

REALFACTS

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Residential Edition



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As a Real Estate Advisor, I belong to a group of real estate professionals who not only list, lease and sell real estate, but also advise their clients on how to invest in real estate using discretionary income, self-directed retirement accounts and 1031 Tax-deferred exchanges. Contact me if you have an interest in investing in real estate.

What Will the Future Housing Market Be After COVID-19?

By Ken Holman

The COVID-19 pandemic has really taken a bite out of the housing market over the past sixty days. Stocks are on a roller coaster ride, businesses have been shuttered, unemployment is through the roof, and millions of Americans have been mandated to stay at home. With all the uncertainty in the market, the housing market has taken a substantial hit.

Spring is usually the best time of year to sell a home. Home sellers have spent the winter thinking about selling their home and spring is the perfect time of year to begin the process. However, the home selling market this year is like no other. Some states have banned all in-person open houses while others have deemed real estate an essential business and have not followed suit.

“The coronavirus curve has not only begun to flatten, but it has also flattened the housing market”

As the coronavirus curve has not only begun to flatten, but it has also flattened the housing market. Even with interest rates declining, it has had a profound impact on the housing market. Home sales have dropped precipitously as people continue to “shelter-in-place.” For sellers who have kept their homes on the market, the days-on-market have increased to the point some multiple listing services have dropped the statistic altogether.

Sellers require buyers to wear protective gear and use hand sanitizer. Agents will only show vacant homes and require buyers to let themselves in for a self-guided tour or, better still, take a virtual tour of the home. Home inspectors and appraisers struggle to gain access to homes and government recorder's offices have closed their doors, making the closing process even more challenging.

So, what will the housing market be like

in the future after the fear of COVID-19 has passed? Some predict that the housing marketing will continue to be lackluster for the next couple of months while people tend to get their bearings.



Psychologists postulate there are five stages of fear: (1) Panic; (2) Avoidance; (3) Struggling; (4) Coping; and (5) Actualization. We have been through the first two stages, panic and avoidance. At first, we thought there was a real possibility we were all going to die. Then we moved into an avoidance behavior by minimizing contact with other people.

Now we are in the struggling phase. We've come to the realization that we will likely make it past this pandemic and we're now struggling to get our lives under control. This stage should last a few months as we begin to see light at the end of the tunnel.

Later this summer we will realize that we can deal with this adversity we'll gain the confidence to go about our lives without fear and trepidation. The last stage of fear is actualization, the absence of fear. As we become more confident, we'll see the housing market come back to life. It may take four-to-six months, but the housing market will come back as the economy rebounds.

Ken Holman is President of the National Association of Real Estate Advisors. To become a member, visit www.nareagroup.org; email ken@nareagroup.org; or call (801) 931-5571.

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What are the Safest Real Estate Investments?

By Ken Holman

In the stock market, in times of volatility there is always a flight to safety. Generally, when there's uncertainty in the market, investors move to fixed-income securities such as bonds and government debt instruments. Unfortunately, these fixed-income investments pay less than 2% in interest per year.

Are there real estate investments that are almost as safe as these fixed-income securities? In real estate, risk is measured by the capitalization rate investors will pay for the asset. The capitalization rate or "cap rate" is determined by dividing the Net Operating Income (revenue less operating expenses) by the Sale Price. Generally, the lower the cap rate the safer the real estate investment.

The lowest cap rates in the market are paid on properties leased to National Credit Tenants. A credit tenant is given its investment grade rating based on its size and financial strength.

"National Credit Tenants Provide the Safest Real Estate Investments"

Such companies as AT&T, AutoZone Inc., CVS Health, Dollar General, Dollar Tree, Home Depot, Kohl's Corp., Kroger Co., Lowe's Cos., Nike, Nordstrom, O'Reilly Automotive, Target Corp., Walmart, Walgreens Boots Alliance, are all listed on the S&P 500 and lease commercial space from real estate developers. The lease rates these companies pay

tend to be low but the likelihood of the rent being paid each month is very high. You can expect the cap rates for these companies to run between 4% and 6%.



When you invest in a project leased by one of these tenants you can expect a lower overall return but a high degree of safety. These returns, however, are significantly higher than what you can expect to achieve by investing in fixed-income securities.

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5 REASONS TO HIRE AN EXPERT REAL ESTATE ADVISOR

- 1 KNOWLEDGE.** An expert advisor has specific knowledge of the market to help you find the right opportunity. They know a good deal from a bad one.
- 2 CONTACTS.** An expert advisor has developed the contacts and relationships to assist you through the process. They are movers and shakers.
- 3 SPECIALIZATION.** An expert advisor specializes in property types and markets. They understand the nuances of the market.
- 4 ACCESS.** An expert advisor has access to listing and selling platforms. They understand how to advertise.
- 5 TIME & MONEY.** An expert advisor can save you time and money. They compile information, lay the groundwork, and minimize the hassle.



CONTACT ME TODAY!

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