

Invest to Impress

Over years - or sometimes months - Washington-area condos can offer owners solid returns

This past June, Jim Weiner and his wife bought a condo on 13th Street between Columbia Heights and Petworth. Purchased straight from the developer, "it was so beautiful and pristine and brand new," he said. He paid \$389,000 for the enviable two-bedroom, two-bath unit, complete with parking space and private roof deck.

Then he sold it three months later for \$445,000. He applied the proceeds to two more condos, which he closed on this week. He plans to rent each unit for about \$1,300 a month.

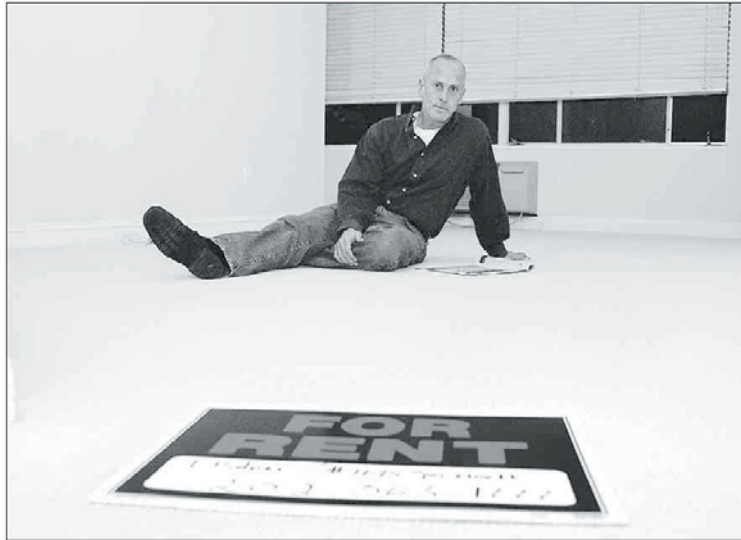
Not bad for five months' work. Welcome to the D.C. condo investors market.

The Washington area is rife with people who, like Weiner, have found a condo purchase to be a solid investment. After South Florida, in fact, investors represent a higher proportion of condo buyers (20 to 40 percent) in the D.C. area than they do in any other U.S. condo market, according to a recent study by real-estate research firm Delta Associates.

"In the District of Columbia, condos are, I believe, always going to be a better investment than they might be in other jurisdictions," said Elizabeth Blakeslee, president of the Washington, D.C. Association of Realtors and a Realtor with Coldwell Banker Pardoe's Georgetown office. "We have so many professional people of one sort or another who work long hours," she said, who want the "easy-care lifestyle" that condos offer.

Scoring major returns is hardly a sure thing, though, even in D.C.'s hot condo market. But for a savvy investor, it's not impossible. And you don't necessarily have to be rich to get in the game.

First, you have to figure out



SLOW DOWN? Investor Roger Beckman hasn't been able to lease his Dupont Circle property as quickly this year as in the past.

what's feasible. "When people come to me and say they want to buy as an investment, I always ask which kind they mean," said Bruce Majors of REMAX Allegiance in Georgetown. "And often they don't know."

Condos can function as investments in two ways. Short-term investors buy units and "flip" them, reselling for a profit — maybe in a year or two, maybe in a few months. Those who are in it for the long haul buy with the intention of renting.

Flipping Out. One way investors flip is by purchasing properties under construction, then selling them when they're finished or close to completion.

Such contract sales are unpopular with (and sometimes forbidden by) developers, said Connie Maffin of Pardoe Real Estate in Georgetown. "They want you to be a bona fide buyer and not a speculator."

One reason for this, said Ron Sitrin of Long & Foster's Friendship Heights office, is that developers don't want to

be competing with investors when the units are brought to market.

Nonetheless, a troll through online ads on sites such as Craigslist.org revealed numerous

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**RON SITRIN.
REALTOR**

ads for condos that have never been lived in. Several listings appeared for a 94-unit building recently completed by Monument Realty at 1111 11th St.

Less-established neighborhoods are also attractive to investors who want to buy low and sell high. Majors suggested buying where a new Metro station is going up, such as near the New York Avenue station. He also recommends buying properties that need work.

"If you have a lot of money to play with, buy as many teeny, beaten-up, stressed efficiencies and one-bedrooms as you can and fix them up," he said. He noted that, while efficiencies and junior one-bedrooms are much cheaper than regular one-bedrooms, they draw similar rents.

Flipping any property is risky, however, and experts say it's getting riskier. In the past few years, many D.C. condo buyers have been able to flip their units at significantly (some would say outrageously) higher prices, even factoring in the costs — taxes, fees — of buying and selling.

But Realtors warn that the market may not allow for such dramatic profits now or in the future. "The escalation has stabilized," said Blakeslee. "It's not tempestuous like it was."

"People could make \$50,000 or \$70,000" in just a year, said Maffin. "But I think the market is slowing down a little bit."

"If someone's looking to buy now to sell in six months, I don't know, it could be a little scary," said Sitrin. "If you're planning to be in it less than a year or two, maybe it's just easier to rent."

Rent control. In general, though, experts recommend buying properties that you can hold onto for some time, whether by living in them yourself or renting them out, earning income as they appreciate.

In theory, at least. Renting may not provide much actual income in today's market. At the high prices condos are going for, mortgage payments may be higher than what investors can demand for rent. There are "all of these new rental buildings and rents in D.C. have actually dropped," said Majors.

Purchasing a property to rent makes the most sense for someone who can cover temporary losses in order to gain in the long run. "For

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the most part, in order to have your rents cover your costs, you're going to have to put either a lot down or be willing to subsidize it every month," said Maffin.

Investor Roger Beckman's rental property was a strong investment, until recently. Since his last tenant left in October, he hasn't been able to find anyone to live in his large one-bedroom in Dupont Circle, for which he's charging \$1,675 a month.

Since 2000, renting has worked out fine, he said. "This time it's like, OK, what's wrong with the rental market right now?" He's tried offering a six-month lease, including a parking space, and he's even considering renovations, despite having updated the unit four years ago.

"It is very difficult if not almost impossible" to find a property for which the price makes sense in light of what you can rent it for, said Sitrin. "What's been compensating is... properties have been appreciating 1 percent a month."

While Sitrin cautioned that such increases are not guaranteed to continue, investments should balance out eventually. "Over 10-year periods of time, even bad investments tend to self-correct," he said. In addition, the costs of covering the

difference between rent and a mortgage can be written off as investments.

Landlords also need "staying power," the ability to cover the ups and downs of rentals — broken appliances, problem tenants and the like. That means having the cash stashed away to deal with unexpected calamities.

"What scares me most is the investor living paycheck to paycheck, said Majors. "All of a sudden what may have been excellent

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BRIAN HAAVE,
WHO OWNS AND RENTS OUT
A GEORGETOWN CONDO

credit gets dinged quite a bit. So I think staying power is important."

Good company. One way to protect a rental investment is to attract renters who are willing to pay top dollar. If you fix your unit up nicely, said Majors, you can often draw people who are in the area on business.

"Sometimes a company is



COMPANY MAN: Brian Haave leases part of his townhome to people in D.C. on business whose companies can foot the bill.

paying the rent. They don't care if it's expensive," he said. And for people who work in other cosmopolitan cities like New York, London and Tokyo, "everything here, no matter how much it is, is cheap."

For Brian Haave, who owns rental properties in both D.C. and New York, business renters have proved a significant source of income. He said he hasn't seen a softening of the rental market.

Haave bought a two-unit house in Georgetown in 1995 and has rented out half of it since. "In this climate of up-and-down stocks, the house, it's always been solid. It's outperformed any other investment that I have. Way out-

performed," he said.

The furnished unit, which comes complete with linens and a cleaning service, is going for \$1,800 a month. Haave said the care with which he has maintained it has been key to his success. "Everything is always fixed and painted and kept up. That's the reason, in my opinion, why I've always had good luck," he said. "I run this apartment like I run my house because it is my house."

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