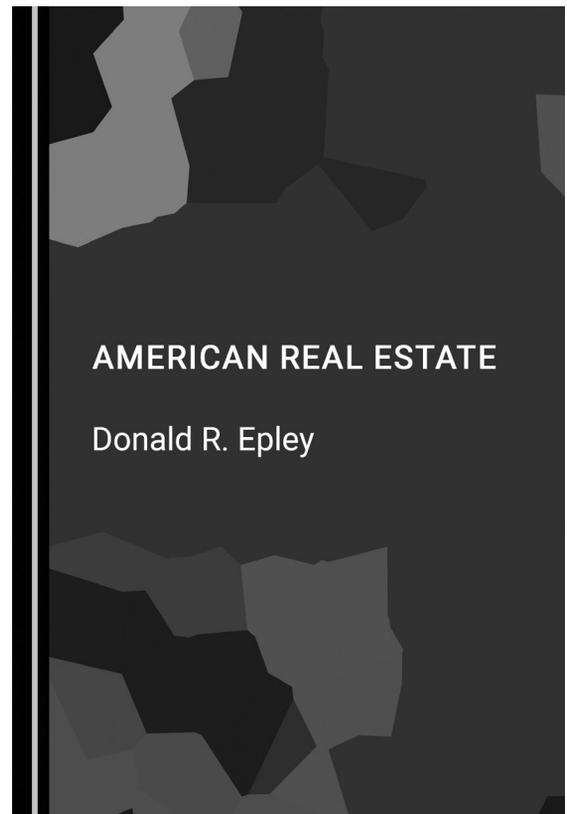


Journeying through the Real Estate Process

The first challenge of writing a book about a topic as broad as real estate in the United States is the breadth of the topic itself and the manner in which the information is presented to a reader. Where should the text start, where should it end, and how detailed should it be? The second challenge is how to make the material both relevant and interesting to the reader. A final challenge is presented when the author is an academic with comprehensive knowledge and previous textbooks, who now must curate that information for a general audience. In *American Real Estate*, Donald R. Epley, PhD, MAI, SRA, has successfully taken his educational and academic background and created a text that is both comprehensive and eminently readable.

Dr. Epley is an internationally known scholar who has coauthored five books and over 100 journal articles, and many industry publications. His work on local market analysis has appeared in *The New York Times*, Bloomberg News, and many internet publications. The author holds designations from the Appraisal Institute and from the Commercial and Investment Institute. He holds a PhD in regional economics and has served as a Distinguished Professor of Real Estate-Emeritus and director of the Center for Real Estate and Economic Development at the University of South Alabama. Epley has historically written books that focus on introductory level topics such as *Basic Income Property Appraisal*; *Basic Real Estate Finance and Investment*; and *Principles of Real Estate Decisions*, and his skill in clear, straightforward presentation is evident in his latest text, *American Real Estate*.

A typical reader might assume material about real estate to be a dry topic. Quite the opposite can be said for *American Real Estate*. While certain elements familiar to academia begin and end each chapter, i.e., “Questions to Be Answered,”



***American Real Estate*
by Donald R. Epley, PhD, MAI, SRA**

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“Objectives,” “Chapter Summary,” and “Discussion Questions,” what lies between is far richer and livelier than the discussion in traditional textbooks.

Each chapter is self-contained, yet there is a continuing thread that leads the reader along on a journey through the real estate process. The author notes that the structure is deliberate:

Most real estate texts are topic oriented. Typically, each chapter covers one topic in detail without much discussion of the reasons for studying one topic before or after another. For example, why are deeds examined before the settlement statements? Why are property taxes examined after a discussion of estimating the market value of a parcel? Why are license laws examined in the first chapter of the book? (Page 2)

The author adds clarity by following a strategy of presenting information on a need-to-know basis—that is, topics are presented and discussed in the order in which a typical consumer would encounter the need to use that information in a real estate transaction. In addition, information is presented in a decision-making framework that the reader can use to make decisions. The author concludes with the thought that the purpose of presenting the information in this manner is so a consumer can use the data to understand a typical real estate transaction and to make intelligent decisions.

Epley notes that the term “consumer” is really a synonym for “reader” and explains that the consumer may be a buyer, seller, interested citizen, potential agent, or actual agent. The typical transaction is the same for all of these potential consumers. Similar questions arise and must be answered in approximately the same order. Exceptions may exist in the order of the topics encountered for a particular transaction, but the steps remain essentially the same for the majority of transactions.

While there are fifteen chapters, the author observes that they all relate to the typical six steps in a real estate transaction. The author notes each of these general steps with pertinent observations and commentary for the consumer:

1. **The decision to acquire knowledge about real estate business.** “The consumer must understand the nature of real estate by first examining both the definition and meaning of real estate as a commodity.” (Page 3)

2. **The decision to estimate market value.** “A question that a consumer asks very early is, What is my property worth?” (Page 3)

3. **The decision to finance the transaction.** “All of the earlier decisions assume the buyer can raise necessary cash to pay the negotiated purchase price. Later material covers the residential and commercial loan application process and presents the types of information that the consumer will need to know to evaluate the loan application process and the contracts used in residential financing.” (Page 3)

4. **The decision to invest.** “A typical consumer will inquire early about the chance of receiving a capital gain and will ask whether the property is a good buy. In addition, a typical consumer may be interested in investment real estate to receive a tax shelter or a capital gain from either price appreciation or mortgage reduction.” (Page 4)

5. **The decision to buy, sell, or manage.** “If an agent is involved, the typical buyer or seller needs to know the economic motivations behind the agent’s actions to evaluate the circumstances.” (Page 4)

6. **The decision to transfer the title.** “One chapter covers the preparation for the closing when the title is transferred. Every party should be able to verify the accuracy of the settlement statements.” (Page 4)

As the author notes, every chapter contains the information that the typical buyer, seller, or agent needs to know about that step of a real estate transaction. In addition, the steps follow a central theme of “need-to-know” that presents information to the consumer in the order they would encounter it as the transaction progresses. Completion of the text would allow a consumer to make decisions about the particular set of circumstances in a particular transaction.

Given the broad topic area and the fact that valuation and appraisal are important compo-

nents to the book, comparisons to *The Appraisal of Real Estate* are inevitable. *The Appraisal of Real Estate* is a more comprehensive examination of real estate as it pertains specifically to appraisers. *American Real Estate* is more focused on general practitioners within the real estate profession who need a single source for a certain base level of knowledge. Both books are valuable, and in many ways they are complementary.

American Real Estate (like *The Appraisal of Real Estate*) begins with an overview of real estate ownership rights, and asks questions that it in turn then answers: What is real estate? What is the nature of the real estate business? What is the relationship among its participants?

One clever device that the author employs is a rhetorical question that coincides with each chapter's title. This rhetorical device engages the reader and ultimately makes the materials more accessible. The chapters and their explanations provide an understanding of the journey the consumer/reader will undertake:

- **Chap. 1, Real Estate Ownership:** *What do I own?*
- **Chap. 2, Private and Public Restrictions:** *Can I do anything I want to do?*
- **Chap. 3, Value:** *What is it worth?*
- **Chap. 4, Residential Appraisal:** *What does the appraiser do?*
- **Chap. 5, Commercial Appraisal:** *Is commercial appraisal different?*
- **Chap. 6, Mortgages and Debt:** *What is a real estate loan?*
- **Chap. 7, Home Loans:** *What are the ways to borrow money?*
- **Chap. 8, Commercial Ownership and Rental:** *What is the difference between renting and owning?*
- **Chap. 9, Basic Investments:** *What are the tools for selecting an investment?*
- **Chap. 10, Residential Taxation:** *How much are the taxes?*
- **Chap. 11, Agency and Brokerage Management:** *Why would I need an agent?*

- **Chap. 12, Contracts:** *What are the contracts I will need to use?*
- **Chap. 13, Due Diligence: Anti-Trust, Civil Rights Fair Housing, RESPA, Truth-in-Lending, Fair Trade, Property Disclosure:** *What do I need to know about finding the truth in the transaction?*
- **Chap. 14, The Lease and Property Management:** *Should I rent and what does the property manager do?*
- **Chap. 15, Deed, Title Insurance, and Settlement:** *What happens at the closing? When is money paid for the deed?*

Perhaps one of the most engaging features of *American Real Estate* is the question and answer style of the discussion in each chapter. Rather than simply presenting general knowledge, the reader is presented with a series of general questions, followed by detailed answers. For example, in the discussion of commercial leases, the chapter asks and answers the following pertinent questions: What is the nature of the commercial lease? What types of leases are available? What are other types of leases? What is the sale and leaseback agreement?

If the book has any shortcomings, it would be that the section on Commercial Appraisal is fairly brief and considers only the gross rent multiplier technique. Direct capitalization is not covered, and topics such as property expenses, vacancy, and collection loss and capitalization are not mentioned. This is surprising from the author of *Basic Income Property Appraisal*, but this is a small item in an otherwise strong text. Other than this omission, the remainder of the book provides an appropriate overview of real estate that includes development, management, purchase, and disposition.

An especially helpful feature of the text is the summary of important terms and phrases at the beginning of each topic, which allows the reader to learn the language of the business and identify learning objectives.

In addition to the primary content, the book concludes with a useful glossary of typical terms, offering an essential reference tool, and provides review questions covering several points from the prior material to inform the reader if any skills need to be improved.

American Real Estate provides an excellent survey of the particular aspects of the US real estate system. This text would be valuable to all participants in the real estate markets, whether as buyers, seller, developers, agents, lenders, and yes—even appraisers. It presents topics involved in the typical buying transaction, with answers

to common questions that may arise related to purchases, as well as leasing issues.

The content of *American Real Estate* is accessible, the questions covered are helpful, and the topics addressed are of interest to the beginner, but frankly also may fill gaps for even an experienced practitioner.

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