Synergetic Investment Group LLC

Building Wealth Through Real Estate

Newsletter July-Sep 2012

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Commercial Real Estate

Our newsletters focus on Commercial Real Estate (CRE). Unlike Residential real estate (single family homes, condos, residential land and 1—4 unit properties), CRE encompasses numerous types of real estate: office buildings, industrial properties, medical centers, hotels, retail stores, shopping centers, farm land, multifamily housing, warehouses, storage units and parking lots and garages. There are a growing number of industry experts who continue to affirm that the Multifamily area is the most stable and growing CRE investment.

2012 National Apartment Report

Marcus & Millichap
Real Estate Investment Services

National Apartment Overview

■ All 44 markets tracked in the National Apartment Index are forecast to post continued employment growth and effective rent growth in 2012. Recovery has moved beyond the cyclical surge in demand to a more sustainable expansion, as remarkable shifts in demographic, economic and social patterns underpin demand for rental housing.

■ U.S. vacancy should reach 5.0 percent by the end of 2012, a 40-basis-point decline since 2011, and resulting in 4.8 percent effective rent growth. Forecast completions will total nearly 85,000 units, still critically short of a conservative demand forecast for 120,000 units, initiating a new development cycle.

■ Household formations are forecast to increase by 29 percent to an annual average of 1.4 million through 2015, aided by rising immigration and 2.1 million echo boomers entering the prime renter age cohort.

Apartment Investment Outlook

■ The recent pause in sales activity will not last long into 2012, given the stronger economic data late in 2011. Sellers will bring more properties to market, capitalizing on strong investor demand, easing bidding wars.

■ Capital will migrate to secondary markets and value added investments. Sales volume will rise as risk tolerance expands and capital becomes more fluid. Expect higher levels of workout activity from banks.

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Commercial Real Estate Recovering at a Slower Pace

NATIONAL ASSOCIATION of REALTORS®

WASHINGTON (August 27, 2012) – Positive underlying fundamentals continue to support all of the major commercial real estate sectors, but a slowdown in job creation and ongoing tight loan availability has tempered growth in some areas, according to the National Association of Realtors® quarterly commercial real estate forecast.

Lawrence Yun, NAR chief economist, said there are mixed results among the commercial sectors. "Job creation in the second quarter was about half of what we saw in the first quarter, which is moderating demand in the office sector," he said. "Industrial and warehouse space is holding on better because imports and exports have advanced. While exports to Europe generally are down, trade has been robust with India, China and other Asian nations, along with Brazil, Mexico and our strongest trading partner – Canada."

Although still positive, dampened demand is slightly moderating rent growth with the exception of the multifamily market. "Sharply higher demand for apartments is causing rents to rise at faster rates," Yun said. "A return to normal household formation will mean even lower vacancy rates and higher rents in the future."...

Multifamily Markets

The apartment rental market – multifamily housing – is expected to see vacancy rates drop from 4.3 percent in the third quarter to 4.2 percent in the third quarter of 2013; vacancy rates below 5 percent generally are considered a landlord's market with demand justifying higher rents.

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Resources

IRA's for Education
Coverdell Educational Savings Account

ABC's of Self Directed IRA's

Take Control Self Directed IRA

IRA Investors Hungry for Alternative Investments

Time to Buy Into Real Estate

Smart Money
By Reshma Kapadia

To most people, U.S. real estate still stinks. More than a third of all mortgages are under water, with their holders owing more than their houses are worth. Home prices continue to fall in many areas of the country, and thousands of foreclosed homes are still waiting to be sold. Yet an investor no less than Warren Buffett recently said that if he could, he would buy up a couple of hundred thousand single-family homes.

To Buffett and others with short memories or long time horizons, the investment opportunity created by the housing bust is just that great. Buying up subdivisions full of houses isn't quite practical, so instead, many savvy pros are scooping up real estate investment trusts, home-builder stocks and even a physical house here and there. Economists point to several indicators that suggest their confidence could be well-placed. Mortgage delinquency rates fell to 2008 levels in the first quarter, housing starts are improving, and bidding wars are breaking out in certain cities. "The housing crash is over," says Mark Zandi, chief economist at Moodys.com….

To be sure, residential real estate isn't roaring back, and economists say there could still be more price declines. Commercial REITs have had a strong two-year run and aren't dirt cheap. Analysts say a global economic slowdown could halt both recoveries quickly. In short, REITs are hardly foolproof. During the downturn, many such trusts even cut or eliminated dividends. Nevertheless, the investment opportunities look too good now for some pros to pass up. Dean Catino, cofounder of Monument Wealth Management in Alexandria, Va., allocates about 20 percent of his clients' portfolios to real estate. "We are leery of the general bond market and think real estate is a good hedge," he says.
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Synergetic Investment Group, LLC acquires multi-family assets in emerging U.S. markets. We look for stabilized and distressed assets that provide our investors above average rates of return and a strong equity position. Our investment strategy provides qualified investors an opportunity to expand and diversify their investment portfolio and participate in all the benefits of owning commercial real estate without any of the acquisition, management or sale responsibilities.

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