluding with a discussion of cases that settled. The chapter also includes information on the importance of expert witness testimony and the legal basis for measuring damages.

Chapter nine identifies those laws that directly affect contamination litigation such as the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA or Superfund), subsequent amendments, brownfield, and related laws. Chapter ten is an academic review of toxic tort cases, which includes information not only on the case and outcomes, but also estimates legal and expert witness fees.

Chapters eleven and twelve provide perspectives from the plaintiff and defendant sides, respectively. In chapter eleven the author advises attorneys contemplating impaired property cases beyond the obvious issues of liability, causation, and damages. The potential for exorbitant costs associated with expert witnesses and the discovery process coupled with the possibility of losing and not recovering those funds. Attorneys interested in litigation are also likely to find the discussion of venue choice and expert witness selection helpful. Chapter twelve discusses some of the same issues, focusing on the defendant.

The final three chapters integrate legal and real estate information beginning with a comparison of the literature on statistically supported value loss and corresponding legal outcomes. What is most striking in Simons' analysis of the literature is the revelation regarding the lack of relationship between the loss stated in the literature and the amount awarded. As one would suspect, settlement losses are much lower than verdicts but also much lower than the literature dictates. Verdicts, on the other

hand, are generally many times higher than the literature suggests, which leads one to question the need to show statistically supported loss.

Chapter fourteen addresses the methodology used to create a highlight of the book: “The Big Matrix.” When faced with the complex issues associated with environmental litigation, one of the first questions posed by individual property owners is often “how much can I expect to get?” An estimate is available in The Big Matrix, a pull-out addendum that summarizes the percentage loss on properties affected by a variety of pollution sources including manufacturing facilities, landfills, air pollution, and leaking underground storage tanks. The chapter directs the reader through a step-by-step process of determining projected losses based on factors like source proximity, geographic location, population, and situational factors. Readers are given several examples that further explain this process.

Chapter fifteen reiterates the main points of each chapter and provides concluding comments. Several case studies are then presented that describe the site, case, loss, and outcomes.

In sum, the book is a must-read for academics and appraisers interested in providing expert witness testimony in cases involving environmental contamination. It benefits from the depth and expertise of Simons’ co-authors with contributions from a number of attorneys, appraisers, and academics. The variety of topics is presented in a thoughtful and logical sequence, resulting in a guidebook suitable for both plaintiffs and defendants.
