



THE

# Smart Money

GUIDE TO

# REAL ESTATE INVESTING

GERRI WILLIS

FOREWORD BY PETER FINCH



THE  
Smart Money  
GUIDE TO  
REAL ESTATE  
INVESTING

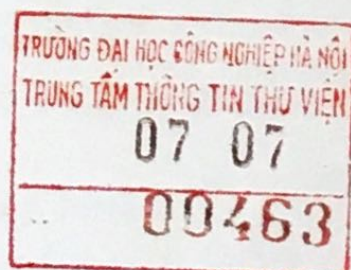
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**GERRI WILLIS**



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# FOREWORD

**M**any years ago, when I was a cub reporter on a newspaper covering business and investing, I had a big idea: I would hire a financial planner. I was making such a meager salary at the time, I figured a planner could help me make the most of every dollar I earned.

Since none of my friends had financial planners, I couldn't ask for references. So I called up the only investment adviser I knew—she wrote a weekly stock market column for the newspaper I worked on—and set up a meeting. I was thrilled. Just 23 years old, I was on my way toward becoming an investor.

But our session didn't go quite like I imagined. Sitting behind a huge maple desk in a dark-paneled office, my new adviser had just one question for me: "Do you own a home yet?"

"Well, no . . ." I explained. "That's one of the things I'm hoping to do with my money. . . ."

"Do it first," she said, cutting me off. "Save up all your money until you can buy a home. Only then should you worry about investing in the market or anyplace else."

It might be an overstatement to say this is the finest piece of advice I ever got, but it certainly ranks up there among the very best. Owning real estate has been an immensely rewarding experience for my family and me. From the first New York City apartment we bought in the early 1980s to the suburban dwelling we live in now, a stretch that has taken us through five different homes, we've had a wealth of great learning experiences, terrific tax breaks, and not insubstantial capital gains. We haven't yet bought any investment (i.e., rental) property, but I can assure you it's only a matter of time.



I am not one of those people who believes their homes will outperform all other investments. Stocks, in particular, ought to do better over the long term. But our family home is easily my favorite investment, and that counts for a lot. I love the way it looks, I love coming home to it every night, and I surely love the way its value has held up over the past few difficult years in the stock market.

Whether you're looking to buy a first home or you are an experienced homebuyer/seller, I am confident you'll find a great deal of helpful information in this new book by *SmartMoney's* Gerri Willis. In writing it, Gerri combined her own firsthand knowledge of the real estate scene with great reporting and the incomparable resources of *SmartMoney* magazine and SmartMoney.com. I think you'll agree that the result is a practical but highly readable guide to a most important corner of the investing world.

Here's to home ownership!

PETER FINCH  
Editor  
*SmartMoney*



# ACKNOWLEDGMENTS

Every issue of *SmartMoney* magazine has always been a collaborative effort. This book is no different. Over the years, a talented crew of *SmartMoney* writers and editors produced a steady stream of stories on topics that hit readers close to home—the purchase, finance, and renovation of their biggest single investment. My challenge was to extend that understanding into the world of real estate investment, whether that meant buying a vacation home, an apartment building, or shares in a real estate investment trust. *SmartMoney* Editor Peter Finch was instrumental in guiding my effort, providing the sharp and analytic eye that I've come to rely upon. My thanks to him for his patience.

Others, too, have provided assistance. *SmartMoney* Deputy Editor John Capouya has added his singular editorial voice to our real estate coverage. Managing Editor Nancy Smith has provided a constant stream of encouragement. Then there is the long list of *SmartMoney* writers and reporters whose efforts and insights were instrumental, among them Chris Taylor, Matthew Heimer, Chris Horymski, and Amy Gunderson. Special thanks, too, to Bill Bischoff, who guided me through the complex maze of real estate tax rules.

I'd like to acknowledge Steve Swartz and Stuart Emmrich, former president and editor of *SmartMoney*, respectively. Their commitment to the idea that individuals can take control of their financial futures has always been a personal inspiration.

Finally, I'd like to thank my husband, David, for his unwavering support.

GERRI WILLIS