SLIDE 21 - **Disadvantages of Investing in Real Estate (Cover Page)**

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Illiquidity

Compared with other classes of investment, real estate is relatively illiquid. Even in the case of liquidating a single-family residence, one can expect a marketing period of at least several months in most markets. In addition, it takes time for the buyer to obtain financing and to complete all the other phases of closing the transaction.

Commercial and investment properties can take much longer, depending on market conditions, leases, construction, permitting, and a host of other factors.

The investor who is in a hurry to dispose of such an investment can expect to receive a lower sales price than may be ideal. Compare this with the ease of drawing money out of a bank account or selling a stock.

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Market is Local in Nature

Real estate is immobile and because of this lack of mobility, local issues can have a major impact on real estate market prices. Natural disasters or the closing of a large area businesses may have a negative impact on real estate as an investment, while the global market is doing fine.

SLIDE 24

Need for Expert Help

Real estate investors often need to hire outside experts to help with the development, construction, maintenance, leasing, etc. of the real estate investment. These experts frequently come at a high cost which cuts into profits.

SLIDE 25

Management requirements

Real estate tends to require a high degree of investor involvement in management of the investment. Even raw land requires some degree of maintenance to preserve its value: drainage, fencing, payment of taxes, and periodic inspection, to name a few tasks.

Improved properties often require extensive management, including repairs, maintenance, onsite leasing, tenant relations, security, and fiscal management.

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Risk and Reward

Capital put into real estate is always subject to the full range of risk factors: market changes, income shortfalls, negative leverage, tax law changes, and poor overall return.

Market demand for a specific type of property can decline. For example, a business district's retailers may vacate stores in an area in order to obtain better space in a new shopping center.

Market downturns leave the income property investor with an unmarketable property or one which can only be re-leased at a loss of some portion of the original investment. Thus the expected reward from income or appreciation may never be obtained.