



## Why Invest In Real Estate

### A Bull Market In New Homes & Second Homes Is Approaching

#### The Echo Boomers

An emerging wave of echo boomers – the sons and daughters of baby boomers – spells profit for income property investors.

In 1978, the nation began to experience a wave of increasing births (called the echo boom). During the 18 years thereafter, births steadily climbed from around 3.5 million to approximately 4.1 million per year. The peak of this group is now in their twenties and starting to look for starter homes to rent or buy (with parents assistance).

#### Demand

The **demand for starter homes is set to be strong** for the next decade. Check out these convincing statistics:

- **U.S. Population is growing by 3 million per year**
  - Our Current Annual Population Growth is 3 million per year approximately. During the next 20 years, moderate projections show that the U.S. population will grow by 50 million.
- **Household size has shrunk, creating a need for a much larger number of new housing units**
  - 50 million people will need a net gain of 20-25 million housing units. Americans average 2.3 per household. Given the relative decline of families with children, more singles living alone, seniors living longer, the number of households required may be closer to 25 million
- **Incomes will continue to rise, boosted by productivity**
  - The outlook for productivity is bright. People earn more money when they become more productive
- **78 Million Baby Boomers are expected to be in the market for Second Homes**
  - Nearly all forecasters expect 15 to 20 million households will own second homes in the next two decades, from 7 million today

#### New Construction Cannot Keep Pace

In the long term, builders will not be able to keep up with demand and are tightly constrained by five factors:

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1. **High Costs** of Construction – most people cant afford to buy or rent new construction in highly populated areas
2. **Lack of Land in desirable areas** – Although the U.S. enjoys an abundance of land, most of isn't located where people want to live. Choice locations are premium priced
3. **Cumbersome regulatory approvals** – Costly and lengthy government permits, major developments require effort of many years to get moving
4. **Not In MY Backyard** Environmentalists Opposition – Builders must face off with environmentalists, Public Interest Groups, and others that want to restrict development
5. **Inadequate Infrastructure** for new developments – New developments require additional roads, schools, parks, water supply, recreational areas. Governments will assess builders thousands of dollars per unit in impact fees.

### Stocks Cannot Compare With Real Estate When It Comes To Wealth Creation

1. Rents today yield a much higher return than the dividend yield on stocks.
2. Rents today yield a bit higher than bonds, but real estate also offers appreciation, bonds can appreciate or depreciate depending on interest rates.

### Real Estate Offers 6 Streams of Wealth Building Potential

1. A Dependable and Growing Stream of **Rental Revenue**
2. **Appreciation**
3. **Leverage** – Just a 5% increase in the value of property translates to a 25% Return on Your Money
4. **Tax** Advantages, Most Significant is Depreciation On Income Property
5. **Mortgage Payoff**
6. **Bargain Purchase Price**

### Wall Street's Secret

Here's what stock brokers will never tell you: Leverage on reasonably purchased Real Estate blows away returns from any other investment. And **Stocks do not let you use leverage** because you're borrowing at 6-8% and the dividend yield is 2%, you'll go poor in a hurry using that formula!

With Real Estate, on a \$200,000 Investment, 5% appreciation is \$10,000. On Your 10% Down Payment, That Is 100% Return On Investment.

And **Real Estate Prices Are Far More Stable** Than Stock Prices.

Here's the Bad News!

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**Most investors today shy away from the perils of landlording**, taking calls at midnight to fix pipes or collecting rent headaches.

The **second false belief is that over the long run stocks outperform rental properties**, perpetuated by the Wall Street public relations machine.

The stock market will not provide 50 million Americans with the income they need for a prosperous and secure future.

**Rising Interest Rates are not necessarily bad for Real Estate, but will kill stock and bond portfolios**

Between 1965 and 1980 when rates rose higher and higher, the national median home price did not have a single down year, and housing appreciation rates remained strong, primarily driven by the demographics similar to today.

**More Inflation, Higher Building Costs**

Inflation drives up the cost of construction. So rising energy prices will cause builders to suffer. Buyers retreat in the face of rising cost of construction, higher mortgage payments, and difficult qualifying. Owing to the changed outlook, fewer new houses and apartments get built. Existing properties appreciate until their prices climb high enough to again make wide scale building profitable.

**More Inflation, Investors Flee From the Stock Market**

Most investors ARM mortgages are capped and protected by rising interest rates for a couple of years. But stock investors have nowhere to hide. The market usually overreacts and kills portfolio performance immediately. Investors panic and lock in losses.

**REASON NOT FAITH**

When it comes to investing, facts eventually expose illusions. Eventually reason trumps faith. More than 80 million Americans need to invest successfully. Most of us can no longer count on a pension, social security or a lifetime job to guarantee financial prosperity – or survival. Yet most keep putting money in 401ks and keep taking losses and chanting “Stocks for the long run”.

Unfortunately, stocks can't deliver. Sure, some will find the eBays and Microsofts. But for the great majority, disappointment will prevail.

**You can still win with Real Estate Investing (For Now)**

We have provided the facts and reasoning to support our view that **Real Estate is the best wealth building mechanism.**

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The Solution: **Start Now, Times are tougher, Prices are Higher, but there are rapidly growing markets where you can buy homes at prices that promise to increase with time.**

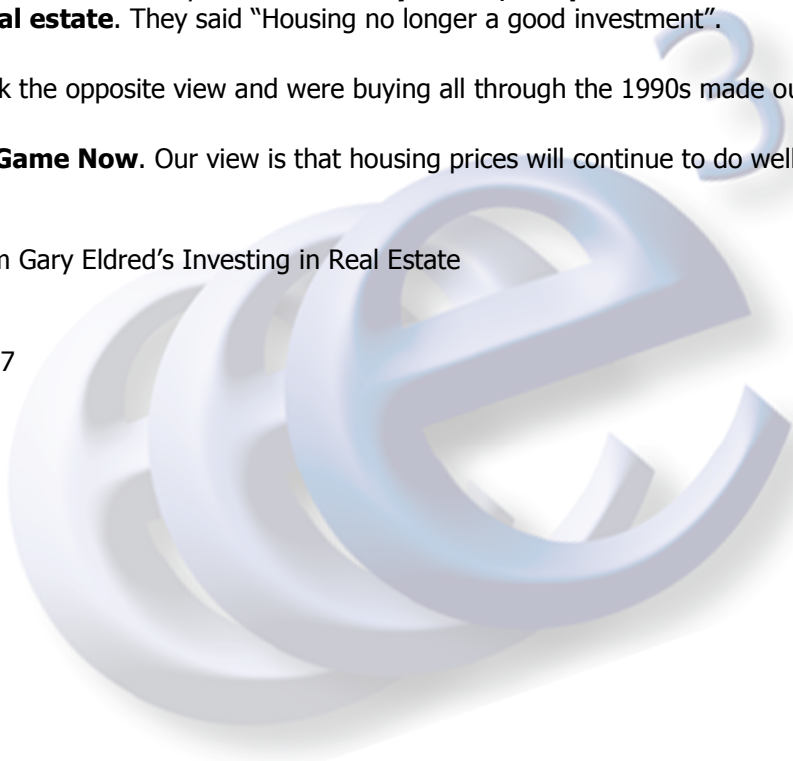
So Should You Wait? Absolutely Not. In the **early 1990s, the press overwhelmingly told Americans not to buy real estate.** They said "Housing no longer a good investment".

Those that took the opposite view and were buying all through the 1990s made out handsomely.

**Get into the Game Now.** Our view is that housing prices will continue to do well in the areas we have researched.

\* excerpts from Gary Eldred's Investing in Real Estate

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