JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

I. MANUSCRIPTS

D. Book Reviews

5. Financing Income-Producing Real Estate: A Theory and Case Book :Edited by James A. Britton and Lewis Kerwood, McGraw-Hill, New York, (1977)

BOOK REVIEW

FINANCING INCOME-PRODUCING REAL ESTATE: A THEORY AND CASE BOOK.
Edited by James A. Britton, Jr., and Lewis O. Kerwood.
New York: McGraw-Hill, 1977.

The Mortgage Bankers Association of America has sponsored an effort to provide current text material and collection of cases for teaching real estate finance, particularly for structuring the financing of income property with mortgage loans, joint ventures, franchises, and so on. In large part the editors have succeeded in producing a useful text and more current than the alternatives well known in the field and more adaptable than the classics that try to be all things to all people.

Section I contains essays prepared by thirty all-stars from the mortgage world on topics relating to various forms of financing, types of income properties, and loan servicing. The selection of essays is balanced and presented at a level that is appropriate to both the junior college set and the undergraduate real estate major at full-degree institutions. Although sections on mathematics of real estate finance by Professor Stephen Pyhrr and on financial statement and credit analysis by Professors J.D. Edwards and R.A. Roemmich of the University of Georgia are the most consistently instructive pieces in the collection, most of the items are well written introductions to their selected topics. Many of the contributors are authors that professors such as myself would find useful to xerox in days gone by, prior to more rigorous copyright laws, because the authors and their thinking represent the best in the industry and students should be aware of their contributions. Some of the best essays are by John Opperman, B.B. Cohen, J.T. Montgomery, and Daniel Berman. An apology for performance of real estate mortgage trusts, is one essay that is out of keeping with methods of finance—the topic of the text.

The most profound disappointment of the collection is a feeling that mortgage bankers still do not understand the need for careful market segmentation and merchandise studies. The real take-out on a construction loan is the presence of effective demand in the form of tenants, condominium buyers, or perspective home buyers. All of the articles place little emphasis on these matters, particularly the article on construction-lending that repeats all the guidelines that help destroy the real estate mortgage trust industry. The fundamental issues of project feasibility are dismissed is six pages or less, a myopia often associated with members of the sponsoring organization.

Part II of the book, nearly two hundred pages, represents eleven case studies for different types of income-producing properties. These cases will be a rich source of home work assignments for the rigorous student. Although each case has a full range of materials and photographs from the submission, there is plenty of analysis to be done by the student. Each case has a brief paragraph of analysis by an experienced underwriter, which is of little consequence in terms of doing the work for the student since each paragraph provides a firm grasp of the obvious without crunching the numbers or providing a decision matrix for the student underwriter or investment decision maker. At the University of Wisconsin we have been using Mortgage Bankers Association cases in our real estate finance course for several years and will welcome the simplicity of using the case studies in this text.

This new collection should serve well as a core of introductory material to a course in real estate finance. To provide a more rigorous exploration of some of the topics, the instructor might wish to provide additional readings from such pulications as <u>The Real Estate Law Journal</u>, <u>The Real Estate Review</u>, <u>The Mortgage Banker</u>, and an in-house publication of Coldwell-Banker called <u>Real Estate Investment Analysis</u>.

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