<u>Avoid These Mistakes of Beginning INVESTORS!</u>

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Investing in real estate provides many owners with positive cash flow, tax benefits and the satisfaction of making an impact in others' lives. Like any investment, real estate has market trends that, if ignored, can cause an investor tremendous headaches. Many first-time investors part with their hard-earned money without taking the time to study their investment. They rely on traditional trends and gut feeling. Before you risk your money, take the time to learn all you can about your market. By aligning yourself with the right professional, you can avoid these twelve common mistakes and ensure an excellent return on your money.

1. Failure to determine your time needs. Money, capital appreciation, tax benefits, loss of management, equity pay down and simple pride of ownership are a few of the things that must be addressed before you make that first investment. A service-minded real estate professional can be a tremendous asset by taking the time to evaluate your needs and make sure you've got all your bases covered.

2. Not checking out the seller or seller's agent's numbers. Claims of extremely high rates of return run rampant in real estate investment. Don't get caught up in a wave of excitement regarding a property. Check every detail - rents, payment history, taxes, expenses, deposits, future modifications - everything regarding the finances of a potential investment. Be certain you are working with a good agent - it's like an insurance policy against overlooking all the seemingly insignificant but very important details.

3. Don't get emotionally attached, it's just business. Owning investment property carries with it a great potential for creating and holding wealth, but you may also be forced to make potentially difficult decisions. Evictions, re-investment into the property, and time management all need careful consideration. Real estate investment is not a "hand's off" type of business - it will require your vigilance.

4. Avoid negative cash flow. Property that eats cash every month can drain your working capital rapidly. This can create stress, frustration and become painful over a period of time. Expecting constant appreciation and positive cash flow may be unrealistic for a novice investor. A strain on your bank account may cause you to sell the investment before the benefits of ownership are ever fully realized.

5. Failure to do a thorough inspection. Look everywhere! Hire a professional inspector. Ask the tenants about pest problems, structural damage or recurring problems and don't overlook anything. A value-driven real estate professional will help you find the right inspector and can help you avoid costly mistakes.

6. Failing to have adequate insurance. Investment properties bring liabilities such as tenants, cars, parking lots, cleaning facilities, property liability - the list can be both extensive and daunting. Adequate insurance coverage is an absolute must. Be sure to consult with an insurance professional to protect your assets.

7. Inspect, approve, and confirm all documents. The list of documents that need to be proofed can be overwhelming to the first-time investor. Building permits, zoning laws, rental and lease applications, health licenses, inspection reports, title policies - the list is long and you can't risk oversights on any of these. The right real estate professional will work with you to make sure nothing gets overlooked.

8. Get a bill of sale for all personal property involved. Many types of personal property (appliances, furniture, draperies, fixtures, etc.) can be involved with an investment sale. Be very detailed and know who owns what.

9. Charge fair rents. Vacancies, turnovers and lease terminators are your biggest expenses. Charge fair rent, treat your tenants with respect and respond quickly to their needs. It's a lot less costly in the long run to take care of the little problems while they are still little rather than waiting. A vacant property doesn't make you money.

10. Select qualified, good tenants from the start. You must take the time to check references. Previous landlords, employers, financial references, credit and judgments are all vitally important. If there are any questions, do a thorough investigation. Drive by their previous residence. A little work up front can save you all sorts of problems later on.

11. Make sure you get estoppel letters. Get letters from the tenants confirming the status of tenancy. Make sure their version of the rental agreement or lease corresponds with the seller's interpretation.

12. Don't spend positive cash flow. Most successful investors have free and clear properties. Be sure to re-invest your positive cash flow back into the property payment and speed up the amortization schedule. This decreases your debt load and increases your equity, which in turn increases your net worth.

Investment property can be one of the most rewarding aspects of your financial portfolio. Be sure to be as knowledgeable as possible before risking your money. Do your homework! Consult with a professional real estate agent and protect yourself from the hidden troubles that can plague first-time investors.

13. Choose your agent wisely. Working with a full-time professional real estate agent is a must. Choose your agent by asking questions of him or her. Find out how knowledgeable they are about houses currently for sale in your price range and also of houses that have recently sold. Does your agent work with a good lender that has the reputation of excellent service and low rates to assist you in obtaining financing? Does your agent ask questions of you in order to have a full understanding of what you are looking for and to help you to find the best property for you?
