

Money leaving stocks lands in real-estate

By Mary Umberger

Chicago Tribune

Publication Date: [11/15/01](#)

CHICAGO -- Matt is edgy. At 28, he has been a faithful and fairly substantial investor in the stock market for several years, and lately -- as everyone who hasn't been hiding in a bomb shelter knows -- things have been a bit uneven on Wall Street, to say the least.

So Matt (who asked that his real name not be used in order to protect his financial privacy) has been thinking about real estate. He has purchased one condominium to live in, and he says that now may be the right time to buy at least one more for investment.

He's been talking to a South Loop real estate agent about buildings that are just going on the market, asking questions about the advisability of buying a unit or two for resale when the building is completed.

"I still put money in the stock market, but I've eased off the pedal a little bit," he says. "I'm entertaining the idea of buying real estate to branch out my portfolio."

He's certainly not alone. Investors took a record \$32 billion out of stock funds just in September, and at least some of it is showing up in the real estate market, according to area agents and investment groups, who say that these new buyers are looking at bricks and mortar as something they can control more easily than the Dow.

Many of these investors are people who have toyed with the idea of becoming landlords and finally are taking the plunge. Others are speculators who are buying properties for a fairly quick turnaround.

Both routes have the potential for profit -- and for peril, according to those who have done it and those who advise them. They say that the heady days of the quick-turnaround real estate market -- where sellers were getting offers from buyers before the paint had dried on the "For Sale" signs -- are probably past.

Instead, the marketplace has returned to its original rules, where solid real estate investments are out there for those who do their homework, ask a lot of questions and are prepared to invest time, they say.

"You have to be more discerning in terms of what you are picking up, and then you must have a plan. And then have a backup plan," says Pam Holt, the agent for Rubloff Residential Properties whom Davis consulted about a soon-to-be-constructed building.

Holt, who is a lawyer, takes a conservative view of speculative purchases.

"I'm real nervous when people talk about flipping, just because I think they have unrealistic expectations based on the last couple of years," she said.

She advises novice investors to plan for the prospect that the unit might not turn around immediately, and that they should be prepared to carry it -- along with its taxes and assessments -- for three months or more.

She also says that investors shouldn't presume that any given unit is particularly rentable.

But buying unbuilt condos isn't the only investment game in town.

William Bronchick is a Denver lawyer who conducts seminars around the country on real estate investment. Though he's a landlord, he's also an advocate of buying existing housing and then "flipping," or reselling, them.

"I usually recommend people buy single-family houses because they're the easiest to move," he says. He finds these properties through foreclosures, through word-of-mouth, through open houses and other ways, which he outlines in his book, "Flipping Properties: Generate Instant Cash Profits in Real Estate" (Dearborn), co-written with Robert Dahlstrom.

Bronchick says that the "flipping" he advocates shouldn't be confused with recent fraud cases involving selling homes at artificially inflated prices, a scam that also has come to be known by some as "flipping."

"I get asked about that all the time. It's a poor terminology," he says.

He also notes that despite the word "instant" in his book's title, investors should expect to put in their time -- perhaps years before seeing a significant profit.

And they should be able to shoulder some mistakes. He himself has "gotten burned," he says, by overestimating the value of properties.

"Real estate is like any other business: You don't get rich overnight," he says. "It takes work and time, and if you don't have enough money to handle the downturns, you are going to be in trouble."

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