

How the Real Estate Industry Works

Real estate is always the business plan of investors and businessmen. You often see agents offering competitive schemes to sell these properties almost anywhere. It's a trend because it is known as the best investment you can make today, according to CNBC. This industry has produced tycoons and millionaires. You are very welcome to join the club! In this article, we will discuss the fundamentals that you need to know before starting a real estate business.

What is Real Estate?

All the air rights above the land, all rights underground or below the ground, the land and buildings—these are all real estate. All of the immovable properties you see are real estate. “Real” in real estate means physical or property. Some also say that “real” comes from the Latin word “rex,” which means royal. This is because immovable properties in the historical era were owned only by the royal families. However, anyone can own these properties nowadays. People purchase real estate and prepare their buyers list for investment purposes.

Types of Real Estate

The real estate market is grouped into four categories—the residential, commercial, industrial, and land.

Residential

Houses, condominiums, and townhouses are residential real estate. These may be owner-occupied or rental properties. These are also structured either as single-family or multi-family homes. For rental purposes, multi-family homes are more advantageous. Aside from more rental income, one vacant unit doesn't mean you won't have any other units to cover your monthly costs. Single-family homes, on the other hand, will give you the risk of ending up with negative cash flow without tenants in them.

Commercial

Any non-residential property that is used to make a profit in commerce is commercial real estate. It includes office buildings, malls, stores, and industrial parks. Companies carry out their day-to-day operations and conveniently cater to their consumers in commercial venues. Commercial buildings lease units to business owners, and these leases are usually longer than residential rentals.

Industrial

While a lot think that industrial real estate is only for keeping goods and stuff, it is more than that. Global commerce works its supply chains in warehouses. Storage and distribution, production, manufacturing, and even research and development happen in industrial real estate facilities. It is an in-demand real estate as the world's consumption drives it. The majority of the economic activities also account for the use of goods.

Land

The land is a real estate asset that is bestowed by nature, and pieces of it can be owned legally by a titleholder. These pieces of land may include plants, animals, soil, minerals, and even electromagnetic features. Landowners make money when their properties can source natural gas and oil as well. To sum everything up, the land is a place of production without having the owner spend on the product itself since it's all-natural.

How the Real Estate Industry Works

The real estate industry depends on a cycle that involves development, management, finance, sales and marketing, and professionals.

Property Development

This is a process of business wherein renovation and re-lease of existing properties take place. This also encompasses the purchase of raw land and developing it for investment and sale. Business people buy land and deal with builders to do projects in it and earn from these projects in the future. If you are into owning properties and receiving from them or buying and selling real estate, then property development is for you.

Property Management

This pertains to managing a property that is owned by another entity. He oversees any real estate and helps owners in advertising properties, qualifying tenants, and collecting rent. He is also in charge of the maintenance of the place. Many real estate owners hire property managers because they only invest to earn a profit. They need the expertise of these professionals in terms of management analysis.

Real Estate Lending

Since owning real estate is costly, lending services give a chance to people who want to invest nonetheless. There are big companies that lend loans or mortgages to jumbo investors as well. Professionals who connect lenders to borrowers are called mortgage

brokers. He pre-qualifies the borrowers by gathering reports on their income, assets, employment, and credit history. He will determine the amount that can be borrowed based on the qualifications. If qualified, he will submit the loan amount for approval. The mortgage banker will approve.

Sales and Marketing

Intermediaries, in-house agents, and real estate professionals endorse, promote, and advertise the listings through different marketing strategies. They embrace the use of advanced technology to stand out in the marketplace and prepare a quality buyers list. Business websites are needed for branding. Real estate websites are also vital for listings. Aside from advertising through paper, advertisements are now done through social media. Without sales and marketing, the real estate industry will become stagnant.

Sellers Agents

Owners hire professionals to sell or rent out their properties. These realtors are the sellers' agents or often referred to as listing agents. A listing agent prepares the home to market with a checklist of improvements needed in the house for it to sell at a higher price. If you are adept at sales tips and have good connections with inspectors, handymen, painters, or landscapers, then being a seller's agent will suit you. Afterward, the agent will set a price and market the property. He also closes the deal with the client.

Buyers Agents

A buyer's agent, on the other hand, is a licensed agent who will negotiate with the seller on behalf of the buyer. But before that, he will find the right property for the buyer depending on purpose and budget. The agent must explain to the buyer the neighborhoods and other essential information about the property. This agent should also be able to refer other professionals to his clients, such as brokers and lawyers.

With the real estate information above, you will be able to determine the type of real estate that is best for you, depending on the function in society and growth you envision. And by pondering on its cycle and professions, you will be able to decide what area suits your capabilities.