

Excerpt of 'Trump: Think Like A Billionaire'

By Donald Trump with Meredith McIver

Chapter 1

PART I

Real Estate

When people hear the name Trump, they think of two things: wealth and real estate. So while this entire book is dedicated to the creation and enjoyment of wealth, I need to start with the basics. The basics, for me, are all about property. Real estate is at the core of almost every business, and it's certainly at the core of most people's wealth. In order to build your wealth and improve your business smarts, you need to know about real estate.

What follows is some great advice. There are some helpful tips here for first-time apartment renters as well as for multiple-home owners. So read on.

How to Get an Appraisal and a Building Inspection

Let's say you find your dream home. A perfect location, perfect architecture, perfect price. Be careful. Always know what you are mortgaging. Don't let your guts trick your brain, and don't rush yourself (or allow your broker—who will always be telling you about the other buyers—to rush you, either). It is better to have researched the opportunity and lose it than to make a mistake by jumping into something you'll come to regret.

The best reality check is the appraisal. The lender will have an appraiser, and in most situations, you will be responsible for paying for the appraisal. The appraisal should not be seen as an annoying expense that will only benefit the lender. The appraisal benefits you as well. Appraisers are professionals, and they will be able to see things that may elude the eye of most home buyers. Ask questions and do your own homework, but at the end of the day, defer to the appraiser. Some of his or her findings might be insulting or surprising, and the truth can hurt, but the appraiser's job is to be objective. A fair appraisal will only help you in the end.

Any number of things—some of which are regulated by the government (such as flood control)—can affect the location. Other factors, such as proximity to high-tension wires, may or may not be so apparent. You're probably not going to wind up buying the Amityville Horror, but you shouldn't expect that every seller will tell you everything unfavorable about the property. You're better off assuming that some things will not be divulged, out of ignorance, forgetfulness, or evasion. If you're confused by what I'm telling you, rent the movie *The Money Pit* to familiarize yourself with the pains of ignoring or forgoing the appraisal.

In the event that the structure is being purchased with mortgage funds, most probably you should also have a building inspector examine the premises. A building inspection is often required, but you should always require it yourself. A knowledgeable, licensed inspector/engineer can detect whether the heating unit is functioning properly, whether the air conditioning is sufficient, whether a sump pump is needed, and so on. Think of a building inspection as an X-ray; the inspector will be able to see through the entire house and identify any systemic problems. For instance, what sort of materials were used for the house's piping? Galvanized? Brass? Copper? Synthetic? Galvanized pipes rust and don't

last as long as brass pipes, which don't last as long as copper pipes, which don't last as long as synthetic pipes. Only a building inspector will be able to see this level of detail within a house or apartment.

If the inspector makes you nervous or you sense that he or she is working too quickly, find someone else. The inspection is too important to be careless about it.

Sometimes the problems inspector's finds are fixable at a reasonable cost, but other times they find things that cannot be fixed without major renovations or even a teardown. The inspector will provide an objective, independent report that may or may not affect the value of the home, but either way, you can request price adjustments based on the inspection.

Another quick tip: Some investors make the dumb mistake of assuming that new constructions do not require building inspections. Wrong! New constructions often have the largest problems, particularly if the build-out and construction were sloppy. In addition to structural, plumbing, and electrical woes, new constructions can be vexed by mold infestation and other problems typically associated with longer-standing buildings.

How to Buy a House

The real estate market can be terrifying, which is part of the reason I love it so much. But it can be downright petrifying when it involves what may be your most valuable possession: your home. The market changes every day, sometimes every minute. For home buyers, some of whom will buy one house in a lifetime, trying to time the market perfectly can be a ridiculous waste of time. In ten, twenty, or forty years, any small variations in the price of your house will have amortized into a blip on your financial radar screen.

You have to go with your gut, and if you love a house and you can afford it and your broker assures you that you are paying a fair market price, you're paying the best price. It's as simple as that. When it comes to your home, don't be concerned about spending more than it's worth if you know that you will be there forever and you'll be happy there. Sometimes the emotional price you put on a house may exceed the market price. Buying a home is different from the pure economics of investing in real estate. If you simply cannot afford a house that you love, don't be shy about underbidding; sometimes the seller will surprise you.

Before you start looking for a house, or even figuring out what you can afford to buy, make sure you have money socked away. Brokers and sellers will take you seriously, and you will increase your bargaining power as you're able to increase the size of your down payment. Buying a house is a serious investment, and banks and lenders will be there to help you make that investment.

A typical home buyer will not have access to one hundred percent financing, and you have to be as invested as your lender. The down payment should be your own personal gauge for your commitment to the house. Don't lose sight of the checks and balances because ultimately it will all come down to your checks and balances.

While it's good to be mindful of costs when buying a house, don't go overboard. Don't try to save money on necessary items, such as not getting a survey where it might be of value, or relying on people who are

not well recommended or not known. Do not attempt to save small amounts of money on items that are important parts of the process. People often stupidly try to save money at a real estate closing, since some adjustments will probably still be made and the negotiations will not have ended. But don't be hardheaded and cheap when it comes to buying a house. It's counterproductive.

Simply put aside some money before you begin the house-buying process (call it your reserve budget), and then legal and financial situations that arise will not be skipped to cut costs. Undermining the purchase of your home from the beginning will only end up haunting you down the line.

How to Read a Classified Ad or Listing

Often people resort to the classified ads or other listings to find apartments and houses for rent. Don't be a fool! In New York, in particular, advertisers will make rat-infested closets sound like the penthouse of Trump Tower. Learn to see through the garbage in the advertisements so you don't waste time looking at apartments that should be bulldozed rather than inhabited. The advertisers should all write novels, since they're clearly so talented at writing fiction.

Pay attention to words like "funky" and "charming," which you can translate as "unlivable" and "run-down." Ads that brag "newly renovated" usually mean that the landlord has simply slapped new knobs on the bathroom cabinets. Other phrases that should make you nervous include "old-world appeal" (read: "dilapidated"), "cozy" (read: "tiny"), and "freshly painted" (read: "There's nothing good to say about the apartment except that it has a fresh coat of paint"). Anything that sounds too good to be true is—especially when it comes to apartments.

Also, pay attention to the information that's not provided. If there's no apartment number given, you can bet it's on the first floor (where it's never good to live because of crime and noise), and if there's no square footage provided, it's too embarrassing for the advertiser to mention. Also, if there's no photograph, beware. Even the worst apartments can be made to look palatial on film, so you should be doubly suspicious if a photograph is missing when other apartments in the ad include one.

Houses, apartments, and offices need to be touched and seen before you rent or buy them. Classified ads and listings can point you in the right direction, but it's your responsibility to thoroughly investigate any property you may be considering.

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