

Minutes
AAII Orange County Chapter
Monthly Meeting, August 25th, 2007
Oasis Senior Center
800 Marguerite
Corona del Mar, CA 92625
Reported by: Rex Chen

Title: *How to Significantly Increase Your Portfolio Return with Real Estate on a Part-Time Basis and Without a Career Change*

Speakers: *Roger Shaar, Director, International Aerospace Marketing and Sales (Retired) and Past President Los Angeles CA AAI Chapter*

Chapter President Bob Welge brought the meeting to order at 9:00 am. In the beginning of the meeting, Bob announce the AAI Orange County's website and the resources available on the web, including meeting minutes from past events. After some delay, Bob introduce today's speaker, Roger Shaar to discuss about today's topic on Real Estates.

In this talk, Roger first gives a brief background and informed investors to look for investment opportunities in real estates. Roger describes his personal experience on real estate, specifically on small-income producing apartment buildings. Robert then pinpoints real estate and financial markets having weak correlation and that the two assets require different skills and temperaments. From a taxation standpoint, Roger describes real estate as an advantageous investment that is tax deferred until the property is sold. Furthermore, Roger explains that unlike the stock market, real estate is an inefficient market where there housing price is not known all the time. Among the causes for appreciation and depreciation on real estate properties include the neighborhood, the government (city, county, state, federal), the federal reserves, and global capital markets which impacts the liquidity.

For investing in real estate, Roger also suggests using a local property management company to take away the burden of handling with tenants. In addition, Roger suggests to not keep too much equity on any single property and to only leverage real estates appropriately. Among other things, Roger suggests a number of resources for further study in real estate investments. These include research publications from the USC Lusk Center for Real Estate Development on recent trends in real states for the state of California. As for interest rates, the federal reserves website has a site on federal open market committee (FOMC) which shows the rate changes on a monthly basis.

Following the conclusion of Roger presentation, Bob adjourned the meeting at 11:30 am.

Two of Rogers key charts are included with these minutes—see below.

R.O.E.=
(RETURN ON EQUITY)
(BEFORE TAXES)

$$\begin{aligned} & 1) \text{ CAP RATE } \\ & \quad + \\ & 2) \text{ (CAP RATE - INT.) (D/E) } \\ & \quad + \\ & 3) \text{ (APPRECIATION RATE) (1 + D/E) } \end{aligned}$$

- NOTE:** 1) BUSINESS PART
2) FINANCIAL PART
3) ECONOMIC PART

- TAX CONSIDERATIONS:**
1) DEPRECIATION - DEDUCTIBLE
2) INTEREST ON DEBT - DEDUCTIBLE
3) CAPITAL GAIN - DEFERRED

REFERENCES

Newspapers & Magazines

Los Angeles Times (especially the Sunday Real Estate Section)

Financial Times (excellent, especially for Finance & Global Investing)

Wall St. Journal (Let us hope Rupert Murdoch doesn't screw it up)

The Economist (One of the best all-around publications)

Research Centers on Real Estate

U.S.C. LUSK CENTER FOR R.E., MARSHALL SCHOOL OF BUSINESS

U.C.L.A. ZIMAN CENTER FOR R.E., ANDERSON SCHOOL OF MGMT

Real Estate Magazines for L.A. Area

Apartment Management - published by *Apartment News Publications*

For Los Angeles area: Ph. 800/931-6666, e-mail: apmtgmt@verizon.net

apmtgmt@verizon.net

Apartment Owners Association News – 6 locations in Calif.

For Los Angeles: 323/937-8811, For San Fernando Valley: 818/988-9200

Apartment Finance Today – published by *Hunley Wood Magazines*

Ph. 888/269-8410 (This is a national magazine)

Books – Real Estate and Financial Markets

William Nickerson, (1959), *How I turned \$,1000 into a Million in Real Estate*
– *in my spare time*, Simon & Schuster

Robert G. Allen, (1986), *Creating Wealth*, Simon & Schuster

Charles D. Ellis, (1997), *Investors Anthology*, Wiley (58 essays, 55 Authors)

Charles D. Ellis, (2002), *Winning the Loser's Game*, McGraw-Hill

Ken Fisher, (2007), *The Only Three Questions That Count*, Wiley

Martin E. Zweig, (1986), *Winning on Wall St.*, Warner Books

Rodic, Kane & Marcus, (1989), *Investments*, Irwin (Dept. of Finance, USC)

Donald R. Nichols, (1989), *Personal Investor's Complete Book of Bonds*, Dearborn

Monetary Policy & The Federal Reserve

Robert Guttman, (1994), *How Credit-Money Shapes the Economy*, Sharpe

D.C.Colander & D. Daane, Editors,(1994), *The Art of Monetary Policy*, Sharpe
(16 essays by prominent leaders in this field such as Paul A.Voleker)

W. S. Carnes & S. D. Slifer (1992), *Atlas of Economic Indicators*, HarperBusiness