

A Bright INVESTMENT FUTURE is here

## BUY SHADES!



To be successful, real estate professionals, real estate investment technology, and service providers must deliver services that customers want.

The next generation of real estate professionals will meet the new and very aggressive real estate customer who considers the investment aspects of any home purchase. The Invaluable Investor Study (To order: [www.personalrealestateinvestormag.com/index.php/invaluable-investor-study](http://www.personalrealestateinvestormag.com/index.php/invaluable-investor-study)) that we conducted along with LORE Magazine, REALTrends and Harris Interactive, found that a surprising 89 percent of all home purchasers have some degree of investment expectations in buying a home, whether it be their first, move-up, second, or intentional investment.

### HIGH PRIEST OF REAL ESTATE

When we launched Personal Real Estate Investor Magazine nearly five years ago, we discovered two things:

1. Real estate investors were seen as pariahs; speculating, slum-lording, and intentionally pushing home prices beyond the reach of first time homebuyers.
2. The response from the average real estate agent was, "We know all about that, so we do not need your magazine."

Five years later, we have discovered:

1. The image of investors as speculators is inaccurate. Our study found that in any year, real estate investors accounted for 22 percent to 28 percent of all home purchases. In 2006, this meant 1.64 million homes, valued at about \$320 billion dollars, and that was after the speculators were leaving the market in 2005.
2. Few real estate professionals competently manage relationships with real estate investors. Those who do are more professional and report higher earnings.
3. The average investor is looking for any reliable investment that makes money and makes sense. Real estate just may be that investment.

### SPRINGBOARD FOR CHANGE

There have been significant realizations and events in the last six months that portend the growth of the defined real estate investment business.

1. Boomers and later generations have paid no attention to tidily accumulating assets (traded assets like equities and non-traded assets like real estate or family businesses), on the basis of professional licenses or regulation. Yet financial advisors or realtors are

professionally constrained from offering advice or transactional help outside their asset-based expertise. Who do we turn to for advice?

2. Wall Street is a puzzling place for the average investor. We watched as they disconnected mortgages from homes, sold them as commodities, and lost billions on mortgage-backed securities. At the same time, 97 percent of us are keeping our homes and diligently paying our mortgages. Trust of these financial engineering geni is at a historic low. They "gamed" the global financial system and "misaid" (a new euphemism?) nearly a trillion of institutional investor's dollars.

3. Real estate is relatively understandable. Invest in a house, live in it or hold it for five to ten years and, on average, it goes up in capital value 5 percent per year. (Specific homes in specific neighborhoods may do a little worse, most do a lot better.)

4. Serving an individual's real estate investment requirements is not a defined profession; but since our Invaluable Investor Study identified an annual market of at least \$300 billion, that is changing radically. More professionals are educating and preparing themselves to provide a broader range of real estate services.

### WE HAVE SEEN THE FUTURE

Since the beginning of 2008, we have seen many real estate investment service providers evolve into professionals who can manage consumers' personal real estate assets as a source of long-term wealth and security. Unfortunately, some are stuck in the past.

The thought-leaders in real estate and investment are distracted by the slowdown. We attended three industry meetings recently and came away disappointed with the lack of vision.

**It's a Castle, Not a Commodity:** At the National Association of Real Estate Editors, the new president of the National Association of Realtors chided the folks he needs most to carry a positive message.

The NAR needs to redefine its message. The NAR economists do not differentiate houses and home value data as a long-term non-traded hold that is NOT competing with daily traded-asset data. They are reporting data that does not compare to Wall Street's reporting tempo of days, weeks or months. If the NAR returned to its roots and understood they are providing long-term housing data, NOT competing with Wall Street to provide better traded-asset data, they would better serve their members, their customers, and the economy.

**Serving the Ultimate Customer First:** At Inman Connect, we learned that many keepers of MLS systems still believe that the real estate agent is their primary client. The problem is they are adding another layer of effort for the agents/professionals who are trying to serve the ultimate client consumer.

Open systems have succeeded everywhere else. To see the result of denying customers' choices, look at the history of the Bell System. Fortunately, there are exceptions, like Bob Hale of the Houston Association of Realtors. Hale is serving his membership better by serving consumers first. The folks on the food chain that ultimately pay for professional services are the ultimate customers.

**Technology for Technology's Sake:** Also at Inman Connect, real estate search engines and delivery platforms were the buzz. More data is available, in more places, as search engines go after more listings, more eyeballs and more devices (smart phones) on which to deliver data. Generation Mobile. Every real estate search engine is trying to outdo the next with more page views.

They miss the core realization that today's e-mail/messaging device user wants fewer, more meaningful messages. "Inbox Zero" was a keynote, yet property search engines strive to deliver "Inbox Million."

**Missing the Mark:** We attended the National Association of Real Estate Investor Associations. Unfortunately, these clubs are still selling real estate investment education to a niche market of do-it-yourselfers. Their out-of-date mission has rewarded them with less than 3 percent of the investor market. The Invaluable Investor Study discovered that nearly 15 percent of the total market felt that investor club and guru data was unreliable.

The economy has eliminated the low hanging fruit of "get rich quick" students. To remain viable, these clubs and educators must deliver knowledge and services for a broader spectrum of real estate investors and not just buyers of books and tapes.

## INTO THE LIGHT

Fortunately, there are pioneers within these markets making changes for the better.

**"Inbox Million" to "Inbox Relevant":** The first generation of listing databases are outgrowing their relevance by drowning users in data. The second generation will provide smarter searches based on users' requirements. They will deliver a short list of properties that are suitable and appropriate to the homebuyer's or investor's requirements.

Our selection for winner of Best Investor Tool of 2008 is InvestorLoft.com. InvestorLoft.com is the first to provide a second-generation, smart, search engine. Consumer equivalents will follow.

## ANSWERING THE REAL ESTATE INVESTMENT SERVICES CALL

There is massive demand for full-service real estate investment services. Consumers have accumulated substantial real estate holdings. They own stock- and bond-based pensions, 401(k)s, real estate, and family businesses. There are professionals who bridge securities and real estate assets and are licensed to advise on the entire portfolio. This cross specialization is growing due to customer demand.

Leading real estate companies and real estate-friendly financial companies like Sovereign Capital (this issue's Master Investor), Consolidated Capital, and Red Door Group are reaching more sophisticated investors with hands-free, but never brain free, advice on real estate and title-based investments.

A handful of national companies are beginning to serve this growing demand. RealtyTrac is seeking to broaden its customer and service base. Subway founder Fred DeLuca has purchased a majority ownership in HomeVestors. This franchise legend wants 1,000 percent growth out of HomeVestors in five years. This means expanding from "fix and flip" to "buy, hold and manage" real estate for the average American real estate investor.

Property management is being standardized and scaled nationally by Real Property Management. RPM's goal is to have property management franchisees in every city, town and burg where investors can be found. This is a long awaited solution for investors who desire a single property manager across a multitude of properties and domestic markets.

## DREAM MATERIAL

When we began, we had a dream of the "Real Estate Management Account." Build it and they will come.

This is coming to fruition as real estate sales, settlement and service companies begin to appreciate the size and sophistication of this market. Our study found that every 3.5 years, one trillion dollars in residential assets (not including multifamily, commercial, retails and light industrial assets), were accumulated by individual investors with help from a few companies that understood the financial skills and relationships required to manage this.

We are blessed with this trillion-dollar business potential. God give us the wisdom to serve these customers well.

