

Important Tips to Successful Real Estate Investing

Due Diligence

Stay away from those deals where you DO NOT get the chance to do your DUE DILIGENCE. Avoid the HERD mentality. If some one asks to TRUST ME, stay away.

Legal Opinion

Make sure you use your lawyer NOT theirs. Who is going to look after your best interest? Who carries the Liability insurance?

AVOID Rental pool Properties

You are paying lot more than you are suppose to and perhaps inflated prices. Get a independent appraisal than theirs.

Compare Property Values and Rents

Financial statistics only go so far; the best measure of a property's market value is often the sale prices of nearby properties (not asking prices). The same holds true for area rents. A low price can often be justified by a reasonable rent; renters who can afford a high rent can afford to buy instead, so reasonably priced rent is a need.

Be careful - Tax laws may change

Don't base your tax investment on current tax laws. The tax code is constantly changing, and a good investment is a good investment regardless of the tax code. The right property with the right financing is what you should look for as an investor.

Specialize in something you Know

Start in a market segment you know. Whether you focus on fixer-uppers, power of sales, starter homes, low-down payment properties, condominiums, or small apartment buildings, you'll benefit from experience by specializing in one aspect of investment real estate properties.

Know the Costs going in!

Know the financial statements inside out. What are operating expenses? What are loan payments? Vacancy costs? Taxes? What does the cash flow statement look like? These are key issues that must be addressed before making a solid investment. It can be as high as 5% of the purchase price.

Know the Costs Getting out!

Do you know it costs to sell the property. There are lot of hidden costs which you learn when you sell. Be aware it can go as high as 10% of the sale price.

Know where your tenants are coming from

If the last rent increase was recent, your tenants may be considering a move. If tenants have a short-term lease, they may be living there simply to attract unsuspecting buyers. It is also important to collect the tenants' security deposits at closing.

Assess the tax situation

Taxes are an integral part of successful real estate investing, and they often make the difference between a positive cash flow and a negative one. Know the tax situation, and see how it can be manipulated to your advantage. It may be a good idea to consult a tax advisor.

Investigate insurance coverage

If seller's coverage is based on lower-than-current replacement value, your insurance cost may increase when you pay a higher purchase price.

Confirm Utility Costs

Ask the local utilities to verify recent utility expenses, especially if any of these costs are included in your tenant's rent.

Consult Your Accountant

Taxation is a key element of successful real estate investing, so be sure to find an accountant who is well-versed with the constantly evolving tax code.

Inspect!

Make sure that you always perform a thorough inspection of the property before buying it. Never, ever buy any property without at least examining the site. In some cases, hiring professional inspectors to examine the structural mechanical system may be a sound investment. Hire a licensed Home inspector who carries the liability insurance.