



**ISGATE LAW**  
— REAL ESTATE AND BUSINESS —

*Dream Big -  
We've Got Your Back!*

## **Our September 2022 Newsletter**

I hope everyone had a fantastic Summer. Fall is now upon us, and as many turn their attention back to business and the marketplace, change continues to be the norm. Just about every metric relative to the marketplace continues to change. Rate hikes coupled with continued record inflation and an upcoming election cycle has resulted in a cooling real estate market. With one (and hopefully final) rate hike in store in 2022, the final quarter of 2022 is shaping up to be eventful to say the least. But there are always areas that investors can take advantage of -- like the ever strengthening rental market.

## **The Current State of the Marketplace**

### **Rising Interest Rates, Record Inflation and a Mid Term Election Cycle Cause a Cooling Effect**

This Spring and Summer, we saw several FED rate hikes aimed to combat rising inflation. There is also one additional planned rate hike in the 75 to 100 basis point range in the coming days. This will result in mortgage rates rising to the highest seen in years. Rate increases alone tend to result in a decrease in Real Estate sales volume. Many believe that the boom we experienced over the last 12-24 months is nearing an end. Every metric points in that direction. There has been an overall slow down in sales volumes, and most major metropolitan areas are beginning to see overall decreases in values. Days on Market continue to rise on average and we have seen the highest number of Real Estate Agreements of Sale terminated since before the COVID-19 Pandemic. Rising inflation, a rocky stock market and a mid term election just around the corner round out what many would consider one of the more turbulent times we have seen in quite some time.

All of the above has resulted in a slow down of the Real Estate marketplace, both Residential and Commercial. The good piece of news for our investors as a result of all this turmoil is that rental marketplace is getting stronger. Many individuals, especially would be first time home buyers, are being forced to turn to renting for the time being while the market sorts itself out. Initial numbers across our area show an increase in rent per square foot, and fierce competition for open rental units. This is a welcome sign to many landlords who are still working to stabilize properties hit hard during the pandemic.

We are also seeing the previously forecasted spike in foreclosures. The initial glut of foreclosures many predicted post pandemic did not readily materialize. Many homeowners who were delinquent on their mortgages were able to take advantage of the hot market and sell their properties rather quickly. They not only avoided foreclosure, but got a premium on the value of their homes. Given the current state of the marketplace, that alternative may be nearing an end. Over the next several months we will undoubtedly see many more properties hitting the Sheriff Sale lists as a result of foreclosure actions from lenders.

The Private Lending space has also seen a slowdown over the last 60-90 days as a cumulative result of the economy. Investors are beginning to pause to see how the rate increases and the election cycle impacts the overall economy and stock market. We have seen overall rates increase in the Private Lending sector with many lenders also going to variable rate loans to protect the continued upswing in interest rates.

## Real Estate Investment Strategies

Real Estate is what we do. Helping our clients find their next investment opportunity is something that separates us from other firms, we love to grow with our clients and see them succeed. If you are looking for your next investment, we can help:

### Hard Money/Private Lending

Our sister company, Stone Commercial Capital, LLC continues to see a steady flow of loan inquiries despite the overall downturn in the marketplace. Competition is heating up as a result of the overall decrease in investor submissions, but our reputation and ability to close loans quickly differentiates us from other lenders.

We believe in common sense lending with clear exit strategies for our borrowers. Given the strong LTVs and rates of return, private lending is a very worthwhile consideration for the investor that wants to diversify (both from the stock market, but also in their real estate portfolio). It affords investors the ability to invest in the solid assets of real estate without the burdens associated with ownership. Our new fund, Stone Lending Fund I, LLC is now registered and accepting investors who want to explore the private lending space. This fund will allow accredited investors to invest in the hard money space and receive attractive rates of return, all collateralized by solidly performing Real Estate in the 50-65% LTV range, giving incredible security to the investor. If you are interested in getting involved in this aspect of real estate investing, please give us a call.

### D-town Realty Will Find Your Next Residential, Investment or Commercial Property

Our revamped Real Estate Brokerage, D-town Realty can help you find your next property. We recently represented a seller of a 200,000 square foot industrial property and were able to get this property under contract within a week which closed after some difficulties arose. Having a Real Estate Broker who is also a practicing Real Estate Attorney is very advantageous when it comes to negotiating not only initial terms, but finding solutions to problems that arise during the transaction. Whether it is your next investment property or your primary residence, we are here for you to help find your next property. We can help you navigate the cumbersome search process and also evaluate the property to ensure that it meets your investment criteria as part of your portfolio. We can help you underwrite your potential investment property to ascertain whether it meets your specific return criteria.

If you or anyone you or anyone you know would like to receive regular emails with current investment opportunities in our office, please feel free to reach out to me via email at [rsgate@isgatelaw.com](mailto:rsgate@isgatelaw.com) or via phone at 215-396-1020.

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