

REAL ESTATE BOOK INTRODUCTION – SAMPLE NON-FICTION

In Marin County, California, a married couple in their sixties was able to purchase homes for their two children in the 1990s. All you need to know about Marin County is that it is one of the most expensive neighborhoods in the area surrounding San Francisco. It's decidedly well to do, with real estate property values skyrocketing at present, so how did a retired teacher and his landscape gardener wife manage to purchase two family homes in one of the most expensive neighborhoods in California?

The answer to this question is pretty simple. Mr. and Mrs. Peterman got involved in commercial real estate. They bought a home in Marin in the late 1960s, before the property values began their climb. The house they bought was relatively run down but it was a sizeable piece of land. After moving into their home, the couple started construction on their dream home positioned at the back of their property, in what was effectively their backyard. They built from scratch a three bedroom house suitable for their family. When that house was built, they knocked down the original house and raised enough money to build a second house, another family house on the front of their property.

By the time the Peterman children were thinking about college, Mr. and Mrs. Peterman were able to sell off the second house along with about half of the land that they originally bought. Their profit was considerable since they made the sale at the point that the property values for the area were climbing and they bought the property when values were low.

The money they made allowed them not only to put their two kids through college, it enabled them to make the down payments on homes for their children when the time came for the kids to settle down.

Mr. and Mrs. Peterman had ventured into the realm of commercial real estate and come out on top. They were able to clear themselves of any debts and help their

children avoid the financial quagmire to which people are undoubtedly prone when they live and work in a decidedly expensive neighborhood.

Considering this story, perhaps you're getting an idea about what you want to achieve in the commercial real estate market. Unless you have a lot of money to play with, you are probably going to be entering into commercial real estate for a very specific reason. It is always best to identify your goals – as we will discuss in chapter 1 – before you go any further. Ask yourself whether you're dreaming of the high life. Do you dream of becoming the next real estate mogul in your community, a successful counterpart of Donald Trump? Do you have a sizeable debt that you are looking to get rid of? Do you dream about having a million dollars tucked safely away in your bank account? Perhaps even a billion dollars if you are prepared to stay at it for a while.

Establish what you are dreaming about, what you would really like to have in your life. You need a plan to turn your dream into a reality.

Whether real estate is part of the destination you have in mind or only a stepping stone to get you where you want to go, this book should help you build a viable plan to achieve your goals.

Think about it for a moment. Commercial real estate is a very diverse commodity. You can buy a multifamily apartment building and it classes as commercial real estate. Similarly, you could buy a parking lot or an office building complex and you'd still be dealing with commercial real estate. Buy a plot of land and use it to build several condos or, if the plot is big enough, build a planned residential community. You're dealing in big business and you're dealing with commercial real estate.

Most people don't have the first idea how to get their heads around this type of arrangement, the notion of owning real estate that is not just for their principle use. It terrifies most people to think about the work involved. At least, they believe there's lots of work involved. How do you make your money back? You've got to find tenants. How do you do that? How do you go about selling a property when you want to? Who do you call? A lawyer? A real estate agent? What if you can't sell it for the price you paid? What

if you just want to flip properties like those foreclosure deals you always hear about on television?

All of these questions posed by an inquiring mind deserve a complete, that is, a fair and rounded answer. The truth is that when it comes to commercial real estate, there's no one answer that fits the bill. There's no single way to make money every time. Flexibility is going to be important if you decide to enter into this field.

The good news about this industry, however, as we shall emphasize at various points throughout this book, is that real estate and particularly commercial real estate, are universal commodities. Their value is considerable and it's unlikely to fall very far below the mark. People are always going to need buildings for commercial use. They won't necessarily always need an office building in precisely *that* location but they will need something. Places change and commercial real estate is the best type of real estate you can possibly invest in if you want to be able to surf the waves of change that undoubtedly will affect your community over time.

The best news of all is that you don't have to be Donald Trump to do well in this field either. In fact, as we will discuss in the opening chapter, Donald Trump's success in the commercial real estate industry is a virtual myth. Billions of dollars he may have but very few of his commercial real estate ventures have turned out well for his investors. All you need to do to garner proof of this is read up on this self-professed business whiz. Rule number one of commercial real estate investing should in fact be: don't do as Donald Trump does.

Commercial real estate investing is on the one hand very straightforward as a business dealing. You invest some of your own money to buy a property; you borrow some money against the value of the property. You do some repairs, maybe do some renovation and development on the property to increase its value. You either hold on to the building and make your money back long-term by renting units or you flip the thing and resell it for more than you originally paid. The precise details of each arrangement will vary depending on the type of property in question and your particular interest. If

you want to make money fast, you are probably going into the flipping business; buying and then quickly reselling your properties to earn a fast profit.

What this book should do for you is provide a definitive outline of the principles of real estate dealing. The general purpose is to outline the entire process of the commercial real estate deal, leaving you plenty of room to maneuver within the general framework. First of all, we'll take a look at what commercial real estate is: how the term is generally defined and how you can go about defining it for the purpose of making money.

In the second chapter, having established the basic idea about how you can go about making money, we will consider the general process for investment. We'll look at your various options for commercial real estate investment and discuss some of the fundamental aspects of a straightforward commercial real estate deal.

In chapter three we will consider the methods you are going to need to use to assess properties. One of the most crucial elements of any real estate deal involves assessing the value of a given property, identifying potential weaknesses that are likely to cause rapid depreciation in value, and, perhaps most importantly, determine what potential each building has for value augmentation. You'll learn how to assess the location of a building and the general features of properties to determine what uses they might serve and what potential they might have for value augmentation.

Financing and the principle legal elements of commercial real estate deals will be discussed in chapter four, including investment strategies, methods for approaching investors, and how to go about finding a competent lawyer and accountant to help you keep track of the relevant paperwork.

Perhaps the most challenging aspect of any deal, the close, will be discussed in chapter five, with a specific look at the most common problems faced by first time and beginner investors. After all, no deal is going to amount to anything if you can't get all parties to sign on the dotted line.

The final three chapters of the book will take you through the details of property ownership, the process for selling your commercial real estate properties, and the best practices for addressing your tax obligations and any problems that arise during the course of your work.

As always, you are also encouraged to read around the subject. Although this book strives to provide you with a complete and accurate assessment of commercial real estate, no one book can exhaust the subject. You are highly recommended to use this book as a starting point, the first step in long walk to become an expert in commercial real estate practices, so that each one of the deals you venture into may be an improvement on the last.