

FINANCIAL ADVISORY

Investment Properties: Is It Time to Sell?

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As a real estate investor, I find myself considering my other purchases the same way that I buy real estate: I want to buy quality goods that I won't need to spend a lot of time and effort repairing, and I want to go as long as possible without having to replace them.

For example, I recently bought a new car. As the owner of a vintage Pontiac, I guess I'd be considered a "car guy," but I don't buy a new car every 2 years like some people I know. I view buying a car in much the same way I buy a sofa or a refrigerator: I want to buy a high-quality item that will last a long time and that will serve all of my needs. (In the case of a car, it needs to be comfortable and powerful enough to get by those folks who floor it when I try to pass them.) And just like that sofa and refrigerator, I will keep and use them until the day that I am forced to replace them.

Until recently, I had a car that I used and enjoyed for many years. It was a nice-looking car, and it fulfilled all my needs well. As my car had gotten up in years it required some substantial maintenance investments that exceeded the

value of the car. While these maintenance items were certainly expensive, they were undoubtedly cheaper than purchasing a new car. I did identify some other important issues as well: As I, too, had gotten older I found it harder to climb in and out of the relatively low seats of a car that I bought as a younger man. Now that I had two children, we had a harder time fitting all of our stuff into the car sometimes. When I learned that my wife was pregnant with our third child, I decided that I had outgrown my old, faithful, car and that it was time to move on.

Have you outgrown some of your investment properties? Could it be time to move on for you, as well? This month's article will review how to evaluate your real estate investments to see if they are still doing their best work for you.

WHAT IS MY NET INCOME FROM EACH PROPERTY?

While working with investors, I will ask them how much they earn from their rental property. I have learned to always ask a follow up question – what are your gross rents? Very often, an inves-



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tor may tell me “My apartments pay me \$12,000 per month.” Their answer to my follow up question, however, can be – “I already told you my rents: \$12,000 per month.” Our investment goal shouldn’t be to maximize our “Gross” income (what we receive in rents) but, rather, our “Net” income. (What we get to keep after expenses are paid.) Do the math to calculate your net income, and you will have some powerful information with which to make decisions.

WHAT IS MY PROPERTY WORTH?

Next, we will need to determine what your property is worth. A good estimation can be obtained by looking at what comparable properties in your area have sold for. A better estimation can be found by contacting a local broker and asking for an opinion of value.

WHAT IS MY RETURN ON EQUITY?

To find your return on equity, you’ll need to first calculate what your equity amount is. Take the opinion of value mentioned above and subtract the amount of any loans on the property to find your equity amount. Then, divide your Net Income by your Equity Amount to find a Return on Equity. This will state your Return on Equity as a percentage.

HOW HARD DO YOU NEED TO WORK TO EARN THAT?

One thing that’s often missing from our calculations is the Value of Our Time. Would you rather have an investment paying 8% annually that required 30 hours of your time per week, or one that paid 6 ½% that required one hour of time per month? I know people that will drive 45 minutes round trip to the “cheap gas station” to save \$5 / tank, and know others who value their time more

highly. Perhaps it could be time to sell your more labor-intensive properties and move into something that is easier to manage.

WHAT IS MY AFTER-SALE STRATEGY?

If I sell my time-consuming property, what will I do with the proceeds? If I just take the cash, I’ll need to pay taxes. This could take a large bite of the profits from all those years of hard work. I can also defer, (potentially forever), these taxes by completing a 1031 Exchange into another real estate investment.

BUYING A REPLACEMENT PROPERTY

Fortunately, helping my clients find replacement properties with lower time requirements is my specialty. I like to focus on partial interest properties managed by large, specialized, investment firms. Call my office at (877) 313-1868, and I’d be happy to share my current offerings with you.

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WANT A REPLACEMENT PROPERTY WITHOUT ACTIVE MANAGEMENT?



The photographs above represent the types of properties accessible but are not available for current investment.

Properties available nationwide including: • Office • Apartments • Triple Net • Retail • Energy Royalties
I have completed over three hundred 1031 exchanges for investors. \$200,000+ equity required.
Call Chris Miller, MBA for a free consultation.
(877) 313-1868

Investing in real estate, with or without use of a 1031 exchange, carries the risk of losing your principal, income or tax benefits. Additionally, the IRS has issued inflexible guidelines for completing tax-deferred 1031 exchanges. Failure to follow these guidelines could lead to a loss of tax benefits. 1031 Exchanges can involve significant fees. This does not constitute an offer to buy or sell any security. Investments may be illiquid in nature and those seeking to dispose of their investments early may be unable to do so. Securities offered through Sandlapper Securities, LLC. Member FINRA/SIPC. MSRB registered. Advisory services offered through Sandlapper Wealth Management, LLC an SEC registered investment advisory. SANDLAPPER Securities, LLC/Sandlapper Wealth Management, LLC and Specialized Wealth Management are unaffiliated.
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