SMALL BUSINESS

3 Must-Know Tips For Real Estate Investing Post-Pandemic

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Forbes Business Council COUNCIL POST | Membership (Fee-Based)

Feb 14, 2022, 09:15am EST

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Of all the sectors that experienced change, pressure and transformation throughout the Covid-19 pandemic, real estate has been unique. The traditionally low-volatility sectors have seen major shifts, but yield and opportunity have moved in surprising directions. And while some niches bore more burden than others — commercial real estate, metropolis multifamily — there's arguably more market opportunity for fast and meaningful investor returns than there was before the disruption.

Most portfolios will need full-scale reconsideration and reconstruction in order to capitalize on the new silver linings and to understand the market in full, including how it's changed and where it stands. Below are three important tips for investors, both established and new, to begin to make sense of and take part in the dawn of post-Covid real estate.

Understanding The Ascent Of Short-Term Rentals

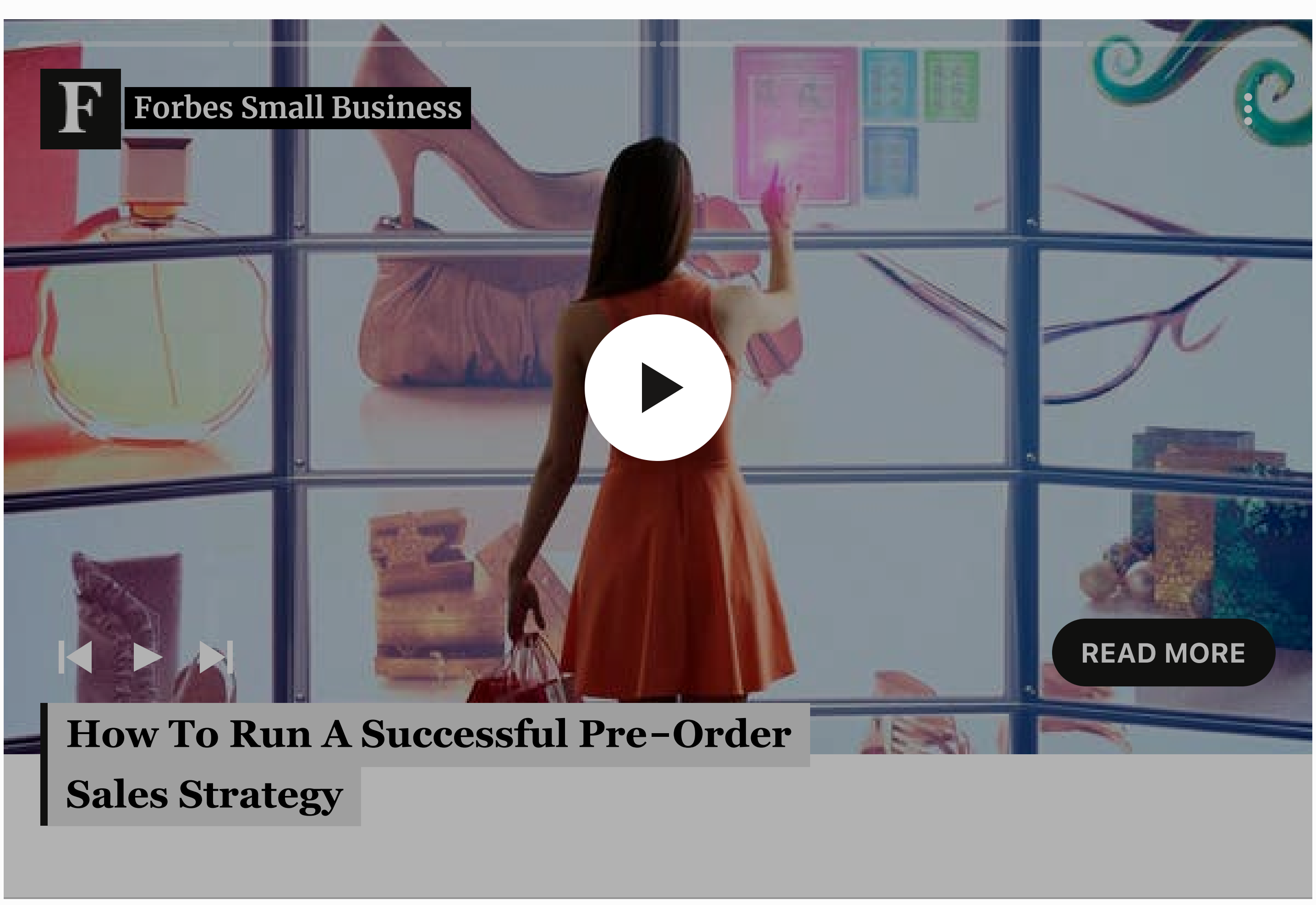
The work-from-anywhere culture shift unlocked a universal preference for flexibility. Evidence can be found in the demands of employees, 74% of whom will require some form of remote work in order to stay in their current positions. This same preference is shaping and supporting a new asset class. Short-term rentals (STRs) have skyrocketed in their returns. In Q4 of 2021, Airbnb saw record earnings, and the flagship home-share company still needs millions of new hosts to satisfy upcoming market demand.

While the success of short-term rentals has been linked to vacation and travel, multifamily buildings have seen some of the largest returns. Demand is strong in drive-to markets with ample outdoor space, and properties with work-from-home accommodations are particularly well rewarded. The STR boom is creating opportunities for everyone from individual homeowners to multiproperty landlords and institutional investors to see high-yield returns with frequent payments, low risk and above-average market demand. It's one of the most exciting niche developments since the pandemic began.

Investing With Giants — Navigating The Influx Of Institutional Activity

By mid-2021, the uptick in institutional activity within the real estate market had begun turning heads. By Q3, investors were buying 18% of U.S. homes sold. With the preexisting housing shortage and the inflated housing market, retail investors and prospective homeowners were grappling with how to compete, or at least coexist, with the influx of institutional players soaking up the remaining supply.

But if we take a closer look at market forces, that story seems too simple. Around that same time, housing prices were skyrocketing due to historically low supply paired with historically low mortgage rates and a demographic wave of first-time homeowners hitting the market. Experts inside the space couldn't definitively conclude a causal relationship between increased institutional activity and the home price bubble, and many ventured that most institutional players are filling voids in markets where there's less owner-occupier demand.



As a percentage of the total real estate market value, institutional activity is relatively low. Further, some institutional support might have contributed to the resilience of the sector in its continued recovery. Private equity has always provided great exit opportunities for smaller retail investors. With the right financial caretaking, smaller investors can build a portfolio of single-family homes that could be sold collectively — an exciting prospect as the recovery market continues to take shape.

The Tech-First Imperative

The curve of technological uptake has always been exponential, but the pandemic has further accelerated tech adoption, especially in real estate. Smart technology solutions took the place of proper housekeeping, allowing contact-free check-ins, virtual ID verification and integrated guest experience controls on comprehensive smartphone platforms. Along with improved cleaning and ventilation solutions, technology was a matter of safety for Covid-era tenants, work teams and guests.

Property technology (proptech) is now becoming a multiplier of success in real estate investing, including but not limited to those guest-centric solutions. Now, AI-empowered algorithms are offering investors and property managers more data than they've ever been able to employ. Investors and owners are finding smarter ways to automate marketing, data forecasting, property management, sanitation, payments, adaptive staffing and CRM — the list goes on. Soon, any venture, small or large, that doesn't employ the value-add of proptech will fall behind in both guest experience and investor margins. Investments made in property technology lead to compounding progress as the market continues to move fast.

Final Thoughts

To conclude, the post-Covid real estate outlook is vast and full of opportunities, including new market niches. Institutional activity has had ripple effects, but there's strong reason to believe that the industry giants aren't displacing any opportunity for yield or for homeownership. Short-term rentals are not only lucrative in the long term, but they're also quick to return profit with higher-than-average nightly rates, making them a viable area of focus for a strong post-pandemic portfolio. In all cases, a tech-empowered approach is necessary; new tenant standards are higher than they were before the pandemic, and investors with more data will increasingly have the upper hand.

Investors at any stage can use the shifts in post-Covid real estate to diversify, boost or begin their portfolios. With proper budgets, safety plans and the above three areas of focus, there's no reason not to dive in.

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