

MULTI-FAMILY REAL ESTATE AS A STABLE INVESTMENT VEHICLE

By *Eric Smith and
Cathy Jeney,*
Paragon Real Estate Advisors,
RHA Associate Members

With the stock market dropping and the value of other assets steadily declining, it's time for investors to look into less volatile venues for their holdings. Unlike the stock market or the single-family housing market, well located multi-family real estate has proven over time to be a secure, stable investment that continues to appreciate in value outside the short-term fluctuations of our local and national economy.

The multi-family real estate market remains solid due to the strong demand for rental apartments. In fact, with the struggles in the single family housing market, more people will be renting rather than buying homes and condominiums in the next few years, which will help bolster the rental pool and create a stable market for apartment building owners. While retail investments prove to be volatile and office properties remain subject to recessions, the apartment market promises to continue growing in the coming years. Seattle, being one of the country's largest port cities in addition to the largest software and technology hub on the continent, boasts one of the most stable local economies and most stable rental markets in the country.

If purchased and managed properly, multi-family properties create cash flow, even after covering loan payments



Cathy Jeney
Paragon Real Estate Advisors
Former RHA Board Chair



Eric Smith
Paragon Real Estate Advisors
Former RHA Board Chair

and other expenses, while historically their long term value continues to rise. This is especially true in the Seattle and greater Puget Sound real estate market, which is forecast to be the best in the country for 2009. The forecast suggests that our region will be one of the prime targets for residential lending which will give new and existing real estate owners more financing options in the Northwest than anywhere else in the United States.

The current financial crisis has created an opportunity for qualified buyers to step in and begin their real estate portfolio. Buyers coming into the market have a number of options depending on how hands-on they wish their property experience to be. If the Buyer purchases a well maintained building and hires a property management company to oversee the day to day operations, their involvement is minimal while the investment should steadily appreciate and generate income. Another

option is to purchase a value-added property in need of maintenance and upgrades. Investors can oversee these upgrades themselves or contract the work out, creating greater appreciation and income. Once a building is repositioned, rental rates and the corresponding income typically increase allowing the investor to refinance or sell and use the proceeds to buy additional or larger properties. Additionally, multi-family

properties offer tax advantages over other types of investments such as the 1031 exchange wherein the gains from a sale can be transferred into a building purchase with the capital gains tax deferred.

Purchased and managed properly in any market, multi-family investments can be an effective long-term strategy for generating income while creating wealth through equity.

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