How To Make Money In Real Estate Investing.

by Unknown Author

Once you own one home, the idea of owning another home as a money investmentmight pop into your head. With it being general knowledge that the real estate and housing market is in the tank, you might be a little hesitant to pull the trigger and invest in real estate. However, if you have some fortitude and some patience, now might be an excellent time to invest in real estate. Interest rates have been dropping, and some say they may drop further. Foreclosure rates are going up, which makes some deals readily available and aids in lowering the median home prices. If you are ready to pull the trigger and invest in real estate, consider the following tips.

Creative financing

After you invest in real estate, a big part about profiting from it is making sure that the financing is in place. Real estate is not like operating a retail store where you buy something wholesale for $10 and sell it for $20. First, you must identify your goals and determine if you want to rent the house and ultimately, once paid off, have a nice annuity or if you want to flip the property for a more short-term profit. If you are looking to flip and you're confident that you can find a buyer, consider an adjustable mortgage with a very low temporary interest rate. These adjustable rate mortgages have been the source of a lot of problems, but if you know you can sell for a profit before the mortgage resets (2 to 5 years), you can maximize your cash flow by paying only the interest and then making the principal the buyer's responsibility. For longer-term real estate investments, fixed mortgages are better because they allow you to plan your cash flow accordingly and get by when things are tougher. Many people who invest in real estate may be in a hurry to pay off, but remember; you are using rental income to help subsidize the mortgage payment. If you truly have a long-term horizon, you can rest easier knowing that someone else is paying more of the interest and principal each month than you. For rental properties or investment real estate, make sure you are also leveraging all of the tax benefits of depreciation and valid expenses.

Do it yourself where you can

When you invest in real estate, money is made or lost behind the scenes, not when the final deal is made. For example, you may have turned a $10,000 profit on the sale price after one month, but if you paid an attorney $1,000, your contractors $5,000, and your real estate agent $5,000, you lost money on your deal. There's a lot of common sense involved once you invest in real estate Improvements to your property, such as new cabinets, landscaping or tiling are things that can really add some value. Hire professionals to do these things for you only if you need the help. For instance, changing locks, putting in new plants or painting the walls are things you can likely do. You certainly do not want to do something you are not capable of doing – that can become even more costly than just hiring a contractor. In your deal, consider the skills you have and what really needs to be done to get the place up to par. In terms of other professional services, perhaps you should avoid hiring a rental agency that will take 10% to 15% plus the first month's rent; you can place classified ads and answer your own phones. You may be surprised to find out that you can do many tasks you used to pay for far more efficiently. If you absolutely must remain hands-off on everything, make sure that you budget accordingly so you do not chew up your profits paying service providers.

Use help where appropriate

Just as in any venture, it is tough to go it alone when you invest in real estate. Hire the real estate, legal and titling pros when it makes sense. For instance, if a real estate agent comes along and can find you a buyer three months sooner than you can on your own, paying that commission may be far better than paying two more mortgage payments. Hiring an attorney to handle some of the paperwork for issues pertaining to the contract and title might free up some more time to find the next deal or finish painting the investment property. More importantly, if this is your first deal, having a paid advisor might make sense to make sure you avoid any stumbling blocks or legal entrapments. Certainly, you should learn from this engagement as maybe you can handle it yourself the next time you invest in real estate and save yourself some fees and aggravation in the process.

Know market trends

You may feel like you are up on everything, but you will be surprised to learn how competitive the business is once you get into it. You will be in the mix with businesses and individuals that have been doing this for far longer than you have. While you cannot replicate that experience overnight, you can educate yourself on as many of the issues and trends as possible. Research home prices by following the sales in the newspaper and note the trend of home prices. Review the classifieds for fair rental prices and even visit homes that may be similar to the one that you are going to list. Visit the local banks and see what is really happening in terms of loan volume and required down payments. You can use this knowledge to avoid paying too much and perhaps even negotiate a better deal. Education is great preventative medicine against overpricing or under pricing your targets.

Making real investments

When investing in property besides your primary residence and building your real estate empire (regardless of the size), the most important rule is to just practice basic business principles. Your goal is to sell something for more than it cost you to buy it and fix it up. When renting, you are relying on rental income to subsidize a fair amount of your mortgage, but not the entire thing. Greed and dreams of quick dollars will likely lead you to trouble, but making sane, business-focused decisions will ensure a common sense, long term gain on your investment.
