Newport Beach Independent Real Estate Article
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Selling and Investing Your Real Estate in Today's a Hot Market: Top Real Estate Strategies What To Do With The Money?

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In today's current real estate environment, real estate prices for both residential and commercial real estate are at an all-time high. and iIn most sectors, prices are at or exceed those levels which were achieved at the height of the last real estate cycle in 2007 before the economic downturn. As the stock market continues to climb and reports of the overall economy continue to forecast growth and expansion, what does this mean for the average real estate investor who has purchased either residential or commercial investment property? and wWhat should his/her strategy be?

For those investors who have either have owned had real estate for some time or acquired it during the downturn of the recession, they have seen significant gains in the value of their property over the past several years. With interest rates still low, demand extremely high and availability for good product extremely limited, this makes for a seller's market and an excellent opportunity for an investor to sell their real estate at an attractive figure.

For those investors in the residential environment who have purchased either homes for rent or apartment buildings, we have seen cap rates for the apartment market, especially in the coastal areas, at all time low rates. This combined, with significant housing demand for rental units, creates increased value in multi-family properties. Sellers with low rental rates can sell to a buyer who can then raise the rent to achieve a higher return. Sellers who have properties with deferred maintenance or who have not done remodeling can sell to a new owner who can make the needed improvements, which would then allow them to increase the rents. Investors who purchased homes for rent can then sell to a buyer where there is limited inventory and high demand. In all of these scenarios, it allows for the investor to cash out at what should be an exceptional return. The same holds true for the commercial markets for industrial, medical and office space. Rents in all of those sectors have continued to increase dramatically as vacancy rates remain extremely low. With inventory for prime good properties to purchase are buy still very limited, a potential buyer in today's market will have few choices to invest their money and even fewer if they are not interested in expendingspending significant time or money to rehab or improve what may be an older or dilapidated property. All of these factors produce increased demand and the results of that are significant activity, multiple offers on available properties and very quick sales as a result.

A dilemma arises for the selling investor - What to do with their proceeds and the money they have now made from their investment? For those who are of retirement age and looking to cash out, the answer is simple: They will take the money, pay their taxes and put those funds toward their retirement. However, for those looking to reinvest, they are faced with a real challenge.

With interest rates on the rise and expected to continue, investing in the bond market and other money market funds provides a real challenge with limited return on theyour investment. With no definitive change in sight for capital gains in the short term, a selling investor must then look at purchasing alternative real estate to reinvest their money to avoid paying their taxes. The process seems very simple: sell amy property at a high number and then take amy profit and buy something larger with themy proceeds. The difficulty becomes finding another property with any reasonable return. This investor now becomes the buyer who is again faced with limited opportunities and minimal returns.

The smart investor will attempt to identify an exchange property in advance of selling his initial property. In many situations cases, this is just not the case as the market is moving too quickly without the ability to perform. on purchasing the down leg aA seller may not entertain an offer from someone who has not already closed their previous transaction. This is a simple example of the chicken and the egg and presents investors with significant challenges.

The simple question is, “Should an investor sell? Do I sell?” The answer is, “Only if the investor has I have a viable alternative for the proceeds that he or she received from the sale I will receive from my sale.” If these funds can be put to good use in retirement, alternative investments or in an alternative real estate acquisition that provides a reasonable return, then by all means this strategy makes perfect sense. As we all know, those investors who acquired property at the height of the last real estate cycle were the first ones to be hit with exposure from decreased values and income streams when the market turned.

The age-old scenario of “buy low and sell high” makes perfect sense unless investors you are in a hot market, in which case they you will sell high and buy high. My words of wisdom are, “Buyer beware and Seller be careful.” In today’s market, mMake sure you have a plan of attack is in place, ready to be executed. and are able to execute it.

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