

Real Estate

YOUR HOME | YOUR LIFE





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Commercial Real Estate Investing

When it comes to commercial real estate, timing is everything.

From retaining legal help to working through all facets of a successful transaction, it's critical that you follow the steps to a streamlined real estate process in a timely manner. Failing to do so can lead to important missed steps or delays in getting the deal done. As the old sales adage goes, "time kills deals."

UNDERSTANDING COMMERCIAL REAL ESTATE

First, it is important to discuss the

commercial real estate sector within which you are purchasing. The range of commercial real estate investment opportunities range from industrial, multifamily, retail, office or mixed use.

Each type of commercial real estate can bring varying levels of returns on your investment, so it's important to establish your personal goals for the property. Once you identify which sector you're interested in pursuing, look for local legal counsel to help you build a plan.

LEGAL REQUIREMENTS

There are many legal boxes you must check before successfully acquiring commercial property. If you

are purchasing industrial property, for instance, it is important to understand the requirements related to environmental liability. Different states will have different laws regarding the legal processes of purchasing commercial real estate. Work with your local commercial real estate attorneys to get a grasp on the legal requirements of your state.

RESEARCH AND DUE DILIGENCE

Do some research on your own as well by checking into state regulations and zoning permit requirements in your area. Your local legal professional will be able to clear up any questions you have as you conduct your research.

Local ordinances for permits vary among different jurisdictions and may take weeks — to even years — for completion. Build these specifications into your time line to keep your commercial real estate transaction on track.

IDENTIFY FINANCING

As you research your opportunity, it's imperative that you identify different financing sources well ahead of entering into a contract. A delay in identifying your financing options can result in a missed opportunity to secure your desired property. Work closely with your local legal counsel can help you consider options when it comes to financing.

Where Do Commissions Go?

It's important to note that in many cases, real estate agents do not get paid directly by the broker or firm that they work for. By law, agents are required to work under a real estate broker or brokerage firm that acts as their sponsor.

Many real estate professionals are paid solely on commission, making their customer service skills the most important part of their professional repertoire. But have you ever wondered where your commission payments actually went or who earned them?



COMMISSION TYPES

There are two main types of commission agreements between a real estate agent and a broker or firm: Gross commission and 100% commission.

A gross commission involves the real estate agent splitting a percentage of their gross commission with the broker or brokerage firm. In a 100% commission engagement, the agent takes home every dollar that they earn but are required to pay a monthly fee to their sponsor brokerage or firm.

SELLER COMMISSIONS

Most commonly, the seller is responsible for covering commission fees. When you sell your home, you most commonly agree on a commission rate when you hire your agent. According to Forbes, this commission rate usually falls around 5% to 6% of the property's sale price.

After the property sells, you pay that percentage to your listing agent. From there, the listing agent negotiates with the buyer's real estate agent on how to split the commission. Most agreements end with a 50/50 split of commissions to keep things even.

READ YOUR CONTRACT

In order for a buyer or a seller to formally hire an agent to represent them, they must finalize their agreement in writing. For buyers, this is

called a buyer-broker agreement. For sellers, it's generally referred to as a listing agreement. These agreements outline the agent's duties while under contract and to hold

them accountable throughout all phases of the transaction. Work closely with your real estate agents to fully understand the commissions breakdown in the agreement you

sign. The first step to a successful real estate transaction is feeling comfortable with your agent, so ask questions and be open about any concerns you have.

Selling your First Home

If you're selling your first home, you understand the emotional swings that can come with the experience.

You're likely excited for the next adventure but also feeling sadness for what you're about to leave behind. The memories you make in your first home will never be forgotten, especially if you have added children to your family during this time period.

One thing that will help you get through this situation is selling your home quickly. But how can you make your home stand apart in a seemingly overcrowded market of other sellers? The answer is strongly connected to how well you package your home visually.

TAKE GOOD PHOTOS

Great photos make for great advertising content to help sell your home faster. Your local Realtor can take photos prior to listing your home online but you may want to opt for a local professional to take your photos to the next level. Be sure that your expenses for paying the photographer make sense for your situation. If you have some wiggle room built into your asking price and the photographer costs don't cut too deeply into your profit margins, hiring them can be well worth your investment. Make sure your photographer



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of choice has experience with real estate photography, as lighting and staging will be key to making great photos.

CLEAN IT UP

You should also consider allocating a small budget toward cleaning your home.

Keeping your home nice and tidy — especially during showings — is key to helping your potential buyers fall in love with your home.

Find a local cleaning professional to visit your home and give you a quote and then work with your real estate

agent to choose a date for a showing. This way you know for sure that your home will be clean when people are checking it out.

Make sure that you don't lose your home's charm in the process. Keep decorations and plants out versus hiding

everything in your closets. If you make your home too stale, potential buyers may have a hard time envisioning themselves living in the space.

Find a good balance of clean and lived in to help sell the comfort of your home.

Financing Options

Looking around for financing options when it comes to your home loan? This process has been made easier over the years with new technology-based platforms that let you check your credit and analyze your financial wherewithal.

The most dependable way of checking what financing options you may have is working with your local lender. They will be able to customize a plan for you based on your income, down payment and credit score. They are also available on a local level to handle any questions while you go through their process. Set a meeting today with your local lender to get your real estate loan process started.

WHAT YOU'LL NEED

Financing requirements will vary by bank, but your local financial institution will most likely require income statements and tax information for the last two years, as well as verification on your assets and debts. They will also run a credit check to make sure you are qualified in accordance with their loan requirements, as well as any special financing programs they may be



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offering.

Talk to your lender about the different types of loans available. Also ask about state and local programs. Some nonprofits or city governments offer down payment assistance to employees or first-time homebuyers.

CONVENTIONAL LOANS

For borrowers who have enough money to put down a 20% down payment, lenders offer a conventional loan.

According to the Consumer Financial Protection Bureau, the government sets the maximum loan amounts for these types of loans, which can be for 20 or 30 years.

Don't have 20% to put down? You can still get a conventional loan, but you'll pay an additional mortgage interest insurance for a specified period of your loan.

VA LOANS

Are you a veteran, member

of the military or a military spouse? The Department of Veterans Affairs offers home loans guaranteed by the federal government. These types of loans often come with an added bonus of a lower interest rate. Borrowers also can have a lower down payment or no down payment at all and do not require mortgage insurance.

Check with your financial institution to see what VA programs they offer.

FHA LOANS

Borrowers who have less money in savings or a credit score that doesn't meet conventional loan requirements may qualify for the Federal Housing Administration program. The FHA regulates and insures these loans, which allow for a down payment as low as 3.5%. Borrowers must meet certain income requirements as well. Check with your local lender to see if this program fits your needs.



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Tips for a Quick Sale

Speed is the name of the game when trying to sell your home. That's because you likely have another home you're ready to move into and want to avoid the situation of paying for two mortgages.

The top factor in how quickly your home sells is price. Depend on your local real estate agent to understand the market where you live and the appropriate pricing strategy for your

goals. If your aim is to get your home sold quickly, then being aggressive with your first price is key. If you have a little leeway, you may be able to price your home higher and hope for the right buyer to come along.

Whatever your strategy, find a local real estate professional who can help you set, monitor and change your goals if needed.

FIND THE RIGHT AGENT

Equally as important as landing on the right price is securing the right local real estate agent. You're looking for a few things here, including:

Proven track record with a history of selling homes fast.

Strong understanding of the local market.

Great reviews from past buyers and sellers in their customer base.

Quality customer service and positive attitude.

Your local real estate agent should have a buyer's eye with a strong understanding of what is going to help your home sell fast. Ask for specific recommendations that go beyond a fresh coat of paint and a neatly kept yard. Hold your real estate agent accountable if you're not happy with his or her service. Remember, you're paying them a commission, so your satisfaction should be of the utmost importance to them.

TIMING IS KEY

Spring and summer are typically the best times to sell your home. Nice weather makes for pleasant showings and families on the move are looking to settle in before the school year starts. Work with your local real estate agent to decide when the best time to put your house on the market is where you live. Use this timeframe as a target date to have your home ready for the market.

This includes de-cluttering your home and preparing it for showings. Your real estate agent should be able to help you stage rooms correctly to give your home an edge on others in your neighborhood.

A Good Time to Buy or Sell

If you dive into some of the most robust reports in the real estate industry, you'll find that now is a very favorable time to sell your home.

The latest consumer findings from a National Association of Realtors survey revealed that 46% of people considered the middle of 2019 an optimal time to sell a home, up from prior surveys. The boost can be attributed to the slowdown of appreciation and a solid economy.

An increased number of Americans also think that now is a good time to buy a home, and of those respondents, 38% answered that they strongly believe that notion, and 27% said they moderately believe the present is a good time to buy, according to the NAR.

CONSUMER ATTITUDES

Respondents to the 2019 NAR survey were also asked to share their thoughts on future home prices in their neighborhoods. Forty-three percent said they believe prices will remain the same in their communities over the next six months, while 49% said they expect to see a price increase in their communities over the next six months.

Among those surveyed who do not own a home, 27% said they believe it would be very difficult to qualify for a mortgage due to their financial



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state. Thirty percent said it would be somewhat difficult to qualify.

HOW TO FIND THE RIGHT TIME

Knowing the right time to buy a house is a key factor in finding the perfect fit for you and your family. Data shows that U.S. home prices cost about 8.4% less in the first two

months of the year than they do in July and August, according to the NAR.

CONSIDER INTEREST RATES

In the past few years, the Federal Reserve has sustained a policy of raising interest rates to keep inflation low and the economy stable. In early 2019, 30-year fixed mortgage interest

rates rose to between 4.5 and 5%, depending on the lending institution. Interest rates were much lower in 2017, when home buyers could secure a 30-year fixed-rate mortgage for less than 4%.

This change may seem slight, but every interest percentage point can make a big difference on total interest paid over the life of your mortgage.

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Choose the Right Land

If you're looking to diversify your overall investment portfolio, look no further than land. They aren't making more of it and it's only going to increase in value as the years go by.



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Not sure where they start? Typically, the best way to get going is to research and find a local real estate agent who can help you through the experience. Remember that purchasing land is not a get rich quick scheme. Instead it's a solid investment that rewards patience and smart decision-making.

KNOW YOUR GOALS

When it comes to land, you have options. Are you looking for residential property with land for sale? Maybe some extra space for hunting or farm-

ing? All of the above?

Rural property is a different animal than typical real estate, so choosing an informed, experienced local Realtor is key. The first question they will ask is, "What kind of property are you looking for?"

So be prepared ahead of time by conducting research and setting your objectives for your new investment.

LEASE TO A FARMER

Due to its versatility and dependability, farmland has historically produced

larger returns than stocks or bonds. The total value of agricultural land in the United States was \$2.7 trillion in 2018, up \$59 billion from 2017, according to the American Farm Bureau Federation.

Buying land and leasing it to a farmer is a fairly hands-off investment with steady returns. The downside is it may be difficult to pin down a large chunk of farmland that isn't family owned. Work with your local real estate agent to see all the options in your area.

You may be able to find a plot of land that is multi-use, meaning you can

lease out part of it to a farmer while still enjoying wooded areas or ponds.

BUY LOW, SELL HIGH

Just like a home, you can flip land once you build up enough equity into it.

One strategy is to buy land at a cheap price during the slow time of the year and then relist for more at a later date. Consult with your local real estate agent to see if they specialize in land flipping. It's generally a low-risk investment that keeps your portfolio fluid and flexible.