

# **REAL ESTATE** INVESTING



A COMPREHENSIVE GUIDE ALL ABOUT REAL ESTATE INVESTING

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# Introductory

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**When you are first starting out with investing in houses, you should always look for ugly or bad houses that need a lot of work.**

These homes are much cheaper to purchase, although they will take some work to improve. You should start out by looking for houses that need some work, such as clean up, painting, and in some cases new carpet. You don't want to buy something too run down, as it could cost a fortune to repair.

If you think of yourself as a handyman and feel that you can do the repairs yourself, you can save a lot of money. On the other hand, if you need to hire someone, you should always make sure that the individual or company that you hire is qualified to do the repairs.

If you aren't comfortable with doing any of the repairs, you should inquire about a subcontractor or company that will do it for a reasonable price, or perhaps a share of the money once you have resold the house.

If the house you are thinking to purchase and resell has any type of structural problems, you should always get an estimate from a reliable contractor before you make the purchase. If you decide to stay in the business, you'll learn a lot more over the years, although you should always hire a contractor when you first start out. Once you get all of the estimates together, you can make that final decision on how much of an offer you want to put down on the property.

After you have a team together and successfully renovated and resold several homes, you'll begin to feel quite a bit more confident with buying homes that need repairs. All it takes is time and practice - and you'll be buying homes that the average investor wouldn't think twice about.

This can be a huge advantage when you are looking for homes to buy and resell, as there will be less competition to worry about. You'll also be able to get a lower price when buying the home, simply because you can use the cost of the repairs to your advantage.

Once you are able to do repairs on homes, including structural problems, you'll have a huge advantage in the market. You'll be able to buy virtually

any home, including those that other investors choose to ignore. Doing so can be very profitable for you, especially if the house is in a well-known and well desired neighborhood. After you have done the repairs, you can resell the home for a much higher price than you paid to acquire the home.

When you start looking for houses that you can repair and resale, you should always take your time and buy the right homes. You won't have the money, time, experience, or support to buy the bigger houses at first, which means you won't have any room for mistakes.

Once you have purchased and resold a few smaller homes, you'll eventually be able to work your way up to the bigger homes - which is where the big profits will come into play.

Always keep in mind that when you first start out, you'll need to take things slow. You can expect profits to come overnight, as it will take you some time to learn. Once you have been at it a few years and have several houses to your credit, you'll be ready to tackle anything. At that point - you'll make a lot of money in a career that is truly exciting.

# Chapter 1: Are You Committed to Your Real Estate Investment?

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**There are many questions that should be asked before embarking upon a career of real estate investment.**

The first and foremost question however should be whether or not you are truly committed to making real estate work for you. This is not a business for the faint of heart. In order to truly turn a profit, you must be at times ruthless when dealing with buyers and sellers but ethical to a fault when it comes to the work that must often be done in order to get a property in sellable condition.

The reason a serious commitment is needed in order to make real estate work for you is simple. There will be ups and downs along the way. The stock market experiences rise and falls on a regular basis. Just as you cannot dump all of your stock over one bad day the same holds true even more so in the realm of real estate investing.

Property values in general rise gradually over time. This means that even if the values in a community falter chances are that they will eventually recover.

Those who bank on the slow and steady growth in the value are referred to as buy and hold investors. These investors are truly committed to their investment. Some of them elect to hold the property as a vacation property while others opt to earn an income on the property by renting it out to other families or vacationers, whatever their choice may be.

This is a great way for many people to enjoy the luxury of a vacation property without absorbing all of the expenses involved in owning a vacation property as the rentals will help compensate some of the costs when the owners (investors) are not in residence.

This is a fairly common practice in high demand tourist areas in which people often enjoy vacationing. These types of investors are what some people refer to as serious real estate investors though all real estate investors need to take their purchases seriously.

Those who own rental properties must also be committed to making their investments work for them. Rental properties are not a 'hands off' type of investment, as they will need to be maintained in order to remain in demand by tenants.

You must also make constant efforts to keep these properties managed and filled along with remaining certain that you are collecting your rent each month and that the properties aren't falling into a state of disrepair or abuse by tenants.

Many investors retain the services of property management agencies in order to handle the minutia of month-to-month details and collections. This is a great idea whether you have one lone rental property or a vast portfolio of rental properties.

Even better however, is the fact that if you keep your rental properties in reasonable repair throughout the years they can become liquid assets in time. In other words, they may actually pay for themselves a few times over if you invest for the long-term rather than focusing on the moment.

No matter what type of real estate investment you intend to have it is important that you are prepared to make the commitment to profit or profitability that is necessary in order for your venture to be deemed a success.

## Chapter 2: Common Risks Involved in Real Estate Investments

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**While a good many millionaires will agree that their fortunes were made in real estate, the honest ones will also tell you that they've probably lost a few fortunes in real estate along the way.**

This is a risky business and every property purchased doesn't always pan out to become a successful investment. There are many risks involved in real estate investing and you would be going to battle unprepared if you didn't take a moment to carefully study these risks and work to avoid them when planning your property investment strategy.

Unfortunately, there are very few one size fits all risks for real estate investing, as each type of investing is inherently different. This means that each type of real estate investment will involve a new set of risks. Below you will find a brief overview of different styles of investing and the common risks that are involved in each.

### **Rental Properties**

This type of investing offers some risks that are unique and some that are also risks when investing in properties that are lease-to-own or rent-to-own as well. First and foremost is the risk of failing to make a profit. If the property in question cannot achieve an adequate monthly income to cover the expenses of operating the property then it is not a solid investment.

Other risks include the risk of getting bad tenants. This is particularly hard on first time investors. Bad tenants are costly and in some cases destructive (which leads to even greater expense). Vacancies are another risk for rental properties. These properties are only costing money as they sit empty rather than earning money as they were intended. Short turnovers are in your best interest as are long-term tenants.

### **"Flipped" Properties**

This is one of the most enjoyable types of property investments for many 'hands on' investors. This allows the investor to roll up his or her sleeves and



take an active role in creating the masterpiece that will eventually bring in serious revenue (at least that is the hope). This is also one of the riskier investments, particularly when trying to turn a profit in what is known as a buyer's market.

The risks are simple but often overlooked and they can have a significant impact on the overall success or failure of the project. First of all, the biggest risk is in paying too much for the property.

Other risks include underestimating the costs of repairs, over estimating the ability of the investor to do the work him or herself, taking too much time, experiencing a down turn in the housing market, making the wrong judgment call for the neighborhood, becoming overly ambitious, and getting greedy. Sometimes it is much better to walk away with a lesser profit than to end up losing money by holding out.

### **Personal Residence**

Keep in mind that your personal home is essentially an investment. The intention is that your home will gain in value over time and that equity in your home will build as you age. There are risks involved in this transaction as well. Buying a home that is in a 'borderline' area or one that is not showing obvious signs of growth is one of the biggest risks. This puts your home in the position to lose rather than gain value.

This can make your home a burden rather than the investment it was intended to be. Other risks involve is becoming involved in a loan situation that is not at all beneficial (such as an adjustable rate mortgage or an unreasonable balloon payment).

Perhaps the biggest risk of all when purchasing a personal residence as an investment is failing to get a proper inspection that could rule out potentially costly and even dangerous problems within the home your purchase for you and your family.

Toxic mold is one problem that comes easily to mind that most proper home inspections would almost immediately rule out. Others include structural problems that are costly to repair and dangerous to leave in disrepair. Each of these risks should be considered before an offer is made on any property.

For those seeking to turn impressive profits in short order, real estate is one way in which this can be accomplished. It is in your best interest however to be aware of the risks that are involved and take careful steps to minimize those risks. Taking these steps now may cost a little more on the front end but in many cases the payoff for doing so well outweigh the expenses.

## Chapter 3: Finding the Right Realtor for Your Real Estate Needs

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**Whether you are looking for a home of your very own or are interested in creating a long term working relationship with a realtor for the purposes of property investment it is very important that you find a realtor who will listen to your needs and wishes and act accordingly.**

The right realtor for your needs can mean all the difference in the world between a successful and profitable transaction now as well as many more in the future (if you plan on investing in multiple properties). Below are some important things to notice when selecting a realtor that will meet your needs.

1) Does the realtor you are considering listen to your needs? This is important as it will save you both a lot of time and money in the process of finding the perfect home for your family or for an investment property. If the realtor is constantly presenting properties that do not meet your budget or price requirements it might be a good idea to either lay down the law or find a realtor that is willing to expect your wishes and needs.

2) Does he or she ask questions and provide appropriate feedback? This indicates a direct interest in your needs, which is important-particularly when planning for a long-term investment relationship though some find it even more important when purchasing a home for their family home as this is a personal matter rather than a business matter. We all have a tendency to be more selective when placing the welfare of our family in the hands of another.

3) Do you feel comfortable dealing with the realtor you are considering? As I mentioned above we tend to be a little choosier when selecting professionals to help our families. Why on earth would be any less so when it comes to the realtor that will help our families find a home?

Rapport is a good word to describe the sort of relationship you need to develop with your realtor. Do you have a good rapport with a potential realtor? If not, then move along. There are many realtors in most cities and

there is absolutely no reason that you should deal with a realtor that doesn't make you feel comfortable and secure.

4) How well does the realtor in question know the area in which you are seeking a home? There are many things that make a home a 'good buy' for residential and investment purposes. You want a realtor that has his or her finger on the pulse of the city and the various areas of interest, growth, and decline within the city.

School districts matter more now than at any other time in our history in most cases, he or she should know about the schools, new business developments, and the value of property in the area (as well as the tendencies of property values to rise or fall over the last several years).

5) Does the realtor in question have specific experience dealing with your specific real estate needs? Whether you are planning a residential transaction or if you are seeking investment property you will need a dedicated and experienced professional that can help you meet your goals.

Realtors are a dime for a dozen in most cities and competition is fierce. There is no reason whatsoever that anyone should suffer with an agent that you do not feel is working for you or have your best interests at heart.

If you invest a little bit of time and energy shopping around for the right realtor to meet your needs, you will find that your real estate transactions will take much less time and effort for this small sacrifice. It is much better to make the decision based on a few careful interviews in the beginning than after looking at fifty or more homes that do not meet your needs or price range.

Then you have wasted a great deal of time and effort and you must still either risk wasting more time and effort or take the time to select another realtor for your real estate needs.

I also highly recommend selecting a real estate agent with a significant online presence. This means that he or she is making use of the available technology in order to offer more options to you as the consumer. Buying a house can be a mind-boggling process for the average person. Having a good realtor can make the process work so much more smoothly.

## Chapter 4: Has Television Changed the Face of Real Estate Investing?

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**If you take a look through the television stations on almost any given day there is a television show somewhere that features home improvement, real estate investing, or some sort of combination of the two.**

From shows that teach people how to sell homes that have lack luster reviews to shows that teach viewers that it is possible to purchase, repair, and re-sell a home in a matter of weeks for astronomical profits, there are shows that appeal to the entrepreneurial wannabes in audiences around the globe.

These shows have made and lost fortunes a few times over by convincing viewers that they too can do the wondrous things seen on television. The truth is that many viewers are capable of doing these things but television never really shows how hard the work actually may be.

The television cameras do not always show the blood, sweat, and tears that go into making these projects successful and rarely mention the countless complete and total failures that occur along the way.

The cameras are also not too keen for showing up at 4 am and rolling well after midnight when the work for the day is finished. It doesn't catch the heart attacks and nightmares as credit cards are going dangerously close to being completely maxed out while dreams of quick riches fade right in front of investor's eyes.

This does not mean that every project is doomed to failure only that things are not always as rosy as they may appear to be on the television shows. Flipping houses may seem to be a bit glamorous and a lot hands on. The problem with that is that too few people really realize how much work goes into the hands-on part of the program. This is not easy money no matter how much the television cameras would like to convince you otherwise.

It is very possible to turn a substantial profit in a relatively short amount of time if you keep your cool, use your head, and buy and sell in the right

conditions. The problem is that so many people do not consider the big picture and find themselves in over their heads and out of money before the project is anywhere near completion.

One thing that television has definitely done for this line of work is make competition for the flappable houses a little fiercer. The early bird in this business gets the worm and while the cheapest house isn't always the best candidate the less competition you have driving the prices up, the better in this situation.

The goal is to buy low and sell high. Most people do not have a terrible amount of competition, as of yet, on the selling high portion of the program. The real trouble at this point in time lies in the buying low portion as there are many more would be real estate investors that are interested in buying the inexpensive properties than there are that will actually see the projects through from beginning to end.

So yes, television has greatly changed the way people invest in real estate. Whether this is truly good or bad for the overall real estate market remains to be seen. In light of the recent down turns in real estate it is to be expected that some of the popularity may diminish. The sad thing is that this is still one of, if not the best ways to make a large sum of money fairly quickly that is legal in the world today.

Fortunes can be made and lost in real estate; the trick is always in placing your bets on the right property at the right time. For those who are willing to take the risks associated with this type of investment in today's market and those that are willing to wait for a slight upturn in the market the profit potential is phenomenal.

## Chapter 5: Home Shopping The Smart Way

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**When shopping for a home, there are quite a few things that can snatch your attention.**

When you look at a home, it's very easy to fall immediately in love with it. New homes are clean, decorated perfectly, and many are what you pictured in your dreams. If you don't shop the smart way though, you'll end up like many other home owners and find faults shortly after you move in.

When you look at your potentially new home, you'll want to check and see if you can fit your furniture in the way you want. A lot of homes these days are configured so that the furniture will only fit in one position. Often times, this leaves a television or other device in a weird location, sometimes making your furniture nearly impossible to fit through the doors. This is surely something to bear in mind, as you certainly don't want to have to buy entirely new furniture.

You'll also want to be sure that you get the right home for yourself and your family. Even though you may be a young couple now, you may want to get a house with enough room in case you decide to have kids later on down the road. If you don't get a big enough house and end up having to move, you'll find that moving with kids is a hard task indeed. If you have babies when you move, you'll find moving to be even more difficult.

Once your children start to leave home, you may want to look into getting a smaller house. The choice is entirely up to you, and what will work the best for your needs. Anytime you purchase a house though, you'll want to think about the size of your new home and consider the future needs of your family as well. This way, you'll have everything covered for years to come and won't have to look into getting a new home.

You may also want to look at any extras as well. Things like a pool and a hot tub may be a great thing to have, although you should look into the money that regular maintenance will cost you as well. There are a lot of things that may be great to have along with your home, although you should always look at long term costs before you purchase.

Location is also something you'll need to consider as well. Some prefer to live out in the country, while others prefer the city life. Some prefer to be close to stores and such, while others prefer to be miles and miles away. The location of a home is very important, and in most cases, will have a big impact on the price. Living in the city will cost quite a bit of money, although a home out in the country can cost just as much if there is a lot of land included with the property.

Whenever you decide to buy a house, there is a lot of things that you'll need to consider. Buying a home is no easy feat, with a lot of things you'll need to decide on. If you give yourself enough time and plan out your budget and the type of home you want, you'll have plenty of time to make that very important decision. You never want to rush the process, as you could end up with a home that is less than perfect. If you take your time and look at several different houses, you'll end up in your dream home before you know it.



## Chapter 6: Is Real Estate Investing for You?

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**There are all types of investments in this day and age. One of the most often touted for creating millionaires around the world however is real estate investing.**

Even in the field of real estate there are several different investment styles. Each style involves varying degrees of risk on behalf of the investor. If careful consideration is taken there is a type of real estate investment that is best for most people though there are some that real estate will never be a good investment for.

Those who are simply not cut out for real estate investing are those who love to watch the ticker roll across the computer monitor or television screen indicating the worth of their portfolios on a daily basis. Those who need to see in print the wisdom of their investment practices rather than those who are content to sit on their investments as they take shape or those who are willing to actively work in order to make their investments pay off.

Buy and hold real estate involved purchasing property and holding on to it for a very long time while the value of the property appreciates in value. This requires someone that is very savvy when making purchases or extremely lucky for the most part.

More importantly however, it involves someone who has the patience and tenacity to hold on to their investments for a long period of time. These investments can provide a nice retirement for the right investor as well as funds at the proper time for the weddings of children or to pay for college.

Rental properties are another excellent way to make money for those who are willing to deal with a long-term property investment. In this type of investment money is made each month to either pay or contribute to the mortgage and funds can be made once the property is paid for and sold later in life in order to receive a more complete and total profit from the endeavor.

There is some degree of expense along the way that is involved in keeping properties up to date and in demand however the benefits of this particular type of investment are almost undeniable for the right investor.

Flipping is another type of real estate investment that is receiving a large amount of press these days. This process involves purchasing a property below its value, investing in repairing or rehabbing the property, and then reselling the property for a substantial profit. This is one of the few short-term sorts of investment that are widely profitable when it comes to real estate investing. There are others but those carry even greater risks than flipping.

Of course, there are high-risk real estate ventures for those that need a little excitement in their lives. One of the more common high-risk investments would be pre-construction real estate investing. With this form of investment, the investor is actually 'betting' that the future property will sell for a higher price than the investor paid once the building is complete.

Whether your investment needs are low-risk, high-risk, or somewhere in between there is quite likely a style of real estate investment that will be appropriate for your specific investment needs. If you do not find a real estate investment plan that is right for you then do not despair there is no style of investing that is right for everyone.

## Chapter 7: Knowing When Your Ready To Buy

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**All across the United States, there are millions of people looking to a buy home - either now or in the future.**

Over the last few years, lower interest rates have come along, making it more affordable than ever to buy a home. When most people stop and give it some thought - buying a home makes a lot more sense than renting a home or an apartment.

In order to buy a house, you'll need to start saving your money and have enough for the closing costs and a down payment. Your down payment will normally need to be around 15% of the price or the value of the property - whichever is lower. To be on the safe side, you should always try to have 20% to put down. If you aren't able to put 20% down, you'll need to buy some private mortgage insurance, which will cost you more in terms of your monthly payment.

In most cases, the closing costs will run you around 5% of the property price. Before you purchase the home, you should always get an estimate. An estimate won't be the exact price, although it will be really close. You should always plan to save up a bit more money than you need, just to be on the safe side. It's always best to have more than enough than not enough.

You'll know you're ready to buy a home when you know exactly how much you can afford, and you're willing to stick with your plan. When you buy a home, and get your monthly mortgage payment, it shouldn't be any more than 25% of your total monthly income. Although there are lenders out there who will say that you can afford to pay more, you should never let them talk you into doing so - but stick to your budget instead.

Keep in mind that there is always more money involved with a home other than the mortgage payment. You also have to pay for utilities, homeowners insurance, property taxes, and maintenance. Owning and caring for a home requires a lot of responsibility. If you've never owned a home before, it can take a bit of time to get used to.

Before you fill out any applications, you should always look over your credit report and check for any errors. Although you may think you don't, you can easily get an error on your credit report and not even realize it. If you have an error on your credit report, it can cost you a lot of money in interest rates. An error will decrease your credit score, which will put you in a higher interest bracket and ultimately cost you a lot more money in the end. Therefore, you should always know your credit before you approach a lender.

If you check your credit report early enough, you may leave yourself enough time to fix any problems and get your credit back on track. Rebuilding credit can take time though, sometimes even years. You should always plan ahead - and give yourself plenty of time to fix your credit.

Buying a home will require a bit of commitment on your behalf. You should always strive to get the best possible deals, which means knowing your credit and where you stand. This way, you can get the best interest rates. You don't want to buy a home with bad credit, simply because you'll pay a lot more money for the home. If you take the time to fix any credit problems and save up some money - you'll be able to get a much better home for your money.