

Why invest in this Real Estate Market? Posted By Chris Robertson: December 1, 2008

Real Estate is a Leading Indicator

There is no question that the world of real estate has kept us all on our toes during the past couple of years. During the last few months we have seen major efforts by government, lending institutions, and sellers themselves to “right the ship” in our turbulent sea of properties for sale. It really is quite amazing how tightly connected the real estate world has become to virtually every aspect of our worlds. The major issues plaguing our economy are all related to the leading indicator...Real Estate sales and in turn, Property Values. The slowdown in economic spending, loss of jobs, companies closing, the stock market’s devaluation, and virtually every minor hiccup that we have experienced in recent months is largely a ripple effect of what has happened in our housing markets.

Let’s take a breath and see things a bit more clearly... the sky is not falling, the world is not falling apart at the seams and we have seen worse times in the historical past. Please understand this fact when mulling over your personal position with real estate buying and selling...Real Estate is still the best and safest long term investment available! What people are not seeing in these declining times is that real estate values are right on pace for the historical returns of 5%-7%. What do I mean by that? Well if you plot out real estate appreciation rates you will see that we are just returning to the constant line of historical returns of 5%-7% for most areas. What has seemed to be such a huge loss in real estate values is balanced by recent years of inflated appreciation rates. Yes, we have for the most part experienced 20%-30% losses throughout most of the country in home values and in some areas of speculation; they have even been hit far worse. The point we need to keep sight of is that due to the high appreciation rates of recent years, most of those short term gains have been re-absorbed putting us pretty much right at the constant rate of returns mentioned above. Real estate investing and ownership, when done over the long road of 10, 20, or more years is a virtual guarantee of solid wealth building. There is virtually no one who has achieved a level of high wealth, that hasn’t previously held or currently holds large portions of that wealth, in real estate holdings. Said more clearly, real estate makes you wealthy!

Leveraged Money

Many of you reading this are already arguing the measly 5%-7% that is suggested as a healthy return is just not good enough to make you wealthy in any definition of the word. I am telling you that this is your best chance at true long term wealth. What most overlook when discussing the returns, are that holdings in real estate, whether for personal use or investment purposes, are usually highly leveraged money. This leveraged money makes low returns like mentioned above; far outweigh the highest achieving funds and stocks available. The long term amounts equal consistent cash-on-cash returns of 30%-40% just by investing in real estate. Furthermore, by buying real estate you get a slew of other benefits that would not otherwise be available such as tax deductibility of interest, forced savings through principal reduction, and tax free capital gains up to \$500,000 every two years! Something else you won’t find by investing in stocks is the fact that you get a tangible item...in a “home” to use and enjoy...try living under the roof of that monthly stock statement you get in the mail. If the property is investment income generating, you get to depreciate an asset that appreciates in value as well as deduct the expenses to operate the property. Basically, if you own investment property you can break-even or possibly lose some on cash-on-cash returns each year and still come out far ahead...even before considering any appreciation rates on highly leveraged money.

Try going to your banker and stating that you want a loan because you have a “strong feeling” about a stock or a mutual fund. You better grab a free pen quick as they will laugh you right out of the door in a hurry. With real estate, the lenders welcome you and your “investment” plans of purchasing a home. Yes credit has tightened quite a bit in recent days, a change that was truly needed and far too late in coming. So you do need a job, decent credit history, and some money down now (not always)...is that so hard to expect from an investor who is willing to stake you the ability to create wealth? The recent real estate market is just a shift that; long term, will be good for every one of us who have real estate holdings, either personal or investment. It will cause the real estate appreciation rates to fall back in-line with a consistent return that is sustainable. It will provide better quality service levels for the consumer as the “less qualified, less skilled” Brokers, Lenders, and Real Estate Agents have fallen wayside in this tight market.

Summary

We are in an incredible and amazing market right now. There has never been a better supply of inventory on the market and interest rates are once again near historically low levels (5.5% at time of posting this). Many financial “experts” are predicting that rates may fall even lower to right around 5%...some predict lower. It would seem that everyone is sitting on the fence with anticipation. We all want to see the “green light” go on to signal that things are on the upswing. The problem is that no one, self-proclaimed “expert” or not, knows when that time will come until after it has come and gone. The reality is that when the masses have decided that things are on the upswing...it will be too late at that point as things will change for the good swiftly both in stabilizing prices and in raising interest rates.

Advice

Real estate investing is safe when done properly. It is important to remember this is not a short term in-and-out activity rather; it is a long term guarantee of wealth building. Now is likely, the best time EVER to buy a home. If you are looking to “move-up” in home price points, be cautious but not fearful. If you are just looking to sell, you may want to hold off until things start turning over in your area. If you have interest in buying either a personal home, an investment property, or a second home...STOP WAITING, the “green light” is on now! Buyers, if you think prices are still falling...why not set your price, you are then setting the price not the sellers who have followed the sales price trends when setting their asking prices and have adjusted that price based off of their motivation levels.

Whatever it is you are considering, the first step is to contact a professional for sound advice. A knowledgeable REALTOR® such as myself, will give you the facts and figures along with sound advice that will take in to account your personal situation. With this knowledge; you can make an informed decision that will set you up for a life worth living by wealth building through real estate ownership.

Please feel free to check out my website at www.BestHomeForU.com for more information and to search for homes or... Better yet,

give me a call directly at: **(612)708-0101**

Best Regards,

Chris Robertson

Keller Williams Premier Realty

“Service Beyond All Expectations”