

5 Reasons to Invest in Pre-Construction Real Estate

It was Andrew Carnegie who once said that 90% of millionaires made their fortunes with [real estate investments](#). Even in the present day, many still turn to [starting a real estate business](#) as a means to acquire lucrative financial gains. You don't have to [conduct a market analysis](#) to know how vast and rich the industry is. Many aspects of it are worth investing in, and chief among them is pre-construction. Those who are still harboring doubts may want to read up on the reasons stated below. After everything is said and done, we guarantee those doubts will be erased for good!

Financial-Based Reasons

First things first, we have to look into the financial reasons why pre-construction real estate is such a good investment option. Those who have already invested in real estate before will know the benefits all too well, but it bears repeating for those who have yet to give it a shot. Below are some valid reasons why pre-construction properties are among the most lucrative assets to put money into.

Reason # 1: Higher Returns

No list of real estate investment benefits would be complete without the mention of quality return on investments. The higher amount you can expect is a prime reason why pre-constructed home investing is such a good idea. Despite all of the [real estate risks](#) involved, one thing you can't dispute is that the initial price is considerably lower compared to others. Couple that with the rising demand for housing. The present year of 2020 sees a continued rise in house prices, albeit a slow one.

According to Global Property Guide, 19 out of 20 major U.S. cities experienced only moderate price growth in the second quarter of 2019. Phoenix, Arizona home prices spiked the highest at 5.83% while San Francisco saw the lowest at 0.72%. These price hikes create scarcity among home buyers, which translates to greater overall purchase demand. Investing in pre-constructed properties now guarantees you not only a high ROI but also a shorter waiting period. That is especially true if the property in question is a condo unit in a prime location.

Reason # 2: Lower Maintenance and Repair

Anybody who owns a property for whatever reason--be it residential or commercial--knows how much maintenance factors into the experience. According to US News, it's recommended that homebuyers [budget](#) as much as 4% of any given property's value to prepare for its maintenance costs. For a \$300,000 home, that figure can reach \$12,000. Even for those with enough [real estate capital](#), an amount like that would make anyone uncomfortable. Fortunately, pre-construction investments will give you far less stress due to the lower maintenance costs involved.

By investing in pre-construction, you can ensure that proper planning is in place. That's the only way for the finished project to emerge with the least amount of problems. Not only will you be doing yourself a favor, but future owners of said property will also thank you for mitigating their maintenance and repair problems. In comparison, investing in older properties is far more costly. Not just because of their raised value, but also because of the lingering issues that you will have to deal with.

Reason # 3: Tax Benefits

[Real estate valuation](#) may have its perks, but so does unit depreciation when it comes to pre-construction. How, you ask? The unique tax benefits of this kind of investment often go understated and unnoticed. Those who pay close attention will see that there's much to enjoy, primarily all the things that are tax-deductible. Unit depreciation is just one thing; others are mortgage interest and property taxes. The mere fact that only 50% of your capital gains are taxable should be enough to get you excited.

Creative and Ownership-Based Reasons

Although many consider the financial benefits as their primary purpose of investing, the truth is that there's more to it than just money. There are also creative and ownership-related perks that can motivate anyone into investing in pre-constructed properties. The following are two primary examples of the sort:

Reason # 4: Leverage

Have you ever thought about owning a property by the beach or somewhere else that's quite scenic? Such locations provide perks for those looking to sell or even just live in the area. By investing in pre-constructed real estate located in a place like that, you get control over a property with a higher value than your initial investment. Your [contract](#) might require, for example, an amount of \$20,000. In time, the property grows to a value amounting to \$300,000. Through your existing contract, you now hold rights to it due to your amount placed in escrow.

Reason # 5: Customization of the Property

Investors have the power to make decisions that affect how the pre-constructed property will turn out. There are multiple ways for you to profit from this at a later date. For one, those with intentions of eventually selling the property can plan its features and fixtures ahead. Doing so can help you market it to prospective buyers with specific tastes. One can even add more advanced technology to the home, which will only raise its overall value once it has been constructed.

Two, those who do not necessarily have a [business plan](#) on hand can still enjoy the thrill of making creative decisions. Construction planning may be at the heart of some investor's motives, which can be a reward in itself. Investing in pre-construction gives you the chance to come up with a checklist of all the things you want in the property and implement them as you see fit. This may involve a more comprehensive analysis on your part, but it is worth it if you intend to occupy the property.

As you can see, the reasons to invest in pre-construction are as numerous as the opportunities that one can take advantage of in real estate. Although risks are forever present, one can mitigate them with a strong base of knowledge. Take what you've read and use it to propel yourself to financial heights higher than you've ever known before. Consider it all in a day's work when you get involved with real estate.