

Despite Housing Sales Slump Experts Say **Real Estate** IS STILL A HOT INVESTMENT

By Dana Slagle
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Real estate investor R. Donahue Peebles was just a newborn when his parents purchased their Washington, D.C., home in 1960 for \$16,000. In 2006, Donahue's dad sold the home for nearly \$600,000.

"You can see that real estate performs really well," says Peebles, 47, author of *The Peebles Principles*, a book in which he offers advice on how to become a successful entrepreneur.

Though real estate can be profitable, The National Association of Realtors (NAR) reports that delinquencies and foreclosures are on the rise and are projected to continue through 2008 (See chart on page 48).

Because of all the buzz surrounding declines in the real estate market, many people may shy away from investing capital into property, but some professionals say now is a good time to buy.

"By simply fulfilling one of our basic needs (shelter), we can also invest well

► As chairman and CEO of The Peebles Corporation, R. Donahue Peebles oversees a \$4 billion real estate portfolio. His book, *The Peebles Principles*, offers tips on how to become a successful entrepreneur.

and protect ourselves for retirement and hedging against inflation, so that's why I think real estate is a good long-term purchase and under those circumstances, it is the best investment for the average person," explains Peebles, head of The Peebles Corporation, the largest Black-owned real estate development firm in the United States.

With a portfolio of four-star hotels, residential and commercial properties in major cities, including Washington, D.C., Las Vegas, Detroit, Miami, San Francisco and New York, Peebles has more than \$4 billion of current devel-



Courtesy R. Donahue Peebles

Top Trends In Real Estate

Whether you're interested in residential or commercial property, Giffels-Webster Engineers, a civil engineering business in the Detroit area, lists five top trends to give you insight in real estate and development:

GREEN BUILDING AND DESIGN:

With the increased interest in environmentally friendly designs, real estate developers should consider including green elements, such as green roofs, rain gardens, or gutter water retention and irrigation systems.

ASSISTED LIVING CENTERS:

Because of the rise of aging baby boomers and higher life expectancies, plenty of opportunities exist in these developments.

HOSPITAL EXPANSIONS AND EDUCATION CAMPUS ADDITIONS:

Expansions of hospitals and educational institutions commonly are receiving funding privately through corporate gifts and individual endowments. This market tends to have plentiful building and capital improvement projects.

MIXED-USE DEVELOPMENTS:

Developers can make investments in properties that offer variety. Retail and residential properties can adjoin each other. It's also common for national retailers to connect with smaller stores. This is a low risk investment that tends to remain viable even if one piece of the business does not perform as expected.

URBAN REVITALIZATION: This investment serves to attract and keep people in their communities, municipalities and townships by making downtowns, shopping areas and business districts more inviting and accessible.

Source: National Association of Realtors

opment projects.

His real estate philosophy is simple.

"We want to buy when fewer people are buying and we want to sell when fewer people are selling," Peebles tells JET.

He knows firsthand because he built his wealth at a time when buyers were drifting away from purchasing property.

"In the late '80s, early '90s, banks were being told by the federal government not to make any more real estate loans, and they were closing savings and loans and other banks. That depressed real estate values. People were running from real estate, investors were running from real estate, and it was hard to buy real estate because you couldn't get money from banks to buy it," explains Peebles.

"However, that's when the private equity funds were formed for real estate investment purposes by Wall Street. Those funds and the individuals who backed those funds or became investors, made billions of dollars.

"They made fortunes because people were buying in the early 1990s and by the late 1990s, the real estate market had turned around completely and went into a boom. People were buying properties at 10 cents, 20 cents on the dollar. I was one of those people buying back then, too. The market only came back to what it was previously, but it appreciated significantly more than what it was before. So by just doing nothing but buying, great fortunes remained during that

time period.”

Peebles thinks that buyers who purchase residential and/or commercial properties now may look forward to a similar situation.

“This time around, we don’t have the fundamental problem here—people aren’t losing their jobs, interest rates aren’t out of whack, banks aren’t being closed, so the underlying fundamentals aren’t bad. We just have had such a massive expansion of real estate, that the supply has exceeded demand.”

Peebles makes a valid point. The NAR reports that while housing prices are now somewhat soft in many regions of the country, it is unlikely that prices will drastically decline further, due to “a large pent-up demand accumulating that will be unleashed in a short matter of time—our best estimate is early 2008.”

If and when this occurs, residential property sales are expected to rise. Commercial properties also are pro-

jected to incline.

“We’re forecasting that there’s going to be an increase of activity for those commercial brokers involved in leasing or selling commercial property,” says Scott MacIntosh, NAR senior economist commercial investment real estate.

“If you look at future job growth prospects, it looks good and the demand for office space to accommodate those jobs, industrial space to accommodate those jobs, I think we’re going to see an increase.”

If you’re not ready to make that leap into major real estate developments, Peebles advises that you still consider investing in a home.

“It is the safest individual investment. When you look at investing in the stock market and so forth, that requires a lot more skills. However home ownership doesn’t require skill in terms of a specialized skill and you get a totalitarian use out of it.” □

Disparities In High-Priced Loans

Of the estimated 2 million homeowners currently at the risk of foreclosure, many are located in minority neighborhoods. Their plight is highlighted by the fact that of all racial groups, Blacks paid the highest price for subprime mortgage loans for home purchases last year, according to a newly released report by the U.S. Federal Reserve. The racial breakdown of borrowers who took out high-priced subprime mortgage loans appears at right.

Source: U.S. Federal Reserve

