

## Real Estate Investment Opportunities in 2012

Two thousand eleven was a challenging year. As we put the numerous trials and tribulations behind us, it's important to look at the opportunities in the year ahead. While the housing market is not without its share of difficulties, there are some bright spots.

## Foreclosures

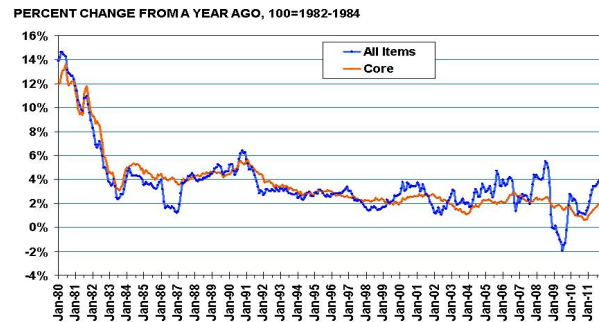
The inventory of bank-owned properties is expected to increase in 2012, according to RealtyTrac®, and California will continue to be a hotspot for foreclosures. While notices of default and lender repossessed properties both declined in November 2011, a leading indicator points to a potential jump in the inventory of distressed properties: scheduled foreclosure auctions. There was a 63 percent month over month increase in scheduled foreclosure auctions in California in November 2011, the highest state rate in the nation. This poses tremendous prospects for investors to cash in on those properties at desirable prices. It would also be a good opportunity for qualified buyers who have been sitting on the sidelines awaiting the right opportunity; the expected bump in inventory and continued low mortgage interest rates make for ideal buying conditions. With the economic recovery picking up some traction, interest rates are likely to rise in the coming years and these ideal buying conditions will not last forever.

## Some Pros & Cons of Investing in Real Estate

While being an investor has its benefits, it is not without its challenges, so it's important to do your research and be prepared to face the obstacles. The benefits of owning property include the steady income from rents, tax deductions, appreciation of property value in the long run and the pride of ownership. With currently low inflation rates, the potential for equity gains in real property is greater because home values will rise as inflation rises.

## Consumer Price Index

October 2011: All Items +3.6% YTY; Core +2.1% YTY



Source: U.S. Bureau of Labor Statistics

On the other hand, short term market volatility, maintenance expenses, vacancy, the occasional bad tenant, exposure to liability and finding qualified professionals to assist with providing necessary services are eminent risks. For investment property owners, it is not a matter of whether you will have to deal with these nuisances, but when. To remedy that, there are steps you can take to prepare for that rainy day.

The best solution is to maintain a healthy liquid asset account. Cash is ideal, but short term or monthly money market or certificate of deposit accounts are also good options. Depending on the type of property, its condition, the mortgage and other monthly expenses, it is recommended to have at least six months of expenses in liquid savings or about 10 percent of the property's value, especially if major repairs are anticipated. Good planning and organization is essential to maintaining and keeping track of expenditures and all property matters, particularly in preparation for filing taxes. This preparation will also enable owners to determine the appropriate amount of insurance coverage to purchase. Being educated about your investments is likewise crucial to protecting your assets, hence due diligence in assessing your risk cannot be emphasized enough.

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