Of Flippers & Keepers

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IT is no secret that the real estate sector in Pakistan is one of the most lucrative industries to invest in. Even when business slows down, it usually reduces to a buzz from a boom. What we mean by this is that it doesn't completely diminish as demand for property never comes to a screeching halt.

So, you've heard the tales, you've seen the meteoric victories, and now you're raring to go. Well, hold on for just a bit … first you have to put some thought into what kind of investor you are. As soon as you get your engine revved up in the real estate business, you may have to make a decision – whether you want to be a property flipper or a property keeper.

Confused? Don't be. While these 'real estate slangs' may not have found their way into colloquial usage just yet, they denote investor characteristics that are actually quite easy to comprehend.

You can choose to be a real estate flipper or a real estate keeper, or you can choose to be both. This depends on where and when you make your investments, and how you make use of different opportunities. Let's discuss what flippers and keepers really are.

REAL ESTATE FLIPPERS

Do you want to make quick cash by investing in properties on a regular basis? Do you lack the stamina to deal with tenants and then to patiently wait for larger returns? If you answered yes to all these questions, you're a real estate flipper. Here are some of the main characteristics of a flipper:

- Makes short-term investments
- Seeks any profit, large or small
- Invests with the aim of making quick cash
- Is risk prone

Real estate flippers tend to choose properties with the highest amount of capital appreciation in a short span of time. The duration of their investment usually ranges from weeks to months. However, some quick deals may also just last a few days when flippers find 'bargain deals', which they then speedily resell to another buyer for a slightly higher price.

Flippers are not keen on retaining property for the long term or earning rental income. They prefer to continuously keep switching their investments as long as they are making a turnover and also accumulating profits from multiple investments.

In terms of Pakistan's real estate market, flippers are the investors who do not have large amounts of free cash and don't hold on to one property for a long period of time. This is not to say that they do not make large investments. It's just that they usually make smaller and quicker ones, such as purchasing a file and selling it before paying off all (or any) instalments.

Real estate flippers are more risk prone. Prices of properties often fluctuate in the short term, which can lead to satisfying profits but also to disappointing losses. Flippers are all in for the adventure and can handle stress easily. You won't see them grieving over a financial loss for too long. They're onto the next investment before you know it.

Needless to say, property flippers are armed with their extensive knowledge of trends and know exactly where to make that short-term investment. With the help of a well-versed property agent and their own expertise, they can easily skim the market for the perfect opportunity.

REAL ESTATE KEEPERS

Keepers are the polar opposite of real estate flippers. They are fond of a recurring income generated from rents and they look for significantly larger capital gains. More often than not, keepers hold on to their property for several years to allow it appreciate to its maximum value. In this manner, they can reap significant financial benefits. Here are some of the main characteristics of a property keeper:

- Makes long-term investments
- Seeks larger profits
- Is risk averse

As keepers usually have liquid cash available, they can leap into larger, more permanent investments and can manage multiple properties at one time. They also cooperate with tenants, even though it becomes an everyday hassle sometimes, but it beats the stress of looking for new investment opportunities time and time again.

Property keepers are known to be more risk averse and do not trust smaller and quicker investments. They prefer to go for the long haul as long as it guarantees them a substantial profit.

Some studies indicate that keepers are usually older age-wise than flippers. They are not fascinated by the volatility of short-term investments and prefer to go about their lives as their property appreciates.

WHICH ONE ARE YOU?

Each of the two types has its own perks and its own fallbacks. The good news is that you don't have to adhere to just one investor type – you can simply be a mixture of both! While it may be a good idea to be a little adventurous sometimes, at others, you can strike gold by waiting a bit longer. In this day and age, it's best to keep on your toes and assess the opportunity in front of you thoroughly before deciding how to deal with it.

So are you a property flipper or a property keeper? Think and choose wisely!

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