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Buildup, bubble and bust explained

Book review: 'The Great Housing Bubble: Why Did House Prices Fall?'

BY PATRICK S. DUFFY, MONDAY, MARCH 16, 2009.

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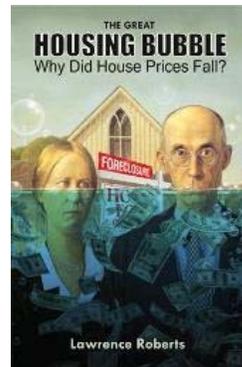
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Book review

 Title: **"The Great Housing Bubble: Why Did House Prices Fall?"**

 Author: Lawrence Roberts
 Publisher: Monterey Cypress Publishing, 229 pages, **\$13.57** (\$4.95 for e-book).


Recently, Inman News launched a **"Roadmap to Recovery"** project to encourage new ideas and foster communication with the goal of improving the business of real estate transactions. In early March, the editors **proposed 10 reforms** to not only improve how real estate is bought and sold, but, more importantly, to ensure that the type of cataclysmic boom-and-bust cycle through which we're now suffering will never be repeated.

Of those 10 reforms, one really hit home for me: "Real estate professionals should provide buyers and sellers with vastly improved market analytics." That's because at the same time I read the reforms, I was combing my way through "The Great Housing Bubble," which is a real estate development insider's account of how bubbles form, methods to property evaluate home values, the important impact of bubble-market psychology, and the future direction of home prices.

Besides working at his day job as a planning and development consultant in Orange County, Calif., author Lawrence Roberts regularly moonlights as the chief blogger for [The Irvine Housing Blog](#). The book arose from Roberts' experience as a blogger and from the many reader comments he received while blogging.

If you're looking for a cheery and breezy "Housing Bubble Explained for Dummies," this isn't the book for you, nor would that even serve its purpose. What's compelling about it is that the author has a background in real estate that's far removed from the sales process, so he's able to step back and provide the sort of unemotional, macroeconomic overview that seems quite atypical for a guide to investing in real estate.

Of course, that makes perfect sense considering his master's degree in land development from Texas A&M University, which runs a well-respected real estate department.

Wondering what your home price might be worth in the future, based on reverting to the past fundamental relationships with household incomes, market-rate rents and interest rates?

He'll tell you his answer -- which you may not like -- but at least you'll be able to school your colleagues, friends and clients on when to bet and when to hold.

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Curious about why home prices are so "sticky" on the way down? Roberts carefully explains the steps that led to the bubble, including the so-called "Precipitating Factor," followed by the stages of enthusiasm, greed, denial, fear, capitulation and despair, all of which take a certain amount of time and impact the prices that sellers are willing to accept. ...CONTINUED

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Submitted by [Joseph Bridges](#) on March 16, 2009 - 5:54am.

The Irvine Housing blog is a great blog and as such it will be interesting to read this book. Hindsight is 20/20 only if we learn from what happened and can see it again so insights into what happened are best to learn now.

While we can't change what happened or even prevent it from happening in the future we can learn from it and do our best to guide our clients around what will happen in the future with more information and more stats as is mentioned.

Visit the blog at: <http://www.InternetRealEstateSuccess.com>

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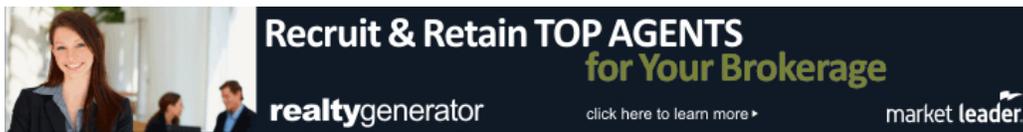
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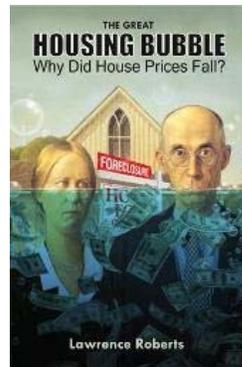
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As with any good primer, the author starts with the basics, detailing the financial and psychological underpinnings of a classic bubble.

Whether it was due to the fear of being priced out of a rising market or listening to the chatter at cocktail parties, with some insisting that "They aren't making more land!" or "Everyone wants to live here!", the reason people got caught up in the real estate frenzy, he explains, was because they ignored the fundamentals -- or simply didn't know about them in the first place.



Fortunately, the author makes for a very good teacher, gradually revealing these fundamentals in chapters such as "Conservative House Financing," "Fundamental Valuation of Houses," "The Credit Bubble," "The Housing Bubble" and "Bubble Market Psychology." For land developers and homebuilders who first entered the building industry during the upswing, Roberts, as the development consultant, offers a refresher course on the importance of the residual value of land based on the home prices of the surrounding housing stock and building densities.

Want to know how far prices may still fall before hitting bottom? A sobering chapter entitled "Future House Prices" explains various ways to make that prediction for your area, and he follows it up with sage advice on "Buying and Selling During a Decline" and how to deal with foreclosures.

Finally, Roberts, as the blogger, suggests ways to prevent the next housing bubble.

Filled with 64 exhibits, 146 footnotes and a nine-page bibliography of source material, "The Great Housing Bubble" is probably not a casual read during a day at the pool or the beach. But for real estate professionals wanting to educate themselves or their clients on how to successfully build wealth through the buying and selling of real property, this author has a lot to teach.

Patrick S. Duffy is a freelance writer. He is also a principal with [MetrolIntelligence Real Estate Advisors](#) and author of [The Housing Chronicles Blog](#).

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