

**Eldred, Gary W. PhD – Investing in Real Estate**

John Wiley & Sons, 2012 (7<sup>th</sup> edition), [Finance] Grade ★★☆☆

This book is a good resource for the small-scale real estate owner with one or a few smaller apartment houses or for the person who would want to enter the business. Partially, the logic and advice applies to the operations of larger real estate companies. The author Gary Eldred is a real estate investor who has written several books on the subject and who is a sought after public speaker on investing in property.

A number of areas are covered that all aim to increase the returns from the property ownership. Eldred discusses how to gain from price appreciation by purchasing real estate at the right time in the cycle and using appropriate amounts of leverage to magnify the gains from the hopefully increasing prices and the rental income. With increasing prices and cash flows from the operations, the landlord can pay back loans and increase his equity that will allow him to refinance to better interest rates as the risk goes down. Alternatively he can keep the loan-to-value ratio constant and use his now more valuable property as collateral for new purchases.

The real estate management also gets a chapter and over his real estate investing career the author has gradually come to appreciate that it is actually more profitable to keep the properties clean and well maintained. It will lead tenants to care for the houses and even accept reasonable rent increases.

Eldred dedicates several chapters to the many types of projects that could be undertaken to increase the value of the real estate such as converting it to the use that generates the most income (from commercial to residential or vice versa etc.) and utilize various untapped opportunities for the buildings or the site or alternatively sell the development rights so that others can use them. He even discusses how to

improve the location of the property. By joining forces with other nearby landlords and engage tenants, municipalities and shop keepers, areas can be transformed and made much more pleasant, i.e. a location that didn't use to be seen as especially favorable can improve by time.

An important insight from the book is how non-standardized the market is. Those who are creative developers of properties, savvy negotiators and have good industry contacts can buy and sell properties at prices that differ from current market prices. In the equity or bond market everybody gets the same price quote at any given time.

Eldred manages to strike a fair balance between being a real estate bull and keeping a sound and healthy attitude with regards to the booms and busts of the sector. The text is directed to the non-professional so it's light reading. For a 7<sup>th</sup> edition you could perhaps have expected the text to be a bit tighter and more distinct.

I liked the fact that Eldred spares no punches when it comes to the many snake oil salesmen that promise quick riches with minimal effort from investing in real estate. The tone is spirited, opinionated and the approach taken is generally quite practical and focused on execution but at times it could also be a bit too generic.

Personally I didn't really do my due diligence before buying *Investing in Real Estate* and I had expected a book covering how to invest in listed real estate stocks. Hence, when I started to read the book I wasn't too pleased. But then it grew on me and I don't at all regret purchasing it.

Buy it for inspiration on how to get started in small scale real estate investing or, as a landlord, for gaining insights on how to revitalize and get more out of your existing business.

Mats Larsson, March 19, 2017