THE BOOK ON

HOW TO INVEST IN REAL ESTATE

The perfect beginner's guide to creating wealth and passive income without making mistakes

Robert Waller

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Introduction

Congratulations on downloading *How to Invest in Real Estate: The Perfect Beginner's Guide to Create Wealth and Passive Income Without Making Mistakes* , and thank you for doing so.

Investing in real estate, especially for a beginner, can be a bit overwhelming. There are many questions that a beginner needs to ask about what their goals are in investing, and they have questions asked to real estate professionals – brokers and agents, lenders, and other investors – that need to be answered. Investing money into a property is a business. For it to be successful and lucrative, there is a need to have knowledge of what the upside of real estate investing can be as well as the downside.

Knowledge about the types of property that derive the most positive cash flow, the area where the property is located, the job market in the area, whether businesses are moving in or out, rental pricing, and whether you need to invest to rent or to re-sell a property are provided in this e-book.

When you start to read this book, you may be a beginner, but by the last chapter, you will be equipped with what you need to know to start investing in real estate. You will have searched for the right real estate professional to partner with, so read as much as you can to increase your knowledge to make your first investment.

here are plenty of books on this subject on the market, so thanks again for choosing this one! Every effort was made to ensure it is full of as much useful information as possible. Please enjoy!

Chapter 1: Property Investing Overview of Real Estate Investing

If you're thinking about investing in real estate and you are a beginner in this endeavor, you may be feeling a bit overwhelmed. Where do you begin? Is real estate a good option to invest in? How will you know what a good real estate deal is? This chapter will review the background of the real estate industry and how it has evolved from its implosion crisis over ten years ago to the present day profits it can offer.

Real Estate Investing in the Past

In the last ten plus years, the real estate industry has recovered from a major "crash." In 2007 through 2009, creating a domino effect across the nation, properties lost their value. The "bubble" that the real estate was functioning in a burst, and many properties that were once valued assets for many Americans fell into foreclosure. Homeowners could not pay their mortgage and found that the value of their homes was "under water, worth far less than what they were paying out in mortgage payments.

If you defaulted on the mortgage payment for your home, the bank or mortgage company foreclosed the property, making the home bank or mortgage-owned that was an ever-growing list of properties that ended up being sold for less than the amount owed to the lenders.

Homeowners lost their homes, and for many, this was an incredibly bad state of affairs. Yet, this was a perfect opportunity, and that opened the door to real estate investors who began to purchase the foreclosed properties from the banks and mortgage companies for less than their actual value. So, investors were able to get really good deals for less money they would have had to pay before the implosion of the real estate industry. Another advantage that investors were able to gain was to turn these properties into rental properties. This happened because there were many people who formerly owned homes that now had to rent someplace to live and most preferably rented houses instead of apartments.

Eventually, there was a turnaround in the real estate industry. There was a period of healing, and during this time, investment property that was, at one time, in abundance during the crisis, were no longer as many as there had been. Quite a number of these foreclosed properties had been purchased, and there was a much narrower availability.

Today’s Real Estate Market

Over the last decade or so, the real estate industry has grown back into a profitable industry. The economy has grown stronger, and property investing has introduced many more investors into the marketplace. Investing in real estate, particularly in single-family homes, has become very popular. Many of the better properties do not stay on the market for long. Forbes Magazine stated that, as of January 2018, 37% of all homes in the United States were purchased by investors. (Seeking Alpha, 2017)

To say that real estate investing is a hot market is an understatement. Not only is the investment market intensely hot, but it is also extremely competitive. There are a few reasons that real estate investment is competitive.

One of the reasons that the real estate investment market is so competitive is because there are more and more people with discretionary income who look to invest in real estate and side-step investing in the stock market. The stability swing in investing in stocks, bonds, and futures is volatile, and there has been a movement to shy away from investing in the stock market or, if not totally turned off to investing in the stock market, they divert some of their finances into real estate.

The second reason is that there is so much competition in real estate investing coming from seasoned investors. They have been investing for years, know their way around real estate investing, and are continually investing as this is their business, and many of them are able to readily purchase properties with cash. That being said, the real estate market is very popular as an investment option.

Why Invest in Real Estate?

Should you be investing in real estate? What's in it for you? Three words define why investing in real estate is a good option – continuous, positive income. Investing in anything is always a risk, but investing in real estate holds as a good option.

The main reason real estate is a respectable financial option for investment is the repetitive passive income that comes as an owner. Realize, however, that the amount of passive income you will gain will depend on how much you invest, how the property is managed, and that all expenditures that involve maintenance, and if the property is a rental one, there are tenant vacancies that are factored in before the initial investment is made. In other words, the key is careful planning.

Real estate is the industry that keeps on giving, and that is another reason that real estate is a good investment. Why does it keep on giving? That, simply put, is because people will always need a place to live. Whether you choose to invest in a single-family house, a townhome, condo, fourplex, or apartment building, there will always be people who want to rent. A well-managed property in a nice neighborhood environment is what people who rent are willing to live in and rent.

What does this all mean? You will not only have an investment property that you want to be profitable, but you also need to know the area that you will be investing in a property in order to have continual rental tenants so that your investment can be a long-term investment if the location and condition of the property are desirable.

In 2017, rental rates were increasing at a rapid rate. Major cities such as New York, Los Angeles, Boston, Seattle, San Francisco, and Washington D.C. have had rental rate increases that were, for some residents, cost-prohibitive.

However, there's are other cities that have surprised even the most experienced investor. The Mid-West and California make up cities that have seen the rental rate increases. Detroit, New Orleans, Long Beach, Philadelphia, and Sacramento round out the top five cities that saw an average increase of 24% from 2014 to 2017. For some, purchasing a property is out of reach, and they have no other option but to rent.

In 2018, Amazon had announced that they would be opening their second headquarters in Long Island City, a Queens neighborhood located right over the 59th Street Bridge from Manhattan's Eastside, a convenient location and geographically a prime location.

Real estate investors who may not have had a stake in this neighborhood, prior to this announcement, made it their business to see what, if any, real estate investments could be had in Long Island City and the surrounding neighborhoods. However, Amazon decided not to make the move and pulled out. This may have left investors with properties that can still probably do well but not as well as they could have if Amazon had stayed and set up their headquarters. This is another part of investing – watching trends that can affect where you invest in real estate.

Even if real estate fluctuates as it has done in the last few years, creating a plan that will provide a tool that will build your wealth and can be an addition to your portfolio is still possible. The profitability in real estate investing can usually be a good option and is relatively a stable investment to make. This type of investing can create a continuous stream of passive income and can be a beneficial long-term strategy of investing.

What if you've been thinking about investing in real estate and are wondering about how and where do you begin? In preparation to begin the process of investing in real estate, there are a number of questions that you need to ask and get answers to before you begin. What are your goals at present? What are your short-term goals? What do you need to do in this time before you begin investing? What do you need to know? What are your long-term plans?

The very first plan that you need is a comprehensive financial plan as one of the first elements to establish. There is a considerable cost of upfront money that you will need to start. Real estate investing is an expensive proposition. You can invest in whatever type of property you wish – single-family homes, an apartment building, fourplex, parking lot, etc. Whatever you choose, there is upfront money that will be needed to begin your investment. The upfront monetary outlay doesn't include any of the future maintenance of the property and the expenses that will come along with it.

When you have a comprehensive financial and strategic plan, you will be able to recognize how much you are able to invest. This will establish the type of property you can invest in.

Investing in real estate for the first time is not a go-it-alone process. Unless you have a family member who is a real estate broker, agent, or attorney, you need to consult with real estate professionals who specialize in property investing. There is a difference between an agent selling you a property that you'll be living in versus a property that you will be using as an asset. Working with a real estate professional is a key element in how you will strategize and add them to your overall plan.

Agents who do this type of listing and selling are the ones who know what questions to ask. It will also help if they are local to an area you're interested in investing in. They would be able to direct you to properties that can be profitable. They have knowledge of the area's history, the present pricing of properties of investment types, and whether the investment in a potential of a property will be able to derive the kind of recurring passive income that you are seeking. This information is invaluable. In some cases, you may have to pay a fee to the agent that would be agreed upon before you begin working with them, but usually, the agent will be receiving a commission from the sale that will be paid by the seller of the property.

If a fee is involved, it is to ensure that you will be working with just that agent, and not going from one agent to the next in your real estate endeavors. It's not a good idea to do so, as it could make for a sticky situation in your first real estate dealings. Interview agents before you decide to go with just one. Personalities and points of view on how to handle your investment are important in a real estate transaction. You will want to feel confident that the agent you work with has the knowledge you need to proceed and also has your best interests in mind.

If you are looking to build a cash flow from investing in real estate that has a continuous cash flow, rental properties are probably the type of investment that is the best to think about. Rental properties are any type of property that has a tenant who pays rent on a monthly, twice annually, or an annual basis. You can invest in a business park, a parking lot, or even a warehouse. You may wonder about a parking lot, but there are some parts of the country where parking is at a premium, either for parking a car at a tenants' residence, inside, or outside of their apartment building, an office building where business tenants pay a fee for their employees to park. These fees are on top of what a resident pays for rent for their apartment or business office.

Real estate investing is a business not a hobby. Although for some people, it can be a hobby because they have endless finances to invest in profitable properties and sometimes make an investment that does turn out so well and they either lose profits or break even.

When you have knowledge of the real estate industry and how it all works, you have a key component investing in properties that will earn you a profitable passive income. It is worth saying it again – a plan that outlines your finances and strategies to invest is imperative to achieve this goal.

Properties usually grow and appreciate their value as long as there are consistent maintenance and oversight of the property. Another factor that increases a property's value is where it is located. An area that exhibits stability is essential to maintain and increase the value of a property.

New businesses, the development of shopping areas and malls, restaurants and supermarkets, and other types of customer service businesses can increase the value of the properties because of the shopping convenience located nearby or within a 2-3 mile radius. Any major freeways and highways also factor in the value of properties that are within the area. An investor may come across a home that has been neglected and needs renovation to make it a livable and profitable investment. With upgrades and renovations that give the property new life, the investment can either make a great rental property or can be re-sold (flipped) to anyone looking to purchase the property as their own to live in.

If the property is "flipped," meaning re-sold to a buyer who purchases the property to live in, it will be sold for a higher price than was paid by the investor and in line with what the area bears for the type of home it is, i.e., number of bedrooms, living area, family room, swimming pool, etc. The sale price will also include what was spent on any upgrading and renovations that were done and negotiated accordingly.

Real Estate Investing can produce financial assets

There are a number of ways that a real estate investment can become an asset.

Avoid inflation – as inflation increases, so will the value of a property. If the value of the property increases more than the cost of operation and maintenance costs, it is an ideal situation. At the moment, rents are surging, yet in a few years, they will seem much like a bargain in comparison. Inflation for property ownership is a plus.

Tax-free profits – You decide when you no longer want to rent a property that you own, and after it is vacated, you move into the property until there is a decision made on what to do next. After two years, you make your move and decide to sell the property. You are able to benefit from a substantial profit from the sale. Here is where the tax benefit comes in. If you sold the property and made less than $250,000 as a profit and you are single, then the profit is tax-free. If you’re married and do joint filings each tax year, then the profit can be as much as $500,000 and can be tax-free.

If the property is sold at a loss, you will not be able to get a deduction on your taxes for the loss. An “exclusion” of profits is what the government allows within their tax guidelines and boundaries. It pertains to the sale of a primary residence. In order to benefit from this deduction, you must have owned and lived in the home from two to five years prior to the sale. Additionally, you can’t have used this tax deduction of exclusion for another property in the prior two years.

Real estate as an advantage – In the event of an unfortunate financial loss, it may necessitate you to use one of your properties as a place to live. A paper house made of money is not the ideal way of protecting yourself in the event of a financial downturn, but a real house could possibly be life-saving.

A semi-passive income from real estate investing – an investment in real estate is beneficial from the increases in property value because of inflation, jobs, and income, but it also benefits from the rising rents as well. As an example, if you own a rental property and charged $2,000 in 2006, the increase in renting the same property today is $3,600, an 80% increase. Meanwhile, you continue to pay the original mortgage on the property, which was always less than the rent being charged since the beginning of your ownership.

Create jobs when investing in real estate – many local roofers, contractors, plumbers, and other professionals who service homeowners in an area are able to offer their services to someone who invests in real estate properties in the area. When a home needs renovation, they are willing to work and rehabilitate a property.

Real estate investing creates homes – Real estate properties that are rentals give people a home to live in. There are those who don’t have the means of purchasing a home and need to rent one instead. Providing a home in an environment that is safe for a family is a benefit that you will contribute to another person's life.

Contributing to a neighborhood - When you invest in real estate, you may be purchasing a property that has been an eyesore in the neighborhood and bringing a constructive contribution to a community. Restoring this type of property to one that is beautiful brings an improvement to a neighborhood.

Building wealth with real estate – In order to build wealth in real estate investing, a certain amount of focus and effort to research the types of property you want to invest in and, when the property can be rented, finding tenants that are the right fit. They will be paying you rent. That payment would pay down the mortgage if the property was purchased with lender financing.

The most time that should be spent maintaining and managing a property, other than any repairs or maintenance when it's needed, is when tenants vacate the home and new tenants need to be assessed. A total of six to eight hours at most should be needed. The time required includes having an open house to show the property, get applications from interested renters, review applications, decide who will be offered the rental after a background check of all applicants, and enabling the new tenants' move-in and handing over the keys. Once the tenant has moved in, there are not a great number of hours that are required to manage the property. (Sam)

Over the course of this book, you will be learning what are the best plans and strategies to use when you begin to invest, the pros and cons are, your first steps before you buy, good investment strategies, the types of properties you should buy, costs – the expected and unexpected and how to plan for both – managing your property, evicting tenants from a rental, and the best places to invest.

Chapter 2: Real Estate Investing – The Pros and Cons

Investing in real estate has its pros and cons. There is an upside of owning a real estate property when your investment is done with forethought and care. If done properly, the property can turn out to be a worthwhile investment.

As stated in the previous chapter, if you are looking to invest in real estate to have a continuous, positive income, then investing in rental properties are the type of investment you will want in your portfolio.

The main reason for owning a rental property is income created by the rent paid by a tenant each month. As an example, if you purchase a rental property and charge the tenant $1,750 a month, the annual rent is $21,000. If the property has been financed through a lender and you have a mortgage with a monthly payment of $950 a month that includes the mortgage payment, insurance, property taxes, and interest, then, annually, the payment is $11,400. Subtracting this from the $21,000 annual rent payment, the annual income from the property will be $9,600/year or $800 per month. Now, if you paid cash for the property, the entire $21,000 per year would be yours, minus property taxes and other expenses, such as maintenance and repairs. As long as the property is maintained and repairs, if any, are needed, to uphold its value, and the area where the property is located has not had a downturn, then the property is still a valuable investment.

The profit made from this money is to have a portion set aside to maintain the property’s value, annual taxes, possible Home Owner's Association fees if any, and for possible unexpected repairs, i.e., water heater, dishwasher or a refrigerator may need to be replaced.

An additional benefit in owning a rental property is any renovations and repairs that the property may need. It does take an outlay of money to improve the property, whether it’s a roof repair, an upgraded bathroom or kitchen, or minor cosmetic changes that are done. The result of these repairs increases the value of the property. Changing out old carpeting for tile or hardwood floors, upgrading the bathroom or kitchen, or just changing out old appliances for new ones all help to increase the property’s value. This is an added value. Added value enables you to charge higher rent. It also gives you the ability to gain a better profit if you decide to sell the property for a higher price than you first invested when you purchased the property.

Any repairs and renovations that are considered improvements to the property are tax deductible. Additionally, property taxes, operating costs, mortgage interest, depreciation, and repairs are tax deductible as well. If you pay a property manager to handle the property and any upkeep of the property, i.e., weatherproofing, painting the exterior, or planting trees to shade the property that helps a tenant to save a bit on the electricity because it can be an expense when running air conditioning during summer months is also tax deductible.

Added value and higher rents when the property is upgraded, tax deductions that can be taken are not the only financial benefits that come with owning a rental property.

Prices in real estate do not change daily as it happens in banking where interest rates change or the stock market. Comparatively, real estate is a stable investment. But real estate markets vary from one city to the next and in some cases, one county to the next in the same state. This being said, property values can appreciate in some counties and cities and either remain stable or do not fluctuate as much in other areas.

One of the ways to find out how an area you may be interested in investing is to study the community. Learning about it and its businesses, jobs, city government, all that is part of a community is the best way to learn and decide whether or not this would be the type of community you would want to invest in a property.

Investing in real estate gives you the opportunity to build a portfolio and generate a cash flow that can essentially support you and become your major source of income. The freedom of it gives you to set our own schedule gives you greater control over how the properties are cared for, as well as gives you the time to research your next property acquisition.

You have the ability as an investor to buy at below market pricing. A property may need to be rehabbed and once done, the property will be worth the effort. The neighborhood that you choose also factors into a property’s value. If the area is a prime area for renters, which also will add to the property’s value.

You are able to build equity with investment properties. Rent that is collected pays down the mortgage if the property is financed and build equity. You gain leverage to purchase more properties with increased equity. The more properties you own, there is more cash flow. You can put aside money for a college education for a child, purchase a second home as a personal vacation property, save for retirement, or invest in more properties.

Your contribution to a community when you invest in real estate. A property that is run down and needs to be renovated stands out in an otherwise nice neighborhood with homes that are cared for and maintained. This type of property brings down the market value for all the homes in the area. Investing in this type of property and bringing it back to a new life are happy that the property is rehabilitated. Neighbors are happy because the property is no longer an eyesore, and their property value increases. More importantly, residents take pride in their community, and renovating a property and making it habitable for someone to live in is another way you add value to the community.

It's already been pointed out how improving an investment property gives jobs to many interested real estate professionals such as contractors, roofers and plumbers and the like. Teaming up with reputable professionals such as these will build a working relationship and trust which is invaluable.

A real estate investment that is used as a rental will give others a home. Providing a home in a good neighborhood is a contribution for others to benefit from. Living up to the responsibilities of a landlord by providing a valuable and safe environment is another way you can give to the community.

There are many benefits in real estate investing being used as a rental property. A solid investment can create positive income, create a number of tax deductions, have the mortgage paid down on the property, provide renters a respectable place to live and contribute to the community.

With all benefits come detriments. Investing in real estate and using it as a rental property can make for some experiences that are not at all pleasant and cost more than you would want to spend or lose.

Real Estate Investing – The Disadvantages

There are many types of real estate properties to choose from when you think about investing. The most popular and financially beneficial to invest in are those properties that are used as rental properties. There are home, condos, townhomes, office buildings, fourplexes, and parking lots – all that can serve as rental properties. However, there is also land that one can invest in. Land does not go anywhere and unless you build on it or sell it to a developer who uses it for the development of housing or commercial use, there is no profitable cash flow once you purchase it. All that you can do is pay the property taxes and, if the purchased was financed by a lender, pay the mortgage on it every month.

When an investor purchases a real estate property and uses it as a rental, it can tie up the investor's funds. A rental is not a liquid asset, like money or even jewelry, much easier to sell than a house or condo. This can present some problems that are not expected.

Some of the problems that can arise when you invest can be purchasing a property that, when originally purchased, is situated in a good neighborhood, people have jobs, businesses in the area are doing well. Then, the neighborhood begins to decline. A major employer closes its doors, putting people in the area out of work. As the area declines, more money is lost.

Another situation can be a problem with the house that is not covered by insurance or is not covered in a contract. The investor suffers a monetary loss.

(Hamm, 2017)

Property values decline when a neighborhood declines as well. If the property is put up for sale, the probability of selling the property for the financial profit the investor had in mind when first developing the property is not good. It could take a while before someone wants to purchase the property paying as close to what the investor would like.

The sale of a rental while there is a tenant residing in the property is permissible. The lease will be honored by the new owner and allowed to let it run to term. Then, the new owner can either renew the lease or have the tenant vacate, giving them enough notice to seek another place to live. The new owner may then either use the property for themselves (or a family member) or place the property on the market and sell it.

Real Estate Scams

There are a myriad of scams that people run into, especially if they don't know enough about real estate that allows a scam to be played on them.

One scam that is one of the easiest to perpetrate is the assigning of a contract to another party. An example of this is a novice real estate investor that signed a residential purchase contract to invest in a property. He did not have a realtor to assist him with this transaction. He found a property he liked and signed the contract with a seller's realtor. He submitted a $7,000 deposit to hold the property. The buyer needed to secure funding from a lender. When the buyer signed the contract, there was never a discussion about the terms of the contract, only that he needed to get funding. Additionally, the buyer only read the areas in the contract that he had to sign which were pointed out by the seller's realtor.

The buyer thought that the transaction would be moving forward when he secured funding. However, it was taking a bit longer than he had anticipated. There were a few hiccups with his credit, and although he had been turned down by a bank, he had a mortgage company working on getting him the loan that he needed.

The seller’s realtor called almost a month after the signing to follow up on the buyer’s status with the funding. The buyer still had no word from the mortgage company, having just called them earlier in the day and asked for a few more days to hear back about a loan.

A few more days passed and the realtor called the buyer again. The realtor told the buyer that the contract had been assigned to someone else who were going to meet the terms of the contract and pay cash for the property. It was explained that the seller wanted the property sold before the next mortgage payment was due, and this other party could take the property off his hands easily.

The buyer was surprised and disappointed and asked for his deposit back. The realtor told him that the deposit was forfeited because of the amount of time it had taken the buyer to secure a loan to fund the transaction. The realtor also pointed out that even as they were speaking, the buyer still did not have the money needed to fund the transaction.

The buyer had to take the realtor to court. The buyer explained to the judge that a specific cutoff date to obtain a loan was never given to him. The realtor could not produce a contract that showed that a cutoff date was indicated. All that the realtor could show was a basic signed contract. The realtor wanted to make a sale, and the seller didn't care how it was done.

This type of transaction is one of the examples of how not to invest in real estate. If you get involved in a real estate investment transaction without understanding how they work, not asking questions about terms, not reading the contract fully, and not asking questions about any due dates is setting yourself up for failure and losing money before you even begin.

The buyer was able to get back his $7,000 deposit, ordered to be returned to him by the court. He was also awarded court costs, but this did not make up for the time he had to wait for the case to be heard. The entire process tied up money that could have gone to another investment property deposit. This was also a way the buyer almost lost the deposit because of the underhanded way the realtor and the seller were trying to enrich themselves with the buyer’s deposit.

Some other types of scams involve social media advertising with unscrupulous lenders promising to be able to secure loans for investments in real estate, receive the escrow deposit from the buyer and then disappear.

Title companies who work on putting the final closing documents together have their wire transfer hacked The deposit for a property to put into escrow is re-directed to an outside fraudulent account, and the funds are never received.

There are several types of scams involving real estate investing and purchasing that can rob investors of their finances. In order to avoid these scams, the investor must do their homework and due diligence to check up on who they are dealing with, read all that is contained in any contract they are signing, and ask questions about any deadlines that apply to the transaction. If you are not getting the answers to any questions you may have about the property, contract, or deadlines, don't sign the contract. If the seller wants to make a sale, they should be more than happy to supply you with the answers via their realtor.

Also, make sure the realtor is actually an active realtor. There are those "realtors" whose licenses have been suspended from either not paying their dues or breaking any rules that the Department of Real Estate of their state that has suspension and fines attached to them.

Maintenance of a Property and Tenants

When you own a real estate property and use it as a rental, you become a landlord. There are so many things that encompass the responsibility. When you acquire the property, the first question that needs to be answered is how much would be the costs for repair and maintenance. Are the repairs going to be massive, or are they going only to be cosmetic? If they are more than what you had expected and there are delays in completing them and bringing the property up to all codes imposed by the area where the property is located, then this can cause delays in being able to rent the property. This may also negatively impact your finances if you end up spending more than was originally put aside in your budget.

Tenants can also present problems that you would rather not have to deal with. You are the landlord, and the final say of what happens with your rental property is yours, and you have to deal with the tenants.

If they are not paying their rent on time, this can negatively affect the cash flow if they are constantly late or pay over the course of the month. If you have a mortgage payment due on a certain date, you have to pay it out of your own funds. This was not what you had in mind.

If the tenants have pets and you impose a pet deposit, this does not guarantee their pets will not damage the property. One investor kept the security deposit and the pet deposit fee when she examined the property and found the tenants' two dogs had chewed the entire bottom of the kitchen cabinetry.

There are also tenants who move in the middle of the night leaving no forwarding address and a mess for you to clean up. If you're lucky and locate them, you can take them to court. But again, this is time and money spent that could go to more positive things like searching for the next property investment.

Using firms such as Rent Prep or the National Tenant Network to do background checks on prospective tenants is a way to avoid the kind of drama that comes with problematic tenants. The fee for each background check is paid by each tenant, usually between $25 to $35 dollars. These firms are able to give you information and an idea of what kind of renter they can be. Another way to find out more about a prospective tenant is to contact their former landlord.

There are many types of pitfalls that can occur when you invest in a real estate property and use it as a rental. Knowing what the negatives are can possibly help to sidestep them.

Investing in real estate can be rewarding and profitable. It creates a supplemental income, tax deductions, and cash flow. There are many benefits the should not discourage you from investing. Learning how to invest knowledgeably will make the owning of real estate and a rental property an excellent experience.

Chapter 3: Taking Your First Steps Before You Buy

So far, you've been given an overview of the positives and negatives of real estate investing. There is still so much more to learn, and this chapter will take you through the first steps you need to do BEFORE you invest.

The emphasis is on the word BEFORE. Some people have the idea that all it takes to invest in real estate is to purchase the property and it takes care of itself. Nothing could be farther from the truth. In this chapter, we'll outline the steps you need to know before you make your first investment.

First Steps

What are the first steps that are you need to take before you make a real estate investment? Evaluate your personal finances. Nothing can happen, nothing can be purchased without finances being in place. Even if you only have enough for a deposit on one property and plant for any repairs or renovation if needed, you need to know how this investment is going to fit into your personal finances.

You need to prepare a personal income statement outlining your finances. Understand what income you have, subtracting all the necessary essentials needed to live, debts and savings all calculated to give you a clear picture as to what finances you have to invest in a property, as well as monies set aside for maintenance and repairs.

The financial statement will give you a total picture of what you have for your investment capital. Is it enough to pay for your investment in cash? If so, you can avoid monthly mortgage payments and interest on the loan.

Also, realize that in order to invest in real estate using a lender, many want at least 20% down on a real estate investment.

Now comes the decision making – how much should you invest? The answer is within the capital you have, the budget you will be comfortable with and mathematics. Again, even if you have enough for one property investment, it is key to know exactly what you can do when investing, so you don't get into any financial difficulties.

As stated earlier, banks treat real estate investments differently than when you purchase a property for your personal use. A second plan needs to be created, one that will define how much you can invest.

Planning for the Investment

The plan that will be outlined in this chapter will be based around investing in a home to be used as a rental property. The plan guides you through the financial steps you need to follow to prepare the investment.

Now, you've decided on how much capital can be invested in a property. The plan you will create should outline the steps to take and monies that you have included in this plan:

1. If you are going to finance the property, getting pre-qualified for a loan and having at least 20% as a down payment of the purchase price will save you time when you are out looking at properties. As stated in Chapter 1, the competition is fierce, and if you have your funding in place, you can make an immediate offer on a property.

2. Property and Liability Insurance

3. Property Taxes

4. Inspection and appraisal costs (if you are financing the purchase through a lender)

5. Closing costs, accountant fees, attorney fees, property management service fees.

6. Costs of permits needed to do renovations if needed before the property is ready for renting. It is important to have the property up to code and avoid fines that can be imposed by the local municipality.

7. Pre-rental repair costs

8. Funds for any future repairs – post rental

There are different elements that comprise the first steps to invest in real estate. They are done at the same time.

All the costs are subject to a) how much you will be investing and b) once that is decided, and you find your property, costs are based on what you offer as a purchase price. If it is accepted, then you will find out what the costs for property and liability insurance, property taxes (this information is usually found in the listing) closing costs, and any fees for an attorney if necessary, permits for repairs, and the pre and post repair costs.

More about costs – An inspection of a property prior to the closing is mandatory if the sale is funded by a lender. The cost of an inspection is usually priced on average run about $278-$389 nationally. Condos and smaller homes under 1,000 square feet can be as little as $200. Larger homes approximately 2,000 square feet will cost approximately $400 or more. These costs are an estimate and maybe more in some of the major cities.

Dependent on where you are located in the United States, there are additional inspections, such as for mold, radon, termites and the like can impact the inspection. If there are any problems that arise in the inspection, it is usually incumbent on the seller to address the problem. However, some investment properties are “as is” and you will have to handle the problem if you wish to do so. If not, you can back out of the contract based on what the inspection report shows.

Closing costs can be anywhere from 2% to 5% of the purchase price of the home. For example, if the house is purchased at $150,000 you may pay from $3,000 to $7,500 in closing costs for the property. Nationally, on average, buyers pay approximately $3,700 in closing feels.

Property and liability insurance depends on the size of the home, the price you are paying, and the area the property is located. The average annual cost for home insurance based on a nationwide average can be $1,228 - $2,000 for the dwelling with $1,000 deductible and $100,000 liability coverage. With a $300,000 liability coverage, the insurance on the dwelling is $1,244-$200,000. These are nationwide averages. In doing your research, you need to adapt this information to the state/county/city where the property is located and speak with insurance agents to get the best coverage and rates.

Another element of your investment plan deals with the information both legally and financially that you should have in order to decide how to purchase the property.

Have Your Legalities Covered

A good lawyer, especially one that practices and focuses on real estate law and investing, is a must. If you can find one that you can consult with (and not have on retainer), it would be a really smart move. It is always good to have someone who can be informative about the law.

Get a Good Accountant

Unless your profession is being an accountant, it pays to have a good accountant (a licensed accountant, not a bookkeeper). They can keep track of the financial picture with regard to your property, give you're a quarterly review of all income from rent, expenditures for repairs, taxes, and what the cash flow is for the quarter. You can decide on how to manage the cash flow and expenditures.

Banks and Mortgage Companies

Get acquainted with your local bank's loan officers and some of the more reputable, licensed mortgage companies. When you're ready to be pre-qualified, having done your research will help in your decision on what kind of financing you will use to buy the property.

Investment loans that are conventional are determined by having your investment funded by a bank, mortgage broker or credit union. A 20% deposit of the purchase price is mandatory for a down payment.

There are a few reasons that a considerable down payment is required are the risk banks take when they lend on investment properties. The main reason is protecting your assets. Below are some other reasons:

- **Avoid private mortgage insurance** – 20% of the purchase price of a property is what banks prefer as a deposit for investment properties and is the lowest deposit accepted. Anything less will have additional private mortgage insurance tax charges. What would be considered upfront savings will have to be more costly in the end. (Google.com)

- **The Interest Rate** – a higher deposit will facilitate a lower interest rate. In addition, you can "buy down" the interest rate

> meaning lower the interest rate by buying an interesting point. One point of a mortgage rate, i.e., the mortgage rate being charged is 4%, and you want to "buy" a point. You buy one point which is valued at 1% of the mortgage, $1,000 for every $100,000. This can be paid before the loan is finalized. If you buy the one point, your mortgage percentage rate will be 3%, a lower interest rate over the life of the loan and a big difference in the monthly mortgage paid out. (Google.com)

A beginner real estate investor who is submitting a request to a bank for the first time needs to have patience while their loan is being reviewed and finalized. Banks do not make their funding transactions decision in haste. The investor's finance's, credit score, and cash reserve are dissected by the bank and reviewed more than once before finally forwarded to the underwriter for approval. The loan may still be rejected even after if it has been reviewed and sent to the underwriter because the loan, in the bank's estimation, is too risky to be funded.

Using Mortgage Companies – Mortgage companies are the middleman for several lenders. A mortgage broker matches up the investor with a loan and a lender, fitting the needs of the investment. If the loan is accepted, then the broker steps back, and the originator (lender) will work together directly with the investor.

There are regulations that mortgage brokers must follow that are established by the loan originator. The mortgage broker does not have a say in putting aside any restrictions or limitations the lender may have. Also, there are fees that apply when you use a mortgage broker along with fees charged by the lender. These fees can be a bit higher with the origination of the loan. Fees that are charged depending on what part of the country you reside, the amount of the loan, etc.

Be aware that a mortgage broker has a diverse range of products but may focus on lenders who offer the best commission to the broker. This commission is paid to the broker by the lender for bringing your loan to them. (Dewey, 2017)

Direct Private Lenders – These lenders are independent and do not work with banks or mortgage brokers. They are the lender of the funds, they review the investor's financing request and all other information the investor provides regarding the loan and they approve the loan.

Direct private lenders are licensed in almost all of the 50 states. The set the qualifications for the loan and, if they feel that certain situations warrant it, will waive some qualifications if they feel the loan is not at risk.

The loan is facilitated in-house and the transaction if finalized quicker than a bank or mortgage company. Also, there is very little variance from mortgage company interest rates.

Loan offices who directly loan funding do not make a commission on the fees or rates. They focus specifically on getting the best possible loan and rate for the investment they make. (Dewey, 2017)

Hard Money Short-Term Loans – This is a type of loan that is short-term and is secured by real estate. The loans are done by a group of investors or a single private investor independent of banks, mortgage brokers or credit unions.

The real estate is what secures the loan – it is viewed as an investment ant the real estate that is being funded is the collateral of the transaction. The lenders are not concerned if the investor cannot pay the loan because if the investor defaults on the loan, the lender seizes and sells the property.

Investing with Cash – In most real estate transactions, cash is welcome. There are a number of formalities and procedures that banks and mortgage brokers that waived can be waived when dealing in cash.

A cash offer must show proof of funds with statements from your bank and any other financial institution where you have funds in an account. As an example, funds are in J.P. Morgan Chase and Fidelity Investments. Statements from both are needed to show the validity of a cash offer. Also, you must have more cash than the offer you are making. Cash transactions can be processed quickly. Sellers are more likely to review an investor's cash offer over an offer that is being financed by a bank or mortgage broker.

This is the information you need to help in preparing for the process of the first steps to take as a beginning investor. It lays out all the financial essentials to approach investing with knowledge. Finding the right type of funding, understanding the importance of the terms of a loan, what all the benefits, as well as the drawbacks of the risks are vital to making a sound, practical judgment about a real estate investment. This is the financial component of the steps you need to take before making a real estate investment.

Chapter 4: What are Good Investment Strategies?

Now that you have read about the steps you need to take before you invest in real estate, this chapter will outline good investment strategies that will help you to begin real estate investing.

Start Small

Investors who have had a good amount of success began small. They buy one property to start. Before they purchased, they researched the area where they decided they wanted to invest. The ideals that make a good location to invest in –shopping convenience, schools, adjacency to major highways/freeways, businesses that provide services to the residents in the area. There is information from a number of sources that can provide the data you can use to get all the information needed.

Here are some websites that give investors the information they need to make educated decisions about an area where they want to invest

Zillow.com – Local Market Report – This is a free site that publishes sales data, as well as rental information on a national basis. Properties that are for sale that are listed on the Multiple Listing Service (MLS) are also listed on Zillow. You can get property information by entering an address, or if you want information about a specific area, you can enter a city name or zip code. This report gives information comparing the property you are interested in with other properties in the surrounding area that are either being currently on the market for sale or homes that are rental and the rate of rent being paid in the area.

Multiple Listing Service (MLS) – This site has the most updated listing information and is exclusive to licensed real estate professionals. The information revises throughout the day and evening based on information entered or deleted from the site. Reports from this site can be printed by local real estate associations and make the data available on their own website.

(Carson, 2014)

Investment Location

The property you plan to invest in needs to be in a good location. This is probably the most important part of real estate investing. Finances and employment are other essentials that need to be part of the research to find areas that demonstrate they are stable and profitable.

Affordability, population growth, and job growth are three considerations that will influence your decision where the best places are for investing and creating positive cash flow. (Fettke, 2016)

If you do research and find that there is a property in an area that is affordable, has what appears to be population growth, and the Sears store in the mall will be closing their door in four months, what do you think the viability of having a profitable property as a rental will be?

The answer is a slim probable to not at all. If a business that is a major employer leaves an area, a domino effect follows. The employed lose their jobs. Along with their jobs being lost, they may have to move out of the area to get work elsewhere. That means there will be more properties available, some that will probably be other rentals but no renters to rent them to. Along with the major employer closing, other smaller businesses in the area will lose money and may have to close as well. Restaurants that were frequented lose lunch and dinner crowd customers because people who are not working don’t have the extra money to dine out. It affects everything in the area.

What was an affordable neighborhood that had job growth loses job growth when there is sufficient job loss? The loss of a business that has a financial impact on an area changes the face of a neighborhood. It doesn’t mean the people change it, it changes the people and what they need to do to find future employment. Unless another similar type of business moves into the area giving the area opportunities for employment, investing in the area is not a wise decision.

The questions you need to ask when you begin to do your research of an area are what the industries and businesses are located in the area? Are there shopping malls, mom and pop businesses, banks, restaurants, hi-tech companies?

Are the industries diverse or is there one major industry? Are they stable? Is there a military base or college campus?

Are there new businesses or corporations being built in the area? Any key improvements to the community – a new mall or additional stores to an existent mall, a Target or a Walmart, Starbucks, restaurants?

Are salaries stable, increasing or decreasing? How can I find out about what the median salaries are? Is there a stable employment climate or are there layoffs that will be coming in the near future?

There isn’t an area that is 100% perfect. However, if there is a solid combination of varied industries, a low unemployment rate, and stable median salaries, then if you find something that resonates a positive outlook, this is as close as you will get to find a perfect investment environment. (Carson, 2014)

There several research organizations and websites to get the job market and local economy information. The following are some resources to obtain more insight into an area that may be good to invest in.

Business Section of Local Newspaper - this resource is invaluable to obtain information. The Business Section is full of reports and information about what's trending in the area that affects the community each day. Whether there's a new law office opening its doors, a shopping mall expanding and offering more stores to shop in, or a new hospital wing being opened, the local newspaper is the way to get daily news about the community.

Chamber of Commerce – this is an organization that invites local businesses in the area to join, meet and network with reputable businesses in the area. The Chamber is an ideal way of getting to know exactly what's going on, how business owners are affected by any changes happening in the community, and usually know the local economy, employment information and what they do to contribute to the community. The growth of businesses is encouraged, and the Chamber is supportive of its members. (Carson, 2014)

Local Realtor – this is really the way to getting the best information on what is going on in the real estate market in an area you are researching to invest in. Local realtors who work the area that you have wanted to find investments will be more than happy to share what they know about the market. They have knowledge about population growth, new businesses in the area, any rezoning that could affect the area and more.

Real estate professions watch the area trends, follow the housing market, sales pricing, and homes that have sold that may be in the price range and condition you are looking for. They know if there are any properties that are investments and whether they would be profitable as rentals or “rent-to-own” properties (more about this type of property in Chapter 5).

Realtors can obtain reports that are up-to-date because they are getting their information from their realty group's MLS. These reports give an overview of the neighborhood, school information, population, and other important community information. Reports also give the pricing of properties that are adjacent to a prospective investment property, as well as all other properties for sale in the area. Reports can be done by zip code, or by the circumference of an area. There is a multitude of ways that a realtor can key in on a specific neighborhood.

You have quite a bit to gain in forming a relationship with a realtor. If you feel this could be a good fit for both of you, continue to link up with them for future property investments.

Community Websites – city and county government websites that give a community or county overview can also be a fountain of information. They can supply population breakouts, any development plans and home sales in the area. You can use search engines like Google or Bing to search for specific community websites.

There is also a **Comprehensive Plan** that you can get by going to Google, Bing or any major search engine and type the location, i.e., Charlotte, NC, and the words "comprehensive plan" after it, and you will get planning for the next ten years and others up to the year 2040. You can also get the same information by typing in the county or county information will show up in the same search as a city search.

You will get information on planning, building, and development, building code enforcement, planning and zoning, and even stormwater and floodplain information. The last information is essential when you invest. You want to know the likelihood of a property possible being in a flood zone. If it is, then this would not be a property to purchase.

Real Estate Investors Group

Joining a real estate investors group can help to make the investment process easier. You’ll be meeting and connecting with investors of all experiences – residential and commercial. These type of groups are always looking out for new investors and sharing information as well as their expertise.

Growth and Decline of Population

A stable community that is growing is one that investors look for when doing their due diligence and researching investment properties. Employment and businesses impact the economy and are a link as to how people move from one area to another within their city, state or to another part of the country.

People move to where there are job opportunities. Not an easy feat, especially if they've been established in a community for quite some time and have to uproot their family and household to another place.

Other reasons for people motivated to relocate are rental and housing prices, interests, and activities such as skiing, boating or hiking, and the weather. The growth of population increases the demand for housing. When there is a high need for housing but a reduced amount, property value and rents increase. Following this kind of trend is where property investing can be lucrative.

Seeking Investment Areas

Actually, anywhere in the United States is good for real estate investments that can be profitable. However, as a beginner in real estate investing, starting in the neighborhood or the surrounding community is a good place to start. If you are thinking about investing out of state, it would be a good idea to wait until you have a few investments done before you take on a trickier long-distance transaction.

Your Neighborhood and Surrounding Community

You are now ready to begin to search for a property. You finances are organized and in order, did your research and made a decision on how you will be funding the investment, are pre-qualified for the funding, researched the communities you've thought to place you want to make an investment and attended a few Chamber of Commerce meetings and met a realtor you felt had the type of knowledge and experience you want to help you in finding the right property.

Earlier, the advice was given to start small when you invest for the first time. That covers a few points. Don’t get in over your head, like seeing more than one property that you like and decide to buy both. Or you see a property on eBay that is an out-of-state property and make an investment. Multiple or out-of-state investments take time. As you gain experience and the capital to do so, you will be able to handle those types of investments. For the time being, searching for properties in your own neighborhood or in an area where the distance to travel is reasonable is the best way to start your search.

So, let’s take a look at the neighborhood and community you live in. Does it fit the type of neighborhood you feel would be a profitable real estate investment? Are there possible properties that may need a little TLC in order to turn them into rental properties, or to “flip” them and sell them to a home buyer who wants to purchase the property as their primary residence? What about employment, job and population growth, affordability? If you get the majority of the list ticked off and it fits the parameters that have been set, then this is the best place for you to start.

Walk around your neighborhood or the community that you feel is the right one, to begin with. If you want to cover a wide area, drive around the residential streets, slowly. Take in the condition of the homes that are in the area. Are they well kept, lawns trimmed, trash free? Are there schools in the area? How far is shopping from the residential area – 2 miles, 5 miles? Are there supermarkets, restaurants, and major thoroughfares nearby?

Walking or slowly driving the area will give you a good feel of the physical conditions of the properties in the area. In doing this, you may find a gem that needs some rehabbing but has great possibilities for it to become a property the could be profitable.

If you find a property that needs work and the upkeep has not been done for a while, this could be a possibility for investment. It may be vacant, and, when checking with your realtor to ask if it's listed on the MLS, it may not be listed at all.

If you decide you want to get to know more about the property and approach it, knock first because there may be someone living in the property. If the owner comes to the door, speak with them and ask if they would consider selling the property. If so, don’t automatically start talking price (unless the owner does and then, because you’ve done your research and homework, you will get a gauge about what kind of price they have in mind).

If they invite you to come in and see the property, make sure it's during the day so you will be able to see the condition of the interior. Ask questions about the property – how old is it, how long have they owned it, have they done any repairs, i.e., the roof, plumbing, etc. Look at the walls and the ceiling for water stains. If there are any, that means there have been leaks. Have they been fixed?

Be diligent in your inspecting, but not overtly obvious. Casually ask questions to get an idea about the property.

If the property is vacant, find out who owns it through a deed or tax records. If you still can’t locate the owner, speak with the neighbors. There is usually someone who knows what happened to the owner and the property background. If you’re persistent, making this find and turning it into a profitable real estate investment will make it all worth it.

Facebook – real estate can be found on Facebook. People list their properties on a local buy site that is local and sell their properties. Usually, the properties are priced at market value, but there may be a few that you see that are not listed on the MLS because they are for sale by owner. You may find a property that hits all the marks of being a possible good investment and beat out the competition.

Investing Preparedness

The preparations that need to be made before you invest in real estate can be a bit you overwhelming. However, once you’ve got it all in place, you can begin to invest and repeat the system you now have down over and over. When you go into real estate investing with organized finances, make the important decisions on how you will fund your first venture, are pre-qualified, have done your research of the community you feel is the right one to find your investment property, you will appreciate the experience and feel confident in creating a profitable real estate investment.

Chapter 5: What Type of Properties Should You Buy? Choose It Wisely

The types of real estate properties to invest are wide and varied. Some investments are made strictly to be profitable either on a short-term or long-term basis, like single-family homes. Other investments, like land, are considered less profitable unless you personally develop it, i.e., build a home or a commercial entity on it, or it is sold to a developer for their purposes.

You want your first real estate investment to be a smart one and return a profit. This is why it has been emphasized to start small. The investment will depend on what your expendable finances are. Before you close on the property and handed the keys, you will know how much you are paying for the property, the property taxes, insurances, mortgage payment if you use a lender to fund the purchase, where your property is located and the viability of it being a good location for rentals, what permits will be needed, if any, to make large scale repairs, how much time will be spent in repairing and/or rehabilitating the property and being able to meet all health codes and laws of the municipality.

In other words, you will know what and approximately how much the entire process is going to be and have the funds and confidence to be able to meet all the demands that come with your first real estate investment.

If you decide to purchase a single-family home, condominium, or townhome as properties to rent, rent-to-own, or as an Airbnb, there may be a need or renovations. Any issues need to be repaired in order to be able to offer the property for rent to future tenants. The property needs to meet a standard that makes it habitable, based on codes enforced by the Department of Health and the municipality where the property is located.

Repairing your property can run the gamut of major roof repair or replacement, plumbing and electrical problems to minor repairs that are more cosmetic improvements such as giving the house a more spruced up “curb appeal” to painting the exterior and/or the interior.

As with all things that are left unattended and are of value, caution should be taken while in the process of having the house brought up to rental levels. In talking to various investors about theft problems, they noted that central air conditioning units, copper wiring, roofing materials, appliances, and even doors are being stolen from properties that they have been rehabbing. These thefts are costly and unwanted extra expenses. Vacant homes are just what thieves are looking for. Keep your investment protected and secure. You have a budget for this property and, in securing the house when it is still in the repair/renovation stage and unrented, you don’t want to have to spend additional money replacing anything that is stolen because the house was left unsecured.

TYPES OF PROPERTY

Single-Family Homes

In the last three years, homes that have been purchased nationwide have become rental properties. More and more investors are entering the real estate market, and rental properties are increasing annually. (Sullivan, 2017) Additionally, single-family rentals increased more rapidly than apartment rental in 22 of the 30 largest U.S. cities with Phoenix coming in at first place. (Balint, 2018)

A Single-Family Home is described as a detached, stand-alone house. Investing in this type of property, the physical structure, the house, and the land the house sits on is what is owned.

There are single-family homes built in Planned Unit Developments (PUDs) that are part of a housing development. They can be detached homes or townhomes.

(Agranoff, 2012)

Homes located in a PUD pay Home Owner Association (HOA) dues. These dues are paid monthly, quarterly, or annually. The dues, or fees, pay for the common area upkeep. The common areas can be buildings (a recreational clubhouse), a children's playground, a community swimming pool.

There is a high demand for single-family homes and are popular with real estate investors. The main reason for this popularity is the fact that people always need a place to live. Renters seek affordable housing that meets their needs. Families, especially those with school-age children, usually look for single-family rental properties offering 3 bedrooms and 2 baths to accommodate their family needs. Families offer the possibility of a long-term rental. The children attend school in the community and become part of community and school events.

The U.S. Census has estimated the number of single-family rentals in the United States has grown by 31% in the ten years that immediately followed the bubble-bursting housing crisis, 2007-2016. In the same period, rentals in multifamily housing only grew by 14%. By 2016, the U.S. Census counted a total of over 15 million single-family homes and over 26 million apartments for rent.

(Balint, 2018)

The ownership of pets is another reason that renters prefer a single-family home to rent. If the owner allows pets and it is stipulated in the lease agreement, renting this type of home is a bonus for renters. Renters expect that a pet deposit will be part of their initial deposit to protect the property and will be withheld if the pet incurs any damage. These deposits are collected at the inception of the rental agreement. If no damage is incurred, most landlords will return the pet deposit at the time the renter vacates the property. Additionally, unless it is specified in the rental lease that the size of the dog or the breed has restrictions, renters can own a dog of any size or breed.

Pets are allowed in townhomes and condominiums. There are those developments that specify restrictions of pets, especially dogs, that will limit the size and weight of dogs. These rules are incorporated in the guidelines that the HOA sets for all residents. Certain breeds of dogs are also restricted, as well as the number of pets, both cats and dogs, a homeowner or tenant can have.

If a property is situated in a college town, the possibility of a continuous rental to students is a great bonus for a real estate investor and a very profitable investment. There will be more turnover of renters because students stay for a few semesters and then either leave to go to another school, graduate or drop out. Limited on-campus living quarters or students who don’t want to live in dorms because of the crowding or it being too confining brings student renters to seek off-campus housing, a great remedy to their housing needs.

The rental agreement that you present to a prospective tenant should be exceedingly specific in the details and wording of the leasing contract. Strict rules should be explicitly outlined with wording that all parties can understand and interpret exactly as you want them to be. Wording such as any breach of the lease agreement such as loud, excessive noise, blasting music or uncontrolled parties and party-goers, additional tenants not included on the lease, complaints from neighbors or law enforcement and property damage that is far over normal wear and tear can be noted as a breach of the rental agreement.

Townhouses and Condominiums

Townhouses and Condominiums are types of properties that are also real estate investments to rent. However, the two have differences. The details will tell you what those differences are.

Townhouse

A townhouse is a style of construction. The land and the building are owned by the investor of the property, similarly to a single family home. However, there is a difference between the townhouse and the single family home. The single-family home is totally detached from any building not on the property (except for an attached garage), while the townhouse is not totally detached, freestanding and separate. The townhouse is attached, and a common wall is shared with an adjacent townhouse. Only the front and backyard are owned.

Townhomes are quite often built in a row and have two stories. There are no neighbors above and below. This construction style can also be one for a condominium development. (Agranoff, 2012)

Townhouses can be a PUD, have an HOA and pay dues towards the common areas and amenities upkeep.

As you read further about condominiums, all the information regarding HOA dues, reserves and assessments, as well as CC&Rs and HOA bylaws are applicable to townhouse PUDs also.

Condominium

Condominiums also referred to as “condos” are all the owners of the **mutually** own the building where each condo apartment is situated. The swimming pool tennis courts and any other amenities in the complex are the common areas.

The structure where the condos are located is not owned individually. Only the condos and the airspace within the structure are owned individually. The interior “ contained within the walls” of the are individually owned. That means that if the dishwasher dies, you have to purchase a new dishwasher. If you want to paint your condo, you hire a painter and pay for their services.

Condominiums have different style structures. They can be attached units on one level, can be apartment style contained in a building structure with neighbors above, below and either side. There are some complexes that have an entrance to each of the units on the outside and not in a building. Warm weather climates that are found in California or Florida have this style of condos.

The individual unit is owned separately from one owner to the next. The land that the building/structure is on is not owned by the individuals. Each unit is taxed, as a single-family home is taxed, and in some cases, a portion of the common area. The ownership of either a townhouse or condo refers to the ownership type, not the structure. (Agranoff, 2012)

As explained earlier, condo owners pay HOA fees for common area upkeep paid monthly, quarterly or annually. The amount of HOA fees is different from one condo development to another. The more expensive the condos, the higher the fees.

Assessments are also paid by owners of condos. Assessments are funds to pay for repairs such as the roofs of the buildings that house the condos, interior road repair, pool repair if the condo community has a pool and other major repairs that need upkeep of the complex exteriors.

A townhouse or condominium as a real estate investment can be a rental property by an owner and comes with a Covenants, Conditions, and Restrictions (CC&Rs) and HOA bylaws.

Regulations set forth by the CC&Rs are the HOA guidelines on what you can and can't do as an owner. This also applies to tenants. They are the rules of the condo "neighborhood." (Loftsgordon)

An example of some of the rules that can be imposed by the CC&Rs can be:

- No curb parking. Autos must park in the driveway, garage or assigned parking spaces
- Pool rules: Children under the age of 14 years of age must be accompanied and supervised by an adult.
- Guests must park in visitor parking only, not at the curb or in assigned parking spaces

- Trash cans must be taken off the street after trash pickup. Also, do not “store” trash cans in the driveway

The HOA bylaws are created by the Association owners. They are used to manage a PUD and a non-profit corporation. The Association has a Board of Directors with a President, Vice President, Secretary, and Treasurer. The administration of HOA business, meetings and events is done by the Board. (Loftsgordon)

A few of the Board of Director's duties are:

- Board officers duties
- HOA voting rights (all owners may vote as members of the HOA. Tenants are not members and cannot vote)
- Decide how many HOA meetings and events will be held over the course of the year
- Managing the HOA meetings

Investors may have limitations imposed when owning a PUD or condo when using it as a rental. Many PUDs have limitations as to the percentage of the properties are to be allowed as rentals. Before you make a commitment to make an offer on this type of property, familiarizing yourself with the bylaws of the Association and find out if they have already reached their percentage level for rentals. For example, a PUD has a total of 1,500 condos and allow that 6% of the total can be earmarked as rentals. That would mean that 90 condos would be okayed by the HOA to be used as rental properties by their owners. If an investor purchases a property and then finds they don't have the ability to use it as a rental property due to HOA restraints, it would be a financial burden rather than a profitable investment.

Also, for your information, if you think you want to use the property as an Airbnb, it would be a good idea to do research on that subject as well and find out if the HOA will accept the property to be used as a short-term rental. As noted previously, there are special assessments that may come about and be charged to the owners for anything not covered by the HOA fees. Assessment fees are shared in proportion among the owners. This is based on the percentage of property owned. If the HOA has a healthy reserve fund and the Board of Directors manage it wisely, it is possible that the reserves can take the place of the special assessments and not add any additional assessment fees to the condo or townhouse owners.

So, if you're thinking that purchasing a condo or a townhouse may be more practical and cost efficient, it would be a good idea to research (there's that word again) how the dues and finances, the reserves and assessments are handled by the Board of Directors of the HOA.

Another point to consider is the age and condition of the PUD. An older development may mean repairs and upgrades are needed (electrical, plumbing, roof replacement, pool upgrades) that the reserve may not be able to cover because any one of these repairs can be a financial drain.

Investing in Duplex, Triplex, Fourplex Properties

Investing in a multi-family property is a great investment. However, as a beginner in real estate investing, this type of investing should only be attempted after you've gone through an initial investment and your capital can support it.

In the interim, let's look at how this type of investment can be smart for several reasons. Purchasing a multifamily home has its pros and cons, but overall is not a bad way to invest if you have the patience to be a landlord to a building larger than a single-family home and multifamily means multi-personalities with more than one tenant to deal with.

Benefits

- You can live in one of the units and collect rent from other units in the building
- These types of properties create a way to start investing in multi-unit housing
- Investors have the ability to spread out the unit rents and combine expenses amongst the multiple units. (Flood, 2017)

Downside

- You, as the investor, are living in the building. You are also the landlord. Even if you don’t live there, you are still the landlord with all the responsibilities. As previously stated, multi-personalities to deal with.
- Turnover is of tenancy is higher, and the way they care for the property is lower than you would probably like. It's not their property, and they have "apartment mentality." You may have to have more repairs done than if renting to a tenant in a single family home.
- With the turnover, you will be going through the application/background check/final lease more often, and that is a time-consuming process in itself.

This type of real estate investment should have some thought behind it before making a move to do it. There are two key things to think about – how many units in the property and managing the property.

The more units, the larger your income will be. But, and this is a big one – the property is a high demand investment keeping up with the condition of the property, upkeep and maintenance, and keeping the building occupied and taking care of issues that come up with the tenants.

This is truly an investment that can be made at a later time in your investing life.

What Type of Investment is the Best One?

The best real estate property to invest in is one that brings a profitable cash flow. This, of course, depends on the many variables involved. The financial plan, location and all its positive attributes such as job growth, affordability, and population growth will be another determining factor. Finally, the decision of what type of real estate property you want to invest in. It is hoped that the information contained in this chapter has explained each of the types of properties that can be invested in that will be profitable and helps in making an educated and wise investment.

Chapter 6: Investment Strategies and Finances

Market and financial knowledge and a well thought out strategy is the mixture that investing in real estate needs to be successful and profitable. What is the strategy that you will implement? Will you use more than one? Do you know how many strategies there are? Which one will you choose?

A strategy depends on whether you are going to do a short-term investment for a quick profit, or own and maintain a property in a long-term rental investment and continuous cash income. How the strategy is decided on what option you use is really about what type of person you are.

Are you a risk taker and want to get the cash profits in a short period of time? Or is the strategy that you think will be best is at a slower pace and would like to keep a property on a long-term basis while being open with the possibility of other avenues opening to do over time

You know that in order to be profitable, you will be investing in properties that can be flipped, that is rehabbing, upgrading and re-selling to a buyer for it to become their primary residence. The other way to be profitable is to purchase properties that can be rented to others and create a continuous cash flow.

Short-Term Investing

Short-term investing is a strategy that targets a quick profit in a short period of time, approximately 5 years. This is a stimulating strategy because it opens up the opportunity of making a substantial profit relatively quickly. There can also be a risk in going this route, especially when understanding the numbers is a problem.

There are a number of things to consider when you invest in the short-term. You invest in a property at an opportune time and sell the property before the value diminishes or there is a substantial competition that slows down the turnaround of selling the property. This type of strategizing may feel more like a gamble than an investment. All the elements of this strategy have to meld together for this strategy to be successful. (Conflitti, 2018)

Flipping and Fixing Properties

"Flipping" houses means buying them at below market value, rehabbing them, and re-selling them. The strategy to flip the property is as follows:

- Invest in a home
- Rehabilitate or upgrade
- Flip (sell) the property for a profit

Set a budget and have an inspector go to the property with you to inspect the home, a contractor to go over the details and approximate pricing of renovations that are needed to bring the property to a sales level and an appraiser to check on any issues that may or may not pass the bank’s standard to make a loan if you are financing the transaction.

Short-term flipping properties will get you a quick profit, the profit may not be as much as you think. Along with the purchase price, there are closing costs, property taxes, insurance and if not purchased with cash, mortgage payments as long as you own the property which as long as the property is going through its rehabilitation and finally listed on the market. The rehab costs are additional expenses.

Let’s break down what the actual profit on a property that was purchased for $110,000 and is re-sold for $140,000. Although it looks like a $30,000 profit, there are expenses that need to be subtracted.

The rehab is going to take approximately three months plus the property will take a month to be listed and finally purchased for someone's primary residence. You have to pay out the following over the four-month period, three months to renovate and one month on the market, plus the renovation expenses and finally, the sale.

You decided to sell it yourself, and the buyers were direct to you and also did not use a realtor, so there was no commission involved.

Had there been realtors involved, the commission for both your realtor and the buyer’s realtor would be 6% of the purchase price or $8,400 subtracted from the profits.

- Renovation costs $12,500
- Mortgage, insurance$ 3,200
- Property taxes$ 1,600
- Closing costs$ 1,000
- **Total Costs $18,300**

The final profit for this property is $11,700 after all expenses. This isn’t bad, but not the $30,000 one hopes for. (Conflitti, 2018)

The example above is a mild risk with a respectable profit margin. But if the property had not sold in one month after the three-month renovations and had taken a longer period of time to sell, the cost of the insurance, mortgage and property taxes would have eaten into the profits. Four more months listed on the market would incur another expense of $4,800, and finally sold, the profits would be $6,900. (Conflitti, 2018)

If flipping houses is a strategy you want to use in property investing, understand that gaining the profits can be quickly done if you price the property right, the renovations and upgrades are financially within reason and that the timing to accomplish and complete the renovations will not be too lengthy. Overall, this strategy comes with risks, so being financially prepared is key to its success.

Long-Term Investing

Long-term investing doesn't give a quick profit, but it is a more profitable strategy in the end. Patience is the key to having this type of strategy to be successful. You will gain sizeable profits with a long-term strategy. If the initial investment is a good one, the better it will be to have the property as a long-term investment.

What makes this strategy a better choice if you want a profitable, minimum risk investment? Time. Time is what makes this a better strategy, and the risk is less than the short-term.

The financial budget is the most critical element of a long-term plan. The financing needs to include purchase price, insurance, taxes, closing costs, the mortgage payments until the property is rented, and funds that are set aside for possible renovations. The majority of the costs will happen in the first year of ownership when a profit may not happen, and you may break even. However, if you’re willing to wait, and the strategy is well-executed, the investment will gain increased profits if you have the patience to wait. (Conflitti, 2018)

Long-term Buy and Hold

Long-term buying and holding fall under long-term investing. If you purchase the property as a rental for the cash flow or use it for the growth of your capital doesn’t matter. When you buy a property and own it over a lengthy period of time, it is considered a buy-and-hold property. (On Property)

When you purchase a property as a buy and hold investment, researching the neighborhood, market, and expenses of the property is key. The goal is to create a positive cash flow. If the property is to be a rental, managing the property will also be part of the financial outlay. You might consider hiring a property management company unless you want to manage the property yourself which is time-consuming in itself.

Capital growth and rental rate increases over time make this strategy considerably profitable. The rent paid by the tenants would pay down the mortgage if the property was financed by a lender. After taxes and maintaining the property, the rental provides lucrative cash flow. Additionally, there are the tax write-offs that can be taken on the property as well. You can hold on to the property and continue to use it as a rental or hold it until you feel the property will have considerable value and you can sell it or a substantial profit. (Taneeb, 2016)

Airbnb Investing

Airbnb is a short-term rental, but a long-term investment. Short-term in the sense that the tenancy is only for a brief period, but long-term that they can be an either buy and hold property or a property that is a long-term property that an investor uses over and over to rent to people for a short time.

A vacation rental offers various options to consider. Can you financially sustain the property in between renters? What are the rates of occupancy offered by other Airbnb residences in the area? What are the legal rules that you need to know about investing n Airbnb properties?

If you are considering an Airbnb as an investment, the closer it is to shopping, tourist places or other sites that are preferred by travelers, the bookings for the property could probably be pretty continuous. If it's at a distance from all the attractions that tourists want to see, the rental demand will probably pretty slim and few and far between.

Short-term vacation investments in certain parts of the country are seasonal. San Diego, Miami, and Austin are good areas for Airbnb properties. However, there are new rules as of August 2018 in New York and San Francisco. These cities allow Airbnb properties, but the "host" must be a full-time resident of the property, the property cannot be rented for longer than 90 days, and the host must register the property with the city as an Airbnb.

Major cities in Florida, like Orlando and Fort Lauderdale and many beach cities in between, can probably have almost year-round bookings. Other parts of the country can provide Airbnb rentals where there are skiing and other winter sports. However, if there is a bad snow season as in no snow at all, the property may be a struggle to maintain financially.

The maintenance of an Airbnb or any vacation rental that is an investment property is time-consuming. After a tenant leaves, the property has to be cleaned and restocked with any amenities and essentials that are offered to renters. If an investor does not have the time to care for the property, a property management company, or a housecleaning service can be hired. The expense of a cleaning service or management company should be included in the financial budget.

It would be a good idea to check out the area where a property is located and see if there are any restrictions in using a rental as an Airbnb or seasonal vacation property. There can be legal rules and regulations that can impact on this type of investment opportunity.

Rent-To-Own

Since you are beginning to invest in real estate, this is an investment that you may consider this type of rental investment. This type of investment is also known as a lease with the option to purchase, or purchase option.

The process of transacting a rent-to-own property has a renter who is seeking to own the property after renting it for a period of time and then purchase it. The renter is a prospective buyer, will rent the property for a period of 1-3 years and, at the end of the rental lease, will purchase the property. The end of the lease requires the property to be bought by the renter. Additionally, while the renter is leasing the property, the investor can't be listed for sale to the public. It remains off the market.

Prior to the rental lease being signed, a non-refundable deposit will be paid to the investor. This deposit is put towards the purchase price of the property and is about 2-7% of the purchase price of the property. The deposit is what would normally be deposited if this person was putting a deposit on a home that was a straight sales transaction. The deposit benefits the renter when they look for a mortgage to fund the remaining price of the property.

The property is going to be sold for $200,000 to the renter at the end of the lease.

The upfront non-negotiable deposit is 2% of the price of the property would be $4,000. This will be credited to the purchase price when the renter buys the property. The purchase price is now $196,000. This is the amount of funding the renter will borrow a lender to fund the rest of the property’s sale.

This deposit is also beneficial for the investor. An immediate profit is garnered by the investor when the renter begins to live in the property. The deposit is non-refundable and is not counted as a security deposit that would normally be part of a lease rental agreement. Additionally, if the sale of the home falls through and the renter breaches the lease by not purchasing the property, the renter will not be able to have the deposit returned.

The continued cash flow that comes from a long term rental is another benefit for the investor. In addition, the tenancy will be long term, the investor can charge a higher rent than the going rental rate in the area. A 10%-15% increase above the average rental rate is used to offset the property being off the market. This fee, as well as the non-refundable fee, will be set aside in escrow and, if the purchase of the property goes through, will be used as part of the property's purchase price.

If the renter purchases the property, they will already have funds that are considered a deposit towards the purchase price of the house and the initial agreement that they sign at the beginning of their lease should indicate that arrangement. If the renter breaches the agreement to purchase the house, they forfeit the deposit and the 10%-15% of the additional rental monies.

Let’s use an example of a house that will be purchased by the renter for $200,000. The investor has set the monthly rent as $1,650/month. The rent includes a 13% increase over rents in the area because the house is not on the market. That 13% represents $214.50 each month that is put into escrow towards the purchase price of the property. The house is rented for three years. At the end of the three years, the renter, who will now become known as the buyer, has $7,722 in escrow that can be used towards the purchase price in addition to the non-refundable deposit that was also put into escrow three years ago. The buyer of the property may want to use this money to pay closing costs.

While the property is being leased, the investor is still the owner during the lease period. The insurance and property taxes will continue to be paid by the investor, as well as HOA dues if applicable. Continued maintenance of the property is also the responsibility of the investor.

An assignment of the maintenance of the property can be assigned to be the responsibility of the tenant and included in the rental lease. This will give the investor the ability to claim tax deductions on the property, repair costs will not be incurred against the cash flow provided by the monthly rent, and the maintenance will be handled by the renter. The tenant is renting the property to purchase it at the end of the rental lease will probably make any repairs that are needed to maintain the upkeep of the property they will own.

Even though this transaction is a rent to own, if the tenant breaches the rental lease before it comes to term, the investor has a right to evict under the guidelines outlined in the lease. If the tenant causes extensive damage, does nothing to make any repairs that are necessary to maintain the property, causes any extreme damage, are incurring undue noise that disturbs the neighborhood, the lease is considered breached and can be terminated.

Holding a Property and Continuous Rental

Two other types of investment strategies that many investors use are holding property and then selling it and having a continuous rental, where the property is continuously used as a rental over and over again.

A property that will be used as a rental and "held" will increase the property's value. The investor will decide when selling the property would be a beneficial time to sell the property. An investor who knows what happens in the real estate market, as well as the where the property is located, can have an advantage of holding the property until its value has increased and then selling it for maximum profit.

This type of investment is similar to a rent-to-own investment, but the property will be sold when it is listed and for sale to the market. The tenant will have their lease honored until it ends and then will need to vacate and find another place to live. The rental lease is simply for the renting of the property, there are a security deposit and first month’s rent that is returned to the tenant when they leave if there is no major damage.

Once the property is listed for sale, the tenant can purchase the property. If they are in a financial position to agree on the purchase price, submit a deposit and fund the transaction, they can purchase the home.

Continuous Rental

This type of rental is when an investor purchases a property and uses the property strictly as a rental. The tenancy is usually a one year lease to begin, and then, if the tenant decides to stay and the investor feels they are good tenants, the tenant can be on a month-to-month lease. An investor may want another lease signed after the first one year lease and offer a one year or two-year lease to the tenant. Maintenance and upkeep are continuous, and you may want to hire a property management firm to collect the rents and attend to repairs and other issues that may arise.

Location is Key

It can’t be emphasized enough that the location is an important key to your investing success. Explore areas that appear to be most profitable. Location, along with the good, affordable housing is what brings the renters to the area.

Real estate investing brings quite a few opportunities than other investments. Research and review the different strategies presented in this chapter. The information will give you a better feel of what will be profitable and fit you as an investor of the future.

Chapter 7: Unexpected Expenses – What It Really Costs

There is always a tradeoff in most everything and in real estate investing it is no different. It has its rewards and drawbacks. One of the biggest drawbacks is the unexpected. Unexpected expenses. The unexpected issues that pop up. There are several ways this can happen before you complete the purchase of the property to after you own it.

Here are some unexpected expenses that you will want to take note of when you are getting your purchasing finances in order.

Purchase of the Property

There are a number of peripheral expenses that are involved in the purchase of the property. These are expenses that are mandatory, especially if you are funding the transaction with lender dollars. You can avoid unexpected expenses by learning about them and know that these expenses need to be part of your capital budget. Incorporating them at the onset won't let these costs reduce your estimated return on investment profit.

Home Inspection – don't make a mistake and forego inspecting the property you will be investing in. If you do and you discover issues that could have been taken care of by the seller prior to the sale, then the onus of how much more will be spent in repairing these repairs fall on you, the investor. If you are paying cash, then it is your choice. However, if financing the transaction with a lender, it is mandatory. The lender wants to know that they're investing in a viable property.

A home inspection costs anywhere from $400-$500 dollars, depending on the size of the property. If there are issues that need to be addressed or repaired, i.e., roof, plumbing or electrical, a second inspection may need to be done to see that the repair has been done properly. Those additional inspections fall on the seller, who is having the repairs done.

Home inspections are not only for discovering the condition of the property but also if you're not happy in what you hear from the inspector and the condition is too extreme and repairs too costly to remain within your budget, then it is a good way to step back and out of a contract. It is acceptable to do so, and your deposit will be returned to you if that is your decision.

Closing Costs – there are a number of factors that are part of the closing on a property. When you finance a property, the lender advises you about the closing costs that are needed to be paid. The closing costs have different real estate fees. Understand that costs are different from state to state, and will be different because of the kind of loan used for financing the transaction.

The fees are:

Escrow and Pre-paid fees – for some investors, it is sometimes easier for the lender to include the property taxes and insurance in escrow and pay these payments when due. These are fees wrapped up in one mortgage payment and then disbursed to the insurance company and property taxes municipality when they are due

Attorney and Title Fees – title search and title insurance are included in title fees and paid by the investor to make sure the property has no unpaid taxes, code violations, outstanding balances for water/sewer, open permits or financial liens on the property.

There is a fee for recording the deed and real estate ownership. This is to register the ownership by the investor. Documents and registration record the ownership of the property at done at the courthouse. A notary is needed to witness the investor sign all the investment paperwork. The notary is also paid a fee to witness the document signing. The final fee is paid to the title company or attorney who is handling the closing and oversees all the documents are signed and correctly executed.

Loan and Mortgage Lender Fees – the lender origination fees are closing cost fees. The funding of the transaction, when the mortgage is created for the investment, the lender initiates closing costs. Application fees, a processing fee from the lender, underwriting, appraisal, and wire transfer fees and the credit report are all included in the closing costs.

Mortgage Insurance - the mortgage insurance cost depends on the amount of the initial down payment that was made and the kind of mortgage that will finance the transaction. As stated earlier, a 20% deposit is required for investment loans, anything less, the lender will add on mortgage insurance closing costs.

FHA, VA loans are government-backed loans. The investor has to pay mortgage insurance costs prior to closing, or the loan will not be approved. The lender will not accept the risk or approve the loan. If approved, the mortgage insurance costs will become part of the monthly mortgage payment as a separate fee, as well as the home insurance costs and property tax. This cost can also be paid as part of the closing costs attached to investing, or the housing costs and added in the mortgage payment. (Shalhout, https://www.mashvisor.com/blog/7-unexpected-costs-when-buying-a-home/, 2018)

Investment Property Fees

Congratulations! You're now a real estate investor and the property is finally yours. You've decided you want to make your investment a rental. However, before you can advertise the property for rent, your investment needs work.

The property is not in need of a lot of work. The inspection only found minor issues that were taken care of by the seller prior to the closing. A coat of paint in the kitchen, bathroom and dining room. The front of the house needs the lawn to be cut and possibly new shrubs put in the front. The cost of these improvements won't be any more than $1,500-$2,000 and will be completed in two weeks according to the handyman you hired to do the paint job. The shrubs were ordered from the nursery and will be delivered closer to the end of the two weeks and planted.

This kind of upgrading is minimal for rental investment. Often, the properties have been left in disrepair and have not been maintained in years. There are many reasons this can happen, but if you are looking for properties at below market value, it could possibly be you would be looking at much more than a paint job and upgrading the curb appeal of a property.

A leak in the plumbing, roof needing to be replaced and many other repairs can add up in thousands of dollars.

Another unexpected expense can come after you've rented the property for a while and that is the tenant moves out. You're left with an empty rental that needs to be cleaned and possibly painted and repairs to be done for the next tenant. That means a vacancy. Your cash flow has been positive, and the financial statement has enough to sustain a three-month vacancy and enough to cover maintenance and repairs. However, that's too long a time, and you really would like at most to lose a month's rent.

To be clear about the tenant’s security deposit – it covers any unpaid rent, or clean and repair anything more than normal wear and tear. The security deposit is not to be used to upgrade the toilet in the master bathroom or purchase new kitchen appliances. Only extreme, severe damage should the security deposit be used to take care of repairs.

The other point that needs clarity is the tenant's interpretation of the security deposit. The tenant may be under the impression that the security deposit is the last month's rent. This is not true. The security deposit is to cover any unpaid rent and have the property cleaned and any repairs made that are over and above the usual wear and tear. If the tenant paid first month's rent and security, the security falls under this description, and the tenant must pay the last month's rent before vacating.

If the tenant has paid first and last month's rent and security, the tenant has already paid the last month's rent, and the security is what the landlord uses to do any cleaning and repairs if necessary.

Maintenance Expense Estimations

The amount of rental income, as an average, that you should put aside annually is 1-3% of the value of the property for repairs. The square footage of the property can also determine maintenance costs. As an example, the property is 2,800 square feet, the maintenance cost would be $2,800. If you use to decide to use the property value as your calculation, the property is worth $225,000, and you take 1% of the value, the maintenance cost is $2,250.

Another way to estimate your maintenance costs would be the 5x Rule. Take the monthly rent and multiply it by 1.5. If the rent is $1,800/month, the annual maintenance would be $2,700.

The final repair and maintenance formula is the 50% rule – all operating costs of insurance, taxes, repairs, and maintenance will be equivalent of half of the monthly rent paid by the tenant. If the property's rent is $1,800/month, $900 of the rent will cover all the costs monthly. This will work if you have a tenant that is a late payer, this formula won't work.

These formulas are to give you a ballpark figure as to how much to set aside. There is really no exact figure because there are too many variables to think about when coming to an exact estimate.

Consider this – 76% of annual repair and maintenance costs will be higher than you expect and 99% of the repair and maintenance expenses will probably be higher than you want.

Financial Decisions

Owning an investment property sometimes calls for decisions to be made that are difficult to make, but need to be made because they affect how you manage your investment, or if the property begins to drain your finances, produce a negative cash flow. You need to know when to let go.

If the neighborhood where your property is situated starts showing signs of a decline, if there are layoffs, people moving away to find jobs in other areas, this would be the time to begin to think about selling the property. As was stated earlier, a company leaving and the employees becoming unemployed is not the only loss, but the neighborhood feels the loss as well.

You may have a tenant that you had to evict for non-payment of rent because of a job loss. Once they’re gone, who will replace that rental income? People are moving away, not moving into the neighborhood. What is your recourse? Neighborhood businesses are hurting as well.

The purpose of your investing in a real estate property was to create a steady, positive cash flow income. The change in the neighborhood could very possibly change the income from positive to negative.

Knowing what your profits and losses are will help you decide how long you can, or wish to continue on a loss cycle. Trying to play catch up financially if you allow the deficit to continue is not a great way to handle the situation. Rather than continuing to hold on to the property, it may be a good idea to get out while you financially can.

Preparing for unexpected expenses before you purchase your real estate investment will help you understand all the fees involved with the purchase transaction and be able to make the process move along as quickly and smoothly as possible.

When you understand that repairs and maintenance costs for your property are an ownership reality, considering the options of estimating the annual costs and which one feels the best option to go with can alleviate a great number of financial problems in the future.

Chapter 8: Managing Your Property/Repairs and Maintenance – Do You Manage or Hire A Property Manager

Managing your investment property can be inconvenient, frustrating, time-consuming, and frankly, a huge headache. In stating this, this will outline exactly what it takes to maintain and manage a rental property.

When you, as a real estate investor, purchases a property and decide it will become a rental property, you will be a landlord. Every last responsibility and the last word on how the property will be managed and maintained falls on your shoulders. This is your investment, and the reason you own the property is to have it generate positive cash flow, as well as the other benefits that are attached to owning real estate. The property is also home to a tenant who pays for a good place to live.

Below is a guideline on the rental process:

- The property must meet all health department and code compliances
- List rental property for rent on social media sites, local newspaper or listed through a realtor
- Make appointments to meet possible tenants and show the property. Answer questions and concerns
- Give prospective tenants applications. Explain background check is mandatory, and there is a fee for each person who will live in the property
- Review the rental application and background check. If application and background check passes scrutiny, inform the party they are accepted
- Draw up the contract and have all parties sign the contract
- Collect security deposit and first month's rent. If there is a pet, there is an additional deposit
- Give the keys to the tenant
- Collect the monthly rent on the 1st of each month

- Take care of any maintenance issues that may arise while there is a tenant residing in the property
- Follow up with any complaints HOA, neighbors or law enforcement if tenants are being disruptive
- Deal with partially paid or unpaid rent by tenants, destruction to property by tenants or pets
- Tenant evictions – getting a 3-day pay or quit notice legally served and evicting tenants who make no rent payment after three days
- Go to court to file eviction documents
- Have eviction documents served to the tenant
- Wait for the court case to be scheduled. The eviction process can take 30-45 days. Court calendars are usually full and, if there are holidays that close the courts for a period of one or more days, the evict decree could take up to 60 days. Unfortunately, this ties up the property. You can't rent it until the tenants vacate the premises, clean the property, repair any damages and withhold their security deposit due to non-payment of rent and to repair any damages.
- Inform the court when you do appear that rent has not been paid beginning from what date to the end of their tenancy
- If the tenant leaves under normal circumstances and rent is paid in full, the security is returned with an itemized list of any deductions for repairs (if any) and any unpaid rent. Otherwise, the tenant is entitled to receive the majority, if not all, of their security deposit.

If you are handy with tools and can make your own repairs without calling a handyman and want to save money, then you are good to go. However, if you call a handyman, make sure it's not for a repair that needs an expert to handle it. Not all handymen are electricians, plumbers, roofers or painters. It will help if you develop a network of licensed contractors and professionals who can help with a specialized repair.

Hiring Property Management Company

Many investors want to stay arms distance for the entire process of being a hands-on landlord. They hire a property manager company or individual who specializes in property managing to manage their properties. Once you begin to acquire properties, you will probably want to do the same.

The major responsibility still rests with the investor. They still make the decisions about their property – how it's managed, if repairs are needed, what is the repair and who will be remediating it, and all other decisions connected to their property. However, the time-consuming process is taken care of by another party whose specific responsibility is to execute the managing and maintaining of the investor's property. A manager or management company usually charges 10% of the monthly rent for a single family home and 4-7% for properties with 10 units or more.

The management company or manager sets the rents, with the landlord's approval, on the property to attract renters. The collection of the monthly rent, and the rent adjustment for the next lease period according to the laws of the municipal or state laws. Knowledge of all municipal and state landlord/tenant laws is the obligation of the property manager. It is also the responsibility of the landlord.

A South Florida property manager gave a few insights and thoughts in what it takes to be a property manager who can successfully maintain and manage properties. She has over 21 years of experience and has managed single family homes, fourplexes, and townhouses.

Whether a small management company, a single-person manager or as a fully staffed management company, the responsibility of a property manager is to keep the investor's investment property maintained, managed and in good working condition.

This responsibility is not always easy, because when asked what the most difficult issues in managing and maintaining a property are, she stated a few that jumped out in her mind immediately as she thought of the issues.

Tenants – there are tenants who will call for every little thing that happens. A light bulb blew out in the refrigerator or in the bathroom. Or the tenant never changes the air conditioning filter and calls to complain that the property is hot, and the air conditioning is not performing properly.

The property management company sends the manager or associate who is responsible for the property, or the individual manager has to drive out to remedy the problem, purchasing a few light bulbs and air conditioning filters, along the way, for the tenant’s use.

The Handyman – having several telephone numbers for a handyman is mandatory. They get called for the small repairs that are needed. A toilet that is stopped up, the garbage disposal that isn’t working, a window blind that needs to be replaced or a door or door that keeps sticking. These are a few of the types of small repairs they handle.

The big problem with some handymen is that they say they will go out to the property and take care of the problem and some of them just don’t show up. They not only not show up, but they also don’t even call and say they will be late or cannot make it that day.

There is much time when a repair has been requested, that the tenant is at work and allows for the property manager to enter the property with the handyman to fix the problem. When it happens that a handyman doesn’t show up, it is frustrating for the property manager who is expecting the handyman to show up and waits for them to arrive to let them into the property. The result of a handyman being a no-show is the problem has not been fixed, the property manager has wasted their time, and the tenant comes to find the repair had not been remedied.

This property manager recommends that if this situation happens, she will forgive it once. If it happens again, she deletes their number from her phone and no longer uses them.

Who Decides Repairs and Costs

The investor usually has a group of licensed professionals who help in managing and maintaining their investment. All decisions about repairs and the cost of what it will take to get it done and any decisions on how the property is managed are solely the decision of the investor. However, an investor, if they have a long-term and beneficial professional relationship with the property manager will call and consult with them since they are the eyes and ears for the investor and usually check what the problem that needs repairing or replacement first hand.

Also, the property manager can be consulted with by the investor to recommend the manager’s contacts to do repairs or renovations such as upgrading a kitchen or bathroom, repair or replace any plumbing, electrical issues, or who the manager recommends installing windows.

An experienced property manager usually has the best contacts who do good work and charge reasonable rates. They will hire them with the investor’s permission. The investor is the manager’s client and them to keep the investor happy and retain them as a client.

Paying the Contractors

A contractor, especially those who are in business for themselves, like to be paid on time for their services. Many contractors ask for a partial deposit for their service before they begin the work. They don’t like to run after the investor, or anyone else for that matter, for payment. If they do the work and don’t get paid, the contractor, or the management company who hired and paid the contractor, can put a lien on the property until they are paid. This is called a mechanics lien.

The South Florida property manager suggests that the investor’s company checkbook be available to the property manager to write checks for services rendered by various contractors and any vendors that do work on the property. If paid on time, a contractor will remember the investor and their property and that they get paid on time when they’ve done work there. A fast pay will get good service from vendors they do business with.

Profit & Loss Report

The property finances and budgets are managed by the property manager. They are responsible for the Profit & Loss (P&L) statement to the investor. The P&L can be done quarterly, bi-annually or annually. The preference is up to the investor.

The property management company is responsible for submitting a Profit & Loss (P&L) statement to the investor. This can be done quarterly, bi-annually, or annually at the preference of the investor.

The P&L outlines all the financial activities of the property. For example, a quarterly P&L will show the amount of rent that was paid over the three months, deductions for any repairs, supplies purchased for the property (remember the light bulbs and air conditioning filters), any payments to contractors or handyman for repairs, etc. The information is also helpful when tax time rolls around. The property manager can file the taxes for the property if the investor so wishes, but not before reviewing them.

It is up to the manager to make detailed notes and dates of all repairs and be able to produce invoices to back up all expenditures. Investors want to know where and how they spend their money and maintain positive cash flow. All repairs and costs need to be approved by the investor. Only extreme emergencies can a manager decide for a repair to be done without the consent of the investor. If the tenants are in danger, or the physical structure of the property is a concern, the repair is made. It saves the property and removes any potential danger to the tenants. The repair will be approved by the investor because it is not considered to be unauthorized.

Evictions

As it was explained in Chapter 2, evictions are the absolutely unpleasant side of being a landlord. Property managers don't find them pleasant either. However, property management companies know how to handle evictions all too frequently and follow the legal eviction process to evict a tenant for non-payment of rent or other issues that have breached the rental contract. The investor will always be informed before the beginning of a legal proceeding, but the execution is left to the management company.

Some management companies handle the filings and then have someone representing the management company appear in court for the eviction hearings.

Other managers, especially smaller companies or one person who manages a number of properties, hire an eviction lawyer to handle all the documents and proceedings. This service is performed for a fee, but a smaller management company or one person managing multiple properties can't afford to sit in court all day waiting to be heard while they have a number of other issues they have to attend to with other properties they manage. The fee is part of doing management business, and the fees are added to the investor's P&L.

Whether you, as an investor, will be hands-on manager who is able to make repairs and has time to perform all the functions required as a landlord, or is a busy investor who doesn't know how to hammer a nail or use a screwdriver, and doesn't want to, there are choices in managing and maintaining your rental property investment.

A real estate rental investment needs the proper time and finances to maintain and manage. With the motivation being to preserve the property, being hands-on with repairs, and keeping the rental as a healthy and safe environment for their tenants, will help an investor to earn the profitable rewards for their efforts.

Chapter 9: Best Places to Invest

As previously stated, the best places to invest in a rental property to have maximum property appreciation and cash flow should have three things working in unison – population growth, job growth, and affordability. (Fettke, 2016)

Cities and towns that have these three factors working for them are considered the best places to invest in rental properties where below market prices and high cash flow are available. (Fettke, 2016)

Before the chapter ends, the most recent list of cities and why they made it to the list in December 2018 as the best cities will be noted. And, with new information just being published, compare it to the new list of cities for 2019. For now, the attention will be on what kind of neighborhoods and elements make a real estate investment in a rental property profitable for the investor.

This may seem to repeat information from Chapter 4, but it will be a bit more in-depth about what the impact of how events in communities are all intertwined and affect everyone who lives there.

Employment and Finances

When you invest in a rental property, it will have the chance to be as profitable as possible if you first do thorough research of the community when you begin to look for investments.

What type of industries is in the area? Is the community more industrial? Any major shopping malls? Is there a true "downtown, uptown or mid-town" business area? How many major banks, law firms, hi-tech companies? Blue collar businesses?

Is there more than one major industry? A stable number of diverse industries?

Are there colleges or military bases that are in the area?

What is the employment climate? Introducing a new business in the area? New mall opening? Layoffs?

What are the median salaries? Increasing or decreasing?

What is the education and age breakout of the community?

No community can be all things in investing, but if there is a good, strong mix of different types of industries and an increase in median salaries and low unemployment figures, then this area is a good one to investigate. It can offer the element that has the potential to be a profitable investment. (Carson, 2014)

Best Cities for Investing in Property Rentals 2018 and 2019

The United States has nine regions. There are a wide variety of the types of lifestyles, housing, job markets, economic status and population growth within these regions.

Some areas have been seeing a major exodus of people move away due to their economic needs. As stated earlier, rents increasing, job loss, layoffs, and stagnation in salary increases affects people relocating from one section of the country to the other. In other parts of the country, there has been an increase in jobs and economic growth, and population.

The following information will outline what are thought to be the best cities at the time of this writing, to invest in real estate properties.

This is a study that used four factors to assess each city: population growth, employment growth an increase in home values and rental yield. (DePietro, 2018)

Below are the cities from four regions for the best places to invest right now. Find the full list of cities and further information about all the cities sited, go to https://www.gobankingrates.com/investing/real-estate/best-worst-cities-own-investment-property/#2 (DePietro, 2018)

South Atlantic Region

Three cities in Florida are considered the best for investment in property rentals. The combination of Tampa, Jacksonville, and Orlando averaged an increase in property value of 11.2%, and rental yield came in at a 5.9%

average. The other averages are 4.2% in population growth and 2.6% employment increase. Jacksonville had the highest rental yield of the three at 6.8%, while Tampa had the highest increase in property value of 13%. (DePietro, 2018)

Pacific Region

There has been a tremendous increase in the growth of the population in Seattle, WA in the Pacific Northwest from 2016 to 2018. Property values increased to 11.9%, and the rental yield is 4.1%. Currently, the population growth is 5.9% while employment increased to 3.3%. (DePietro, 2018)

East North Central Region

In Madison, WI Property values increased to a robust 9.6%. The rental yield for Madison is 6.6%. The population over the last two years increased by 3.1% and the employment growth grew to 1.1%. (DePietro, 2018)

West South Central Region

Arlington, TX - Arlington won the #1 spot in 2018 as the U.S as the best city to invest for real estate rental properties. In two years, the increase in property value is 10.3%, and rental yield of 7.5% makes Arlington a very profitable city to invest in real estate. The population growth is 2.2%, and a 3.4% employment increase is the best of all the cities reviewed. (DePietro, 2018)

Overall, in 2018 there were twenty cities that are thought to be the best to invest in rental properties in 2018, while 26 cities were considered to be the worst.

Best Cities for Real Estate Investing 2019 (Winzer, 2019)

Forbes recently published the top cities in the United States that have seen an impressive increase in job growth, home prices and rents from since August 2018. These are the Top 10 Cities that are the best bets for 2019. For the total list, please go to:

https://www.forbes.com/sites/ingowinzer/2019/01/07/2019-best-markets-for-real-estate-investments/#775e6d9271f5

City	Job Growth	Job Growth	Home Prices	Home Prices	Average	Average
	This Year	6 Months Ago	This Year	Vs. Income	Price (000)	Rent
Orlando, FL	4.7%	3.8%	10.0%	20.0%	$272	$1,208
Raleigh, NC	3.3%	3.5%	7.0%	-3.0%	$295	$1,116
Jacksonville, FL	3.0%	3.2%	10.0%	14.0%	$270	$1,068
Charlotte, NC	2.6%	2.7%	8.0%	2.0%	$280	$1,025
Cleveland, OH	2.5%	1.9%	5.0%	-20.0%	$176	$ 808
Silver Springs, MD	2.5%	1.6%	4.0%	5.0%	$445	$1,398
Fort Lauderdale, FL	2.5%	1.7%	8.0%	21.0%	$338	$1,387
Boston, MA	2.5%	2.2%	6.0%	6.0%	$426	$1,614
Portoand, OR	2.4%	2.3%	6.0%	21.0%	$381	$1,310
Indianapolis, IN	2.3%	1.8%	8.0%	-18.0%	$213	$893

Real estate investors will be staying away from the cities with increasing prices this coming year. Real estate always has its ups and downs, and in places like Miami, San Francisco, Seattle, and Denver, there should be more caution when investing in these cities.

Keeping up with the trends, investors need to check year to year what cities will be profitable for real estate investing. If there are investors who live in or near these cities noted as the best, then it will be great to be able to take advantage of the positive information found in this report. However, if they don't live in or near any of these areas and don't wish to invest in an out-of-state property doesn't mean that all other communities are terrible for investing. It simply means with time and patience, an investor will find the property they are looking for in their home community or surrounding area.

To maintain a steady cash flow, maximize profits, and see an increase in a property’s value, an investor needs to do their research about a region or neighborhood of interest from the business section of their local newspaper, informative websites that specializes in real estate news and information, or from a local realtor who focuses much of their business on real estate investors. Read up on what’s going on with employment and salaries, and population growth trends that tie into what renters can afford. Walking through a neighborhood is another good way to find possible properties that could turn into an extremely profitable investment.

Understanding the link between the three factors that make for profitable real estate rentals and incorporating them to a real estate search as a guideline will make investing in real estate rental properties one where maximized profits can be gained.

Chapter 10: Summary

This book has covered a myriad of topics, ideas, and questions to give a beginner in real estate property investing the tools needed to be a guide in the business of real estate investing. Over the course of the book, you have had the chance to learn about the industry, giving you an outline why a real estate is a good option for investing, and all the variables that you need to consider to have a successful and profitable investment.

Investing in Real Estate is a Good Investment Option

After reading what happened in the real estate industry of over 12 years ago and how the industry bounced back after the crisis, it is resurging and now thriving again.

Today, the industry of real estate investing is hot and very competitive. With a great many homes in the U.S. being purchased for the purpose of investing in real estate, the trend continues to grow and is profitable for investors.

Real estate investing creates an asset and a builder of wealth, and the value of these investments can increase because of inflation. In addition, real estate property can be invested in the long-term, transferred, assigned, and passed down to the family.

There are many advantages to owning real estate. Tax-free profits, neighborhood improvement, the offering jobs to local contractors and home professionals, and creating a home for others are all the benefits you derive from real estate investing.

Whether you are purchasing to flip your property for short-term profits or consider investing in a long-term property to begin building a real estate portfolio of rental properties, doing the research and being thoughtful of which type of investment is right for you will help you succeed in making the right choices.

Investment Strategies

Strategies that involve real estate investing and comprehending how your cash flow will be affected are important to the investment process. You have the option of investing in a short-term property that is in need of renovations and flip the property and sell to a home buyer looking for a primary residence to make a quick profit. Remember that this strategy works when the renovations and the amount of time the property that is listed is not a lengthy amount of time. If there are delays in repairs or the neighborhood turns out to be not what it seemed when you first researched the area, your profits will not be what you had expected.

The strategy that has been used by an overwhelming amount of investors is the long-term strategy in property investing. Although the initial profits may be small when you first own the property, the profits have the probability of increasing due to property appreciation, inflation, and the costs to maintain the property will be handled by the rent paid by tenants. Patience is the virtue most needed by an investor using the long-term strategy for investing. Profits will grow over time as long as properties are maintained and a constant, critical eye consistently reviews finances.

Long-term rental properties that have lengthy tenancies and rent-to-own strategies are the most common that investors use to achieve long-term benefits. The positive aspects of the long-term strategy are that they produce a monthly income and that, when you file your taxes, there are certain items that are tax deductible, there is equity that increases as the property's mortgage is paid down as well as the appreciation of the property increases.

Investing in Investment Trusts and Land

Real Estate Investment Trusts (REIT) is how some investors choose to invest in real estate. This is investing as part of a group of investors who focus on commercial real estate investing. Investment can be hotels, retail stores, apartment buildings and the like.

When you invest in a REIT, it gives you, as a part of a group of investors, higher returns and the personal risk is minimized. In addition, there is no concern about individual investors having to make repairs or managing the property as it is with an investment into a single family home.

Investing on a piece of land can have passive income value if you rent it out to others. As an example, it can be used for camping and/or RV parking if the land has the ability to provide electricity, water, and spaces for travelers and their vehicles. Purchasing land is not for beginners who do not have the experience needed to invest in this type of property and have it be profitable.

Securing Profitable Real Estate Investments

The most important factor to consider when you invest in real estate is location. Doing your research homework in researching locations that seem like interesting areas to invest in and deciding what strategy you will use should give you a clear vision of where you will invest and the type of property you will use to be profitable.

Before You Begin to Invest

Personal Finances

There are several steps you need to take prior to your investment in any real estate, and it is your guide to prepare to become an effective investor. Paying attention to your personal finances will give you the answer about how much is affordable for you to invest. Following this process will protect your finances and factor in what you need to live and care for your personal responsibilities.

Loan Costs

When you've settled your personal finances, you can focus on the capital you have to invest in a property. Before you begin looking for a property, you decide what strategy you will be using, whether you can or want to pay cash, if you will be financing the transaction, and how and with whom you will be funding the purchase of the property.

Your investment plan is next. Have the 20% down required and how much you will need to be pre-approved for by a lender. Remember that there are bank closing costs, insurance, property taxes, accountant and attorney fees, and fees that are to be paid to a property management company if you choose to hire one to handle the maintenance of the property.

Maintenance of the Property

There will be costs that will be generated by the property once you are the owner. The cost of repairs, municipal permits even before some of the repairs can be executed, and compliance to codes for properties that become rentals will be on you. Once tenants move in, have an emergency fund for any major repairs that may occur such as appliance replacement, roof repair or replacement, and any electrical or plumbing issues.

Legal Concerns and Financial Accounting

Acquaint yourself with a good lawyer who specializes in real estate investing and hire an accountant to oversee your investment finances. Your accountant will report your finances quarterly. All expenditures, profit and loss, and income revenue can all be organized and help to keep your business running profitably**.** Your personal and business finances should be kept separate, so there is no confusion, especially when it's time to have your taxes done.

Review Your Loans

When you comprehend what your loan options are is when it's time to invest in a property. Understanding the funding can make a difference and will result in stellar profits instead of just-okay profits. If you want to lower the interest rate on the mortgage, you can make a higher down payment than 20%, or you can "buy down" the interest rate by purchasing an interesting point that is worth an interesting point that will lower the interest rate.

As a first-time investor, patience will serve you well when obtaining your first investment loan. The lender has a financial interest in the investment and will go over your finances more than once. It’s not until the underwriter approves the loan and signs off on it that you can feel relief and actually become a property owner. Lenders are extremely picky, especially if you are investing for the first time.

Mortgage companies are the intermediary for several lenders. Mortgage brokers match the loan that you need with a lender. If you apply for a loan with a mortgage broker, you may be able to have a better chance of being approved. One lender may reject the deal, but another lender will move forward with funding the transaction.

Direct private lenders are independent of banks, and if banks have doubts about your loan application, a private lender will waive issues that others won't and fund the loan. The paperwork and the decision made for the loan are handled in-house, and the private lender is the decision maker not the underwriter. Getting an answer to your loan application will be a lot sooner than from a bank. Direct lenders are licensed in most of the 50 states.

There are other types of loans such as crowd funding and hard money loans, which are available to fund investment properties. And, of course, you can always purchase a property with cash.

Learn About Your Neighborhood

As a beginner investor, some of the places to look for the neighborhood are reports that you can research on Zillow.com and available properties Facebook as well as other social media sites. Information about the property and its location, as well as what the area economy bears, how the real estate market is trending, the affordability of rents, and whether there is population growth or decline will help you to in your decision whether the property you are targeting will be profitable.

The neighborhood you live in may be the first place to look for your first real estate investment. Walking or driving in and around your neighborhood or nearby community and speaking with local business owners and others in the neighborhood is an excellent way to start investing with knowledge in real estate.

What is the Right Property for You?

What is the right property for your real estate investing endeavor? The choice of the type of property you want to invest in and, after doing your research, are inclined to feel that it will generate a passive income and be the most profitable will be decided by your finances, the property, and the location.

Regardless of whether you choose to use a short-term or long-term strategy, purchasing a single family home as an investment will be different from buying a condominium or townhouse. Knowing the differences will help you decide the type of property you want to buy as an investment.

If you want to get involved with investing a property to use as an Airbnb, it will be a good idea to find out about the local rules and regulations and whether this type of investment acceptable or prohibitive as a rental property to be an Airbnb.

Property Management

When you own an investment property and are the landlord, you want to really think out the process of how a property should be managed and whether you want to do it yourself or hire a property management company to bear the brunt of the responsibility. The property management, managing the paperwork in connection to ownership of the property, the repairs, and maintenance that are required for property upkeep and keeping your tenants happy are time-consuming and will keep you busy.

Maintaining and managing the investment is critical if you want it to be profitable. It helps that you are able to have long-term tenants if you have a long-term rental investment.

There is quite a bit of detail in managing an investment rental. Even if you have a property management company do the majority of the managing, you need to follow up with them and check to see if they are following up with tenant requests or complaint, collecting the rent on time, keeping rent records of all payees and making sure that if there are any repairs that they are done in a timely manner.

If tenants complain and you pass the complaint information to the property manager, and the complaint is not resolved, there may be a need to change management companies if it occurs on a continuous basis. More than once is too many if you want to keep your tenants happy and remain as your tenants. Lose the tenant, and it will be clear what it's like your cash flow is interrupted, and you have to go through the entire process of advertising again.

Overall Benefits of Real Estate Investing

Investing in real estate can be financially rewarding, can generate positive cash flow, and build as much wealth as one would want to have. If approached and handled properly, it can be the lone source of income that gives financial freedom.

Beginning the process is detailed and when you first start out, overwhelming, but if you want to have an option that can build your wealth, real estate is a good way to go. It has its own ups and downs, but in the long run, it is an investment vehicle that will generate the financial goals that you want to achieve.

Conclusion

Thank for the reading of *How to Invest In Real Estate: The Perfect Beginner's Guide to Create Wealth and Passive Income Without Making Mistakes*. Hopefully, it gave you, as a first-time real estate investor, the information and tools you need to begin and achieve your real estate investment goals and make the undertaking profitable.

Although you’ve finished reading this e-book, learning about real estate investment doesn’t end. Exploring and implementing all the real estate investment information this book has covered and developing the vision of what you want to achieve are the only ways to realize the real estate returns you wish to gain.

The next step to invest in real estate properties is to put the information you found in this book into practice and action. Do your due diligence by checking the economic climate, real estate availabilities and locations, and what the current trends are in your area before you decided on the property you want to purchase.

Talk with lenders, contractors, realtors, and property management companies and develop alliances. Ask the questions that will help you in developing your investment skills.

When you beginning to invest in real estate, it can be a bit overwhelming. However, with the information that is provided in this e-book, you can begin investing much better prepared than when you began to read about it.

Finally, if you found this book useful in any way, a review on Amazon is always appreciated!

Robert Waller