Commercial Real Estate Investing Myths And Misconceptions

Commercial real estate (CRE) can represent an exciting and profitable opportunity for seasoned and beginner real estate investors.

Often when you bring up the topic of CRE investment you are likely to hear several opinions as to why you should not and can not get involved in these types of investments. However, the so-called “barriers to entry’’ can be nothing more than myths and misconceptions, which we will address.

1. **You need to be wealthy to invest in CRE**

“CRE investing requires a large amount of cash to get involved”, is a myth. While its true commercial properties do require a large capital investment, there are several ways you can get involved in CRE investing such as, investing through a Private Equity fund, a Real Estate Investment Trusts (REITs), Property Exchange Traded Fund (ETF’s). Online investing or owning a syndicated equity stake directly into a piece of real estate. Some of these investment vehicles have minimum investments from as little as 1,000 USD.

2. **It takes up too much time**

There is a tendency with investors approaching CRE investing for the first time to believe that because real estate increases in size or complexity, that it may exponentially increase the time required for management. The idea as a passive investor is to find a complete deal, which has the relevant management systems in place to ensure that the property you are investing in is run smoothly so that you can enjoy being a passive investor and simply earning returns on your investment.

3. **It involves too much risk**

Every investment involves risk and there are no guaranteed returns and CRE investment is no exception. The question is one of the degrees of the risk, and whether that risk outweighs the potential reward.

There’s no question that some commercial real estate asset classes can be riskier than others to invest in. The risk level of a commercial real estate is determined by several important factors and it makes sense to ensure that proper due diligence on both macroeconomic and microeconomic factors are considered in evaluating a CRE. Remember that the more volatile a real estate is, the higher the risk and ultimately, the impact on the profit. The key is to find a good balance between low risk and a reasonable probability that you will get your required return in an investment that works for you.

Surround yourself with a team who knows the commercial market and who do proper research and due diligence on a real estate, this way you will have the information you need and a support team to adequately asses a commercial real estate investment potential.

4. **Good investment deals are difficult to find**

A ‘good’ investment is subjective and an individual biased opinion. A deal that is good to you may b[illegible]stor. It all depends on your investment appetite, understanding your financial roadmap, evaluating your risk tolerance and profile, how you intend to invest and what property asset classes you are interested in.

The key to becoming a successful investor in the CRE market is to become a diligent student in your area of focus. Do your homework and know exactly what kind of commercial real estate you are aiming for so you are ready to invest when an opportunity becomes available.

5. **You must be old enough**

You don't have to be a certain age to get into CRE investing. In fact, the earlier you start the better. CRE is attractive because it provides consistent residual income, and mixed with time and the magic of compound interest you should get your children to invest early. No matter how old you are, there is a way you can get involved and have investments that can pay you a passive income. At the same time, you are never too old either. Don't let age be an excuse to keep you out of the market.

In summary, there are many myths and misconceptions about investing in CRE. CRE estate investing can be one of the best ways for you to get and stay ahead financially. Profitability will rely on you taking smart actions. There are many ways you can start adding CRE to your investment portfolio which can offer significant returns and asset class diversification, however, before you start to invest its always important to do your research and consider time, return and risk quality factors.

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