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Our December 2022 Newsletter

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bruises along the way - the uncertainty of the stock market, continuous fed rate hikes, and a downturn in the overall real estate market. Nevertheless, opportunities continue to exist in this marketplace for savvy and informed real estate investors. I want to wish all of you Happy Holidays and a happy and safe New Year as we look forward to 2023!

The Current State of the Marketplace

Continued Rising Interest Rates, Record Inflation and the Aftermath of the Mid Term Election Cycle Continue to Cause a Cooling Effect

2022 concludes much as it has over the last 6+ months. The Fed has raised rates on several occasions throughout the year, with the latest hike just this past week. This has resulted in the benchmark interest rate being at its highest level in 15 years. Additionally, all signs point to additional rate hikes occurring throughout 2023, all in an effort to curb ever rising inflation rates. This of course leads to mortgage rates not seen since before the 2007-2008 collapse.

Regardless of the indicator, all signs point to a slowdown in the real estate marketplace for both residential and commercial. Sales volumes continue to drop, days on market continue to rise and several large metro markets in the country have begun to see overall decreases in property prices. Commercial space - especially industrial properties - have also come down dramatically over the last 3-6 months. At the same time however, the last 12-24 months were incredibly volatile - low interest rates, high property values, the COVID 19 Pandemic, etc. etc. resulted in a chaotic marketplace (to put it mildly). All of this may seem like a gloom and doom scenario with little hope. However, all of this uncertainty and chaos may bring some stability to the marketplace, something we haven't seen in quite some time. There is value to stability. You should not just assume that the market is terrible and rates are up that there are no good deals are out there. They may be more difficult to find, and you may need to adjust your expectations on rates of return, etc., but they are out there.

One byproduct of this situation continues to be the strong rental market. First time home buyers are increasingly more likely to rent for longer than pursue purchasing a home given

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well. Multi Family sales have declined steeply the latter part of 2022 due to the overall decrease in returns given market factors. Owners/Investors will undoubtedly begin to raise rents in order to recapture profit margins on properties they saw just 12-16 months ago. For the time being the rental market remains robust heading into 2023.

The Private Lending space has also seen a slowdown over the last 4-6 months. 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. Deal volume overall has decreased with investors and builders pausing on many projects in order to ascertain the overall direction of the market.

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 saw yet another busy and profitable year. Despite the overall downturn in the private lending space, we continue to see a steady flow of loan inquiries. We are still lending on good deals regardless of the market conditions. Quite a few lenders are taking a pause in overall lending to see how the market plays out, but we continue to operate full steam ahead. Our reputation for honesty 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 security of real estate without the burdens associated with ownership. Our new fund, Stone Lending Fund I, LLC is now registered and accepting investors who could benefit from 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

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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. Our new brokerage saw a banner year of successful transactions despite the overall temperature of the marketplace. 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 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 or via phone at 215-396-1020.

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