

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

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4. Property Development - Effective Decision Making in Uncertain Times, by John McMahan, McGraw-Hill, New York, (1976); reviewed in The Appraisal Journal, Vol. XLV, No. 3, July, 1977

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## Book Reviews

**Property Development—Effective Decision Making in Uncertain Times.** By John McMahan. Published by McGraw-Hill, New York, 1976, 432 pages, \$16.

John McMahan has written a college-level introductory textbook that is primarily concerned with the dynamic aspects of real estate. A graduate of the Harvard School of Business, the author has spent his career in management consulting and therefore owes nothing to the NATIONAL ASSOCIATION OF REALTORS® or to the trade schools to which a large proportion of real estate principle texts pander a rehash of descriptive mish-mash. His book focuses on the identification of the factors that might need to be considered in a real estate decision. His objective is "to reduce uncertainty to a manageable level where effective decisions can be made." Portions of the book appeared in the quarterly *Real Estate Review* during 1976.

In the first section of the book, entitled "Historical Perspective," McMahan traces the evolution of the myth of inalienable property-owner rights through the pioneering days of America, the *laissez-faire* days of post-World War II development, and the reimposition of strong public controls on private land-use options. He concludes that, although the ground rules have changed drastically to include the need to serve public purposes, there is great opportunity for entrepreneurship. The style is rather dry here because he sweeps over this fascinating history in only 70 pages, thereby missing many opportunities to narrate the rollicking drama of those eras with the droll and witty prose of authors such as Stewart Holbrook (*Age of the Moguls*) and Eugene Rachlis and John Marqusee (*The Land Lords*).

The second part of the book pays conventional respects to the economics of real estate in its institutional framework. It touches on concentric theory, axial theory, sector theory, and multi-nuclei theory and includes drawings that are a social obligation rather than educational necessity in a principles text. The author uses the next 100 pages to illustrate the possibility of using systematic methods to analyze market demand for a real estate project. He provides an effective introduction to market analysis for first and second home residential, multi-family, retail, commercial, and transient commercial properties. He also distinguishes market analysis

*The Appraisal Journal*, July 1977  
Vol XLV, No. 3

from merchandising (which has a chapter of its own) and suggests that the marketing of real estate is considerably more complex than pounding a sign in the ground and running a classified ad on Sunday. Only three pages are devoted to selecting a broker, the listing agreement, and commissions, a weighting that illustrates the editorial good sense of the author.

Section four provides a comprehensive outline on financing real estate projects and presents an informative chapter on equity investment. Not only does it provide some clear explanations of leverage, tax games in general, risk concepts, and cash flow, but it also uses flow chart graphics to show the differences among the types of real estate ownership such as partnerships and corporations. Section five contains some intelligent suggestions and *caveats* on planning and design to keep in mind when working with an architect or other professionals. A 20-page introduction on the control of the construction project includes the role of monitoring techniques such as CPM and PERT. The author's ability to describe techniques and applications so succinctly is demonstrated by Appendix C. Here he has digested the three approaches to value in only nine pages, followed by three pages summarizing "problems with the traditional approach," and concluding:

"The appraisal profession is not rushing to embrace these new techniques or to modify the traditions of the last 50 years. The necessary changes in appraisal theory and practice will come slowly, and only after much deliberation and debate. It is hoped that as a result of this process the appraisal profession will ultimately evolve a sound policy which will strengthen the creditability of the appraisal process within the real estate and business community."

For those at a loss for words, the book provides a usable glossary of real estate development terms for the beginner. The book is sound in concept and treats real estate as an intelligent business enterprise rather than a game that anyone can play once he has memorized the answers to some state examination.

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~~You Can Get Your Real Estate Taxes Reduced. By Ronald E. Gettel, MAI. Published by McGraw-Hill Book Company, New York, 1977, 275 pages. \$11.50.~~

~~The American people exercise their right of *ad valorem* real property taxation against one another; our sovereign citizens delegate the administration of this right to their elected and appointed civil servants. Those local government officials, in turn, cause the realty parcels to be assessed, establish the tax rate as a percentage of assessed value, and collect the taxes. The judiciary's role is to correct any inequities discovered when~~