



Investment Real Estate for me?

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have a question about the real estate market? Ask the Pink Realtor: E-mail Ask@pinkpalm.com

People from all walks of life are asking the question: Is investment real estate for me?

Congratulations on taking the first step of wise investing: ask an expert. I have advised real estate investors for more than a decade. As with any investment of your hard-earned dollars, it is prudent to get the facts and ask yourself if this particular opportunity is right for you.

Investment options are historically risk/reward propositions – meaning the higher the risk of loss, the higher the return you could reasonably expect. At this time, the stock market, mutual funds and commodities are highly volatile, but the expected returns are anyone's guess. Treasury bills, certificates of deposit, money market accounts and bonds pay such a low return it is almost as if the money were doing nothing. The risk is significantly less but so is the reward.

Real estate is a classic wealth-building investment. When managed correctly, real estate can build substantial wealth over time. At present, there are a couple of factors at play in South Florida that makes real estate particularly promising.

Prices are down and stabilizing

The 2011 real estate values saw a drop of 5.6 percent year over year, resulting in prices equal to those of 2002, according to Zillow.com, and the sales of homes that were in some stage of foreclosure or that were bank owned accounted for 31 percent of all U.S. residential sales in the second quarter of 2011, down from nearly 36 percent of all sales in the first quarter but up from 24 percent of all sales in the second quarter of 2010.

Today's U.S. real estate market is showing signs of stability for the first time in five years. Prices are down but are stabilizing. Foreclosures are on the decline quarter after quarter, and banks and buyers are making deals earlier in the process. Overall, the sale of real estate is on the rise throughout the U.S. Investor activity in South Florida is on the rise as domestic and international buyers see the unprecedented market conditions and the signs of stability that will yield welcome returns to hungry investors.

Rents are up

In the wake of tens of thousands of people losing their homes to foreclosure, the Florida rental market has emerged like a phoenix from the ashes. Florida has seen rent rates increase 7.7 percent year over year, according to Zillow.com. The average rent in the Miami-Fort Lauderdale metro area is a staggering \$1,700 compared to \$1,430 in the U.S. as a whole.

Market timing is not the only factor to consider

The most important aspect of real estate investing is your exit strategy (i.e., what are you going to do with the property

once you own it?). Sure, you can buy at a low price, but then what? The days of flipping (buying and immediately selling at a profit) are over.

There are several ways to make money in real estate investing: buy at auction and sell wholesale to other investors; buy wholesale and sell at market price (retail); buy at a fair price and hold for long-term appreciation; and numerous variations on the theme. There are investors who rehabilitate property, allowing them to get amazing deals and maximize profits. It should be noted that property rehabilitation is a specialized skill and renovation projects should not be entered into lightly.

All real estate investment options require some level of expertise to generate a worthwhile return on the investment. If you are not an expert, this does not have to be a dead end. Find an expert and pay him or her to provide that expertise to you. Some investors prefer to invest in a Real Estate Investment Trusts (REITS) or Real Estate Equity Funds for a solid return with less risk and none of the work.

With the average market price so low and the average rent so high, buying investment real estate to hold as rental property is a sound strategy. A positive cash-flow rental allows an investor to buy and profit every month with future appreciation a welcome bonus.

There are areas for which I recommend enlisting the help of a professional when investing in real estate. Property selection, financial analysis of the investment, property inspection, renovations, legal issues, leasing, property management, maintenance, etc. can add far more expense than most new investors realize. Managing these things on your own can be far more costly.

All expenses should be estimated (preferably with professional help) prior to acquisition of any investment property. If money is coming from your pocket every month and you are betting on appreciation alone, it is not a good investment.

Check with your tax professional about how you can use this investment vehicle to your advantage. Ask an expert for advice. Dependable resources are The Institute of Real Estate Management (IREM) at www.irem.org or a Realtor® specializing in residential investment real estate or property management (be sure to ask for references).



Lecavalier serves as Fund Manager for SISCO Limited Partners, a private equity fund that rehabilitates foreclosed properties and rents them via affordable housing programs in Broward County, is a licensed Real Estate Agent, an Accredited Residential Manager (IREM, ARM) and a Certified Investor Agent Specialist (CIAS).