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Real estate investing by the book

By Thomas A. Fogarty, USA TODAY

Mirroring the real-life economy, real estate remains a bright spot in the otherwise dreary world of personal finance book publishing.

Mary Good, an editor at business publisher Dearborn, remembers the late '90s, when stock-investing books flew off the presses and into the hands of eager readers. All that has changed since the stock market bust.

Real estate investment is the hot topic now, Good says.

Dearborn issues about 15 real estate titles a year, triple the number of stock market titles.

It's a reversal of the ratio in the late '90s, she says.

The National Association of Realtors this week reported that the median home sales price in the January-March quarter was up 7% from a year ago. In the hottest markets — Philadelphia and Providence — prices were up nearly 26%.

There's evidence, too, that more stock investors are following the age-old advice that a properly diversified portfolio needs a dollop of real estate.

Tracker Lipper estimates that mutual funds that invest in real estate have attracted \$2.4 billion in new investment money in the last year, a period when stocks saw a net outflow of investor money.

What follows are brief sketches of some prominent guides to real estate investing that are now on the market.

Financing Secrets of a Millionaire Real Estate Investor

By William Bronchick

Dearborn Trade Publishing, \$18.95, 193 pages.

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Target audience: The show-me-the-money crowd, not the find-me-the-property crowd.

Comment: This book will scare off plenty of would-be real estate tycoons — and that's good. Listen to some proposed sources for financing your real estate empire: your IRA, your credit card, relatives and "hard money" lenders — high-cost financiers whose terms make them winners whether you pay the loan or forfeit the property.

Still, this is a responsible book. Attorney Bronchick makes it clear that risky money sources are appropriate only in limited circumstances, typically when the quick availability of cash is essential to closing a potentially lucrative deal. He also counsels the importance of being truthful with lenders. The book is a sequel to Bronchick's *Flipping Properties*, which, at 100,000-plus copies, is among publisher Dearborn's best-selling titles.

The first half is a solid primer on ordinary mortgages. The second half outlines complex but fascinating maneuvers that have allowed the author or people he knows to leverage their cash in real estate deals. If it scares you enough that you never get into a property deal where you're over your head, it's 19 bucks well spent.

Key insight: "Cash is easy to come by, but good credit takes years to build, and only months to ruin."

Investing in Real Estate

By Andrew McLean and Gary Eldred.

John Wiley & Sons, \$19.95, 320 pages.

Target audience: Relatively sophisticated, long-term investors.

Comment: Think of this more as a manual for real estate investors than an introduction for those who are deciding whether to dabble. A good test of the sophistication of a real estate investment book is its treatment of the Section 1031 exchange, a common technique for deferring capital gains taxes in property deals. This book delves deeply into the subject, spelling out IRS rules in detail.

Eldred, a business professor by training, has taken over revisions of the book from his co-author. It is now in its fourth edition. The book has the look and feel of a textbook for a college finance course.

Key insight: "Avoid those multipage fine-print leases written in legal jargon ... Their long lists of authoritarian dos and don'ts tend to intimidate tenants and tear down trust."

Real Estate Loopholes: Secrets of Successful Real Estate Investing

By Diane Kennedy and Garrett Sutton

Warner Business Books, \$16.95, 213 pages.

Target audience: Unclear.

Comment: This is part of Robert Kiyosaki's *Rich Dad* series, a personal finance marketing program widely criticized for delivering more sizzle than steak. This book delivers some steak scraps in its discussion of the intricacies of real estate law and accounting. The book and chapter titles insist on calling these intricacies "loopholes" or "secrets," which, of course, they're not.

If and when you establish yourself as a real estate investor, your lawyer or accountant can be counted on to educate you on the value of managing your tax liability through, for example, a charitable remainder trust. The perplexing thing about this mass-marketed book is that most of its advice has value only after you've established yourself in real estate. Other irritants: no index and frequent pitches for author Kennedy's other personal finance publications.

Key insight: The "IRS is not liable for giving you ... bad advice."

How to Get Started in Real Estate Investing

By Robert Irwin.

McGraw-Hill, \$14.95, 237 pages.

Target audience: The committed beginner.

Comment: Broker-investor Irwin is a prolific writer on real estate, and among the best. This 2002 investment guide makes short work of buying a home to live in, then branches out to cover issues of interest both to buy-and-hold investors and speculators. Particularly strong are chapters on land speculation, tax issues and flipping, the practice of buying low and immediately selling high. This is a cover-the-waterfront book that provides would-be investors enough information to develop a general strategy, but not enough to permit them to quit their day jobs.

Key insight: "I also recommend that you raise a 'farm' ... a geographical area where you plan to buy *all* your properties ... By farming a single area, you get to know the neighborhoods intimately. You know which are on the way up, which are stagnant and which are declining."

The SmartMoney Guide to Real Estate Investing

By Gerri Willis.

John Wiley & Sons, \$24.95, 212 pages.

Target audience: Real estate newbies.

Comment: Willis approaches her subject as a journalist. (She's correspondent for *SmartMoney* magazine.) What she yields to competitors in expertise, she makes up for in clarity and readability. She quotes experts and cites the experiences of real people who have made or lost money on real estate. She ranges wide in subject matter and includes a strong chapter on REIT investing. The book is good for those buying their first property. Experienced home buyers or sophisticated investors might find it too elementary.

Key insight: "You'd think that the real estate industry would have loads of regulators circling its practitioners. ...Wish it were so."



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