

## **Long-Distance Investing: Owning A Home Away From Home**

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Because of high-priced properties, investors are taking on new strategies to buy low and sell high. Instead of flipping foreclosures, investors are looking to purchase pre-construction units and resell them at the table on settlement day to another buyer. Still, others are beginning to take their profits and move their investment holdings to other undervalued communities away from home. The astounding inflation has not only out-priced some wannabe homeowners and move-up buyers, but investors as well.

So where can you get a good deal these days when you can't afford the market where you live? Think long-distance investing. Real estate has demonstrated its resiliency throughout the years and investors are banking on finding land, and homes, away from their home-base to continue building their real estate portfolios.

Keep in mind, an investor can make money off real estate in several ways:

- 1 Purchase fixer uppers, invest in fix up and flip
- 2 Purchase new and flip once construction is completed
- 3 Purchase, move in and hold
- 4 Purchase, rent and hold

Most people will gain equity through option number 3. But in an overly heated market, even those who can find the fixer uppers will almost pay market rate for their diamonds in the rough. And there are others who just don't have the cash to do any of the above.

Look elsewhere when this occurs. There are plenty of undervalued/fixer upper/foreclosure/vacation properties available in this great land, you just have to be willing to look more than across town to purchase them.

An investor friend of mine did just that recently. He sold one property in the Washington, D.C. area resulting in nearly \$300,000 in profit. To delay capital gains and recapture taxes, he went to identify properties outside of the region to purchase using the IRS 1031 Exchange option. In simple terms, the 1031 Exchange is used when an investor wants to sell one, or several, real estate properties and reinvest all the proceeds into another real estate investment --

exchanging the property and its equity into other targeted investment properties. In this case, he identified properties about 250 miles from his last investment in south Virginia.

He purchased some development land that can be subdivided later for building, a residential rental property and then additional raw acreage near the future site of a highway bypass that should result in lucrative appreciation for commercial development in the future.

It's always seemed curious that while people are willing to purchase stock in companies hundreds or thousands of miles away, they find it hard to consider the same approach to real estate investing. Just as you can hire someone to manage your stocks in other companies, you can do the same thing with a real estate portfolio.

Property management is one of the largest segments of the real estate industry. Thousands of Realtors earn their living doing what investors have no time, expertise, or contacts to do: collect rent, pay all the monthly bills, receive calls from aggravated tenants, keep the land and property maintained, etc. Many property managers work with investors who live across state, country, and around the world.

Long-distance investing requires a bit more risk tolerance since now your investment has people living in it -- walking, eating, playing, fussing, raising a family, partying, and just enjoying life in your investment. That means some wear and tear on your commodity and someone has to watch out for the home maintenance and make sure it is taken care of, that renters pay on time, that your other bills are paid (association dues, taxes, memberships, etc.) and then sends you the remaining cash flow each month.

Nevertheless, it's an investment that has proven over time to be good to its beneficiary.

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