

Real Estate Futures: New Investment Vehicle Opens New Vistas

By ROBERT J. FLOWER

WE ARE EXPERIENCING A "LAND RUSH" in our country that is second to none in our history. Inflation hedgers, long-term and short-term profit-seekers, equity investors and high-leverage dealers alike are leaping into all types of real estate for any number of reasons.

Because of this tremendous demand from national, as well as international sources, opportunities for real estate investments are now in short supply.

For instance, the need for quality investments with tax benefits has never been greater, due to persistent inflation, coupled with high levels of taxation.

More and more investors are fleeing former investment methods to "cash in" on real estate. Couple this with such economic factors as rising interest rates and hordes of new and inexperienced and it is no wonder that good real estate investments are becoming increasingly difficult to locate. Lack of confidence in the government and in the U.S. dollar is, obviously, another cause for increased real estate interest.

Failure of Wall Street to perpetuate the "glamour" and "go-go's" of the '50's and '60's turned the investor's American dream into a shattered and disillusioned nightmare.

An ever-increasing inflation rate has also chased investors from traditional investments such as stocks, bonds, savings accounts, life insurance, etc., into *hard* money investments—namely gold, silver, diamonds and . . . real estate. From this scarcity of available prime, profitable (return greater than current inflation rates) investment modes a novel concept has evolved. Real estate futures combine the strength of the real estate industry and Wall Street into an exciting, viable investment vehicle.

For the past several years, the aforementioned heavy demand for real estate has created a substantial imbalance. This is recognized as a continuing, worsening phenomena. Complex, time-consuming and non-viable government housing programs are also a part of the decline in supply. Rent control, restrictive zoning policies, expensive building codes, high interest rates are likewise contributors.

Taking all of this into account, I began a search for a new vehicle that could conceivably transcend these factors while incorporating the positive aspects of Wall Street and the real estate market. The answer came in the utilization of the unearned "equity increment." This is the



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portion of equity in a parcel of real property that is realized but not gained by outside economic factors.

Copyright Gives Definition

I have defined real estate futures* in my copyright application to the library of Congress as follows:

"This concept involves the purchasing of an interest in the property owner's future income which he will derive when his present lease with a specific tenant, or tenants, expires. The consideration for this future interest is a series of payments (or single payment) to the landlord by the investor toward a specific leasehold. These payments would act as a supplemental payment to the landlord toward the difference in rental value between the contract rent and the economic (present market) rent until the end of the existing lease period. In exchange for this consideration, the landlord would grant the investor a predetermined portion (or perhaps all) of the future rental income increase to be received at the renewal of the

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