

About Real Estate In Florida

954 - 255- 5056

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www.aboutrealestateinflorida.com

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Does Real Estate Suck?

It might if you bought at the very top of the market and now need to sell because you leveraged yourself up to your eyeballs. But, it definitely does not suck if you want to take advantage of some of the bargains that are available in this marketplace. This is especially true for rental properties.

That's what I want to focus on in this issue; buying rental property.

Yes, you can buy cash flow positive properties, especially in this market.

Let's start with a hypothetical:

1. An apartment is selling for \$180,000
2. The rental market for this type of apartment brings in rents between \$1050 and \$1200 a month.
3. The apartment is very easy to rent.
4. The unit is essentially brand new.
5. The neighborhood is rapidly trending upward.
6. New apartments are being built around it starting at \$350K to \$400K.
7. Similar apartment units across the street that are not quite as nice are selling for \$220K.

I am sure you are all smart enough to realize that this is not a hypothetical situation. **You can and should be buying investments like these today.**

I have been yelling and shouting and preaching Wilton Manors for the last year. No matter what has happened in that time period, the market there has remained strong.

Why? Because Wilton Manors is not a city of huge towers and large apartment complexes. Rather, it is made up of private homes and smaller apartment buildings with 10 to 50 units. As a result, you do not have the glut of vacancies you do elsewhere.

As a matter of fact, any ad we have placed for a Wilton Manors rental has yielded 30 to 50 responses in just a few weeks.

Plus, the City of Wilton Manors has become very trendy and it is becoming more so as time goes by. In the words of the famous sage, Paris Hilton, "its hot".

If Wilton Manors is so hot, why have investors not driven the prices up?

Actually, there are not a lot of condo units for sale in Wilton Manors that allow investors to hold them and rent them out. Considering the size of the city, there are actually very few units for sale. Most investors are not looking to sell at this time. Write that down somewhere. Few vacancies, few available units for sale, experienced investors are sitting tight. If Wilton Manors were not so hot, the market would collapse and there would be a lot for sale. That is not the case.

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There are no other real estate investments I could possibly recommend that have the safety and the profit potential of Wilton Manors.

I can put you in pre-construction in Ocala, and if you are patient and willing to rent out the finished home for a year or two, you can make a nice profit. But, the area is getting heavily sold and I do not know when that door will close. You have to watch it very carefully.

But Wilton Manors has fixed borders and limited building area. I do not worry about the market shifting. For a city of 13,000 people located adjacent to downtown Fort Lauderdale, there might be 20 units for sale under \$225,000 that will permit renters. Perhaps, not even that many. Are you starting to get the picture?

Actually, if you keep your eye on the fringe areas of Wilton Manors you will notice that the development is pushing into these areas as well. Downtown Fort Lauderdale, the beach, Las Olas, etc., are very desirable locations to build near. Any neighborhood that is 5 minutes away from these areas is going to become valuable.

In recent years, Delray Beach became the hot night spot in Palm Beach County. Developers keep pushing further and further west from the beach. A few years ago you could have bought up homes that were in "marginal" neighborhoods. Now, they have been swept up into the downtown redevelopment frenzy. The "marginal" areas are no longer marginal.

We use adjustable mortgages on properties that we intend to hold no longer than 5 years. With 20% down and perhaps a bit less, you can buy a 2 bedroom condo in Wilton Manors and be cash flow positive. If the unit sells for \$220,000 in three years (very conservative number), you will have \$40,000 in profit. The cash flow and tax advantages will offset the closing and other costs. So, you would double your investment in about 36 months. Let's say the market is real crap and the unit sells for \$200,000 (I cannot imagine it since similar units are already selling for that price). You will have earned over 18% on your money instead of 37%.

The market is giving you bargain basement prices on new condos that are highly rentable and will be going up each year. You want safe - this is safe.

Use Your IRA or 401K

That's right, you can use your IRA or 401K to buy real estate. I would be glad to explain it in greater detail if you want to call me, but these are the highlights:

- You can own real estate in an IRA or 401K.
- The real estate must be income producing if you want get it financed.
- If you have cash to buy it outright, it does not have to produce income.
- The banks use a nonrecourse loan for this purpose.
- They require that your income exceed the expenses on the property by 10%.

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If you have a loan for 70% on a property and it goes up only 7% a year, it is like earning 23% a year. This does not include the tax advantages or the rental income. Does your IRA go up 23% a year? Do you double your money every three years or so?

My Disclaimer

The information in this newsletter and on my web sites are provided as a guide for general informational purposes only and is not intended to be tax, financial, or legal advice. It is deemed reliable but not guaranteed. Please consult with your own attorney, tax advisor and/or accountant for specific advice. No guarantees are made with regard to future values. If you do not understand this statement, please call me. It essentially means that you should consult professionals for specific advice and that there are no guarantees in this world other than death and taxes. You should have already known all of this but now my broker is happy.

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