This section of the *Journal* publishes reviews on textbooks, professional books, and other scholarly books appropriate to real estate. Areas of interest include, but are not limited to, mortgage markets, real estate investments, real estate finance, asset/property management, real estate development, corporate real estate, valuation, and other areas related to real estate. If you have an interest in reviewing a particular book or if you wish to be considered as a reviewer, please contact the Co-Editor at the address noted above. A list of new books follows the book reviews; both are arranged alphabetically by author.

**Major, John B., with Pan, Fung-Shine (Eds.), Contemporary Real Estate Finance: Selected Readings, Prentice Hall, 1996. 406 Pages.**

The editors have compiled an excellent selection of articles by numerous real estate experts, many of whom are noted authorities in the field of real estate. That speaks volumes about this collection of readings. The text contains twenty-seven readings of historical interest and state-of-the-art studies. These readings can be used as a supplement in upper-level undergraduate or graduate real estate finance and investment courses. It is also an ideal source of readings for undergraduate and graduate real estate seminar courses.

The articles in Part 1, Introduction, focus on the development of real estate investment analysis, critical issues in real estate investment analysis and real estate portfolios. The first article, by Austin J. Jaffee and C. F. Sirmans (AREUEA, 1984), provides a review and analysis of the past, present, and future of research on real estate financial decisions. Some of the unresolved issues in real estate investment analysis such as “Real Estate as an Investment,” “Investor Objectives,” and “Taxation Environment” are discussed. The authors posed excellent questions for future research. It is not surprising that some of the issues remain unresolved in 1996; consequently, this article not only provides the historical development of the theory of real estate investment analysis but also presents a research agenda for the future. The timeliness and relevancy of their research agenda are reflected in subsequent articles in this text and in the body of research published since the mid-1980s.
The second article in Part 1, “Real Estate: The Whole Story” by Paul M. Firstenberg, Stephen A. Ross, and Randall C. Zisler (1988), applies modern portfolio theory to real estate asset selection. The authors contend that investors should examine equity real estate investments not only on their individual merits but also for their impact on the investor's overall real estate portfolio. The two modern portfolio techniques used in this paper are the capital asset pricing model (CAPM) and the arbitrage pricing theory (APT). The authors demonstrate that these techniques are just as applicable to real estate portfolio management as to security portfolio management. Their intention is to show how pension funds and other large investors can use modern portfolio techniques both to construct real estate portfolios and to allocate funds to asset categories including real estate. They begin their work by comparing total real estate returns to returns on stocks and bonds to show that real estate is an attractive asset category relative to stocks and bonds. This article provides an excellent review and application of modern portfolio theory for both undergraduate and graduate students.

The remaining articles in this text are presented in eight parts. Each part contains at least two articles. The categories include mortgages, mortgage-related securities, real estate investment performance, portfolio management and real estate, inflation and real estate, finance theory and real estate, real estate decision models, and real estate derivative markets. All of the articles were published in noted journals—AREUEA Journal, Journal of Finance, Journal of Portfolio Management, Journal of Real Estate Research—between 1980 and 1993.

Part 2, Mortgages, contains three articles. The focus of the first and second articles is mortgage choice. James R. Follain (1990) reviews much of the literature that has been written on this topic in his article entitled “Mortgage Choice.” Models used to explain mortgage choice are categorized and discussed. While the simple certainty model that incorporates liquidity constraints seems capable of explaining some of the “stylized facts,” the introduction of uncertainty models produces substantial insights about mortgage choice.

The second article in Part 2, “Adjustable-Rate and Fixed-Rate Mortgage Choice: A Logit Analysis” by Michael Tucker, uses logit analysis to determine whether financial variables are significant in determining borrower selection between fixed-rate and adjustable-rate mortgages. The results of the analysis support the hypothesis that pricing variables and not individual borrower characteristics determine the choice of mortgages.

The third and final article in Part 2, “The Value of Mortgage Assumptions: An Empirical Test” by Sunderman, Cannaday, and Colwell, provides an empirical test of the two main techniques for calculating the financing premium for assumption financed sales, cash equivalence adjustment (CEA), and financed-fee valuation adjustment (FFVA). Their results indicate that both the CEA and FFVA computational techniques overvalue the premium associated with assumption financing.

Part 3, Mortgage-Related Securities, includes three articles that focus on valuation of, prepayments, and duration on mortgage-backed securities. Dunn and McConnell, in the first paper, present a model for the valuation of Government National Mortgage Association (GNMA) mortgage-backed pass-through securities. They then use the model to evaluate various facets of the pricing, returns, and risks of GNMA securities relative to those of other types of fixed-rate securities. This paper was motivated by the considerable interest among portfolio managers, financial analysts, security dealers, and government officials in the pricing and investment performance of GNMA securities.

The second paper, by Scott F. Richard and Richard Roll, introduces their latest work on prepayment modeling. Their model includes certain innovations and attributes that extended the understanding of mortgage prepayment. They first analyze the economic theory underlying a homeowner’s decision to prepay a mortgage. This option-theoretic analysis