

Special Report

Preconstruction Investment

The Little-Known But Surprisingly Simple Way
to Make Exceptional Profits from Real Estate

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As with any investing activity, the potential for loss exists in real estate investing. It is the reader's responsibility to conduct due diligence regarding any real estate investment that is being considered.

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What is Preconstruction Investment?

Smart investors have been making big profits in preconstruction investment for a long time. Yet it's only in recent years that this form of real estate investing has come to the public's attention. You may or may not have heard of it before. But make no mistake, wealthy real estate investors know all about it because it is a highly effective way to make money from real estate.

The concept is quite simple. You buy a property before it is built, at a discounted price that is less than the retail selling price of a finished unit. During the construction period, the property appreciates in value. When construction is finished, you can sell the property and pocket the difference between what you paid for the property and its current value. It's not unusual to see returns of 25%, 50%, even 75% on your investment.

What are the Advantages of Preconstruction Investment?

- ✓ You don't have to qualify for a mortgage.
- ✓ You control a valuable property with a small amount of money.
- ✓ You get a discount on the price because you are buying the unit before it actually exists.
- ✓ You capture months or years of appreciation on the property without having to pay a mortgage during the appreciation period.
- ✓ You don't have to be a landlord.
- ✓ You don't have to rehab houses.
- ✓ Preconstruction is a mostly hands-off investment.
- ✓ You are not limited to investments in your own community.
- ✓ You can make money no matter how the local real estate market is doing.
- ✓ Preconstruction investing is considered to be one of the most profitable types of real estate investing.
- ✓ Profits can be very large compared to the effort on the part of the investor.

How does Preconstruction Investing Work?

First, you find a developer who is offering preconstruction sales (more on this later).

Because the property is not yet built, you will examine the architectural rendering, the floor plans, and the lists of features and amenities that each unit will have. Using this information, you choose the property or unit that you wish to buy.

Reservation Stage

You give the developer a small amount, say \$5,000-\$20,000, to reserve the property. This is a completely refundable deposit. The reservation is a non-binding agreement between you and the developer. At this point you have no firm rights to the unit.

In the reservation stage, developer can raise the asking price of the unit or make other changes to the plan. If you don't like the proposed price or you decide not to buy the property for any reason, you can get your full deposit back.

If something happens and the developer is not able to build the property, you will also get your deposit refunded. So during the reservation stage you are protected from losing your money.

During the reservation stage, the developer gets the necessary approvals, permits and financing. If this takes a long time, property values may have appreciated. In that case, the developer may decide to raise the price of the unit to current market value. Or construction costs may have gone up during this time, and the developer may choose to raise his prices to accommodate the increase.

Remember that you can get out of the deal at this point with no penalty. If the deal is a good one, though, you will want to follow through to the hard contract stage.

Hard Contract Stage

When the developer is ready to begin construction, you will be required to put down money to secure the unit. This can amount to 5-20% of the purchase price and is held in escrow until the construction is completed. The developer cannot touch your deposit during construction.

You will also sign a contract to buy the unit. This contract is a binding for both you and the developer. In other words, the developer can't increase the price, and you have to buy the unit when it's finished.

Completion of Construction

After signing the contract, you sit and wait for the property to be built, which can take several months or years. Your investment is appreciating in value during this time, but you have no mortgage, taxes or carrying costs to pay. Finally, the development is completed and ready for occupancy. Some developers offer selling programs to help preconstruction investors find retail buyers for their properties. You will be required to sell the property immediately or close on it yourself, using your own financing. If you are unable to close, you'll forfeit your deposit. Once you've closed, the property belongs to you and you may resell it, lease to a tenant, or live in it yourself for a while before selling.

If you've chosen a good investment, you can realize a substantial profit at this stage. For example, it's not unusual to see a waterfront condo appreciate in value by \$100,000 – \$300,000 between the time you invest in the preconstruction unit and the time the unit is ready for occupancy. Not a bad return for sitting back and doing nothing, right?

Preconstruction Benefits Both Developers and Investors

Why does a developer offer preconstruction sales, anyway? Well, there are several benefits to the developer. Preconstruction sales give the developer an opportunity to presell the whole development project before even breaking ground, and this minimizes his risk. And with all units presold, it is much easier for the developer to go to a lender and get financial backing for the project.

Announcing that most or all of the units have been presold creates a buzz among retail buyers and increases demand for the units. Once construction begins, the developer may hike retail prices as each new phase of the project is released. Again, this creates increased demand among buyers who want to purchase their units before the next price increase, which in turn leads to higher market values for the properties.

Types of Preconstruction Investments

There are many types of preconstruction that you can invest in. Here are some of the more popular types:

Preconstruction cottages in wooded and natural areas. This is typically a short term investment that can be resold in 8-12 months. Usually you'll put down a deposit of 5%-10%.

Condos in a low-rise complex. Again, these are fairly short term investments that can be resold in 8-12 months. 10-20% to secure one of these units is typical.

Condos in a high-rise complex. This type of property may take 2-5 years to build, which ties up your money for a longer period. You'll put 10-20% down.

Units in a luxury resort/hotel. These developments can take 5-8 years to complete.

The one thing that all good preconstruction investments have in common is that the properties are quality units in desirable locations. With any preconstruction investment, you can choose to sell, lease to tenants, or hold on for the long term. It all depends on your investment goals.

What Makes Preconstruction Investment Different from Other Types of Real Estate Investment?

One of the reasons that experienced investors like preconstruction is that there are always opportunities to invest. You're not limited to investments within your own community. If it doesn't make sense to invest where you live, you can just as easily invest where it does make sense, thereby reducing your risk. No matter how poorly the real estate market may be doing in your locale, you can make money by seeking out deals in areas where the market is strong.

Another plus to preconstruction investing is that most of your research and activity can be done over the phone. With a little training, you can learn to accomplish this in a day or so. The leg work that other types of real estate investments demand is simply not necessary.

During the construction stage, no additional action is required from you. And when it comes time to sell the property, you can enlist an agent to look after that task, making things even easier. It's no wonder that this hands-off type of investment has many fans.

Frequently Asked Questions about Preconstruction Investing

How can I learn more about preconstruction investing?

The best way to educate yourself is to take a seminar or course. The concept is simple, but if you don't know what you're doing it could be a disaster! It's always best to learn from investors who are already making big profits. Here's one good source of comprehensive training in preconstruction investment:

<http://www.profitablepreconstruction.com>

I'm just starting out - is it too late for me to invest in preconstruction projects?

Absolutely not. There are new developments going up every day of the week, all over the United States. You don't even need to limit yourself to the U.S. because there are investment opportunities in other countries, too.

How much can I make?

This is a speculative investment, and so no one can predict how much profit you will earn. It's always possible that property values will decrease, at least over the short term. However, many investors have bought preconstruction properties that have appreciated by 25% per year or more.

How do I know if a project is a good investment?

An investment that's right for one person may not be right for another person. It really depends on your financial situation, your investment goals, your tolerance for risk, and other factors. You'll need to analyze each potential investment to see if it meets your unique criteria. The exact process for analyzing a preconstruction deal is beyond the scope of this report, but you can find out everything you need to know at <http://www.profitablepreconstruction.com>.

How do I find preconstruction deals?

Finding good preconstruction projects is one of the biggest challenges in this type of real estate investing.

In general, you would decide the location where you want to invest. You would use the Internet to search for developers, brokers, and agents, and then you would contact these people to get on their "lists" and receive information about upcoming projects. When researching potential projects, you must beware of fly-by-night developers who aren't able to deliver.

If this sounds a little intimidating, you can take a shortcut and network with other like-minded preconstruction investors. By partnering with established investors, you can gain access to developers' plans and offerings that are hidden from the general public. Furthermore, a group of investors has more clout and more leverage to obtain exceptional deals from a developer. And of course, don't forget the valuable real life knowledge you can pick up from successful investors.

It's actually pretty easy to find investment groups by searching on the Internet, and it's definitely worthwhile to join up.

Where Do You Go from Here?

A short report can't possibly teach you everything you need to know in order to be successful at real estate investment. What you really need is solid, concrete information from someone who has made numerous preconstruction investments and has acquired extensive first-hand knowledge.

Here is a home study course from one such investor that has gotten rave reviews:

[Preconstruction Home Study Course](#)

I sincerely hope you've found this report beneficial. Real estate is a proven path to wealth, as many successful investors can tell you. Best of all, if you're willing to educate yourself and do your homework, you will find ways to invest that reduce your risk to nearly zero.

May you have the best of success in all your future real estate investments!



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