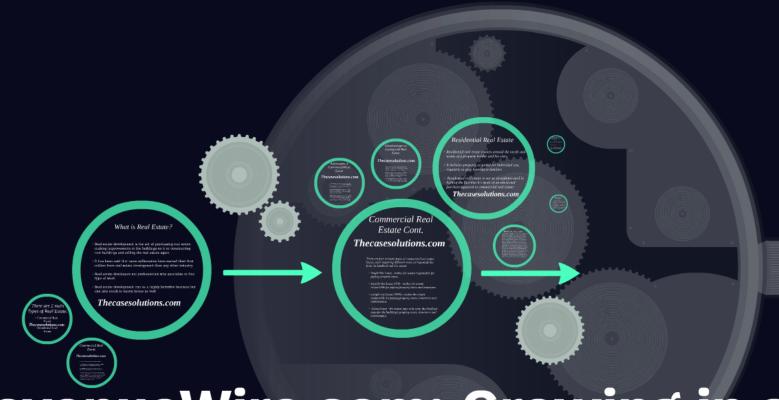


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What is Real Estate?

- Real estate development is the act of purchasing real estate, making improvements to the buildings on it or constructing new buildings and selling the real estate again.
- It has been said that more millionaires have earned their first million from real estate development than any other industry.
- Real estate developers are professionals who specialize in this type of work.
- Real estate development can be a highly lucrative business but can also result in heavy losses as well.

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There are 2 main Types of Real Estate.

• Commercial Real Estate

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 Residential Real Estate

Commercial Real Estate

- Commercial real estate is business-centered.
- It includes property that is sold, rented, or used to accomplish a foreordained business target.
- It's utilized as an investment to accomplish a foreseen rate of profit for the assets contributed.
- In commercial real estate, you can purchase, offer, lease as a leasor, lease as a resident, syndicate, joint endeavor, develop, option, and put resources into an extensive variety of business land classifications, including retail, office, industrial, apartments, investments and area renting.

Commercial Real Estate Cont. Thecasesolutions.com

There are four primary types of commercial real estate leases, each requiring different levels of responsibility from the landlord and the tenant.

- Single Net Lease makes the tenant responsible for paying property taxes.
- Double-Net Lease (NN) makes the tenant responsible for paying property taxes and insurance
- a triple-net Lease (NNN) makes the tenant responsible for paying property taxes, insurance and maintenance.
- Gross Lease the tenant pays only rent; the landlord pays for the building's property taxes, insurance and maintenance

Advantages of Commercial Real Estate

- *Greater Return*. Commercial properties generally have an annual return off the purchase price between 6% and 12%, which is a much higher range than it is for a residential property. (1% to 4% at best).
- *Limited hours of operation*. Businesses usually go home at night. The owner wouldn't have to worry about receiving a midnight call because a tenant wants repairs or has lost a key.
- Triple net leases. The general concept is that you as the property owner do not have to pay any expenses on the property. The lessee handles all property expenses directly, including real estate taxes. The only expense you'll have to pay is your mortgage.

Disadvantages of Commercial Real Estate

- Bigger initial investment. Acquiring a commercial property typically requires more capital up front than acquiring a residential rental in the same area, so it's often more difficult to get your foot in the door.
- More risks. Properties intended for commercial use have more public visitors and therefore have more people on the property each day that can get hurt or do something to damage your property.
- Time commitment. With commercial the owner has more to manage and is dealing with multiple leases, more maintenance issues, and public safety concerns.

Residential Real Estate

- Residential real estate rotates around the needs and wants of a property holder and his crew.
- It includes property acquired for individual use, regularly to give housing to families.
- Residential real estate is not so straightforward in light of the fact that it's more of an emotional purchase opposed to commercial real estate.

