



The Real Estate Investor's Insider

Rob Cassam, CCIM, MBA, Broker (NC & SC)

\$79.00 per year

February 2009

It's About NOT Failing...

- Do you know what to do?
- Do you know how to do it?
- Do you refuse to take action or get help with your plan?

Remember that experience is a good school but the fees are often high...

Thank you for investing the time to review this publication. I sincerely hope that I can give you the information you need for today's competitive business world so that you can make safe and profitable business decisions and use real estate to your advantage.

Happy Investing!
Rob Cassam- Broker,
MBA, CCIM

Inside this issue:

Control	1
Goals	2
Why RE?	3
Why RE? (con't)	4
RE Assistance	5

Control!

Anyone who has picked up a paper or a business magazine can clearly see that the investment markets truly irrational. It is clear that no investment fundamentals exist at this time. For the average investor, any sort of control in the money invested should be a priority.

I suggest that real estate investments offer the investor that control. Depending upon the levels of risk you are prepared to take and the amount of control of the investment you require, there are several options in real estate that beat the market. Among the best real estate investments to consider today are property classes that features multi-tenant properties. Stability and strength of the tenant as well as a solid operating history of the property are elements that can still be analyzed, forecasted and provide real cash flow.

The control the investor possesses with real estate exists in the following:

1. Selection of the property class (single family, multifamily, retail, office or industrial).
2. Control of the management responsibilities, either by self management or third party management. (In some cases, there many be no management required as in the case of NNN properties where the tenant is responsible for the property).
3. Control over the future tenants of the property. The owner can select the quality of tenant for his property (and the type when dealing with non-residential property).
4. Control over the property operations that give way to the rent charged, the expenses and how the property is positioned in the market through the investors sales and marketing channels.
5. Control over when and how the property is sold in order to maximize the investors return.
6. Control over all vendors used in the real estate investment from financing and management to grass cutting.

Most investors today have seen their portfolios take a severe beating, considering the control and returns that investment real estate can offer should be carefully considered. As you read articles and newsletters similar to this ask yourself, ***“What is the best return I can expect over all of my alternatives given the risk I am prepared to take and amount of control I am prepared to relinquish?”***

Understanding Investor's Goals

Diversification

The key to successful investing is a balanced portfolio. Most financial advisors recommend that investors have some liquid savings, some fixed-return instruments, and some investments with equity growth potential. Within these categories, a diversification of investments can protect the investor if the market drops in one area of his or her investment portfolio. Real estate, as one element of an investment portfolio, offers the potential for equity growth as well as monthly cash flow.

Determining an Investor's Objectives

A real estate agent should seek to understand an investor's tolerance or need for liquidity, marketability, leverage, management, taxation, yield, and risk. Does he enjoy taking risks? Does she want to spend time managing an investment? Does he want to invest in something tangible as opposed to a "paper" investment? Does she prefer short-term or long-term holdings? Understanding the answers to these questions makes it easier to determine an individual investor's investment preferences and goals.

What Investors Want To Know

1. How much do I need to invest to realize my goals?
2. What kind of return can I make on my investment?
3. When do I receive this return?

The Real Estate Agent's Task

The real estate agent's task is to help provide investors with the information they need to make a decision. Investors must decide for themselves whether or not an investment in real estate is right for them. A real estate agent should not necessarily express an opinion about an investment unless the client asks for it, and should never press a client to make a certain decision. In addition, the agent should encourage the client to seek professional tax and legal advice before choosing real estate as an investment.

What Is Investment Real Estate?

Investment real estate is any type of real estate with the exception of the investor's personal residence(s).

Examples:

- Single-family homes, condominiums, and multi-residential properties.
- Commercial properties such as office buildings, retail stores, and hotels.
- Industrial properties such as manufacturing plants, warehouses, and research facilities.
- Vacant land held for appreciation.

It's how you *use* a property that determines whether or not it is investment real estate.

Four Major Advantages of Investment Real Estate

First Advantage: Income from Cash Flow

After payment of all operating expenses and mortgage payments, the resulting income is called *before-tax cash flow*. This topic will be covered in greater detail as we study the cash flow model in our next chapter. For now, just remember: Positive cash flow is good! Negative cash flow, while not desirable, is not necessarily all bad! Keep in mind these guidelines:

1. Choose the property that will produce the highest rents.
2. Choose the property with the most reliable tenants.
3. Choose the property that will return your investment the fastest.

Second Advantage: Equity from Loan Pay-Down

When we obtain financing to purchase investment property, we are using the principal of leverage.

Third Advantage: Equity from Appreciation

In the real world, property values fluctuate. An increase in value is referred to as *appreciation*, while a decrease in value is referred to as *depreciation*. Investors generally purchase real estate on speculation that property values will increase over time. When a leveraged investment appreciates, equity in the property increases in two ways. In addition to the increase in equity obtained by paying down the mortgage, equity also increases as a property appreciates in value.

Fourth Advantage: Tax Savings

One of the tax benefits derived from an investment in real estate is the ability of an investor to pay taxes on an amount that is less than the income received.

Savings: Investments such as certificates of deposit have a rate of return that is fixed for a specific period, while interest paid on passbook savings can fluctuate. These rates tend to be relatively low.

Stocks/Bonds: The rate of return or yield on certain bonds is fixed for the life of the investment. The return on money invested in a stock varies according to the perceived value of its earnings and overall consumer confidence in the marketplace.

Real Estate: Real estate investments usually produce variable returns, the exception being certain net leased investments. The income produced is dependent upon market conditions. Because of this, the amount and timing of the receipt of returns is an important issue for real estate investors. The full return of the amount invested usually does not occur until the property is sold.

Risk: Risk is the uncertainty associated with the expected performance of an investment. If the outcome is certain, there is no risk.

Savings: Very low risk on federally insured deposits up to \$100,000.

Stocks & Bonds: Many investors have built wealth by investing in the stock market; however, most people understand that the potential exists for the market to plunge. Over the past century the stock market has plunged more than 40% on seven different occasions. Some of these plunges have happened in as little as one year, while others have taken as many as six years to reach bottom. However, as holding periods increase, the risk associated with a stock or bond market drop is reduced.

Real Estate: When held for a reasonable time period, real estate is usually considered a low- to medium-risk investment. As with stocks, the longer the investment property is held, the lower the risk.

Ask Yourself...

“What is the best return I can expect over all of my alternatives given the risk I am prepared to take and amount of control I am prepared to relinquish?”

Call me, I may be able to help you determine that answer!

704-442-1774 Ext. 100

robass@ix.netcom.com

<http://www.CharlotteNCProperty.com>

I provide real estate brokerage services for small and medium sized businesses, investors, and individuals who are fed up with losing money, paying too much and/or, spending too much time not getting the right piece of property for their particular situation. I act as the quarterback in the real estate transaction for my clients who coach me in managing all of their different needs. My clients love not needing to worry about making bad decisions or bad investments and love winning negotiations. Take a moment to think about these important questions:

- How are your properties helping you in your life?
- Have your investments turned out as planned?
- What types of problems have you had growing your portfolio?
- How has the economy impacted your rents and vacancy?
- Are you satisfied with your income and asset portfolio? Is it meeting your needs?
- How much of a problem is dead equity in your property?
- How long are you prepared to go on doing nothing about situations in your business that are not quite right?
Give me a call, I may be able to help...

Featured Listings

➔ [Nottingham Apartments.](#) (Click for brochure)



\$1,499,000 FOR SALE (9 CAP on 2008 Actuals!)

For Sale / Multi-Family

25 Units in Gastonia NC, Great cash flow property, no deferred maintenance.



➔ [Peterson Apartments.](#) (Click for brochure)



\$324,000 FOR SALE (10 CAP on 2008 Actuals!)

For Sale / Multi-Family

9 Units in Stanley NC, Great cash flow property in nice town near Charlotte.



➔ [105 Pine Forrest Dr. Stanfield NC](#) (Click for brochure)



\$5.00/SF NNN or \$495,000

For Sale or Lease / Office-Warehouse

7,000SF building with (5,063SF shop, 1,937SF) office space on 1.45 acres.

➔ [Gilead Commons \(Office Condo\)](#) (Click for brochure)



\$517,500

For Sale-Office- Huntersville

2,385 RSF 2,011USF Office condo with a class "A" up-fit.

➔ [NNN Jiffy Lube with 8 Bay Car Wash](#) (Click for brochure)



\$599,000 (8 CAP on 2008 Actuals!)

For Sale/Investment

Investment property for sale-2 bay Jiffy Lube (5 yr. corp. **guaranteed lease**).

