

Getting to Know Office and Industrial REITs

Ready to start putting your money into real estate investing? But do you really know where you want it to go? Many people who decide they want to invest in real estate think that's an easy decision to make, but there is more than just knowing the market you want to be in when investing. Do you want to choose stocks? Bonds? Other Wall Street offerings? Or would you prefer more broad selections like real estate mutual funds and real estate investment trusts (REITs).

Many people select REITs for a number of reasons. First, they are a more diverse investment option, being a pre-selected portfolio of real estate interests. Additionally, a professional financial manager manages them, so it's almost like having a business and investing guru working for you for free, just because you have purchased a few shares.

But what do you really know about the type of REITs that are out there? Did you know you could specialize your REIT purchases? In this article we are going to take a closer look at office and industrial REITs.

Believe it or not a major part of the REIT market relates to office and industrial buildings. This means it is easy to get in on these REITs, but you also need to understand how they work before buying into them.

Office and industrial REITs work as follows:

An office building is constructed.

Tenants purchase leases of a year (or often more) to host their business in the building.

The monthly lease that comes in is used to maintain and support the building and any excess is considered profit, which can be used to pay out dividends on the REIT.

One of the things that makes office and industrial REITs different from others is that for the most part once a building is rented by a business, they want to stay there as long as possible. After all, once a company has customers who know where they are based, they don't want to move their office and confuse their clients. This means once an office building is leased it will likely remain leased for a long time.

There is a down side to this as well. Often when leases are first signed with a building, they are longer-term leases. Remember, that business wants to stay there, so they will be willing to sign on longer than residential lessees will. Usually when long-term deals are worked out, they are at a discount to the person leasing that space. While that means there will be rent coming in for sure

for a long time, it also may be less than the building will end up being worth over time, which means a lower potential profit.

While it may not sound like the most exciting way to go, these REITs are strong in a long-term investing plan.

Once you are ready to start buying, make sure to purchase wisely and through a company that knows and understands REITs. REITBuyer.com is the first and only online brokerage that specializes in REITs and real estate mutual funds.

This article was written by Earl E. Bird, spokes person for the REITbuyer.com, a site dedicated to educating Real Estate Investors on how to invest in Real Estate Mutual Funds to diversify their investing portfolio. Learn more about REITs at <http://parkproperties.blogspot.com>