
Preface

Our inspiration for writing this book is our students. After teaching real estate finance courses for the last few years, students have complained that the text books that were being used were not up to the standards of the rest of the course. The authors contend that there is a gap in the existing publications for real estate finance. Currently there are two types of real estate books on the market: the first is highly academic with little practical relevance, the second is highly practical with little of the academic rigor that is required to truly understand the fundamentals of making a sound real estate investment decision.

The first type of existing real estate publication is a lengthy textbook that reads like a dictionary of terms with mathematical problems for use in a college setting. These books are typically very lengthy, and educators have to pick and choose the chapters that they plan to cover in a given semester. Covering the entire book is usually not possible during a traditional 16 week semester. Additionally, these books are usually written with residential real estate as the primary objective. Commercial real estate is often left for the chapters in the second half of the book. For classes geared toward commercial real estate, the text books available in the marketplace today do not allow for a smooth transition from topic to topic, as students are required to read chapters from various parts of a given text (or multiple texts) in an effort to achieve an adequate supplement to the material presented in class.

The second type of real estate book is written for audiences other than the academic market. The best of these books typically discuss topics such as “*the five things that every investor should know*” or “*this is how **you** can make money in real estate*”, or other such topics. These books often contain perspectives of experienced practitioners in the real estate industry that assume a similar level of expertise in the field in order to benefit from reading the book.

Given what has occurred in the real estate industry over the last few years, a paradigm shift is required in terms of real estate education. Rather than focusing purely on the mathematics or on the war stories of experience, there is a need in the literature for a book that attempts to fill the void between academically oriented text books on real estate finance and the various “practical” real estate books on the

market that collectively do not provide the necessary ingredients for a successful investment venture in today's vibrant economic climate. Understanding real estate should be one part mathematical, another part definitional, and both must be accompanied by a firm grasp of how market trends (both micro and macro) affect the value of an investment opportunity.

The result of our identification of this "gap" in the existing investment real estate literature is "Real Estate Investment". The 12 chapters, along with the case studies, should serve as an adequate text for undergraduate and masters level courses in commercial real estate. Given the mix of academic and practical material, beginners and more experienced investors seeking to understand the lending perspective and to re-familiarize themselves with investment theory will benefit from studying this book. This book is also ideally suited for corporate training in investment real estate for small financial institutions, appraisal firms, and real estate investment companies. For instructors who adopt this as a course text, additional materials are available on the Springer website. These items such as lecture slides, case study and problem solutions would be of interest to the general reader as well. The website will also contain an excel based discounted cash flow worksheet that will aid in solving the case studies in this book, as well as providing a head start to those inspired to become investors after being exposed to the material in this book.

The authors would like to thank Barbara Fess, Economics Editor at Springer, for providing us with sound guidance and a due date far enough into the future where we had the time necessary to complete this project, but not too much time where we might have fallen behind schedule. We would also like to thank the readers of the RMA Journal who offered constructive feedback for the two articles published there that appear in part in this book. Finally, we would like to thank Edward G. Clarke and Leila Goddard who read portions of this book and offered welcome feedback.

As rock icon Joey Ramone used to say, "either you are in it, or you are *out* of it!" It is now time for you to get into it, and we hope that the messages conveyed in the chapters that follow inspire our students to excel and our general readership to prosper. We believe that real estate investment opportunities which exhibit the quality, quantity, and durability of income as defined in this book are more likely to provide the sound cash flows now and in the future than more speculative investments which require a lot more luck than skill.

Sincerely,
G. Jason Goddard and Bill Marcum



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