

## Recommended Real Estate Reads For The Summer

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Real estate offices across the Hamptons tend to see an uptick in visitors around Memorial Day weekend. This year should prove to be no exception, despite harrowing headlines screaming bad news.

Real estate is an American obsession. It's a staple of conversation at dinner parties, beach gatherings and barbecues, with good reason as we Americans have a lot of our wealth tied up in real estate.

The concept of wealth is relative and always changing. Those who were wealthy 10 years ago may not be so today. Or they may be so but to a lesser degree, especially if they were counting on that seemingly endless concept of real estate appreciation to fund their ambitions.

For those who are worried about their wealth, check out "Beyond Mechanical Markets: Asset Price Swings, Risk, and the Role of the State" by Roman Frydman and Michael D. Goldberg. The pair has produced a sobering look at how to manage asset booms and busts, including those built upon real estate.

The authors argue that most economic models are not rational but instead are misguided and in some cases actually dangerous.

The major flaw with real estate economics and investing according to the authors: Individuals behave like robots and live in a world where the future unfolds mechanically from the past. In reality, of course, the future is unknowable and change unpredictable. Serious investors, however rational, must base their decisions on incomplete information and watch out for technological innovations, government intervention and the old "invisible hand," as well as other non-routine changes, such as an act of nature that can wipe out a condo development overnight.

People tend to believe that current conditions—whether good or bad—will continue indefinitely, the authors write convincingly. Very few, alas only the smartest or luckiest of real estate investors, can anticipate change. Even fewer can act upon it in a timely fashion to profit, or at least not get financially hurt.

For those who are serious about investing in real estate, read this one.

And for those still hoping to get out of this latest real estate collapse alive, financially speaking, "Guaranteed to Fail: Freddie, Fannie, and the Debacle of US Mortgage Finance" by Viral Acharya, Matthew Richardson, Stijn Van Nieuwerburgh and Lawrence White will crush whatever faint hopes they might have remaining. "Guaranteed to Fail" dissects the rise and fall of Fannie Mae and Freddie Mac—the two government-sponsored enterprises created to help expand the dream of home ownership to millions of Americans.

As the market for sub-prime loans heated up during the 2000s, Fannie and Freddie engaged in a "race to the bottom," along with firms like the now extinct Lehman Brothers and Bear Stearns, the authors posit. As mortgage standards were systematically lowered, risk grew. No one seemed to mind as long as the bills were being paid and the government was issuing guarantees for the loans. Eventually however, it's the taxpayer who's left with the bill.

After sorting out the mess created by loose standards and a buy-now-pay-later mentality, the authors make a good case for more stringent standards. At only 222 pages, the authors cram a lot into a small amount of space in this very educational read.

Similarly, in "From Financial Crisis to Global Recovery," Padma Desai explains in a friendly manner how a systematic breakdown of factors led to the current recession. Ms. Desai points her finger at a near-perfect storm of monetary policy, tax practices, sub-prime mortgage scandals and lax regulation. She leaves the reader wondering (and with good reason) if the U.S. economy is actually on the mend, while concluding with a comparison of the Great Depression to the Great Recession and a look at the effect of the economic collapse on future American capitalism.

"How to Make Money in Real Estate in the New Economy" by Matthew Martinez nails such issues as understanding the housing crisis, with an eye on the very real dangers of over-leveraging. Other chapters cover such areas as buying distressed properties and the "new lending environment," as well as the "no-debt alternative," credit markets and the economic recovery.

Originally, the author was a 9-to-5 wage slave who took a calculated risk on some property, which he describes in this book. The tale is not, however, a get-rich-quick blueprint, although Martinez's story can make nearly anyone envious. Today he is a principal of the commercial real estate firm Beacon Hill Property Group and a founder

of Landlord and Investor Group. His story is that of a survivor and it has some sound lessons.

If the above offerings are too serious, consider real estate page turner "Killer Listing: A Darby Farr Mystery" by Vicki Doudera. In this fiction book, the author writes about million-dollar listings and hefty commissions that come easily for Kyle Cameron, south Florida's star broker. But her career ends abruptly when she is fatally stabbed at an open house. Suspects abound, including Ms. Cameron's estranged suicidal husband; her ex-lover, Foster McFarlin, a ruthless billionaire developer; and Foster's resentful, politically ambitious wife.

As luck would have it, Ms. Farr's investigating puts her next on the killer's hit list. For real estate-minded East Enders, nothing beats the heat like a good mystery.