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Real estate investors with capital can negotiate better deals

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International stock and bond markets have taken a substantial hit in recent months and experienced gut-wrenching volatility. These conditions are due in large part to financial institutions' lax lending practices and other egregious behavior.

The consequence has been the collapse of many banking and financial institutions, the forced marriage of various organizations and the necessary intervention by the U.S. government to "save" a select number of companies. All this has resulted in a massive deleveraging of the financial system and extreme tightening in credit markets.

Many investors are paralyzed by recent events and are wondering how they can repair their personal balance sheets amid incredible uncertainty. Most experts agree that international and U.S. stock markets are unlikely to return any time soon to the highs set just a year ago.

What should an investor do? Warren Buffet, one of the greatest long-term investors of all time, says a simple rule dictates his buying: "Be fearful when others are greedy, and be greedy when others are fearful." Most certainly fear is now widespread, gripping even seasoned investors.

There are those of us who believe the current situation has created a historic investment opportunity. The recent reduction in the number of potential acquirers makes it possible to negotiate better entry prices, which can improve the profitability of projects. Meanwhile, the pool of available deals has risen dramatically as the economic crisis takes its toll on commercial real estate owners and operating companies. Now is the time to be very selective in choosing the deals with the greatest profit potential.

The goal should be to focus on raising substantial capital to take advantage of the current investment climate. There has never been a better opportunity to generate superior returns for your investment. After the recent market upheaval, investors need consistent, absolute returns to repair their balance sheets.

Portfolio diversification has always been, and will continue to be, a basic cornerstone of any prudent investment philosophy. The objective should be to have a blend of products that are a complement to core common equity and bond holdings. The addition of alternative investments that are less correlated to stock and bond markets gives an investor the best chance to ride out volatile moves in public markets while keeping their capital intact and potentially generating solid returns.

So, what should an investor do now?

Common sense dictates that an investor can’t repair his or her personal balance sheet by sitting in a money market fund or CDs. Capital must be deployed. Spread your portfolio by making a reasonable allocation to stocks, but also invest in lesser correlated areas. By taking a position in steady cash flow investments with additional upside opportunity and by giving your portfolio a potential shot in the arm, you can, over time, be back on top of your financial world. This type of portfolio diversification will smoothen your investment results and let you sleep more soundly.