

MODERN REAL ESTATE PRINCIPLES



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THIRD EDITION

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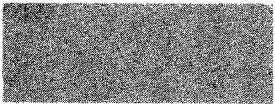
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PREFACE



Legal, social, and economic changes since the second edition have required substantial revisions in the third edition of *Modern Real Estate Principles*. Because of these major changes, a brief recap of highlights may be useful to instructors who have taught from earlier editions. Such a list also helps new readers judge the topical interest of this edition.

Chapter 1

The chapter includes new illustrations and a more detailed description of the structure of the National Association of REALTORS® with all of its affiliates. A full text of the Code of Ethics is reproduced in the Appendix to this chapter.

Chapter 2

Chapter two covers the current controversy over the conversion of agricultural land to urban use.

Chapter 3

This chapter incorporates many of the more popular innovations in zoning practices.

Chapter 4

The chapter has been considerably redrafted and condensed. A new discussion on the cost benefits of land use controls has been added.

Chapter 5

More effective illustrations and a new section on creating and terminating easements adds to the value of this chapter.

Chapter 6

This chapter includes new material on net leases and been rewritten to cover due-on-sale clauses and detailed explanations of the many alternative mortgage instruments. A section on wraparound mortgages and a summary table of available mortgages provide the latest information on this topic.

Chapters 7–11

These chapters have been updated to illustrate the current real estate market.

Chapter 12

This chapter has been rewritten to cover due-on-sale clauses and the many alternative mortgage instruments. Included also is a section on wraparound mortgages and a table of currently available mortgages.

Chapter 13

Details of the Garn-St. Germain Act show how deposit institutions have changed. More material on pension funds has been added.

Chapter 14

New developments in the secondary market update this chapter.

Chapter 15

The chapter on investments incorporates new depreciation schedules with several illustrations.

Chapter 16

This chapter reviews the latest license law requirements, including continuing education and the application of the interstate commerce clause to real estate brokers.

Chapter 17

This chapter provides a new explanation of closing statements.

Chapter 18

Thoroughly rewritten, the chapter reviews management operating experience and data taken from leading real estate management

companies. Much of this material is drawn from my management lectures before the Housing and Development Board in Singapore. The chapter details management practices for shopping centers, apartments, and office buildings, plus asset management.

Chapter 19

Considerable detail has been deleted in favor of new material on the growing manufactured housing industry.

Chapter 20

The home ownership chapter now covers solar energy and purchases by several graduated payment mortgages. The appendix gives formulas for calculating these new repayment plans.

Chapter 21

The chapter has been reorganized and substantially rewritten. New tax legislation and research on foreign ownership provide students with the latest views on this topic.

In other respects, the text has been updated by the latest available information. The third edition follows much the same format as the second edition. Note that the first seven chapters concentrate on the new institutional environment facing the real estate industry. The next eight chapters, starting with Chapter 8 on forces affecting urban development, deal largely with analytical methods, closing with the chapter on investment analysis (Chapter 15).

After these institutional and analytical chapters, the balance of the book concentrates on real estate operations: real estate brokerage, title closing, and management. A chapter on condominiums, cooperatives, and manufactured homes precedes the chapter on home ownership analysis. In sum, the student taking an introductory course learns real estate legal requirements, the industry structure, financing, investment, appraising, and management. The chapters have been designed to give the career-minded student the background for more specialized courses.

I have been particularly indebted to several reviewers who have guided these major revisions. I am especially grateful to Professor John Kokus, Jr., American University, who suggested numerous worthwhile changes. My sincere appreciation goes to Professor William T. Hascall of Wichita State University, who reviewed the revised manuscript. Professor Leonard V. Zumpano of The University of Alabama is responsible for many of the suggestions incorporated in this text. Other invaluable suggestions were made by Professor Thomas Pearson of North Texas State University.

I would be remiss if I did not acknowledge the invaluable contributions of my two research assistants, Samuel L. Wammock, Jr., and Victoria E. Siemering. The quality of the manuscript was considerably improved by the operator of my word processor, Troy Palmer. His conscientious attention to detail is keenly appreciated. In the last analysis, however, I must assume final responsibility for possible omissions and errors.

William M. Shenkel

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**MODERN
REAL ESTATE
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+ C + H + A

THE REAL ESTATE INDUSTRY

AND

THE ECONOMY

**After reading
this chapter,
you should be
familiar with
the following
points:**

1. The structure of the real estate industry.
2. Real estate specialization and organizations.

3. The purpose and content of the National Association of REALTORS®; Code of Ethics.
4. The role of real estate in the national economy.

P + T + E + R

1

Real estate covers more than buying and selling. Every land development, building, and project at some time requires the services of real estate specialists. They concentrate on investments, property management, land development, financing, counseling, appraising, and related tasks.

THE REAL ESTATE INDUSTRY

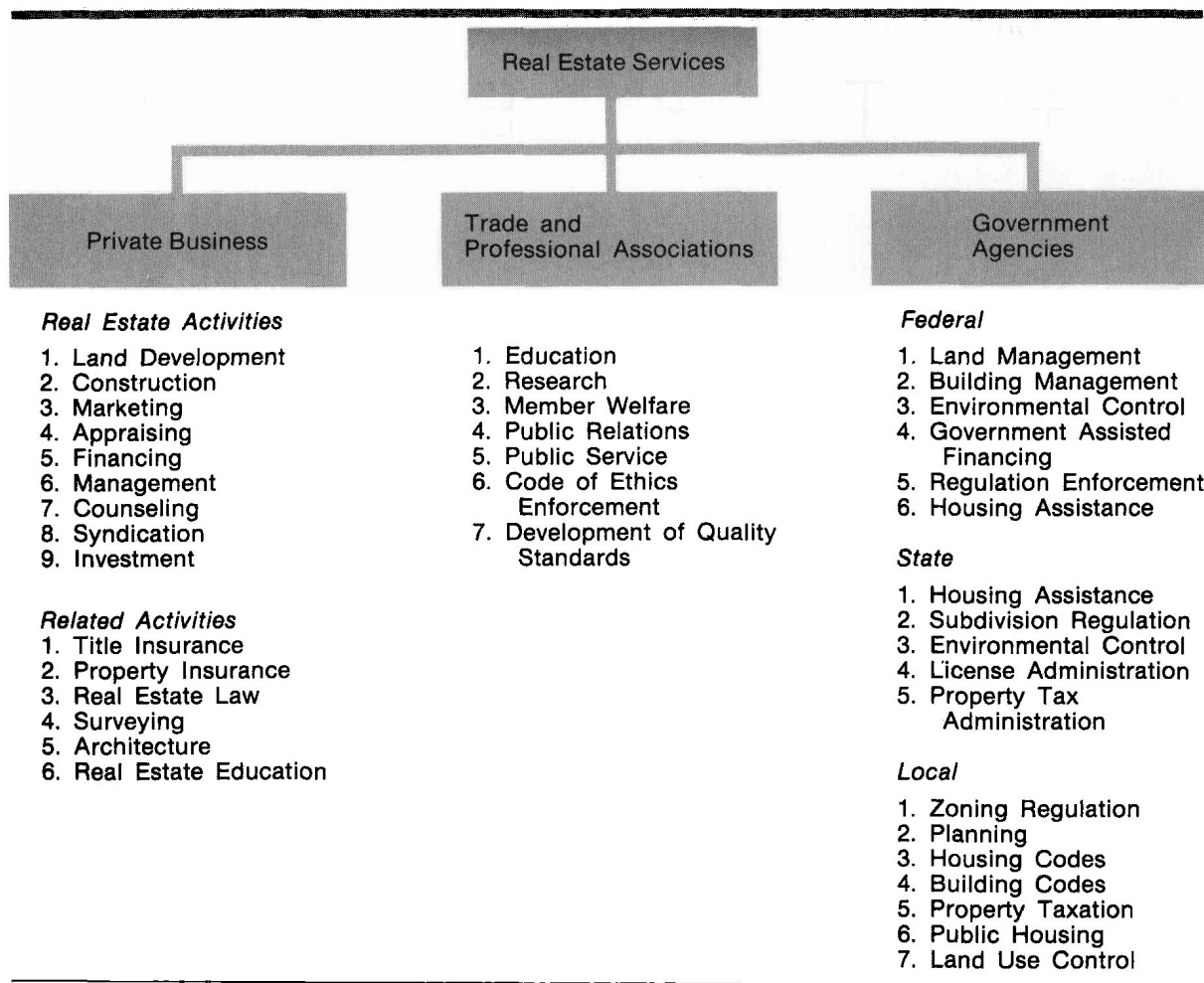
Real estate specialists are active in private industry, real estate trade associations, and government agencies. As real estate specialization grows, real estate personnel are found in both large and small offices offering professional service to the public. Figure 1-1 summarizes real estate activities in private industry, trade associations, and government agencies.

Private Industry

Private industry includes many businesses ranging from firms that market real estate to companies that appraise, finance, and manage real estate. Figure 1-1 includes companies that offer a full range of real estate services and other companies that specialize in single operations, such as developing residential property or shopping centers. Still other firms specialize in real estate management, appraising, and counseling; some firms form partnerships that make real estate investments. Note, also, that private real estate operations include certain other related activities, such as title and property insurance, real estate lawyers, surveyors, architects, and building contractors.

Corporations also use real estate specialists to select new locations, negotiate leases, and manage company-owned real estate. This

Figure 1-1
The Real Estate Industry



list would include timber companies that own millions of acres, some of which are suitable for development, and oil, railroad, mining, and paper companies.

Before its recent reorganization, American Telephone & Telegraph Company managed more than 24,000 company buildings. Most of the company affiliates handled real estate through a department responsible for real estate matters. With the popularity of national business chains and franchise retailers, corporate real estate represents an expanding demand for real estate specialists.

Trade Associations

Real estate activities are characterized by highly organized trade associations. As indicated in Figure 1-1, trade associations perform a