DOWNLOAD PDF THE DOWNSIDE OF COMMERCIAL REAL ESTATE

Chapter 1 : How to Purchase Commercial Real Estate | calendrierdelascience.com

Any type of property, whether it's commercial or residential, can be a good investment opportunity. For your money, commercial properties typically offer more financial reward than residential properties, such as rental apartments or single-family homes, but there also can be more risks.

How can you determine whether or not buying a commercial property is a wise decision? Read on to learn exactly how investing in a commercial property can have an impact on your wallet and on your life: Investing in Commercial Real Estate: That means that you can win or lose big without necessarily seeing similar trends in the market. The Pros Commercial property, such as co-working spaces or strip malls, offer owners plenty of opportunities to make a hefty ROI. These types of properties can mostly maintain themselves if the appropriate business decides to move there. That means owners will have to scrutinize applications and only rent to sturdy businesses with positive reputations. These professional establishments will aim to keep up their stores on their own to attract and retain customers. Maintaining a commercial property will also usually allow owners a regular schedule so long as nothing drastic happens to the building after-hours. Owners can benefit in creative ways by simply having the control over the look and the choice of which companies will be hosted. Undoubtedly the biggest pro of all, commercial properties tend to offer a higher return than single-family residential properties. The price tag on a commercial property is enough to scare away many investors though it can gain them a huge profit with the proper tenants. Actually maintaining the property is another major topic of concern for investors: Failing to be licensed has detrimental consequences. The alternative here is to outsource help to a management team. This will help add security to your investment and help gain peace of mind, though it will cost you more each month. Protecting your investment will ultimately attract more tenants. You should look for credible management teams and hold these companies to the same standards as renters. Having a retainer team of professionals such as roof repairers or electricians can cost you, so invest wisely more info on roofing here. From here, understanding how competitors succeed and considering property options should be your next steps.

Chapter 2 : Pros and Cons of Investing in Commercial Real Estate | calendrierdelascience.com

According to Wikipedia, commercial real estate refers to "buildings or land intended to generate a profit, either from capital gain or rental income". This broad statement includes retail buildings, office space, warehouses, industrial buildings, multifamily units, multi-use properties, and land which is commercially zoned.

Real estate investors can choose among many types of properties to generate attractive returns. Single-Family Home You can buy or build the property, or pick it up on a short sale or foreclosure. You may want to buy a fixer upper and flip it, or rent it out for income. After-repair value may greatly exceed purchase price Longer tenant leases can yield a higher annual ROI Holds its resale value if the community is thriving and the home is well-maintained Property taxes are often lower than those for multi-family units and commercial real estate Can have lower management costs, especially if responsible tenants take good care of the property Only one tenant can mean fewer demands Quicker to sell on short notice Cons: Less diversified rental income cash flow compared to multi-family properties. If the one tenant moves out, you have no cash flow from the property until re-rented. Property costs may be higher due to homeowner association fees Potential renters may want more land than is available on the property Fix-up costs may be high and you may have to renovate the property before renting it out or selling it. The high cost may limit your access to additional credit. Possibility of higher repair costs: You may choose to occupy one of the apartments yourself. Larger, less risky cash flows and good ROI Always in demand, even when the economy is poor Professional management costs spread over multiple units Possibility of additional value from remodeling, condo conversions and rezoning One geographical location provides economies of scale Shorter depreciation period than that for commercial real estate Occasional vacancies have minimal impact Cons: Requires more secure financing when more than four units, including higher down payment and reserves Management fees eat into profits Vulnerable to a downturn in the community, since all units are in a single place Relatively illiquid investment, costly to dispose of Possibility of deadbeat tenants Frequent turnover Mixed Use Some combination of commercial and residential property, usually located in urban areas. Examples include buildings with ground floor stores and apartments above, or large skyscrapers divided between commercial and residential tenants. Can spur community development that increases rents Commercial portions may accommodate longer leases May command higher rents if commercial section is attractive, such as retail stores, a deli, a tavern, etc. Office tenants may pay premium rents Easier than mixed-use to finance Cons: Require large investments, especially for downtown locations Even one vacancy can be very costly Tied directly to economy, vulnerable to downturns May have high maintenance costs, including landscaping Retail Can involve single or multiple tenants, such as a mall. Giant tenants like box stores can provide substantial rents but require large investments. Can select from a wide variety of investments and store sizes Can have multiple tenants Retail leases can have longer durations Cons: Tied directly to economy, vulnerable to downturns Bankrupt retailers may never pay past-due rent Industrial Usually limited to a single tenant. Choice of property types, including warehouses, distribution centers, depots, etc. May require a smaller investment than that needed for a retail building or an office Can have long and more lucrative leases Cons: Properties can be highly specialized and thus harder to rent Costly to convert from one use to another May be only a single tenant - rental income is all or none Land Can hold the land for long-term appreciation and then sell to developer Can have the land rezoned and then sell to developer Can rent the land, perhaps for farming or parking Can develop the land yourself May be completely passive investment with few additional costs other than mowing the lawn Cons: This is one of the advantages of investing through a real estate crowdfunding platform such as PeerRealty. Since acquisition costs are wrapped up in the overall transaction, investors do not need to come up with additional out-of-pocket costs. In addition, crowdfunding real estate investments do not require investors to actively manage the properties, and the deal sponsor has already performed due diligence on deals listed on the platform. While risk is an inherent part of investing, crowdfunding helps minimize risk through diversification while allowing investors to enjoy the benefits of real estate investing. Subscribe to the PeerRealty blog today to get great real estate crowdfunding content delivered to your inbox! About PeerRealty PeerRealty is the premier real estate crowdfunding platform. Join your peers in high-quality real estate investment opportunities on our marketplace.

Chapter 3 : The Pros and Cons of Using a Commercial Real Estate Broker | 42Floors

When I first got into commercial real estate investing, I was actually working as a real estate calendrierdelascience.com boss at the time wanted out of one of his deals, a 6-unit building consisting of 3 efficiencies and 3 two-bedroom apartments outside of Philadelphia, so I took the plunge and bought it.

There are many variables that make real estate investing significantly profitable. On the other hand, the same variables may cost investors far more than what they bargained for. Before investing in real estate, understand the advantages and disadvantages of such a venture. Significant Profits There can be a major advantage to investing in real estate if you find property at a price low enough to result in a significant profit. For example, some investors buy real estate they intend to flip. Flipping can result in huge profits for investors. The property may be in foreclosure, in danger of foreclosure or needs little or no repair. You may purchase the property for much less than its value, repair or update it, and resell or flip it at a much higher selling price. Exercise extreme caution in this kind of venture. Ongoing Additional Income Another advantage to real estate investing is the rent derived from rental property. It can result in ongoing, additional income. Over time, additional income may enable you to take a dream vacation, buy a long-awaited speed boat or grow your retirement fund. Access to Credit Contingent on a variety of factors, additional income generated from real estate investments may give you access to more credit. Generally, lending institutions lend more money to people who make more money. The additional income made from real estate investments may open broader credit lending doors. Leave a Legacy Real estate may be willed to family members after your death. You could leave a legacy for your children by investing in real estate. Finding Financing Investing in real estate has its disadvantages. Lending institutions are very careful about whom they lend to, often requiring a 20 percent or more down payment. Sometimes finding a loan for investment property presents a formidable task. Although Fannie Mae and Freddie Mac typically offer generous loans to eligible investors, not all investors meet eligibility requirements. You may find that securing financing for an investment property is all but impossible. Debt Investors often do not have the cash to pay outright for a property. Instead, they typically take out loans. That results in more debt for the investor. If you purchase a property for flipping and it does not sell, you are stuck with the debt and with paying on the debt until the property does sell. If you invest in rental property, it would also be a great detriment if the renter stopped paying his rent and you had to go through the courts to remove the renter. You would not only be stuck paying the payments on the debt, but more debt would be created by hiring an attorney to remove the renter. Additional Expenses Rental property requires upkeep. Owners of rental property are responsible for timely repairs. Repairs could result in major expenses. Replacing the HVAC, roof or any other major endeavor can be quite costly, especially for large apartment complexes. If repairs are not performed in a "reasonable time frame" determined by the local authority, as the owner, you may be slapped with significant fines. Taxes and insurance can also be quite expensive for rental property. Legal Issues Legal issues may come into play when investors become owners of property. Once you own property, you become liable for damages to others who come onto the property. For instance, if something falls off the property onto someone, or someone falls on the property and becomes injured, the property owner is liable for the medical care, and may also face a personal injury lawsuit and attorney fees.

Chapter 4 : The Pros and Cons of Different Real Estate Investments : PeerRealty - Real Estate Crowdfund

As commercial real estate professionals, we are tasked with recommending values to sellers based upon recently completed transactions and currently available buildings. In an up market, a wide gap exists between the recent deals and the ones available for sale.

Enter your email to reset your password Or sign up using: Staff iStock Every few years, the real estate market suffers through a crash or a correction and underscores a perpetual dilemma for small and mid-sized businesses: Is it better to rent or own commercial property? Buying commercial real estate is a complex undertaking that is difficult even for experts to time right to maximize their investment value, let alone entrepreneurs or business executives whose areas of expertise are in different industries. At the same time, for a business, on the upside the potential rewards can be substantial. Why should a business buy? That decision must be weighed by each business. The following guide will help a small business assemble a real estate search team, choose a location, and purchase property. Purchasing Commercial Real Estate: The last thing you want is to buy property and realize a year or two later that you would have been better off renting. Here are some of the potential risks a business faces when buying: The market may go bust. The area you choose one day may become undesirable the next. Of course, the reverse can be true, as well. Businesses may tie up much of their liquidity buying real estate. At the same time, businesses that own real estate at least have something to sell if they need a cash influx to revive a lagging business. Tenants sometimes stop paying their rent. Other times, buildings are in need of unexpected -- and expensive -- repairs. Your cash flow can become compromised, especially if you are forced to simultaneously pay repairs and attorney fees to handle a tenant situation. In order to be aware of risks, do your homework. Undertake extensive due diligence before signing any contract. The decision ultimately comes down to the economics. You may want to have a real estate expert help you undertake a rent versus own analysis, taking into account growth forecasts for your business and real estate market trends. This is how many locations we will have. A real estate expert can also help you figure out the costs of renting versus buying, factoring tax benefits such as depreciation. They can help you determine the right time to buy or sell, the right locations to consider, and the nuts and bolts of closing the deal. Here are some of the experts you may consider contacting: An accountant can help you figure out what your business can afford and analyze the tax and operating budget benefits. A lawyer can help you complete the transaction, negotiating with the seller and lender on your behalf. A real estate broker can help you identify potential properties and what you can afford. A lender or mortgage broker will help you sort through financing options, from bank loans to those guaranteed by the U. Identify the Right Property There are a number of factors to consider when looking for suitable commercial real estate to purchase. The old adage "location, location, location" is true for commercial properties just as much as it is for residential. But there are other issues at play, as well. Here are some things to consider: This is still the No. You want to be close to your customers, your workers, and your vendors or suppliers. After identifying the general location, consider how the property was used, the wear-and-tear, whether there are any environmental issues or potential liability issues, such as asbestos or lead paint. If your business is an accounting firm, you likely need commercial office space. If you are a manufacturer, you need an industrial space. Either way, you need to make sure the zoning allows you to do what you need to do on the property. Limitations on exterior and interior. Whether due to zoning laws or building codes or covenants, there may be limits to changes or alterations you can make to the property. Adequacy of access and parking. You need to make sure your customers can park and take into consideration whether access is compliant with laws such as the Americans With Disabilities Act. Opportunity for expansion or leasing. Do Due Diligence and Evaluate the Property After you locate the right property, you go to contract and commence a one- or two-month period during which you need to do your homework. Now is the time to revisit your objectives, and ask yourself if the property you have identified helps you meet or further your stated objectives. Beyond that, this is where your team of trusted advisors plays an important role. A broker will often help bring in third parties -- engineers, appraisers, environmental analysts -- to help verify the condition of the property, its prior use, and any potential liability issues, whether structural soundness or necessary upgrades of electrical wiring. If you find any problems, you may have the opportunity to renegotiate with the seller or sometimes to walk away from the deal. During good economic times, there are a host of attractive financing options available to small and mid-sized businesses. After the global economic meltdown, starting in , banks tightened up credit and limited many of these options. Your attorney and accountant play key roles here to ensure contracts are sufficiently detailed, and structured to your maximum advantage. You need to envision every possible contingency, and make sure it is covered -- clearly and unambiguously -- in the contract. Everything from air rights and other zoning laws to the nuances of existing tenant leases and tax requirements must be understood here. You also need to verify -- and re-verify -- the financial terms associated with this purchase, to confirm you are ready to pull the trigger. At this step, you should also update or add to your original business plan, to cover the specifics of this acquisition; this is when your plan comes to life. Once the purchase takes place, it is imperative that you implement and execute on the plan without procrastination. Information on commercial real estate in the U. LoopNet Online commercial real estate listing service. Research Reports on Commercial Real Estate Market Registration required for access to no-cost commercial real estate market reports.

Chapter 5 : Disadvantages of Real Estate Investment Trusts

The Pros and Cons of Using a Commercial Real Estate Broker Everyone wants to save a buck, and if hard work and perseverance can knock a few thousand off the cost of a real estate deal, many of us are inclined to go it alone.

Commercial Real Estate When I first got into commercial real estate investing, I was actually working as a real estate agent. My boss at the time wanted out of one of his deals, a 6-unit building consisting of 3 efficiencies and 3 two-bedroom apartments outside of Philadelphia, so I took the plunge and bought it. Anything over 4 units is considered commercial. Have you considered commercial property? If so, the first thing I would recommend for those new to this type of investing is to meet with at least one commercial lender and one commercial-focused real estate agent. Before you start looking for deals, it may help to figure out what the banks want to lend on and to find agents who specialize in these properties. Also, before you jump in, consider some of the advantages and challenges of commercial real estate investing. It is completely different from investing in SFR. More Flexible Financing When it comes to commercial real estate, financing can be much more flexible. You can buy these very large, valuable properties with none of your own money. For example, when the company I raised money for purchased the mobile home park, it was mostly with private money, and the seller held back a mortgage as well. Also, valuations are based on rent roll instead of comparable properties nearby. That said, you may be able to utilize more leverage on a bigger amount, while only having a single mortgage on a commercial property with 50 units, as opposed to 50 mortgages on 50 different SFR properties. Use of Economies of Scale With more units in one place, you can often develop more favorable contracts with your contractors or outside vendors and negotiate lower costs for improvements and maintenance. You just need the lure of more volume to get them to negotiate. The most efficient apartment complexes are over units because that enables them to afford on-site help. With an on-site team, you can turn over apartments much more quickly. Although you may still need to bring in some outside contractors, the need would be lessened. I noticed this when I was a painting contractor, as our customers were apartment complexes of all different sizes, and the largest ones needed us less because they had their own staff. Although investing in commercial real estate can be more passive than residential, your yield may be lower, especially if the property is more expensive and has a lower cap rate. Increased Competition When it comes to commercial properties, most buyers are looking for opportunity or room for improvement. They often want to increase the value of the commercial property, as this could allow them to refinance with cheaper, traditional financing and buy out their investors i. This is similar to what I did with the 6-unit building I bought from my boss. It had a high turnover rate on the 3 efficiencies, so I converted the 6-unit building to a triplex three 4-bedroom and 2-bath units and paid off the expensive commercial loan with residential financing. As a buyer, it may be challenging to find existing commercial properties where the numbers make sense, and you would likely have a lot of competition for this type of property. Applying for a Commercial Mortgage? Will your property management team be able to handle it? If you have a poor manager or an underperforming property management company, this can cause some challenges. How efficient are they? How much experience do they have? For example, are evictions filed on time? Is maintenance getting done? Other potential disadvantages may be that that turnover is often higher in apartments than it is in houses, and the cost of insurance is higher. So, I would probably lean more towards investing in commercial than residential. That said, there are many different ways that one could enter the commercial space. For example, you could own the land, the buildings, the businesses, or any combination of the three. So, will investing in commercial real estate be your next step, or is it something you look forward to doing later, or will you stick to SFR? Why or why not? Leave your thoughts below! Free eBook from BiggerPockets!

Chapter 6 : The Advantages & Disadvantages of Investing in Real Estate | Home Guides | SF Gate

Cons: Real estate transactions generally are one of the most stressful times of a client's life, and you will need to be confident in your skills and abilities when.

Real Estate When I was a little kid, a cousin of mine owned several rental properties in the small town near my home. This was basically his livelihood, as he spent his time taking care of the properties as needed, collecting rent, and so on. I always thought that this guy kind of had things figured out. He was constantly receiving income from the properties, plus he owned all of those houses that he could sell if he wanted to. But the reality was different. When I visited his house, it often seemed like it was held together by duct tape. It was easily in worse shape than some of the houses he rented out. Instead, he wound up dying with very little money left and a decided hand-to-mouth existence during the final years of his life. This left me with something of a dual view of owning rental properties. On the other hand, it looked like there were more costs than I expected and there were other big risks, too. Right now, Sarah and I could purchase a rental property or two as a way to earn some direct income and to diversify our investments. To put it simply, if everything lines up well, you can make a lot of money from a rental property. Income from Renters The biggest benefit of owning a rental property is that the renters will provide you with a direct income stream. Those monthly rent checks go straight into your business account, ideally more than offsetting any expenses for the month. Still, even partial results can be very good. This is obviously going to be a variable thing, as it depends heavily on the area where your rental property stands. In some areas, the value may rise significantly over the course of a few years, while in other areas it may remain flat. Ideally, this value growth holds pace with inflation at a minimum. If you happen to be in an above average area, you might find that you can beat inflation; on the other hand, a really stagnant area may not even keep with inflation. Sweat Equity The other factor that you should consider is that your sweat equity is likely to add additional value to the property as you maintain and upgrade it. Doing things like repainting the home, adding new siding, refinishing the inside, doing some basic landscaping to the yard, and so on will add value to the home without significant financial cost. Not only will this allow you to charge more for rent, it will also increase the value of the property itself should you choose to sell it in the future. If you enjoy home improvement projects, this should be a major attraction for buying a rental property. The Disadvantages On the other hand, there are a number of disadvantages to owning a rental property. Individually, these disadvantages are relatively small, but they add up to a significant cost. Concentration of Assets One drawback to investing in a rental property is that for most people, owning a rental property is a serious concentration of their assets. That investment is in a specific house on a specific block in a specific neighborhood in a specific city. If that neighborhood goes downhill, you lose a lot of money. If that block goes downhill, you lose a lot of money. Concentration of assets is not a wise investment strategy. Tenant Risk Tenants are never a guarantee to pay their rent. Even in the best of times and even with the seemingly best tenants, that revenue stream is far from guaranteed. Those bills will come in regardless of whether there is a tenant in the property or not. These costs are not insignificant. Eventually, it will need repair. Other Options What options do you have if you want to mitigate some of the downsides of owning and renting a property without getting rid of all of the upsides? Here are two alternate strategies. A real estate investment trust is simply a company that owns and operates income-producing real estate. Individuals can invest in REITs through the stock market, as they are often publicly traded, and they enable a person to take a relatively small amount of money and invest in income-generating real estate. REITs pay out income in the form of dividends. They tend to pay out a healthy dividend each quarter, but their price is high in accordance with those dividends. In other words, the individual shares of reputable REITs are fairly high. Buying some REITs along with your other investments can be a way for investors without a lot of money to diversify. Managed Properties Another strategy worth considering is managed properties. A managed property is one that you own and rent out, but which you pay another company to handle the day-to-day management of on your behalf. The net effect is that you hand over some of the rent you take in to that management company. What this does is reduce the amount of time you have to spend dealing with the property in exchange for a reduced income stream. This can be a good idea for someone who wants to try owning a property, but has no interest in day-to-day property management and can live with a reduced income stream to save themselves the headache. Joining a Residential Investment Firm Another option might be to pool your money with some other interested parties and launch a residential investment firm. This is a small business that buys and sells properties, usually within a local area, with the purpose of renting them out and earning a profit from them. This does require some initial legal work as you set up a business structure that works for all involved, but once this is done this can be a great way to earn steady income. Such businesses often employ a property manager who takes care of the actual on-site tasks, allowing the partners in the business to instead focus on business decisions which are mostly done in a passive fashion. The only drawback here is that it does require partners, which means that you need to know people in the community with the business acumen and the financial strength to be willing and able to enter into this kind of arrangement. We have some of our money invested in a REIT. So, as of right now, we do effectively own a small amount of highly diversified real estate. We constantly watch the local real estate market. We are simultaneously looking for land to build on or a house for ourselves as well as potential low-end properties to invest in. So, will we become landlords in the future? For starters, I have little interest in taking on the tasks required of a good landlord. If I were able to be in a situation where I could hire a management company to take care of the property, I would consider it, but for that to be a good financial move, I would need to find a very good deal on a property. For me, at least, it makes sense to diversify into real estate by buying into a REIT, and I already do that with my personal investments. I feel as though my personal investments are very diversified right now. Who Would Make a Good Landlord? As I studied the ins and outs of becoming a landlord, it began to occur to me that some people are personally predisposed to be more likely to effectively manage â€" and enjoy the management of â€" a rental property, while others are not so predisposed. Here are a few traits that a good rental property owner might find desirable. The more of these traits you have, the more enjoyable and lucrative owning a rental property may be for you. You enjoy small home improvement projects. Do you enjoy doing things like installing carpets, painting walls, fixing minor dings and dents in cabinets, doing minor plumbing tasks, installing and patching drywall, and so on? Some people really enjoy these tasks, particularly when doing so rewards their sweat equity with more rental income and a higher property value. You have spare time. Are you up for that? Even if you hire a management company, owning a rental property will still eat up at least a little of your spare time. If you choose to go without one, it can eat up a lot of time. Being a landlord sometimes means dealing with tenants with overinflated demands and expectations. Those types of interactions can be difficult and, if handled poorly, they can escalate into progressively worse problems. Are you willing to occasionally deal with these kinds of difficulties? You have significant liquid assets to invest right now. This is all about concentrating risk and putting all of your financial eggs in one basket, which is never a good idea. Final Thoughts For some people, owning a rental property might be a brilliant personal financial move. However, not everyone is in that group. Others may not be in a financial position to take on a rental property quite yet. Still others might not feel confident in their local real estate market. If those things describe you, you can still diversify into real estate by investing in a REIT with some of your investment funds. The important thing to remember is that investing in rental properties is definitely one of many options on the table, and it is a good option for some people. Take into consideration your own financial state, your personal strengths, and your interests and make up your own mind about whether rental property ownership is the right move for you.

Chapter 7 : Commercial Real Estate Faces Strong Headwinds | Investopedia

Real estate investors can choose among many types of properties to generate attractive returns. Each property type has its own risk/reward profile, and it's a great idea to select the types that best meet your criteria.

A market needs an ample supply of buyers, sellers, and lenders - all operating independently yet in concert to function properly. If an imbalance exists - too few sellers for the buyers in the market or a shortage of free flowing capital - the picture is shaded in favor of the scarce. Currently, our industrial market is up trending - great for sellers, tough for buyers. Below are a few of the downsides of an up market. Available buildings are in short supply. Vacancy on industrial buildings is the lowest its been since - well ever! You see, if a building is marketed for sale or lease while still occupied, it is counted as available. If the availability is dependent upon the occupant finding new quarters - good luck - it may not ever be vacant. Sellers are over zealous. It seems that every deal sets a new record and is completed at a price higher than the previous deal. This robust activity causes sellers to be quite bullish. Recently, I submitted an offer to a seller whose property is not on the market. He has indicated, however, that for the right price, he would sell. Our offer contained the "right price" but now the seller believes values have eclipsed his right price and he has a new right price. Normal negotiations are impossible. Because available buildings are in short supply and sellers are over zealous - conducting a traditional give and take dialogue is difficult - close to impossible. Establishing values is tricky. As commercial real estate professionals, we are tasked with recommending values to sellers based upon recently completed transactions and currently available buildings. In an up market, a wide gap exists between the recent deals and the ones available for sale. The intangible - which makes establishing values tricky - is how close to the gap the next round of closed deals will be. Also, appraisers go nuts. Buyers and sellers agree to a price that cannot be justified by closed sales. An appraiser must then interpolate a value using a secret matrix of appraiser magic. Lenders are a bit goosey. Commercial real estate lenders sense our values are near the top. A loan misstep could cause an uneasy time if prices adjust downward and the amount owed exceeds the market value. Currently, foreclosure activity is practically non-existent - but the skeletons of still haunt many lenders. Proceed with caution appears to be the credo of many who loan money on commercial real estate.

Chapter 8 : A Look at the Pros & Cons of Investing in Commercial Real Estate

Our commercial real estate market these days is heavily weighted toward sellers. Akin to a boxing mismatch, buyers are outclassed and must muscle up to counter the punches thrown by a market.

With that being said, making any major decision in life calls for a good old-fashion pros and cons list. It is important to understand what the benefits and drawbacks are before taking such a huge next step like pursuing a career in a totally new field. The ultimate goal of creating such a list is to see if the pros outweigh the cons, thus allowing you to confidently move forward with your career change. So take a look below at our list of the pros and cons of obtaining a real estate license and starting your career in this exciting industry. If working in a cubicle at a typical desk job from 9 to 5 or punching a time clock is not your ideal work environment, then commercial real estate is definitely on track to being a great career option. Real estate is a field that is built on strong relationships and social interaction â€” not based on a clock-in, clock-out basis. In essence, you create your own work schedule according to the demand of your time and clients. It is true that your schedule is fairly flexible and mainly determined by your own needs. But you still will need to cater to the demands and schedules of your clients. They have their own work, meetings, and social schedules that might conflict with yours. Additionally, a lot of clients expect their real estate agent to work on an on-call basis. So being uncomfortable with working outside of normal business hours might be on the disadvantage side of our list. Unlike many fields in the workforce today, real estate has a fairly quick educational process. You do not need a college diploma and, depending on how much time you are able to dedicate, you can finish in just a few months. For example, to obtain a Florida real estate license, you must first successfully complete a 63 hour pre-licensing course for sales associates or a 72 hour course for brokers. After submitting a completed application, you must then pass either the Florida Real Estate Sales Associate or Broker examination with a grade of at least Although the required training may only take around 60 to 70 hours, you are not guaranteed to pass the real estate licensing exam upon completing the course. And there is a great deal of studying and work that goes into even completing the pre-license course. You must take the class seriously and dedicate your time to studying for a chance at passing. A great way to ensure you pass the exam the first time is by taking a prep course and practice exams, like the ones offered by IFREC. Your salary is not based on hourly wages or set incomes â€” the earning potential of a career in real estate is a direct reflection of the amount of time and effort the individual puts into his or her career. In short, only you can determine what you are worth. This is a great time to brush up on your marketing and advertising skills and enlist the help of friends and family to get the word out about your new business venture. We suggest creating a simple website and using social media to gain the attention of potential clients. Having an irregular influx of income can be scary for some people who have had a regular paycheck they could always rely on. Along with being based on the strength of your own work ethic, real estate is highly dependent on the market and conditions. This means commissions can and will fluctuate, possibly leaving you at times without a steady income stream. However, discipline, planning ahead with savings and investments can safeguard your income from taking a serious hit or wild swings. Controlling Your Business Pros: Almost everyone at one time or another fantasizes about being their own boss. In real estate, this fantasy can actually become a reality. Even if you end up joining a real estate firm, you are still ultimately representing yourself in the world of real estate. This means you have control of your own time, ethics and standards, which will allow you to flourish in your own unique way. Want to only work with seniors who are downsizing, first-time homebuyers, commercial and investment properties, or just focus on selling downtown condos? Business expenses, budgeting and overall management is a responsibility held solely by you as an independent sales professional. In order for your business to run smoothly, you must have great networking skills and a client list that will keep your income stable. For some, this much responsibility and instability could be a challenge, but ultimately well worth the leap. From impressive potential income earnings to complete control of your own business, getting your real estate license can have many benefits. However, as with any career change, there are potential drawbacks such as abnormal work hours and uncertainty about passing the exam. Need further guidance to determine if obtaining a real estate license is right for you? Talk to one of our career counselors today to walk through the process of getting your license and succeeding in the industry.

Chapter 9 : The Advantages and Disadvantages of Owning a Rental Property - The Simple Dollar

Real estate, on the other hand, involves the purchase of physical property and most people are familiar with real estate to some degree. Investing in real estate can be much easier to understand than complex investments developed by mathematicians.

But is it worth it to sift through many listings in the target area and suit up for aggressive negotiations without using a commercial real estate broker? Potential Cost Savings Unwillingness to pay the broker commission is one of the top reasons that companies choose to forego using a tenant agent. Yet businesses seldom have to pay out-of-pocket for this commission. A business owner could successfully navigate the process, but might miss important market information a broker could supply that would maximize profits as the business expands. He or she might not recognize potential negotiation items that would save them hundreds or thousands of dollars over the course of the lease. On the negative side, there are occasions where the tenant broker does not get paid through the landlord, as in the case of finding the perfect property that was not yet listed with an agent. Tenants will want to specify in their broker contract how fees will be paid in order to avoid this, and to avoid clauses that extend broker commissions over time, or claim rights to commissions upon lease renewal. Who is Watching Your Back? This creates a decided disadvantage at the negotiations table, as only the landlord is represented by professionals familiar with the process. Working only with listing agents might also limit the properties you are shown. The broker brings experience and a solid understanding of markets in your metropolitan area, and can help winnow out office space that is not ideal for what you do. In addition to avoiding the heavy investment of time just to find the property, time savings can be realized as the deal progresses, in organizing inspections, negotiating and re-negotiating terms, completing plenty of paperwork, and making offers. Because the broker has experience and connections, the search for a property, as well as the completion of all the contingent steps to signing the lease can be streamlined. There is a con to the time element of using a commercial real estate broker. Your agent does not get paid until the deal is signed. Tenants will need to be aware of this fact in order to insist on moving the deal along at the speed that is best for their businesses. Commercial Real Estate Market Knowledge Provides an Edge Real estate brokerages pride themselves on knowing the local market, and can help companies find the most potentially profitable spots for their specific kind of business. Brokers often know right off the bat which buildings are available, plus any restrictions, zoning, and proposed development the company owner might not be aware of. They are familiar with areas, trends, and even local business owners and landlords--all information providing an edge to the client in his or her search for office space. Brokerages also spend thousands for proprietary reports on market data on sales and leasing, including traffic counts, demographics, and comparable leases and sales. They often are privy to offers not available to the public, like office space set to be made available. Commercial Real Estate Negotiations Successful negotiation can be stressful. A commercial real estate broker negotiates for a living, and can provide a buffer between the sometimes rocky process and the client. Negotiations can be complex, and it is helpful to have an advocate on your side that can spot hidden charges or profit centers for the landlord. Leases are legal documents, which no one likes to read--they are confusing and full of jargon that often obscures meaning. A good broker can read and interpret these legal documents, and help negotiate lease clauses that could be harmful to the client. On the con side, brokers have an internal financial motivation for your lease to be more expensive and your lease term longer, as their commission will improve as the total lease amount increases. This creates a conflict of interest for your broker, who is duty-bound to protect your interests, and higher rent is not among them. While the broker brings a great deal to the table, he or she also has powerful market motivations to 1 steer you to properties where the commission is better, 2 rush you through the process, and 3 negotiate a deal with higher rent and a longer term than is in your best interest. Some of these negative incentives can be moderated in your contract with the broker. If these contractual adjustments are not feasible or desirable, merely knowing about these conflicts of interest will help a company identify them. As the value of using an agent seems to outweigh the potential problems, tenants may choose to use one and keep their eyes open to conflicts of interest. In the end, the answer to "who is watching my back?