

# CONTENTS

<b>Preface</b>	<b>xi</b>
<b>Acknowledgments</b>	<b>xiii</b>
<b>PART I</b>	
<b>PREPARING TO INVEST IN REAL ESTATE</b>	
<b>CHAPTER 1 Introduction</b>	<b>3</b>
How This Book Is Organized	5
Before You Begin	6
Career Preparation	8
Insurance	9
Pension Planning	9
Home Ownership	9
Savings	12
Conclusion	12
<b>CHAPTER 2 Comparing Real Estate to     Other Investments</b>	<b>13</b>
Cash	16
Savings Accounts	17
Debt Instruments	18
Bonds and Notes	19
Stocks	20
Collectibles	22
Precious Metals	23
Mining Stocks	23

## **viii Contents**

Real Estate	24
Leverage	25
The Miracle of Compound Interest	26
Real Estate Investment Trusts	28
Conclusion	29
<b>CHAPTER 3 Evaluating Types of Real Estate</b>	<b>34</b>
Personal Homes and Other Small Residences	35
Starter Homes	36
Small Apartment Complexes	37
Other Residential Properties	44
Garden Apartment Complexes	47
High-Rise Buildings	48
Land	49
Types of Land	50
Net Leases	54
Rate of Return	57
Build-to-Suit	61
Shopping Centers	63
Anchored Shopping Centers	63
Strip Centers	68
Condominium Stores	69
Office Buildings	70
Warehouses and Public Storage Facilities	71
Conclusion	72
<b>CHAPTER 4 Understanding Economic Cycles and Their Effect on Real Estate</b>	<b>74</b>
Economic Cycles and Real Estate	76
Speculation	77
Who Is a Speculator?	83
Economic Cycles and Lenders	85
Types of Lenders	86
How Lenders Profit	87
Conclusion	90
<b>CHAPTER 5 Calculating the Long-Term Potential Profits from Real Estate</b>	<b>91</b>
Real Estate Profit Sources	92
Positive Cash Flow	92
Appreciation	94
Leverage	95
Conclusion	100

**PART II  
INVESTING IN REAL ESTATE**

<b>CHAPTER 6 Getting Started as a Small Investor in Commercial Real Estate</b>	<b>103</b>
Safety in Numbers	104
Forming an Investment Club	109
General Guidelines for Starting an Investment Club	109
Forms of Ownership	114
Individual or Joint Ownership	114
Joint Ventures	115
Partnerships	116
Corporations	117
Limited Liability Companies	119
Conclusion	119
<b>CHAPTER 7 Finding and Evaluating Properties for Investment</b>	<b>120</b>
Finding Properties	120
Real Estate Brokers	121
Periodical Advertisements	129
Word of Mouth	130
Foreclosures	131
Government Surplus	134
Auctions	135
Private Sales	136
Sale Leasebacks	137
Real Estate Source Roundup	138
Evaluating Properties	139
Self-Evaluate or Hire an Appraiser: That Is the Question	140
New or Used: That Is Another Question	142
Evaluation Approaches	144
Conclusion	153
<b>CHAPTER 8 Negotiating, Financing, and Closing Real Estate Transactions</b>	<b>154</b>
Negotiating	156
Using Brokers or Other Intermediaries	158
Negotiating Leases	158
Contracts of Sale	160
Summary of the Negotiation Process	163
Financing Commercial Real Estate	164
Determining Interest Rates	164
How Mortgages Work	165

**x Contents**

Types of Mortgages	174
Sources of Mortgages	192
The Closing	199
Documentation	201
At the Closing	202
Conclusion	205
<b>CHAPTER 9 Managing Your Real Estate Investment</b>	<b>206</b>
Professional Management Companies	207
Finding a Management Company	207
Management Fees and Operations	208
Monthly Reports	210
Rent Collections and Billing	213
Leasing	214
Insurance	215
Repairs, Replacements, and Capital Improvements	217
Marketing Space	220
Preparing for a New Tenant	222
Leases	223
Lease Designations	225
Addendum Clauses	227
Lease Summary	232
On Your Own: Your Future in Real Estate	233
<b>APPENDIX A Additional Deals</b>	<b>235</b>
<b>APPENDIX B Understanding Taxes and Real Estate</b>	<b>249</b>
<b>APPENDIX C Common Real Estate-Related     Forms and Documents</b>	<b>265</b>
<b>GLOSSARY</b>	<b>283</b>
<b>INDEX</b>	<b>289</b>