

# REAL ESTATE INVESTING

B U N D L E

RENTAL PROPERTY GUIDE, NO MONEY DOWN & LONG-DISTANCE  
INVESTING, HOW TO FLIP & REHAB HOUSES, PROPERTY WHOLESALING  
FOR BEGINNERS, AND COMMERCIAL REAL ESTATE & APARTMENTS



S P E N C E R W I L L I A M S

## **Real Estate Investing Bundle**

*Rental Property Guide, No Money Down & Long-Distance Investing, How to Flip & Rehab Houses, Property Wholesaling for Beginners, and Commercial Real Estate & Apartments*

By Spencer Williams

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# **Rental Property Investing Step-by-Step Guide**

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# Introduction

People have always been on the move trying to increase their net worth with everything that they can leverage. Holding liquid assets has never been ideal security; cash can easily be spent and therefore, it leaves one without possibility for future profit. In most cases, people strive to attain their financial goals. Those that work for wages try their best to save for retirement. However, the main goal that most people seek in their lives is long-term investments which turnover greater profits. With recent harsh economic times, it has become part of the nature of the workingman to consider the future of our families. An investment might not benefit you directly or immediately but if there is a guarantee that it will benefit your family in the future, it is worth the investment. Simply stated, real estate investing is the best way to invest your money for both immediate and in long-term profit.

Most people are rushing to invest in real estate because of the staying power that it holds. Assuming that you invest in a peaceful environment, your money will be preserved for a long time to come. There are countless other investment opportunities out there to be taken advantage of. Whether you choose to invest in stocks, mutual funds, and commodities or simply in a savings account, you will, in one form or another, be setting aside your money for future use. However, there is a certain slaying power in choosing to invest real estate over other alternatives.

Consider the booming population globally. What does this mean for real estate investment? Demand is already high and has nowhere to go but up; residential demand will be meeting and surpassing supply for decades to come. If you deliver the right product to them, rest assured that you will succeed in the real estate business. Of course, this does not mean that there are no challenges with rental property investment. There are other economic factors that will affect how you invest in the market beyond just supply and demand. This requires that you first study the ins and outs of rental property investing before jumping into the moving wagon.

The key to emerging successful in rental property investing is the right knowledge of the business. This is, of course, what most entrepreneurs invest in. You cannot begin any business without first understanding what the business is all about. The knowledge that you acquire about rental

property investing warrants that you easily take advantage of opportunities in the market. Equally, it also aids in making sure that you circumvent possible challenges in the real estate market. In the end, you will enjoy the experience gained as much as your profits once your investments fall into place.

Just to be sure that you are convinced about the journey that you are about to take in rental property investing, let's walk through a few benefits that will come your way. Of course, one of the main motivating reasons behind rental property investing is the idea of becoming your own boss. Whether you choose to work part time or full time, all decisions will be reliant on you. You have full autonomy over your work schedule. Secondly, with the constantly growing demand for rental properties, you can be sure that your properties will appreciate annually. If you have been in real estate business in the past, you can attest to the fact that your property is worth more than what you initially bought. Further, with rental property investing, you can also force appreciation on your assets through renovations and "flipping" the property for further profit. A property that was once undervalued could be highly valued once renovated.

When we consider the financial challenge that most business people face, investing in rental real estate could be the ultimate solution to establishing a full-fledged business. A significant hindrance to most business startups is that they lack sufficient capital. Rental property investing is quite the opposite. You can begin investing without any money. Whether or not you have money saved somewhere, you can still invest in real estates. More on the financing options that you have at your disposal will be discussed in this material. The point here is that startup capital will not hinder you from investing in rental properties.

A peek into rental property investing shows that this is a business option that will make your financial dreams come true. Don't just accept the hype that is roaming around in the market as proof, go ahead and get your feet wet by learning more about how lucrative rental real estate can be. If you invest in learning, you will realize that you have more potential than you once thought. The only regret you will have after learning more about this business will be that you didn't invest sooner. We're always told that it's never too late, so without further ado, let's dive into the world of real estate.

This manual will take you through what you need to know about investing in rental properties. You will understand how to find good deals in

the market, evaluate properties, secure your capital, and manage your tenants. If you have been planning to put your money in real estate business, then this is the eBook that will guide you throughout this journey. There is a lot that you need to know, but with this manual, you will experience the excitement of knowing that you can invest your money in a promising business.



# **Chapter 1: Why Invest in Rental Properties?**

Before investing in any type of business, a businessperson will want to consider the benefits that they gain from the business that they would be entering into. This comparison of risk and profit is a crucial step that should not be overlooked. By knowing what you are about to invest in, you are better presented to make the right decisions about the particular business. In line with investing in rental properties, you must have questioned yourself, what's in it for me? Certainly, there are different investment options in the market. But why should you invest in rental properties at all? What makes rental properties an ideal choice for your investment?

The new investor in real estate business wants to know whether they are making all the right decisions with investments. It is for this reason that this chapter will get into detail about the main reasons why investing in rental properties is a good move. From the information discussed herein, you will be motivated to purchase rental properties with the right attitude in mind.

# **A Lifetime Investment**

Investors that have been in business for a long time would argue that property investment is one of the wisest investments. The main benefit gained in property investment is the longevity of profits. With the right management, you can be sure that you will be earning money from your asset for years to come. Renters will always flock to a property that is appropriately situated and well maintained.

# The Advantage of Leveraging Your Money

Most individuals will want to invest in real estates because of the numerous financing options that they can utilize. When investing in rental properties, you can easily take advantage of the leverage financing option. This means that with little capital, you can proceed with your goal of purchasing properties in the market. Leverage takes into consideration the property's worth and the amount of money you can borrow. You don't have to obtain the full amount of capital required to purchase a rental property. With leverage, you only need to raise a fraction of the entire amount up front (How Rental Property Financing Gives You Investment Leverage, n.d.).

A new investor in this type of business should take advantage of leverage in order to maximize their investment potential in the market. Say you have \$40,000 cash. There are three things that you can do with this money: all three will yeild considerable profit, but one option will significantly more profitable than the other two.

First, you can choose to purchase a property worth \$40,000. With this alternative, you will be utilizing 0% leverage on your investment. Alternatively, you can use the \$40,000 cash to purchase property worth \$80,000. This option will work like a mortgage loan, and you will be utilizing 50% leverage. The third option is to invest in a rental property worth \$160,000 with the same amount of cash money you have. Here, you will have borrowed \$120,000 to finance your project, utilizing 75% leverage.

Considering this comparison, which of the three options would you pursue? Undeniably, either the second or third option is the favorable investment as you maximize your future profits by maximizing leverage. It is important to note that utilizing leverage works best when property values in the market are rising (How Rental Property Financing Gives You Investment Leverage, n.d.). Consequently, depending on the appreciation rate, you will earn higher returns if you settle for one of the two high-leverage options.



# Monthly Cash Flows to Enjoy

Entrepreneurs are primarily motivated by the goal of earning future profits from the businesses that they establish. Consistently high ROI, or return on investment, gained through property investment appeals to most investors in the market and is a good indicator that the real estate business is thriving.

One of the most beneficial advantages about consistent cash flows in property investments is that the profits can be invested back into the property, generating more future cash flows. Compounding the cash flows with rental income on your property should be more than enough to cover any existing mortgage and taxes on the property with a handsome profit on top for your own pocket.

It is important to note that an entrepreneur will be enjoying the monthly cash flows only if they invest in desirable properties that consistently generate positive cash flows. A huge part of this decision comes down to the location for profitable assets, a factor that is always changing due to inconsistent market conditions. More on this will be discussed in detail in subsequent chapters.

# **Growing Demand for Housing**

It is an obvious fact that the population is growing at an alarming rate. A real estate investor taps into this and turns it to his or her advantage. With increasing population, demand for housing will rise steadily for years to come. The higher the demand, the higher the rental rates that you will be earning from your tenants. Considering this, there is minimal chance of failure when one invests in the right rental properties.

## **Ability to Hustle for Higher Returns**

With rental properties you also have the ability to choose to increase your returns anytime you wish. How is this possible? Flipping property. If your property can be renovated, you can easily get higher returns by doing so.

# Tax Benefits

Many entrepreneurs choose to invest in the real estate business because of the tax benefits they enjoy in the form of exemptions (Daibes, 2017). The rental income that an investor receives, for example, is not taxed as self-employment tax. Other payments that can be written off include:

- Mortgage interest
- Insurance
- Maintenance repairs
- Travel expenses

There is a lot to learn with regards to the tax benefits that a real estate investor should be aware of. A breakdown of the tax benefits they are likely to be important in your journey of rental real estate investment is reviewed in the following sections.

## **Deductions**

The main tax benefits that you will enjoy as an investor is in the form of deductions. As previously mentioned, costs that will be subject to deductions include property tax, mortgage interest, operating expenses, repairs and several others.

It may be hard to believe that even repairs are considered eligible for tax write-off but because they help in ensuring that a property remains in the best condition, they are considered deductible costs. Considering the number of regular repairs a property may need such as replacing broken parts, fixing leaks, painting, etc, you, as the owner, can save a great deal from tax benefits.

## **Capital Gains**

Real estate investors also enjoy tax deductions from the profits they gain when selling their properties. Capital gains refer to the proceeds that homeowners acquire after selling their assets (Esajian, n.d.). This could include commercial asset, rental, industrial, or residential asset. It is important to note that capital gains could be taxed in two ways. It could be taxed either through short-term capital gains or through long-term capital gains. Long-term capital gains are what investors should take advantage of. Here, an investor can be taxed a lower amount than they expected.

## **Depreciation**

With time, rental properties will suffer wear and tear. Fortunately for rental property investors, they can benefit from the depreciation that their assets will be facing. In essence, the tax benefits here would be that they would deduct the depreciation of their properties annually. You should understand that your properties would depreciate regardless of the positive cash flow that you might get. Therefore, it doesn't matter whether you get higher returns from your property or not. The long-term benefit gained through depreciation is that an investor could easily save money annually.

As an entrepreneur planning to invest in real estate, it is imperative that you equip yourself with knowledge concerning tax benefits in owning a rental property. There are numerous benefits for you to enjoy. You only need to understand those that are at your disposal and how to exploit them. Remember, owning a rental property is a long-term investment. As such, it makes sense if you researched on innovative ways of saving money annually.

# **Mortgage Payments Done for You**

Besides feeling confident that you will own properties for a long time to come, you should also consider your tenants as a blessing in disguise. Assuming that you sought out financial help to invest in your rental properties, you will need to pay your loan interest monthly. The rental income that you get from them will be more than enough to cover for this expense. Essentially, you will not be digging back to your pockets to pay your mortgage. This is a setup that works in your favor and as such, you should be mindful of the importance of making sure that your tenants are happy and comfortable. More on managing your tenants will be discussed in detail later in this material.

# Rental Property Appreciation

In line with the advantage of leveraging your rental property investment, you can also benefit from the fact that the assets will appreciate annually. High market demand for houses will certainly impact the appreciation rate. As the real estate market grows, it also means that your properties will appreciate in value. To clearly understand how this is possible, consider an individual that purchases a home 10 years ago. Clearly, this property will not be of the same value in 10 years time due to appreciation. Year after year, you can be certain that you will be receiving a small fraction of appreciation from your asset. Forced appreciation is also applicable here. You can get the best price for your asset through renovations. Generally, you will be giving your rental properties the market face that will make it appealing in the market. Consequently, there is a high probability of gaining considerable profits from it.

## **Low Startup Costs**

The beauty of investing in rental properties is that you can start from anywhere. There are prudent investors in the market who enter the business with no capital of their own. What they do is that they make good use of the financial options that they have at their disposal. There are numerous investors who have money but they don't know where to put it. In fact, most fear losing so much that they rob themselves of the opportunity of significant profit. Therefore, they are often afraid to invest in real estate. You could also seek finances from people around you. It won't break a bone to ask them whether they are interested in investing in this type of business. If you take your time to research, you will be surprised at the many financing options that you can utilize to break into the real estate business.



# **A Cushion Against Inflation**

If you are running any business, you will be well aware that inflation has significant negative impact on your business. Rising prices due to inflation push people away from brands. Consequently, inflation could highly likely affect the revenues for a business. With rental properties, inflation will be your friend more so in terms of the rental prices you will charge. Inflation will force the real estate market to increase its prices for houses. Being a landlord, you will also benefit from this. Your real estate business will not suffer from inflation effects that could hinder the successful running of businesses.

With these benefits, you should be motivated that you will be benefiting in a great way by investing in rental properties. You might be thinking that the business is flooded with investors. Well, you're wrong. In fact, there is a constant growing demand for housing that investors in the market have not yet met. As such, you can be sure that you will not go wrong if you choose to invest in rental properties. What's more, from the information discussed, there are tax benefits, property appreciation and other advantages for you to enjoy. Simply put, there is chest full of treasure for you to boost your wealth from real estate business.



# **Chapter 2: Financing Your Rental Property:**

## **An Investment Idea**

So, you've thought hard about the idea of investing in rental properties but the main issue that lies unsolved is where you will get the finances necessary to begin the investment. Most investors give up on their dreams just because they lack capital to initiate their real estate business. To make matters worse, they believe the myth that real estate investing requires a lot of capital. The previous chapter looked into the advantage of low startup costs. You can start investing in real estate without capital of your own. In other words, you can begin investing in this business without any money. To do this, you need to have mastered the financing options that you can turn to in the market. This section will dive in to find answers into the question, what are the different financing options of purchasing a rental property?

Through this analysis, you will know the different ways in which you can purchase a rental property, more so when you don't have the full amount of capital required. Before getting into detail, you should get it clear that settling for the best financing option is what you should strive to do. The mere fact that you can ask for a loan from banks doesn't mean that it is the best alternative for you. Consider its viability in the long run. Don't go for a financing option that will weaken your financial muscles in the future.

# Using Leverage

Experienced real estate investors will choose to invest in real estate business because of the advantage of utilizing leverage (Hemani, 2018). Even if you only have a small amount of money available for investment, it can be utilized to purchase a large asset. The importance of having this information at your fingertips is that you will be better placed to make the right investment decision. You can do so by maximizing leverage with a mortgage instead of paying for your property in cash. With leverage, you will purchase a larger asset that is worth more than what you would have bought in cash. The power of leverage goes hand in hand with the notion of property appreciation. As such, before deciding to use leverage to finance your investment, it is vital to find out whether the market growth favors the idea of leveraging.

If you were investing in a market where the rental rates are declining, pursuing maximization of leverage would not be the best idea. The same case applies for stagnating markets. It is for this very reason that you are strongly advised to research about your preferred market before fully investing in it.

Your investment strategy will also be a determinant factor when choosing whether or not to use leverage. Take time to contemplate on whether you are investing for short or long-term benefits. If you are doing this for the short-term gains, you should be aware of the factors that will signal you it's time to exit. Those who choose to invest for long-term gains should develop strategies that will help counter possible challenges that could arise.

When utilizing leverage, keep the following pointers in mind:

## **Be Conservative**

Your market research might have signaled you that property values have been on a steady rise for the past two years. A sage real estate investor should know that this could easily change in the following years. Therefore, you should not rush to leverage your investment because the previous years have been lucrative. Real estate market trends change. Consequently, you should not set high expectations that things will favor you. Embrace the idea of lowering your expectations, as this will give you a reason to be happy when good returns come your way.

### **Settle For A Reasonable Plan**

At times, the idea of being a landlord can be overwhelming for newbies in the real estate business. At some point, you might lose track of the mundane issues that you need to attend to. Also, there is the possibility of overlooking things that are important. When choosing how much to leverage, you should settle for a reasonable plan that you are comfortable with. Don't choose a plan that will strain you down the road. The last thing you need when you are a landlord is to incur expenses that you cannot comfortably manage.

Using leverage to finance your investment idea is one of the best ways of increasing your net worth. Fortunately, this is also something that you don't need to decide on your own. There are tons of real estate experts that could help you make wise choices on how you should leverage your investment. Thus, it is crucial that you seek professional assistance where necessary.

# Mortgage Loan

Getting a mortgage loan is a financing option that most investors are well aware of. Simply stated, this is a bank loan that requires the investor to set aside some amount as down payment (Hamed, 2018). Depending on your lender, they will require a certain percentage of the cost of the property as down payment. Therefore, it is important that you talk to your local lender before considering this financing option.

Is getting a mortgage the best way of financing your real estate business? Well, the answer to this question is a big YES. However, before making any hasty decisions, you should know that there are numerous benefits of paying for your property in cash. Clearly, when you choose to pay in cash, you will not worry about loan repayments. Moreover, you will save the money that you would have paid as interest. The idea of paying in cash is also advantageous to a buyer seeking to invest in a competitive market. A seller would consider a buyer willing to pay in cash as compared to one that would pay using bank loans. Besides, paying in cash frees one from the headache they would have gone through if they opted to rely on banks and other financing institutions.

In spite of the benefits that you get when paying for your property in cash, it is always difficult to get the right amount of capital in cash. Therefore, applying for a mortgage could be the best option for you. There are several benefits of using mortgage to finance your investment, including the following:

## **Affordable Property Investment**

When your credit score ratings are good, you will always find it easy to acquire a mortgage loan. This is not the best thing about this investment option. Essentially, getting a mortgage loan makes the entire investment affordable. When relying on this type of loan, you simply need to pay a small percentage of the property value instead of the entire capital amount.

## **Cost Effectiveness**

When you choose to pay for your investment in cash, there is likelihood that you will be depleting your life's savings. There's no need for you to strain yourself. A cost-effective option for you would be to pay the downpayment and secure your savings.

## **Tax Benefits Associated with Rental Properties**

Earlier on, we had mentioned the tax benefits you receive when investing in rental properties. The associated tax deductions should motivate you to rely on mortgage financing. You could take advantage of writing off the interests charged on your loan. This means that you will be saving a great deal when you finance your investment with mortgage loans.

### **Mortgage Payments covered by Tenants' Rent**

Don't underestimate the benefit of your tenants' ongoing rent as it will be there to offset the property's mortgage. The only thing that you need to do is to make sure that the renters are always happy. The monthly payments you get from your tenants will be enough to pay for monthly interests and still be left with change. This is the most exciting thing about relying on mortgage as your ideal financing option.

So, do you still think that taking on a mortgage is a burden for you? Probably not! Taking advantage of this financing option will help you avoid using all your savings to invest in real estate.

# Conventional Bank Loans

Conventional bank loans are the normal loans that you acquire from your local banks. Banks consider your credit score before offering you loans. Hence, you should mull over paying off your debts months before you visit the bank requesting for financial help. There are other considerations that the bank will have to reflect on before giving you the loan you require. The bank will query about your occupation. There are certain occupations that a bank will prefer over others. For instance, it would prefer to lend to those who are employed by the government over private firms.

Equally, don't be surprised when the bank disqualifies your loan application due to your age. Age is an essential consideration as it proves to the bank that you are financially stable. The best age group that would be highly considered is 30 to 50 years old (Business Today, 2017). If you are married, your eligibility will increase as the bank assumes that you will work together to pay off the prospective loan.

The repayment period will also have an impact on the decision that the bank will take. If you are confident in your monthly income, you will more likely be prepared to settle for a shorter repayment period. This will not only save you some money but it will also increase the chances of getting your loan application approved.

Of course, the purpose of the loan will also be an important thing that the bank will want to know. Your answer should convince them that your reasons for taking the loan are viable. Certainly, you cannot just apply for a loan without knowing why you want it. Be prepared to convince the bank that you have done your research on real estate business and that you know what you are doing. Without this, there is a probability that the bank will hesitate to offer you the loan.



# Fix and Flip Loans

Owning a rental property is indeed a dream come true to most entrepreneurs. However, this does not mean that there are no challenges associated with such ownership. Most landlords will attest to the fact that property management is not an easy task. Due to the challenges associated with buying and holding properties for a long period, some investors could opt for fixing and flipping of properties. You will be investing in rental properties, but your main focus will be on fixing the properties and selling them for profit. It is an ideal alternative for investors looking to make quick cash in the real estate business. If this is the investment path that you have been considering, then fix and flip loans will be an ideal choice for you.

Fix and flip loans are short-term loans offered by lenders to entrepreneurs who buy properties with the intentions of fixing and reselling them for quick profit. These are the type of loans that hard moneylenders would majorly specialize in as they are paid back within a short period (Hamed, 2018).

The advantage of using fix and flip loans is that they are easy to acquire. As mentioned, these loans are similar to hard money loans. Therefore, lenders will not require much from the investors for them to qualify. For instance, your credit score will not even affect your eligibility.

# Home Equity Loans

Did you know that you could also get some extra cash with the home that you already own? Most homeowners are unaware of this. At times, when you lack other financing options, you can turn to the property that you already own. With the growing market of real estates, the prices for homes continue to rise. This means that you could easily turn your property into a reliable source of capital. However, it is worth noting that this is an investment decision that should be done cautiously. Any mistakes here will risk you losing your home.

Here is a look at the pros of using your home as a source of capital:

## **Fixed Rates**

One of the main reasons why most people would go for home equity loans is because of their fixed interest rates (Home Equity Loans, n.d.). The interest rate is usually fixed for the number of years that you will be paying off the loan. To an investor, they get to plan for a flexible way of paying the loan monthly without worrying about any inconveniences that could arise. A fixed interest rate is admirable because one is not affected by changing economic trends. Therefore, budgeting for monthly payments becomes relatively easy and straightforward.

## **Tax Deduction**

You will also be eligible for tax deductions if the loan you acquired was mainly used for renovations. It is always advisable to work with a tax professional to ensure that you don't miss out on such deductions.

## **Lump Sum**

Home equity loans are also desirable because the investor would be given the borrowed amount in a lump sum. This implies that one can easily cover large expenses in their real estate business.

Regardless of the associated benefits of home equity loans, it is not all so simple. There are risks associated with relying on this financial option. First, the loan would simply be an additional loan that you will need to pay. If you are not careful with how you budget the lump sum that you receive, you might end up using the money for other miscellaneous expenses. Moreover, the biggest risk that you will be facing is that of losing a house that you use as your home. To be safe, always make sure that you pay your monthly repayments on time.

# Private Lenders

Private lenders are the people that you consider friends or relatives. They can also be your co-workers. Bearing in mind that these people are close to you, there are minimal formalities involved when getting financial help from them. The interest rates are also contingent on the relationship that you share with the lenders. There are those friends who would lend you money without charging you any interest. Unfortunately, such friends are rare these days. The loan repayment terms are also negotiable. Charity begins at home. As such, you might want to ask your friends and relatives for financial support before going out to ask banks and other lending bodies.

# Real Estate Partnership

The process of financing your investment could also be made easier if you found a partner to work with. Maybe you are thinking that this would be an easy process because you have friends that you can work with. Well, in some cases, it is imperative to be cautious when choosing your real estate investment partner. You should be careful to find out whether your partner has similar investment objectives as you. Perhaps they are looking for a quick fix to their financial problems. Be sure to get into the real estate business with an individual that will not leave you hanging. If you are looking to benefit from your investment over the long haul, consider working with someone with the same goals. You should also confirm that the individual you choose to work with has an admirable personality. Most importantly, work with someone that will challenge you to work harder.

# Seller Financing

As the name suggests, this is a financing option where the seller of the property gives you the financial help that you require. The owner of the property will act like a financial institution. Therefore, they will offer you the mortgage loan to finance your investment. This form of financing is also termed as owner financing (Kagan, 2019). Often, this type of financing is best used when you have a poor credit score rating. The advantage of relying on this financing option is that it is more flexible as compared to getting a loan from the bank. The seller of the property might accept the little amount that you have as down payment. Both the seller and the buyer benefit from seller financing. From the seller's perspective, they find it easy to sell their properties when they finance the buyers. The main issue with seller financing is the high interest rates that they might impose on a buyer. Thus, you should be careful to compare options before working with any homeowner.

The different financing options discussed herein reveal the fact that investing in rental properties is an idea worth investigating. With the right financial plan, it is a straightforward process that will significantly increase your wealth. The exciting aspect of this form of investment is that with little capital you can leverage and invest in an asset that is worth more. Accordingly, you end up increasing the likelihood of getting higher returns from the real estate business. Remember the fact that you can always turn to friends and relatives for financial assistance. Before visiting your local bank with your loan application, consider talking to friends and relatives about your investment proposal. Still, it is always advisable to consult with financial experts before making any decision to cushion you from possible dire financial mistakes.



# **Chapter 3: Tips to Successfully Finance Your Property Investment**

Successfully investing in rental properties will largely depend on how you balance the finances that you have. Most investors have the money to invest in this type of business. However, they end up making mistakes when trying to balance how they manage their finances. A motivational factor that would convince one to invest in real estate is the fact that with little capital, anyone can work towards achieving the financial stability that they have always dreamt of. But all this is not possible if you make financial mistakes along the way. For example, say you apply for a loan that will affect you in the long-run, this means that you might not succeed in the real estate business as you could give up following your financial dilemmas.

This chapter will consider some of the mundane financial factors that are often overlooked by real estate investors. An in-depth understanding of these factors will make certain that you make sound decisions from the start. Ultimately, you will enjoy the experience of investing in properties with confidence in your .

# Pay Your Debts

Now that you have made up your mind to invest in rental properties, the first thing to do would be to pay your debts. These debts will have a negative impact on your credit score rating. Bear in mind that this is what your lender will look at when deciding whether or not they should give you a loan. In the process of freeing yourself from debts, you should also consider calculating your DTI (Debt to Income Ratio). How much do you earn monthly? How much do you pay as debts during this period? Get the ratio of your debts to income with this data. Your local bank will look at this information to determine whether you can pay the monthly payments that will be required from you (Abulatif, 2017). If your debts are too high, it is more likely that you will struggle to pay the monthly payments. As such, the bank will reject your application. You could easily avoid this by paying your debts months before you initiate your property investment project.



# **Save Money for Future Downpayment**

Let's be realistic here, without the required down payment, you can say goodbye to the entire investment idea that you had in mind. A property owner will be careful to sell their assets to individuals that are serious with what they are doing. When going through offers from buyers, they will consider investors with down payment money. This money shows the seriousness in an investor to purchase a particular property. Therefore, it is a big deal. If you are planning to enter into the real estate business in a year or so, start saving now. You should know that if you make a good down payment, you will end up paying lower interests. So, it makes sense if you start your savings plan now than later.

# Outline Your Plan

The bank that you will be depending on will want to be convinced about your repayment plan. Therefore, you should have a positive analysis of your investment plan and how you will pay the interests. It is recommended that you should always mention other income sources that you have. This increases the chances of your loan getting approved. Also, ensure that you are aware of weak points that your idea might suffer from. Address such issues by having the right answers on how you will solve them. Lenders will be wise to point out such issues. Their aim is to ensure that they lend money to promising investors. The process of analysing your investment idea objectively might be a daunting task for a newbie. Thus, you should mull over finding an expert to take you through the process.

# **Rely on Local Financing**

As you go from bank to bank asking for financial assistance, you ought to contemplate on using local financing. Why is this important? Local banks and other lenders in the market are aware of the performance of the local real estate business. Consequently, if they have a positive view towards this business in the market, it would be relatively easy for them to approve your loan request.

## Seek Seller Financing

An excellent way of successfully financing your project is by relying on motivated sellers in the market. There are homeowners that would be more than willing to finance you to purchase their property. Again, this brings us back to the idea of saving for a good down payment. You will have to show the seller that you are serious by paying some percentage of the full cost. The best thing about seller financing is that there are minimal qualification demands that a seller will be looking at. What's more, you can negotiate everything in the deal that you will be entering into. From the down payment to the price of the house; everything is negotiable. Who knows, if things run smoothly, you might end up being life-long friends.

The tips discussed in this section are at times overlooked. This happens; cut yourself some slack if you make some mistakes in the process of financing your project. You can't expect that everything will run smoothly each time you want to purchase a particular property. However, there is confidence in knowing that you tried your best to rely on expert advice.



# **Chapter 4: Beginners Checklist to Investing in Rental Properties**

There is always a first time in everything that we do. As you take on your path towards property investment, there is a certainty that there are things that you might not be aware of. Well, you are not to be blamed for lack of information in the real estate business. Even those that are property millionaires began somewhere. So, don't be discouraged with the nervousness that you might be suffering from at the beginning. It's normal to have butterflies in your stomach as you don't know what's in store for you. The best thing to do would be to invest with a positive attitude. Many people have made it, and so will you.

Every investor will admit that there are several things that one should understand before investing in properties. You can't visit your local bank with a loan application without understanding the real estate market. It is important for you to do some digging about real estate business before proceeding with your plans. Just like any other business, real estate investments also have its challenges. Do you know how to mitigate these challenges? To guarantee that you successfully invest in properties, you should have a checklist that will remind you of the most important things to mull over. An ideal checklist should feature the pointers discussed in this chapter.

# Invest Your Time in Research

First things first, begin by doing an extensive research about real estate. What do you know about investing in real estates? How and where do you start? What are some of the ways in which you seek for finances? How do you choose the right location to invest in? These are some of the questions that research will help you understand. Purchasing rental properties will demand that you use a lot of money. Consequently, you should know why you are investing in real estates in the first place. Understand the process from the get go.

There are countless different types of properties out there. Which properties should you invest in to guarantee higher returns? Without research, you will invest blindly in this business. Unfortunately, you will fail terribly. Why don't you make wise choices by starting the process with research? Talk to investors who have been in the business for ages. They know of the ins and outs of real estate investing. With the insight that you will get, you will know the best path that will warrant you meet your financial goals.

# **Know Your Budget**

Before looking for rental properties to buy, you should reflect on the amount of money that you are willing to spend. The importance of doing this before anything else is that it helps to prevent you from being emotionally carried out with the investment idea. The picture that you have in mind of being a landlord is always fulfilling. Unfortunately, this could blind you from realizing that you are overspending or underspending on your investment. Therefore, you need to determine the amount of money you are ready to pay before comparing property prices in the market.



## **Choosing the Best Location**

A novice investor in real estate will, of course, hope that the investment process will go smoothly. This is a possibility but, in the end, it all depends on the choices they make. In line with this, your checklist should remind you of the importance of choosing the best location to purchase a rental property. The best way of finding an ideal location would be to carry out your search with a tenant's perspective in mind. A renter will have a plethora of questions about a rental property before deciding to reside in the property. Have these questions in mind when conducting your search. Consider whether the location is safe enough and if it is located to public means of transport? These are just but a few of the things that any tenants would want to confirm. So, as you conduct your market search, put yourself in the shoes of a tenant. Take care to free yourself from any emotional attachment that you might have with a particular location.

# Choosing an Ideal Realtor

There is a predicted 6% increase in job opportunities in the real estate world by 2026 (Forbes, 2018). For real estate agents, this implies that competition will get stiffer in the coming years. To a new investor in the market, it presents a challenge in finding an ideal realtor to rely on. Taking into account that you are new to real estate investing, you should consider looking for a qualified real estate agent.

Your perfect real estate agent will be an individual that meets your financial needs. To warrant that you settle for the right expert, first interview them. Visit their offices and question them about their experience in the market. Other essential tips that will help you find a reliable agent are as follows:

## **Communicate With Recent Clients**

The easiest way of knowing that you are working with the qualified agents is by asking their former clients. Other investors who have worked with them will provide you with first-hand information about the agents you think of hiring. Experienced real estate agents will give you contacts just to give you confidence that you are making the right decision.

## **Don't Just Consider Their Market Experience**

Of course the experience of a real estate agent will be on top of your priority list. However, it is vital to understand that experience is not everything. It's not the only thing that you should take into account. A realtor is an individual who you will spend a lot of time with during the investment process. As such, you need to build a good working relationship with them. This makes it vital to find someone who is relatable. Working with a friendly expert will confirm that you are free to express your thoughts on any leads that you will find on the way. Do keep in mind that it's not all about the experience that you should be reviewing when choosing a realtor.

## **Think Locally**

An ideal real estate agent would be an individual that understands the market. Consequently, it goes without saying that you should think locally. Their market experience is what will make a difference. As a matter of fact, if they are conversant about the market, they will give you an easier time finding the best properties to invest in.

### **Compare Options**

There are many realtors in the market. This means that you should not limit yourself to a few options. Don't hire the first realtor that comes your way. Take your time to compare between several that are in the same market. The importance of doing this is that you will bargain for a fair price and that you increase your chances of getting the best real estate agents.

### **Look for Passion and Honesty**

You can begin analysing a potential real estate agent even before you hire them. In today's digitized environment, a good realtor should have a business website. Take a look at their listings and other forms of marketing that they utilize. This information will give you an insight on how honest the realtors are. Also, you will easily determine whether they are passionate about what they do. Your aim should be to find the conviction that you will be working with an individual that is not only passionate but also honest with their relations.

### **Adequate Support**

The best realtor in the market would be one that works in a team. An important fact that you should be aware of is that realtors will work with several clients at a time. Therefore, they might fail to heed into your queries and laments from time to time. An ideal real estate agent should therefore work in a team capable of offering you full-time support whenever you need it. You are paying for quality services, hence, you should carefully consider the type of support you will be getting from a realtor.

### **Realistic Agent**

The real estate business is full of ups and downs. There is no guarantee that business will always be profitable. At times you might make mistakes that will cost you. In other cases, you will find it enjoyable when things work out fine without issues arising here and there. The point here is that you should find a real estate agent that is realistic about the risks associated with real estate investing. A potential agent should be honest about the risks that you could possibly face. The idea of sugar coating information just to impress you will not help in any way.

## **Find a Working Management Strategy**

To succeed in the real estate business, you will have to come up with a working management strategy. This applies specifically to time management. To most entrepreneurs, this is a huge challenge. There is a lot that needs to be done and therefore, it might be a daunting task to settle for the best strategy. An ideal strategy should begin by first breaking down your goals. Don't set huge goals that will only drain energy from you. Set realistic goals that can be tracked. For instance, you can break down your goals to daily activities. As you meet your daily goals, you will be motivated to aim higher and you will eventually find the idea of investing in real estate to be enjoyable.

# Think Over Your Financing Strategy

Keeping in mind the budget that you will be working with, an important consideration that you should not forget is your financing options. What are the financing options that you have lined up? If you are thinking of asking for a loan from banks, have you checked your credit score ratings? Do you have any debts that you need to sort before approaching the bank? Your financing strategy will determine whether or not you will successfully purchase properties in the market. Knowing your options will also help you in gauging the type of properties that you will go for in the market. If you have fewer funds, you will have to go for fix and flip rental properties which require less upfront cost.

The beginner's checklist is just a reminder of the most important things that you should bear in mind when investing in rental properties. The factors discussed here are often overlooked or forgotten by new investors. Each time you think of investing in rental properties, having this checklist will ensure that you make sound decisions that will have a positive impact on your real estate business.



# Chapter 5: Rental Property Analysis

When investing in rental properties, it is vital that an investor spends their money on the best properties in the market. However, a question that any investor will want to ask is, how do you know that you are paying for the right rental property? What makes a property worth investing in? Ideally, properties in the market would have varying attributes. Consequently, an entrepreneur should know how to best analyse a property before making a purchase. This chapter will take you through the process of analysing any property in the market. One of the main reasons why property analysis is essential is because it assists in determining the viability of a property. This means that you will know whether the asset is profitable.

In line with rental property analysis, one should understand that there are factors that will directly affect the business. Conversely, other factors will indirectly affect the business. The most important factors that should not slip are succinctly discussed in this section.

# Location

I will now continue to stress the importance of location when investing in rental properties. Simply said, location is everything.

The location of a property will have a direct impact on the performance of your real estate business. Clearly, the location of the premises will influence the marketing strategies you will adopt to reach your tenants. Also, it will have an impact on the tenants that you will attract. If you are looking to appeal to college students, you have to choose a location that is in close proximity to a university. The location that you choose will affect the returns on investment that you will be getting. A location that is highly demanded will attract higher rental incomes. Depending on the financial expectations that you have in mind, you should take your time to choose an ideal location. So, when analysing a property to invest in, consider its location. Is it viable? If yes, you can proceed to contemplate on other factors.



# Rental Strategy

Since you will be renting out your property, part of the analysis process demands that you evaluate the rental strategy that you will adopt. There are two general rental strategies that you can use. You can either use a long-term or a short-term rental strategy. These two strategies are different. It is imperative to draw a thick line between the two so as to determine the best strategy that suits you.

A valid reason why you need to settle for an optimal rental strategy is because you want to make profits from your business. Obviously, no business person would want to incur losses or face financial difficulties. As such, you need to choose a plan that works for you.

## **Long-Term Rental Strategy**

A long-term rental strategy is where the landlord rents property to tenants for six months or more (Leusin, 2018). The idea behind this strategy is that the property owner gives a home to the renters. Accordingly, the management process is easy as the renters could pay rent for six months or more. With this strategy, you don't need to worry about your rental income as most tenants will pay for up to two years.

## **Short-Term Rental Strategy**

Investors in the market would consider this strategy as the best since it generates higher returns (Leusin, 2018). Rentals here would be operated like hotels. If you will be utilizing a short-term rental strategy, location is key. Your target audience will consider whether the place is safe and easily accessible. This strategy is highly recommended more so when the environment favors tourism.

This strategy has its pitfalls. For example, the occupancy rate is not consistent as compared to long-term rental strategy. With short-term rentals, you can be sure that their demand will fall during off-peak seasons. Be sure to understand that there are pros and cons of each rental strategy. To settle for the best strategy, one should carry out intensive market research. By understanding the market, an investor will make decisions based on what the target market is buying.

# Type of Rental Property

Certainly, there are a wide variety of properties that can be converted into rental properties. From townhomes, apartment buildings, to condos, and luxury houses; each rental property has its pros and cons. Your property analysis should give you a deep insight into the different properties and the pros and cons associated with each asset. The common types of rental properties that you will come across in your search include:

- Apartments
- Condominiums
- Single family units
- Multi-family units

Knowing the best types of properties to invest in will be important as they all have varying profitability rates. For example, if you choose to invest in single-family homes, you can be sure that you will have an easier time dealing with your tenants. This happens because most families would want to rent your properties for a long time. As for apartments, there are several management challenges that you will face. As such, it is vital to make wise choices regarding the type of rental properties you will be going for.

# Type of Tenants to Target

Which type of tenants are you looking to work with as you invest in rental properties? With this question in mind, your ideal tenants should be considered when analysing any property in the market. If you are looking to work with college students, the best rental property should be one that is located close to a learning institution. On the other hand, if you are looking to work with families, you will want to shop for single-family units.

As you look to run a successful real estate business, you will want to target tenants that are easy to handle. Undeniably, dealing with college students is not the same as dealing with families. With students, there are numerous challenges that you will face. However, with families, you will be working with mature people that consider your properties as their home. Let's take a brief look at the different tenants in the market that might cause issues to your business.

## **Previously Evicted Tenants**

Caution should be taken when checking past records of individuals who want to rent your properties. As an investor, you should understand that these tenants determine your rental income. Therefore, you need to be careful when renting your houses to people that have been previously evicted. Individuals that have been previously evicted will only stir trouble in your rental houses. It is quite likely that they will delay rental payments.

## **Unemployed Tenants**

Other tenants that you should avoid are those who have unstable income. The same goes to renters that change jobs frequently. With these types of tenants, you will run the chance of receiving late payments. At times, they will bring risk of failing to pay completely. As a landlord, it is your duty to confirm whether the renters are employed. This is also your right. With the help of their employment information, you will gauge whether the potential renters are reliable.

## **Tenants with Criminal Records**

The safety of your tenants will lie on your shoulders. Other renters will depend on you to welcome other tenants that have no criminal records. This process begins by checking the tenant's criminal records before allowing them to rent your premises. Before your renters can protect themselves, you need to set an example by evaluating their past histories.

### **Pet Lovers**

You should also be careful with tenants with pets. Of course, it would not be best to forbid pet owners entirely; you should take care to consider how it would affect the experiences of your other tenants. You will face the risk of losing good tenants because of a few of them that have many pets in their houses. For that reason, you should be careful when setting ground rules on whether or not pets are allowed.

### **Noisy or Too Messy Tenants**

People always yearn to live in houses where they enjoy a peaceful environment around them. Bearing this in mind, you should have strict rules concerning noise in your apartments. Don't allow a few renters to ruin the peace that others enjoy. Also, messy tenants should be avoided as they could end up destroying your properties. The last thing that you need is to keep incurring costs on maintenance and repairs. Avoid this by choosing tenants that are not messy.

### **Picky Tenants**

Let's face it, there are tenants that will demand that everything should be done their way. These are the renters that you should also avoid. A tenant that excessively complains about the house should just pack up and go. Target people that appreciate your efforts in trying to provide them with a home worth living in.

# Cash Flow and Rental Income

Before making any purchase, you should ask yourself, how much will I get as rental income? The amount of rental income that you get is what will determine whether the property you intend to buy is profitable or not. To know the cash flow, subtract all expenses from the monthly or yearly rental income. The value that you get should be positive. This would, of course, result in profits from your business. If the expected cash flow provides a negative value, you should consider exploring other opportunities for investment in the market.

# Vacancy and Occupancy Rates

Say you are planning to invest in a property that has tenants already. In this scenario, you will have to carefully plan the vacancy and occupancy rate. The former refers to the number of times that the property is unoccupied. On the other hand, occupancy rate refers to the times the dwellings are occupied. Properties that are worth investing in should have a 100% occupancy rate. The advantage gained here is that you will get a constant stream of cash flow throughout the year. If the properties are left vacant, you will only incur losses as vacancy rate is assumed as an expense.

# Cap Rate

If you will be working with a real estate agent to find a property, they will help you in knowing the cap rate for the property of your choice. You should figure your cap rate. This is a metric that is often used to determine the return on investment of any rental property (Mansur, 2018). By calculating the cap rate, you will be aware of the profitability aspect of the property.

# **Comparative Market Analysis**

The rental property analysis process will not be complete without making comparisons of other rental properties that are within the same area. This analysis will assist you in knowing if the property is performing well or poorly as compared to how others are performing. Through comparative market analysis, you will settle for properties that prove to have higher returns in the market. This makes such comparison very essential.

The bottom line is, rental property analysis is an important thing that should be done when investing in rental properties. When such analysis is done correctly, an investor will reduce risks associated with such asset investment. It gives one the advantage of knowing whether the properties they intend to buy are profitable or not. Also, an entrepreneur notes other essential aspects that will make a property viable. Searching for rental properties is never an easy task. As such, you need to be sure that you will be investing in the right property by thoroughly evaluating it.





# Chapter 6: Building Your Team

For your real estate business to thrive, you will have to work with other professionals. These are people that are more informed about the real estate business. There are numerous things that you need to learn in the real estate business. You need to learn how to balance your finances. You need to know the legal issues that you might face in any deal that you enter into. Besides, you should be well informed about the current and future market trends. As a newbie in this type of business, understanding all these might prove to be a daunting task. Consequently, you need to assemble an A-team that will help you realize your business goals.

To help you get started, this section will outline the experts that will make up for your power team. With regards to this, you should always remember that you don't have to do all the work by yourself. Getting assistance from professionals will make the entire investing experience exciting. This happens because you will effectively deal with challenges that come your way while exploiting any lucrative investing opportunities in the market. Still, it is worth noting that the process of building your team doesn't happen overnight. This will take time. As you continue investing in properties, you will realize that assembling the best team is an ongoing process. Accordingly, patience is what is required from your end.

# **Tax Advisor**

Adding a tax advisor to your real estate investment team might not be your priority. Regardless, a tax advisor will help you in noting possible disadvantages of investing in a particular property. Of course, the main thing that you will focus on when choosing a tax advisor is their experience. Your goal should be to work with an expert with local experience about the market.

# **Mentor**

Where do you want to be in the next 5 or 10 years? Depending on the goals that you have in mind, there is that personality figure that you have always admired. This can be another investor who inspired you to begin investing in rental properties. They are an important contact in your investment team. Your mentor knows all the ins and outs of rental property investing. They know the best properties that you should invest in as a newbie in the industry. Working with your mentor ensures that you make sound investment decisions from the start.

# **Certified Public Accountant**

The mere fact that your investment will be all about money implies that you need to find a certified public accountant. To make it clear, not just any random accountant will do. The best individual would be one that has the sufficient real estate experience. As such, you should emphasize on working with an accountant that specifically works in the real estate industry.

# **Real Estate Lawyer**

A real estate attorney is another must have contact in your team. They will provide you with the legal assistance you need as you walk through the investment process. One thing that novice investors should understand is that, a real estate lawyer is not just there when things go wrong. Their significance is not just to solve cases. There are many papers that you will be signing from time to time, therefore, you will need their legal help to determine whether there are pending cases on the properties. With their advice, they will also assist you in finding out whether proper documentation has been done on properties you will purchase.

# **Lender**

Chances are that this is the first member of your team that you should consider bringing on board. The first step in your real estate investment would be to come up with a budget that you will work with. If you will be seeking for financial assistance, it means that you will have to consult your local bank. It is important to build a positive relationship with your bank long before you ask for a loan. This means that you need to pay your debts on time while at the same time saving money. Such activities will give the bank a good impression about your credit score. Moreover, if you have good relations with the tellers, they can push to ensure that your loan is approved.

# **Insurance Agent**

Depending on the state you live in, there are varying regulations with regards to insuring your rental properties. In some states, this will be a must have condition before renting your houses. Therefore, you will want to work with an insurance agent. They will offer different services from what other real estate agents will offer. You should not get confused about their service provision. An ideal insurance agent should be able to cover the properties that you are investing in. This is one thing that you will want to confirm with them before signing up for any coverage. Some insurance companies might not cover for houses that are flipped. Be sure to confirm the extent of their coverage and settle for a plan that suits you.



# **Contractor Handyman**

Without a doubt, your properties will require constant maintenance to make sure that they are in perfect condition. This means that you should have a contractor or a handyman in your list. When choosing a contractor or a handyman, ensure that you work with a licensed person. This protects you from any liabilities in case things go wrong during the renovation process. So, how do you get a good contractor with proven track record? The first person to ask would be your real estate agent. Ask them for referrals. Surely, they have been in business for a while and therefore will have helpful contacts to share. Other investors in business will also have this information. Equally, there are tons of websites that you can search to find reliable contractors in the area. A rule of thumb that you should always keep in mind is that you should interview the contractors or handyman before hiring them.

# Appraiser

Tenants will always choose good-looking properties over ones that appear old and worn out. As a landlord, you are expected to look after your properties in a way that makes them appealing. This calls for constant maintenance. The importance of doing this is that it will raise the value of your property. An appraiser should help you in understanding the importance of raising the value of your property. They will guide you through the process. Before buying any rental property, an appraiser will also give you an accurate estimate of the property value. Hence, you can be sure that you will not overpay for the property. Their relevance in the investment process makes them important to hire.

# Property Manager

Managing rental properties is a challenging job. Dealing with tenants and ensuring that their never-ending demands are met is not as easy as you might have thought. As a result, you need to hire a property manager to help you in effectively managing your rentals. They will help you in handling activities such as:

- Collecting rent

- Managing budgets

- Screening tenants

- Property maintenance

- Setting rent

These responsibilities might seem easy to handle. However, you should remember the fact that you have other career demands to attend to. You should free yourself from worrying about your rental properties by choosing to work with an experienced property manager.

# Family and Friends

Nothing beats the confidence gained when you know that your family and friends have your back. These people have good intentions for you. They would want your business to blossom as your happiness depends on it. The motivation that you will get from them will drive you to work smarter in your real estate business. Due to this reason, you should contemplate on introducing your family and friends to the business. Make them aware that there is something important you are investing in.

The team that you build will have an impact on the overall experience that you will gain while investing in rental properties. If you choose your team wisely, you can be sure that you will find it easy to locate deals in the market and take advantage of them. You will be competing with other investors in the real estate market. However, it doesn't mean that you should not consult them before making any decision. At some point, they also asked for help from their mentors. You also need to take advantage of their market experience to learn something important about real estate investment. Give yourself an easier time by working with others. Don't overwhelm yourself with activities, as you cannot do everything on your own. After all, two heads are better than one.



# **Chapter 7: Strategies for Finding Good Rental Property Deals**

One of the main challenges that real estate investors face is that of finding good deals in the market. There are many deals that one could easily turn to when purchasing rental properties. However, getting the best deal in the market could prove to be a daunting task. Often, this happens because there are many things that should be considered. Some of these considerations have already been discussed in this eBook. For instance, the location of a property will have a huge influence as to whether it should be considered as a good deal or not. So, how do you know that you are going for a good deal in the market? Essential tips that will help you make the right property selection are looked at in this section.

# **Begin Your Search on Online Property Finders**

The Internet has got numerous websites where you can search for rental properties. The benefit of using the Internet to do your search is that you can specify the location where you wish to purchase the rental properties. Also, with the help of reviews that are left behind by other people, you will find it easy to rely on a webpage that appears trustworthy. Notably, you should also remember the fact that the Internet provides you with the convenience of shopping from your home. Before rushing for any deal in the market, always consult with local real estate agents. They will help you evaluate the viability of any property that you are interested in.

# Market Research

For you to locate good deals in the market, you have to conduct a thorough market research. Research the area to find out which type of properties are in high demand. You cannot locate a good deal if you don't know what your target market expects. It should come to your realization that a particular market will differ from another in terms of the properties that suit the area. Therefore, not all rental properties are worth purchasing. The market demand would be a huge determinant factor to think over.

While conducting a market research, you should stick to the following guidelines:

## **Analyze the Neighborhood**

After gaining an understanding of what the target market demand from rental properties in the area, you should evaluate the neighborhood. Your evaluation will be done to find out whether there are other amenities that would increase the overall demand for the houses you are interested in. For example, if you wish to buy single-family units, an important consideration would be whether there are schools around the area. Equally, you will want to confirm whether there are nearby businesses where your tenants can shop.

## **Compare Similar Properties**

The only way that you will know how much rental prices go for in the area is by finding comparable properties. This comparison will also give you a rough estimate of how much you will spend on the properties. If there are any renovations that should be done, comparable properties will help you meet your target market expectations. So, don't forget to walk around the area comparing similar homes.

## **Evaluate Cost of Similar Properties**

While comparing properties, your aim will also be to evaluate the cost of such houses. How much do they charge as rent? With this insight, you will know whether or not the properties generate positive cash flow. This information will assist you in choosing only the properties that will earn you positive returns.



# **Communicate With Other People**

Expanding your network is one of the ways in which you will easily know when there are lucrative deals in the market. Find time to interact with real estate agents even when you are not thinking of purchasing rental properties. Talk to other investors. They will inform you of potential deals that are worth investing in. Close friends and relatives will also offer you free information on good deals in the market. At first, you should not neglect the idea of asking for referrals from friends and relatives. With time, as your network grows, locating deals will not be a challenge.

# **Buy Foreclosed Properties**

Ask an experienced real estate investor; the best deals are always bank-foreclosed properties. For many years now, foreclosed properties remain to be the best properties that any new investor should look forward to invest in. These properties are assets that have been repossessed by banks. A bank would want to recover their money as soon as possible. Consequently, they may choose to sell the property for a lesser price than the market value. It is never easy gaining information on foreclosed properties in the market. This is the main reason why you should partner with realtors with networks in your local market. A bank would provide them with this information as they can easily sell the properties.

# **Be The First Buyer**

The world of real estate business is full of surprises. In some cases, you might think that a property would be sold to the highest bidder. Well, this might not apply. At times, a good deal will go for the buyer that makes the first offer. You never know why the seller is disposing their rental properties. If he/she is a motivated seller, being the first buyer might just land you a deal of a lifetime.

## **Browse Through Many Deals**

Getting the best deal in the market will depend on the number of deals that you have viewed in the market. This means that going for the first deal that comes your way is not advisable. Take your time to browse through several options before making a final verdict. Don't limit yourself to local visits. Make use of the Internet to compare offers from other areas that are not accessible. If a property is suitably located, you can then plan for a physical visit and think over its viability.

# **Real Estate Auctions**

Investors that have been in the business for some time will tip you toward good deals in the market through real estate auctions. To gain access to auctions, you only need to browse through auction websites. Information gained from these pages will help you gain access to foreclosed properties and bank owned assets. Usually, these deals are fairly priced. Ultimately, you will end up buying rental properties without spending a lot.

# **Rely on Experts**

Why should you waste time going from one neighborhood to the other in search of an attractive deal in the market? Real estate agents have the information that you are looking for. In fact, if you will be working with an experienced realtor, they will narrow down the search to a few properties depending on your budget. Accordingly, you don't need to sweat it out when looking for amazing rental properties to purchase. The work of a real estate agent is to assist you in landing on an investment opportunity that meets your budget. Regardless, it is important to remember that you should compare between several properties. Give your real estate agent a realistic budget, as it would help them find you rental properties that will attract a following.

# Unique Attributes

There are certain attributes that will make a property stand out from the rest in the market. These unique attributes are that which would make a property appeal to tenants. Besides looking to find a property that is reasonably priced, you should also think about the unique qualities. For example, look around whether there are social amenities that will attract people to live in that area. Are there any schools? The attributes that you might ignore are what will motivate renters to live in your apartments. Therefore, make a point of ensuring that these additional features are not ignored.

# Listings

The best deals are always those that are limited in supply. As you walk around the neighborhood looking for houses for sale, you should take note of the number of listings within that area. If there are many houses being sold, this should raise your eyebrows. Ask yourself why there are many houses being sold. If you are not sure about the best location to purchase properties, consult with local real estate agents.

The process of locating amazing deals in the market is not as difficult as you might have thought. The only issue is that you should master the tricks that most investors use to locate these leads. For instance, the idea of taking advantage of foreclosed properties would only be possible if you have a good network. The same goes to other bank owned properties. You should strive to get such lucrative deals in the market as they save you a lot of money. The money you save could be used to cater for repairs. In the end, you will be transitioning into a landlord, with minimal stress related to searching for profitable deals.

Moreover, you should always remember that there are experts in the market ready to help you in searching for properties. The last thing that should be on your mind is whether or not realtors are just there to take money from you. They will charge you a small fee for the services they offer. Considering the convenience that they will be bringing to you, you should acknowledge their relevance throughout your investment journey. After all, if you are new to real estate business, working with them is the only shortcut to running a thriving business. So, make informed choices by opting to work with them. You will never regret it.





# **Chapter 8: Guide to Maximizing Cash Flows in Rental Property Investing**

Maximizing your cash flow in rental property investing is something that you will have to comprehend. It is the only way that you can become successful in this business. Without cash flow, there is nothing that you will be doing in the market. Therefore, it would be prudent to sell off the property and do something else. Concerning rental properties, investors should know that it is not all properties that will earn them the cash flow that they anticipate. You might think that by just investing in rental properties, you will be maximizing your cash flow. This is not the case. There are properties where you will have to think outside the box to maximize cash flow. So, if you have been wondering how you can maximize cash flow for your properties, then this section will tip you on how to do it.

# What is Cash Flow

With rental property investing cash flow is the amount of money that an entrepreneur is left with after deducting all expenses from the rental income. These expenses include insurance payments, mortgage, property taxes, condo fees, etc. Cash flow that you have at hand can be positive cash flow, zero cash flow, or negative cash flow.

## **Positive Cash Flow**

Getting positive cash flow from your investment is a good sign. It means that you will be making profit from your real estate business.

## **Zero Cash Flow**

Just as the name suggests, zero cash flow would imply that you are simply breaking even. You are neither making losses nor making any profits. You should not be happy when this happens. In business, your aim should be to make profit.

## **Negative Cash Flow**

Negative cash flow would be a red flag for your business. Obviously, it means that your business is not performing well. It is incurring losses. When running a real estate business that is incurring losses, it is advisable to find ways of increasing cash flow or to sell the property.

Now that you are here, we don't want you to sell the property just yet. Selling can be quite costly as there are additional costs that you may face. Therefore, it is important to learn about how you can maximize cash flow from your business.

# Increasing Rent

The first thing that you would want to do when looking to maximize your cash flow is increasing rent. Increasing your rental income will mean that you will have a higher value to deduct expenses from. Thus, there is a certainty that you will get better returns. The idea of increasing rent is something that you cannot take up with ease. Landlords fear losing tenants when they increase rent. Ideally, a tenant would be disappointed when the landlord increases rent. They might opt to move and live in similar premises that charge lower rents.

If you were sure about the quality of services that you provide your tenants with, it wouldn't be a problem increasing rent by a small margin. In this case, you should be providing your tenants with a safe and a welcoming home. Tenant will understand why increasing rent is important for your business. In fact, there are some that might recommend it knowing that there is something good in return for them.

Before jumping for the idea, you should be conversant about the rental controls in your state. Varying states will have rental controls meant to protect tenants from unscrupulous businesspersons. You should first understand these rental controls by doing some research or asking your real estate attorney. The worst thing that could happen is that you might end up facing fines because of increasing rent without knowing the rental controls in your area.

# Reduce Rental Expenses

The other thing that you could do to maximize cash flow from your business is by reducing the monthly expenses you incur. Clearly, this is what drains the rental income that you will be getting from your renters. Reducing rental expenses begins by looking for the best financing options in the market. Don't just rely on any bank because they offer loans. You should compare options and find one with a slightly lower interest rate. You could also consider taking advantage of longer amortization periods. The longer the period, the less you will pay monthly. In turn, you will maximize cash flow from your investment.

Equally, being the landlord of the property, you can choose to cancel out some expenses that are not necessary. For instance, you could be tempted to hire a property management company to help you manage your assets. While this is a good thing to do, it will only affect your cash flow. If you have a flexible schedule, you should contemplate on managing the properties without help from third parties. This will save you a lot of money. The advantage gained here is that being the landlord and the manager, you will always strive to keep your properties in mint condition. Thus, you can be sure that you will maximize cash flow for a long period. Later on, if you invest in other rental properties, you can then search the market for property management companies that offer affordable services.

## **Income from Other Sources**

So, you have thought about increasing rent and reducing rental expenses but you still can't get a positive value for your cash flow. What you can do is add new amenities that your tenants did not have before. Small fixes here and there will impress your tenants. They will be glad that they are getting additional services from the things that you will be installing. Before adding anything, you should consult with the tenants to find out what they recommend. This warrants that you meet their demand while at the same time taking advantage of the opportunity to increase rent.

Minor changes within your rental properties will do. Don't overspend, as this will affect your cash flow. Some small changes such as buying a coffee machine or a toaster will excite your tenants. Once you have made these small changes, you should raise the rent slightly. Yes, the change might not be huge but in the long run you will realize that it has a huge impact on your cash flows.

# **Choose Good Tenants**

In the long run, choosing good tenants would be an excellent way of maximizing your cash flows. Good tenants will live in your premises without causing any destruction. Also, they will always pay their rent on time. This ensures that you get your money on time to handle other business tasks that you have lined up. Getting good tenants depends on how you welcome them to your rental properties. The process begins by scrutinizing them to make sure that they have clean records with other landlords. The idea of bringing in good tenants will help you in minimizing the number of repairs that you need to handle. In turn, you get higher returns over the long haul.

# **Be Proactive**

Regular repairs and maintenance will give you a headache, as this will negatively affect your cash flow. Landlords are always in a dilemma wondering how they can attend to repairs and maintenance. There are those people that would want to wait before attending to repairs. This is not advisable. The longer they wait, the greater the damage that they will have to solve. Also, this means that they will have to pay more for repairs and maintenance. Therefore, the best thing to do would be to act proactively and attend to repairs before greater damage is caused. Putting off repairs to a later date may seem like a money saving option, but it's not. Keep in mind that your tenants will not be happy living in rooms that are worn out.



# **Limit the Vacancy Rate**

A high vacancy rate will be regarded as an expense. Consequently, you need to work towards giving your renters a place they can call home. This means that you should listen to them and attend to repairs whenever they come up. Happy tenants will find it difficult to leave your premises. To you, this is something that would have a positive impact on your cash flow. Buying rental properties is not the only thing that will make you succeed in rental property investing. You also need to learn more about effective management that will warrant you limit the vacancy rate.

# **Take Advantage of Tax Deductions**

When working with a certified public accountant, they should remind you of the fact that you can take advantage of tax deductions. What are tax-deductible items? The interest that you pay on your mortgage, insurance fees, repairs, depreciation, and losses are all considered as tax-deductible items. Your tax bill could be considerably reduced if you are aware of tax deductions from the get go. Some landlords overlook this process because they assume that their accountants are handling such issues. Well, you need to do your homework and find out whether there are any tax deductions that could reduce your tax bill. Ultimately, you will maximize your cash flow.

# Choosing the Right Neighborhood

You can also maximize your cash flow by settling for a winning neighborhood in the market. It is true that different neighborhoods will perform differently in terms of the cash flow that they bring. As such, making an ideal choice on where you should invest will pay off later.

The process of maximizing cash flow from your rental properties is something that could be achieved with minimal effort. It depends on what you do to make sure that you spend less on expenses while making sure that your rents are paid on time. As such, this also calls for the idea of choosing the right tenants to live in your properties. There is nothing that is out of the blue here. You only need to master these guidelines and take advantage of any opportunities that will guarantee you increase your cash flow in the long run.



# **Chapter 9: Benefiting From Foreclosures**

Most real estate investors take advantage of remarkable deals in the market that promise them double or more returns. Foreclosures sit at the top of the list for property investors. These are properties where a homeowner defaults on payments that had been agreed with a lending institution such as a bank. The lender takes over ownership of the property and re-sells it to recover their money. Bearing in mind that banks are not there to manage properties, they would want to sell off a foreclosure property as quickly as possible. Therefore, they may sell the asset at a lower price than the market value. An investor that purchases such assets will benefit as they have high chances of making profits with ease.

# Understanding the Foreclosure Process

Foreclosure legal process varies from one state to another. You need to understand how the process is handled so as to effectively take advantage of such opportunities in the market. Below is a step-by-step description of how the process is conducted.

## **Default Notice**

Banks have got varying policies on the length of time that they give to an investor before sending them a default notice. In most cases, the notice would be sent 30-45 days after their mortgage payments have not been paid (995 hope, n.d.). Once the notice is sent, the lender will give the investor some time to offset the pending balances before continuing with the loan repayment.

## **Legal Filing**

Assuming that the investor fails to pay the pending balances within the stipulated time, the bank could proceed with putting the property on foreclosure. The foreclosure chosen could either be judicial or non-judicial. A judicial foreclosure refers to the situation where the lender obtains a court order that permits them to sell the properties. The court order is normally given to the bank after a period of about 90 days since defaulting on payments. A non-judicial foreclosure will stick to the terms and conditions that are detailed in the mortgage.

## **Foreclosure Sale**

After 120 days elapse, and if the homeowner fails to make the required payments, the lender will send a notice of foreclosure to the current owner. This document will detail the date in which the property should be vacated, ready for reselling. Investors should understand that they could still retain their properties if they pay off the pending balances to the lender. Therefore, they should not give up when the foreclosure process is initiated. It doesn't mean that they should surrender right away.

## **Public Sale**

The last step in the foreclosure process is where the property is sold publicly. Here, a bank could choose to auction the asset. The highest bidder will take over as the new owner of the premises. It could also happen that there are no buyers in the market. When this happens, the lender could

purchase the asset. After assuming ownership of the property, they can then resell it through private bids.

Many investors would want to take advantage of the profitability of foreclosed properties. This is because these properties are usually sold below the market value. Regardless of the associated benefits of investing in foreclosed properties, it is worth pointing out that some of these assets are distressed properties. Consider the fact that the properties may have been left vacant for a long period. Consequently, you might end up incurring extra costs to renovate the property and resell it or rent it out. In line with this, investors should not make hasty decisions when investing in foreclosed properties. The following are tips to keep in mind to ensure that you end up getting the best-foreclosed deal in the market.

# **Study the Neighborhood**

Before anything else, you should begin your foreclosure property search by studying the neighborhood. You should take a look at other properties in the market that are also on foreclosure. If possible, make plans to attend house auctions. This will give you an idea of how much they are worth. Looking at foreclosures within a particular area will also give you some insight into how much you might incur in repairing the houses. This applies to properties that are distressed. You might be tempted to purchase foreclosed properties because of their price tags. However, it could be risky if you ended up paying a lot for repairs. As such, you should first walk through the neighborhood and compare similar foreclosed properties.



# **Stay Away From Abandoned Houses**

The main idea of taking time to consider all factors before buying any property is to ensure that you get the best deal in the market. While doing your search for foreclosed properties, you should never go for houses that have been abandoned for long. You should know that the longer they have been left unattended to, the more the damages. Assets depreciate; consequently, you should not be surprised when properties that have been vacant for long appear old and tattered. Having said this, ideal foreclosure properties would be those that have recently been vacated. You will save a lot of money that you would have used to pay for repairs and all.

## **Go For HUD Houses**

There are thousands of houses that the Department of Housing and Urban Development holds. Individuals who sought mortgages from the federal government previously owned these houses. They are worth investing in as they only stay in the market for about six months. You will need to befriend local real estate agents as they have information about when these homes are put on foreclosure.

# **Budget Carefully**

Another important thing to remember when looking for foreclosed properties is that you should budget carefully. Often, new investors forget to estimate the expenses that might be required to fix the property if it is distressed. If you fail to budget for this, you may end up paying more for a property that was not worth its value. Your budget should also take into consideration the fact that unexpected events could arise at any time. A wise investor should have some money set aside for contingencies. Doing this helps you prevent these expenses from negatively affecting your monthly cash flow.

# Expect Complications

Undeniably, the best thing about investing in foreclosed properties is that you will get deals that will earn you remarkable profits. Regardless, this should not blind you from realizing that there are complications that could arise along the way. Investors that have been in business for sometime will attest to the fact that real estate business is all about taking risks. Well, this is what any other business will demand from you. Bearing this in mind, you should not be discouraged at the onset of complications.

Of course, one of the main complications you will deal with is repairs. A property that has been vacant for sometime will demand repairs here and there. You might want to fix plumbing and electrical issues that arose during its vacancy period. Far from repairs, complications such as delays in closing the deal will also affect your financial plans. Banks will want to take their time to close the sale. There is a lot of paperwork that needs to be done, and therefore, you should expect the process to take longer than you expected.

## **Consider Paying for Inspection**

Sure you are trying to save some money in your property investment process. Nevertheless, this does not mean that you should skip the inspection part. Before purchasing any rental property in the market, you have to make sure that it has gone through inspection. Private property inspection will be cheaper. The importance of property inspection is that it will give you an overall view of the state of the property. If there are any repairs that you might not have noticed, quality inspection services will expose them. Ultimately, you will be investing in a property that you can manage depending on the budget that you have. Besides, if you will be relying on banks to offer you financial aid, they will request for property inspection prior to approving your mortgage loan. As such, you should inspect the foreclosed property that you are interested in to get a glimpse of what you should expect.

Going for foreclosed properties is one of the best ways of landing on good deals that will ultimately earn you good returns. However, the process of getting reliable leads is not that easy. An investor needs to build a network of friends that will help them locate deals with minimal effort. For instance, consider working with a realtor with local experience. They have what it takes to get you remarkable deals without wasting a lot of time and money doing the search on your own. Most importantly, remember to budget carefully before choosing any foreclosed property. Never ignore the importance of estimating the expenses that you might incur. This will affect your future cash flow, which is something that you would want to avoid from the start.



# **Chapter 10: Maximizing Returns from Fix and Flip**

As you go through the idea of investing in real estates, you will come across the concept of investing in fixing and flipping properties. The process of flipping properties is an essential strategy in real estate investing. Consequently, it is imperative to stay in the know as to what it means to fix and flip properties. This chapter will focus on taking you through fixing and flipping properties as a way of investing in real estate business.

Investors in the market are always looking for ways to make profit fast from their investments. As such, there are some that would convince you to begin your real estate investment by flipping properties. Indeed, it is not a bad idea to consider the options that you have at your disposal. But it is worth investing your time in educating yourself more about fixing and flipping properties. This section will take you through the basics about this form of real estate investment.

# Flipping Properties Defined

In real estate business, flipping refers to the idea of purchasing properties with the intention of selling it fast for quick profit (Chen, 2018). From this definition, flipping properties is different from investing in rental properties. In rental property investment, one gets to hold the property for some time as they continuously earn rental income. Flipping properties could therefore be regarded as a short-term way of getting money fast from real estate investment. The process of investing in flipping properties might be easy. However, there are risks associated with it. Don't fall for the hype that flipping properties will make you rich fast. Real estate investing requires patience. This applies even to short-term investments such as flipping deals.



# Why Flip Properties?

Regardless of the risks linked to flipping properties, it is worth taking a look at some of the benefits that could come your way. Knowing what to expect warrants that you make the right move that will take you a step closer to realizing your financial goals. Below are some of the reasons why investors would want to fix and flip properties.

## **Quick Profit**

Who wouldn't want to make money quickly? Fixing and flipping properties will give you the advantage of earning profits from your business within a short period. When the investment process is done in the right manner, you can rest assured that you will find flipping as exciting.

## **Experience**

Another valid reason why flipping properties is worth trying is because of the experience that you will gain in real estate business. As a newbie, you will learn more about real estate investing as a business. Also, you will cross paths with people who will form an important part of your network. With time, you will become a pro in real estate business.

## **Local Market Knowledge**

The mere fact that you will be working with realtors in the market implies that you will get a deeper insight about the local market. Locating and investing in properties will not be a daunting task for you. The experience that you will garner with time will go a long way in making you an experienced investor. As such, it pays off to try investing in flipping properties.

## **Construction**

Flipping properties will majorly entail locating assets in the market, renovating them, and selling them for profit. The process of renovating properties will consume a lot of time. Renovating properties will help you know more about the particulars of construction. For instance, you will know how much materials cost, cost of plumbing, cost of electrical repairs, etc. This information would come handy in the future when you decide to go for rental property investing.

Even though the benefits of flipping properties are quite alluring, there are cons that you should expect. Some of them are detailed in the following lines.

### **Potential to Lose Money**

A huge disadvantage that discourages most investors from opting to flip properties is the fact that they can easily lose money. This happens when the flip deal turns out to be a flop. When an investor fails to do an in-depth market research, they could end up purchasing flipping deals that are not demanded in the market. This means that they will highly likely incur losses coming from the holding and closing costs of the property.

### **Unexpected Expenses**

Flipping properties is also risky in the sense that you never know what you will be dealing with. Yes, you may have accurately estimated the expenses that you will face to renovate a property, but expect the unexpected. Pipe bursts could occur or roof damages could occur. The expenses that you have not planned for will take away the profits that you had anticipated. This could be discouraging when you had planned for higher yields.

### **The Challenge of Selling Fast**

When you choose to flip properties, you should be ready to sell the assets fast. The more you hold onto the property, the more costs you incur. Therefore, this demands that you should sell quickly to avoid incurring additional expenses that were not part of your budget. The challenge of selling the property fast will give you a headache more so if you are new to this kind of business.

### **Too Much Stress to Handle**

If you sit down and think about the overall idea of fixing and flipping properties, you will notice that there is too much baggage to handle. From dealing with contractors to selling the property fast, you will always be in a rush. If you make mistakes along the way, pressure will mount on your shoulders. In the end, you will regret ever deciding to invest in real estates.

The cons of investing in fixing and flipping properties should not make you decide otherwise about this type of business. Many investors are making millions from flipping. You should acknowledge the fact that any business has its risks. Consequently, if you were looking to make some money fast from flipping deals in the market, ensure that you mull over the following tips.

# Tips to Successfully Flip Properties

There are shows that often entice people to invest in flipping properties. These shows tell stories about how people are making millions from just buying and flipping deals in the market. Interestingly, it is not all rosy. Effort is required from the investor to first understand the market before anything else. To succeed in fixing and flipping properties, the following are guides to help you.

## **Understand the Market**

Being a successful real estate investor demands that you should first understand the local market before choosing to purchase properties. Knowing what the market wants will make a difference, as you will be choosing varying types of properties to flip. For instance, if you are planning to invest in a market where people are wealthy, you will focus on flipping luxury homes. Therefore, understanding the market is very crucial to the success of your real estate business.

## **Buy Below the Market Price**

The secret to making profits from flipping deals is by purchasing homes at a lower market price. Your bargaining power will be of great importance here. Getting a reasonable price for a house will imply that you will boost your chances of getting something good out of it. To ensure that you are not lured to overpay for a home, always set your feelings aside. Bringing your feelings on board will prevent you from walking away when the home is overpriced.

## **Dealing with Hard to Sell Property**

As stated earlier, flipping has the challenge of pushing an investor to sell the asset fast. Clearly, there are times when a house would be difficult to sell in the market. When this happens, what should you do? Should you continue marketing the premises at your expense? Well, the best thing to do would be to find an individual to rent the home. You should always have an exit plan at the back of your mind. Flipping and selling properties will not run smoothly every time. As such, you need to know to market the house to be rented until a later period when a buyer would be found.

## **Hire a Realtor**

It is easy to get confused over the Internet when browsing through flipping leads that are within your area. To tell the truth, you might also end

up thinking that finding flipping deals in the market is an easy job. From experience, you definitely have to work with a realtor in order to thrive when fixing and flipping houses. An experienced realtor will not only help you find many potential leads but they will also link you up with potential buyers in the market. This means that you can earn quick profits just as you had anticipated. Save time and money by working with a real estate agent.

### **Location is Key**

From what you have read so far, location is an all-round real estate investing tip. You should not expect to succeed in this business if you don't invest in finding an ideal location for your investment. This applies both to fix and flip deals as well as in rental property investing. Naturally, people will want to reside in homes where they know they are safe. Also, they would be looking to purchase or rent homes in areas where they feel comfortable. So, location can never be ignored.

### **Too Good to be True Leads**

Occasionally, you will come across particular flipping leads that will capture your attention. Some deals in the real estate market are lowly priced to the extent that it gets people worried. You should never rush to invest in such suspicious deals. Consider the old adage that says, "When the deal is too good, think twice." Undeniably, you should stop and think twice as to why the house is priced so low. There must be something wrong with it. Do some digging and you might find out that the homes have legal issues or that they are just scams. This is another reason why working with a real estate agent will help you.

### **Always Stick to Your Budget**

If you end up overpaying for a flipping deal, you are doomed from the start. Sticking to your budget confirms that you will earn your profits once the houses are sold. First estimate the renovations that the home might demand. Next, have in mind that there are unexpected expenses that you will incur later on. Afterward, estimate the after repair value by looking at comparatives. Finally, you should get your profit when you deduct all expenses from the after repair value. The advantage of sticking to your budget is that you will only go for flipping deals that are promising. Ultimately, you will avoid financial strain associated with overpaying for flipping deals.

# Mistakes to Avoid When Flipping Properties

As pointed out before, there are several things that can go wrong when fixing and flipping properties. Unfortunately, when things go wrong while flipping, you face the risk of losing money. Some of the common mistakes that you should avoid when flipping houses are looked at in the following lines.

## **Taking on a Big Project**

As a beginner in real estate business, you need to take things step by step. The biggest mistake that could cost you is taking on a big project when you are not ready to do so. The returns from a big project might blind you from realizing that there is a lot demanded from it. What you need to do is to find a property that is within your budget range. If possible, bargain for a lower price, as this will help you earn profits easily.

## **Overworking on a Property**

Additionally, you could also get carried away by your emotions and end up overworking on a property. Regardless of the fact that this is your first real estate project, you should understand that people are always looking for simplicity in the market. The worst thing is that some of your customers might not notice the difference in using expensive materials. Therefore, settle for standard materials that will not cost you a lot and provide your target market with a product that they are looking for. The idea of overworking on a property will not attract high returns keeping in mind that the rent charged or price will be similar to neighborhood premises.

## **Failing to Build a Strong Network**

The business of flipping houses requires a strong network of professionals that could help you in flipping and selling your property fast. You need to work with a realtor, accountant, contractor, plumber, etc. All these real estate professionals will save you time and money. Hence, it is imperative that you build a strong network of friends who are always ready to help out the moment you make your first purchase. Remember, time is of the essence when flipping properties.

## **Forgetting to Screen Your Contractors**

Good contractors cannot be determined by just looking at their faces. You need to screen them by contacting their references. Also, pay a visit to the previous sites that they worked on. Did they do a good job? If their services impress you, you can go ahead and hire them. Don't entrust contractors with your lifetime investment. Make sure that you work with qualified individuals with a proven track record.

### **Overpricing the Property**

Once you are done fixing and flipping houses, the last thing that you should do is to overprice the homes. This is a common mistake that many investors make. The fact that you spent a lot of money renovating the property doesn't mean that it should be overpriced. In fact, doing this will only limit your chances of selling the home fast. Ultimately, you will incur a lot of money holding the property as you wait for a reliable buyer. Do not be surprised if you sold the property below the market value just to get it off your chest.

### **Overpaying**

Overpaying on a flipping lead will only mean that you have less money left to pay for renovations. Paying too much also reduces the profit that you would have gained from the deal. Don't make this mistake. Since there are unpredicted expenses that you might incur, there is the possibility that overpaying could also lead you to make huge losses. If the deal is not something that is within your budget, walk away. There are numerous properties in the market that can be purchased for a fair price tag. You only need to know how to search.

### **Fixing Properties Yourself**

Sure you are running on a tight budget, but it doesn't mean that you should do all the renovations on your own. There is a reason why it is always recommended to hire a professional to do the fixing. A professional fixer will know how to use resources effectively. You, on the other hand, you might not know how to do this. Eventually, you will waste a lot of money renovating houses. Save yourself from additional expenses by working with an expert.

### **Underestimating the Time Required to Flip**

Another huge mistake that will also frustrate you when flipping houses is underestimating the time required to flip. Initially, you might think that you will only need to fix and flip houses within a month or two. However, your plan could always go out of the window when the weather changes.

This could delay the entire process. You should have this in mind. Also, there is the possibility that machines could spoil during the renovations. When this happens, it also drags on the renovation process. If you are not prepared for this, you will only be disappointed.

# **Rental Property Vs. Flipping Houses**

After going through the basics of fixing and flipping houses, you must be asking yourself, “should I fix and flip or should I invest in rental properties?” Well, you are not alone in this predicament. Many investors are often confused as to whether or not they should invest in flipping deals or buy and hold properties. The answer to this question is that it all depends on the investment goals that you have set for yourself. Equally, the existing market opportunities will influence the decision that you will take. Consequently, we cannot push you to invest in rental properties when flipping deals in your market is the in-thing to do. Make wise choices by relying on expert advice from real estate agents as well as your mentors.





# Chapter 11: Rental Property Management

Being the owner of the rental properties that you will have purchased, you will also be considered as the property manager. There are investors with several houses to manage; in this case, such investors would prefer hiring property managers to help them with the job. However, the concept of property management is all the same. The manager is there to provide a shelter to those that need it. In exchange, tenants pay rent. The process of managing rentals is not an easy job. In fact, it gets tougher when you have to deal with stubborn tenants. This chapter will take an in-depth analysis on rental property management. From the information delivered here, you will get to know more about managing your tenants, communicating with them, collecting rent, and ensuring that your houses are always in good shape.

In line with renting, the most important thing that you should comprehend is that a vacant premise will not be good for your business. As the property manager, it would be your goal to always ensure that the houses are full. Obviously, your rentals will not be full throughout the year if you don't know how to manage your properties. You need to learn how to make your tenants happy. You should understand how to choose your tenants wisely. The management process demands that you should invest your time in learning how to win over tenants even when things are not working out. The following section will take you through what you need to do to become a successful property manager.

# Rental Property Preparation

A fundamental step that you need to take right from the beginning is preparing the property. Before renting out the houses, you need to make sure that they are rentable. They should be ready for tenants to pay their rent and live in them. The preparation process demands that you will have to consider both the interior and exterior parts of the house.

After purchasing a particular rental property, you need to prepare it by taking time to renovate it. We are not talking about flipping houses here. However, you need to bring the house back to market standards. Remember, you might have bought the property from foreclosure deals. This means that the houses will need renovations. Don't bring tenants to a house where there are leaks and roof damages. You will only push them away as they would look for better options in the neighborhood.

The importance of preparing your rental houses is that it will also guarantee that you attract the right people to your houses. The first impression that they get means a lot. Consequently, work on the exterior parts of the house. Make sure that it is neat and presentable. Before looking at the interior of the house, a tenant would have their heart melted by how nice the outside area looks.

As you can see, the preparation process is very important. Consequently, you ought to consider hiring reliable contractors in your area. Additionally, you will also pay for inspection services. This is a move that will confirm that your property is 100% ready to be rented out.

# Determining the Rent

Now that your rental houses are ready, the next thing would be to determine how much you would charge as rent. You cannot just wake up and make arbitrary decisions on the rental price. Knowing how much to charge is not as easy as you think. Investors that have spent thousands of dollars renovating their houses would even have a hard time. This happens because such investors would be tempted to overprice the rent. Your personal feelings with the rental properties should always be set aside.

Determining the rent to be charged goes hand in hand with knowing the amount charged as security deposit. Still, you also have to decide whether the amount charged as security deposit is fully refundable or not. Depending on your state laws, the restrictions that you will impose on security deposit will vary.

Which type of rental contract will you be working with? Your target market will have an influence on this decision. As the property manager, you will want to choose between month to month renting and leasing the rental properties. Before deciding on anything, conducting a thorough market research will help you. Through your research, you will know the advantages and disadvantages of each option.

# Advertising Your Rental Properties

Your newly purchased rental properties will not attract the demand that you expect if you fail to market them. Marketing will make a huge difference to your real estate business. It will lure potential tenants to your end with ease. Fortunately, you don't need to worry too much about marketing thanks to the advent of the Internet. There are a wide array of marketing options that you can take advantage of to warrant that your rental properties are fully occupied. Some of the marketing options are discussed succinctly as follows.

## **Use Social Media**

With the introduction of the Internet, marketing has never been easier than on social media. Today, most people use social media pages to find the help that they need. When searching for places to rent, the first place that they would consider asking is on social media. Therefore, you should consider advertising your rental properties on popular social pages such as Twitter, Facebook, Instagram, etc. When making posts on these pages, always remember to have an active online presence. This way, you will win the trust of renters using social media to find new homes.

## **Market the Community**

Another unique way of marketing your rental properties is by marketing the community. Most people would want to live in a place that is highly rated due to its convenience and all. So, besides posting pictures of the rental properties, post pictures that tell a lot about the community where your houses are located. This will certainly win over the hearts of many.

## **Create A Business Website**

Part of your marketing will demand that you create a business website that explains you as a business. Tenants will be looking at your overall business before deciding to rent your apartments. Give them a lasting impression by having a business website that displays your rental properties and other businesses that you are engaged in.

## **Rental Publications**

Your local area will have rental publication areas where other investors market their houses. You should also use these publications to market your business. Some of the publications will require a small marketing fee. Don't hesitate. Pay, as you will be getting something good out of this.

## **Referral Programs**

You could also rely on referrals to get reliable tenants. Talk to your current tenants about the possibilities of having their rent reduced if they refer their friends to lease your properties. The long-term benefit gained should help you look past the rent deductions.

# Choosing Your Tenants

Choosing your tenants is regarded as a fundamental step that should be done with caution. The type of tenants that you choose will have a huge impact on the profitability of your real estate business. Bad tenants can easily convert a highly lucrative property into a huge loss. Most entrepreneurs will think that the idea of finding and choosing tenants is a straightforward process. This might be the case but an issue arises when you make the wrong choice of people to rent your houses. Honestly, this happens to every landlord. However, effective management skills will guarantee that you deal with stubborn renters before they destroy your properties. The following is a closer look at how you can get reliable tenants to rent your houses.

## **Don't Be In A Rush**

Sure it has taken you a long time before getting any income from the property that you just bought and renovated. The expense that you have incurred to this point will highly likely influence the decisions that you will be making henceforth. For instance, you will be tempted to allow any first applicants to rent your houses. This is not an ideal way of choosing renters. You should be patient and have a plan of how you are going to screen individuals interested in renting your new properties.

## **Expand Your Search**

When looking for prospective tenants to live in your properties, you will want to fill the empty rooms as soon as possible. This means that you need to expand your search. Cast your net widely through the ads that you will be posting. The more people you reach, the higher your chances of getting tenants to fill up the void in your apartments.

## **Follow the Law**

There are laws that govern the way in which landlords are supposed to treat tenants. You should be aware of these laws to ensure that you don't get yourself in trouble. Often, these laws are there to ensure that all tenants are treated equally. Consequently, it would be illegal to discriminate your tenants based on sex, religion, or race. The point here is that you should abide by the local laws of your state.

## **Tenants With Good Credit**

The screening process will also require you to choose tenants that have good credit. Consider whether the people you are choosing are financially responsible. Individuals that have been paying their bills and debts on time would have a good credit rating. Their financial aspects will give you a deeper insight into their abilities to pay rent. Besides running a credit check, you will have to verify their income. To verify their income, all you need is a copy of their pay slips.

### **Criminal Background Check**

You will also have to pay attention to criminal records of potential tenants that you wish to welcome to your houses. This information is easily available by visiting local courthouses. Both minor and serious offenses would be presented through this checkup. The importance of running a criminal background check is that you will protect your tenants from any issues that could arise in future. Besides, you will also be giving a key to one of the rooms to a person you can trust.

### **Rental History**

The rental history of prospective tenants will also give you some insight on what you should expect from the people you will be inviting. If possible, find a way of communicating to previous landlords. Ask them several questions concerning the people you are screening. Important things to mull over include whether the individual paid their rent on time, whether they were clean, or whether they complained often. You should choose to work with a reliable person that will be patient when calling for repairs or regular maintenance.

### **Trust Your Guts**

You are not being discriminatory in any way but if your instincts tell you that there is something wrong with your applicant, don't ignore your feelings. While trying to listen to your feelings, try your best not to discriminate anyone. It is illegal and you might face heavy fines if an applicant files for a complaint.

### **Number of People Per Room**

Depending on the rental properties you will be advertising, you should be keen on the number of tenants that you allow to live in a single room. If you invested in apartments, you should restrict the number of people to two people. Allowing many renters to live in a single room will only give you a hard time dealing with them. The chances of destroying your investment are high, as they will always blame each other.



Screening your tenants will help in guaranteeing that your investment is in the right hands. It is painful to see tenants that are careless wear out your properties. Also, you don't want to keep reminding your renters that they should pay their rent on time. Most importantly, you want to confirm that your tenants are safe. Choosing the right tenant can circumvent all these. So, before handing over keys to any random individual, make sure that you know them.

# Transparency With Charges

Tenants will always want to live in a place where they feel that their landlord is transparent about everything. In this case, they do not expect that you should be hiding some costs from them. Assuming that your tenants are the ones that should be paying for electricity bills or other utility bills, this is something that you should inform them from the word “go.” Don’t wait until last minute to surprise them that you are not the one paying for electricity bills. Your tenants may not have a difficulty paying for the utility bills but your transparency is what would annoy them. Go through every detail before they sign the lease contract. This warrants that you begin your relationship with your tenants on the right tone.

# Dealing With Pets in Your Property

Of course there are applicants with pets that would want to live in your premises. As a landlord, you have to determine whether you will be allowing pets on your property or not. This is a decision that you need to make by considering other tenants. If most of the tenants don't have pets, it would be advisable to restrict certain types of pets. This provides your renters with a warm and quiet environment that they wanted.

The question of whether or not to allow pets in your property is something that you ought to bear in mind when marketing your rental houses. Highlight the pets that you will be allowing and those that you will not. If you are going to allow pets, ensure that you ask your applicants questions regarding their pets. For instance, you may want to know the number of pets that they have. Also, knowing whether the pets are inside or outside pets would be an important consideration. Depending on the number of pet owners that you are interviewing, it would be important to meet the pet. This gives you the chance of knowing exactly what you are allowing onto your premises. It could be a dangerous dog that would scare away your tenants. Be wary of the pets that you allow.

# Communication With Tenants

Communication between you and your tenants is very important. Occasionally, your renters will have complaints that need to be addressed. Providing them with excellent communication channels will give them a good impression about your business. When communication is great with your renters, you can be sure that you will be dealing with minimal issues around your property. This gives you an easier time managing your assets. Communication tips that will help you become a great manager are detailed in the following paragraphs.

## **Create Time to Meet With Your Tenants**

Whether or not you will be dealing with property managers, it is essential to create time to meet in person with your tenants. This applies to landlords that would create tenants portals for effective communication. Meeting with your renters helps in developing a more trustworthy relationship. Your tenants will garner the feeling that you are not far from their reach. Consequently, they can always contact you when they have issues.

## **Keep it Fun**

Managing your properties will require your attention on issues that your tenants may be facing. There are instructions that you will also want to give your tenants about maintaining the property. While doing this, don't make it seem as though you are commanding them. Keep things fun and exciting by communicating things once in a while. Your tenants are mature people. The last thing they need is someone reminding them constantly that they need to keep the property clean. Know how to address issues without coming off in a bad way.

## **Share Your Expectations**

Your tenants should also be aware of the expectations that you have in mind. Remember, your renters are not mind readers. It would be impossible for them to know what you want. So, be honest about it. If there are specific behaviors that you don't allow, point them out.

## **Be Respectful**

As a landlord, there are times when you will be tired with constant complaints from some of the tenants. This does not mean that you should be arrogant with them. Listen carefully and find respectful ways of solving

their problems. Also, the fact that you own the properties should not drive you into thinking that you can talk to your tenants anyhow. Give them the respect that they deserve, as it would lead to a long lasting relationship with them.

### **Don't Get Too Emotional**

You are the property manager or the landlord; you don't have to get too emotional when things get heated. Keep a cool head to warrant that you act professionally. This will prevent you from making decisions that you might regret later. It could also assist you in getting out of legal trouble in case you are tempted to fight.

# Collecting Rent

Collecting rent will be an easy process for you if you communicate your rent collecting policy to your tenants. Before allowing them to rent your premises, this is one of the fundamental things that you should communicate to them. They should be aware of how much they should be paying as well as the deadlines of making such payments. Equally, the modes of payment that you use should be detailed in the lease or rent contract they will be required to sign.

Regardless of how well you screened your renters, you cannot forget the fact that there are times when the inevitable happens. It could get to a point where your potential renter fails to pay their rent on time. What should you do about this? The rent policies that you set will determine the actions that you will be taking. These policies should clearly mention the grace period that you offer your tenants and any penalties that they are likely to face. Instead of fussing with your tenant over rent that is due, you have the right to take necessary legal actions on them. This is after you determine that your tenant might not be able to pay rent due to their financial issues they might be facing.

Well, you should also not forget the fact that there are some tenants that would pay their rent on time for a prolonged period. When such tenants approach you with their difficulties, you should know how best to deal with their situation. Treat your tenants independently by understanding the challenges they are going through.

# Dealing With Naughty Tenants

The screening of your applicants will confirm that you welcome reliable individuals to your premises. However, you can't always be right. There are times when you will make mistakes and allow naughty tenants in. They will not give you an easier time managing your properties. As such, it is important that you know the problems you are likely to face and know how best deal with them.

## **Loud Tenants**

One uncontrolled tenant can easily disrupt the peace in your rental houses. This may affect other tenants and they could choose to leave your premises. Before it gets to this point, you should know how to deal with such loud tenants. One thing for sure is that you should have restricted this in the rental policies that you will formulate.

## **Late Rent Payments**

Timely rate payment is what will have a positive impact on your real estate business. It will mean that your real estate business is thriving as you get your cash flows on time and that you find it exciting to manage your properties. To be on the safe side, you need to have a rent payment policy that will remind renters of the possible penalties that they could face. Just a reminder, you also have the law by your side. Consult with your real estate attorney to find out the legal steps that you can take when tenants:

- Go bankrupt
- Die while living in your houses
- Refuse to vacate
- Have relationship issues when living in your properties

# Maintaining Your Rental Properties

At the beginning, it would be easy for you to manage your rental properties since you have a small number of units to attend to. However, as time goes by, you might invest in other properties in the market. This means that you will have to hire other people to manage your properties. If the rental properties have many on-site units, it is a must to have a property manager around the premises.

Maintaining your rental properties will warrant that you enjoy the profits gained from the rental income for a long time. Such maintenance will require working with experts in the industry. For instance, you should have contacts of reliable electricians, plumbers, etc. These individuals should act promptly and deal with repairs before they get out of hand.



# Protecting Your Investment

As you might have expected, you spent a lot of money to get your investment where it is. The main reason why you invested in real estates is that you were looking for a long-term investment. Consequently, you need to protect it. Losing money from your property is something that you don't want to experience. Your aim should be to minimize expenses. To protect your investment, you should reflect on the following pointers.

## **Insure Your Property**

Insuring your property will save you from worrying about unpredicted events that could ruin your investment. You should insure your property against common incidents around your neighborhood. An insurance agent should advise you on the best covers that you should purchase.

## **Pay Your Taxes**

Legally, you will also be protecting your investment by making sure that you pay taxes regularly. The good news is that there is a way in which you could minimize the amount of taxes that you pay. Keep yourself informed by working with a local property attorney.

## **Proper Documentation**

Protecting your property also means that you should have all the necessary documents attached to it. These documents are solid proof that you are the owner of the property. You need to keep them safe for references. When legal issues arise, you will find no trouble arguing your case.

## **Pay For Security Services**

Tenants will also be impressed when you hire a security firm to help guard your houses for rent. It gives them the assurance that they will be safe while living on your premises. It should come to your attention that these services are not costly. You can choose to cost share with investors who have properties around that area. Having security services securing your houses will highly likely influence many applicants to choose your houses over others.

Undeniably, there is a lot to take in with regards to managing your rental properties. It is not an easy task. However, with the right directions, you will find the experience to be exciting. From determining the rent to be paid, to choosing your tenants, and finally protecting your assets, you need

to heed into the suggestions that have been pointed out. At the end of the day, you will be living happily knowing that your properties are generating you the life-long rental income that you had initially anticipated.



# **Chapter 12: Guide To Finding The Right Property Manager**

With the advantage gained in hiring a property manager, we cannot overlook the fact that you might want to find the right expert in the market. The right management looking after your property will make a huge difference to your investment. As the owner, the manager that you will work with would have reduced the stress that you are likely to face. Also, you will be flexible to attend to other personal activities. Consequently, it is worth taking a look at the best ways of finding an ideal property manager in the market.

## **Begin By Asking for Referrals**

There are other investors that would be willing to refer you to reliable property managers in the market. This information could also be obtained by asking real estate agents. Working with referrals gives you an easier time, as you would have wasted time looking for one in the market. The only thing that you would have to do is to interview the managers being referred to you. Ask them about their past experience in managing properties. If they have recently managed a particular property, you should ring them and ask them whether the prospective manager is worth hiring.

# **Do Research**

Referrals would indeed help you in landing on a great manager with minimal effort. However, you should also do your own research. With the help of online websites, you can find a property manager without depending on referrals. The most important thing is that you only need to interview the potential candidate that you will consider hiring.

## **Do Expand Your Search**

Don't just settle for the first property manager that comes your way. Your desperation should not lead you to settle for less. By expanding your search, you will increase your chances of getting a reliable manager with proven track record. Having many managers to interview also gives you the advantage of choosing the best from the lot.

# **Confirm Licenses and Certifications**

Whether you will work with an individual or a company, you need to confirm that they are licensed. This is a move that would protect you from any legal issues that could arise in your properties. Also, you never know what could happen when your properties are being managed. For that reason, you need to work with managers that have the right licenses to operate in the neighborhood.



## **Set Clear Expectations**

You should be clear with the duties and responsibilities that you would expect from the property manager you would hire. For instance, if some of the houses are vacant, the property manager should know how to market the premises and fill the spaces. Any repairs or maintenance that should be done ought to be handled in time. Setting clear expectations will create a smooth working relationship with the property manager.

# **Communication is Key**

You will be communicating with your property manager frequently. Therefore, this demands that you evaluate whether they have good communication skills. You can determine right away whether the property manager is good in communication from the way they will answer your questions. Ideal managers to hire are those that listen to you without cutting you off. During your first communication, take note of such communication habits.

## **How Much Do They Charge?**

The amount of money that they charge for their services would be another area worth thinking over. Here, your aim should not be to hire the cheapest in the market. At the same time, you should be careful not to overpay the property managers. The rates should be fair and reasonable. Do a market research to find out how much property managers are paid. Thereafter, make a decision whether you will pay them more as a way of motivating them to keep up with their good work.

## **Are They Landlords?**

There are landlords that act as property managers in the market. Some investors would consider this an added advantage since they are experienced. Nonetheless, you should keep in mind that the property managers would prefer to send new tenants to vacant rooms in their own properties. Therefore, you will only suffer if you work with property managers that have their own houses to rent out.

## **Ability to Conduct Routine Checks**

Dependable property managers would be those that would conduct routine checks in your properties. This means that they should know each tenant in person and ask them whether they have any issues that they need solved. Such routine checks helps a lot as damages could be avoided altogether. Property managers that live in distant locations from your houses will only charge you more for their services. You need to consider working with those that operate within the neighborhood that you have invested in.

Locating ideal property managers in the market is not a challenging task to handle. A vital step that any landlord should take is to remember to interview the property managers in person. Aside from this, they should also look at their credentials whether they are qualified and licensed. All in all, you should not overlook the importance of working with a property manager.



# **Chapter 13: Common Challenges Faced in Rental Property Investing**

Just like any other business, real estate investment also has got its challenges to deal with. Knowing these challenges ensures that you find practical ways of mitigating the challenges. Ultimately, it would be an exciting experience for you in the real estate business. This chapter will take a look at the common challenges that will come your way and the possible solutions to deal with these obstacles.

# Lack of Experience

After noticing that real estate investing is profitable, one might rush to put their money in properties. Unfortunately, they end up losing hope along the way after realizing that they do not have sufficient real estate knowledge. There is a lot to learn in real estate business. It is for this reason that it is recommended that investors should first invest in learning before trying out anything.

Prior to venturing in real estate business, the most important thing to do is to learn about the basics of this form of investment. Find out the different types of properties that are in the market. Get to know the financing options that are at your disposal. How do you find this information? Well, information about real estate investing could be obtained by going through eBooks, just as you are doing. Take advantage of blogs, books, and mentors that have succeeded in business.



# Qualifying For Financing

Besides lacking sufficient knowledge, you will also face the challenge of getting financial aid from banks and other lenders. In reality, this is one of the main reasons why investors give up. Without proper financing, there is no way that you will manage to successfully invest in real estates. The challenge of getting loans usually arises because of poor credit ratings that people suffer from. Banks will want to confirm your credit rating before approving your loan. As such, if you have bad debts, there is a certainty that you will not be getting any financial help from banks.

How do you circumvent such an obstacle? Truly, there is no way around this. The best thing that you can do is to improve your credit score. This might take some time but it will finally pay off. If there are any pending debts, work to ensure that you clear them on time.

Other options that you could consider to get financial help are by relying on friends and family. Inform your friends and family of the investment idea you have in mind. If they are financially stable, they might help you out. Equally, you should mull over talking to private lenders. These lenders will not be looking at your credit score. Therefore, it would be relatively easy for you to get a loan.

# Finding Properties

Another challenge that is often discouraging to new real estate investors is the issue of locating properties. There are thousands of properties in your neighborhood. Therefore, it is confusing to a newbie. A new investor will not know the best areas that they should search. Besides, they will also find it difficult to determine the best properties that they should choose.

The challenge of locating properties is influenced by the fact that new investors lack connections in the market. They do not have contacts of people that could help them search the market. The worst thing is that searching for properties on your own is something that you can never do. You will only fall for scams, which could discourage you from the idea of trying real estate investing completely.

Choosing to work with real estate agents could easily solve the obstacle of locating properties in the market. A new investor in the market should begin by hiring a local realtor to take them through the investment process and help them locate properties. Similarly, finding properties can be made easier if you choose to expand your search. Don't just rely on driving around the neighborhood to locate premises. Use the Internet to search. There are numerous properties that are listed on a daily basis over the Internet.

## **Blending With a Realtor**

A real estate agent will be your friend throughout the investment process. They are the people that you will rely on for expert help on the decisions that you should make. Today, there are many real estate agents in the market. Therefore, this creates a challenge to a new investor, as they cannot differentiate good from bad. Funny enough, all real estate agents will come to you with all kinds of promises.

To help you overcome this obstacle, you need to seek for referrals. Talk to other investors in the market that you know. Ask your friends for referrals if they recently invested in rental properties. Also, you could choose to screen the realtors that you will be considering to work with. Don't settle for any agent just because they say they are real estate agents. Make sure that you confirm their credentials and ring their references.

# Managing the Rental Properties

After buying an ideal investment in the best location, you might think that you will become rich by simply finding tenants to pay rent. There is more to real estate business than just buying, renovating, and renting out properties. Property management is one of the most important aspects of real estate investing. It will make a huge difference as to whether you will be getting positive cash flow from your investment or not. You need to work hard in order to become a successful property manager. Convincing strategies on becoming a successful property manager have been discussed in the previous chapter; heed into the recommendations.

The easiest way of solving this challenge is by hiring an experienced property manager. If you have several properties that you have invested in, you should consider working with a property management company. Indeed, it will cost you. Nonetheless, you will benefit from reliable management services that you will be dealing with. So, as you think about purchasing a rental property in the market, remember to save some money to cater for management demands.

# Vacancy

Still, you will always be stressed when you notice that some of your rental properties are constantly vacant. This is an expense. It hinders you from maximizing on the investment that you made. To solve the challenge, you should be aware of the practical ways of keeping your tenants happy. Your renters will not be happy if you don't maintain your rental properties. Therefore, vacancy in your properties will be influenced by your actions. If you fail to listen to your tenants, rest assured that they will leave your houses. It's as simple as that. People are struggling to pay rent. This means that they will not feel comfortable living in a place where the landlord rarely listens to them.

# **Time Constraint**

Before you can purchase a rental property, you will have to spend time researching and researching. Learning all about real estate investing will not happen overnight. Investors that are already successful in real estate investing are still learning how to maintain their success records. Consequently, you also need to be patient so as to rip the benefits of real estate investing. Unfortunately, not all people are patient enough. Some simply give up at the first sight of trouble. One motivating factor that you should understand is that every business has got its challenges. So, you need to brace yourself and learn how to deal with your own real estate business challenges.

# **Estimating Required Repairs**

If you are going to invest in foreclosed properties, you will face the challenge of accurately estimating the required repairs. Underestimating the repairs needed will hinder you from making the profits that you expected from the investment. To avoid this, working with a contractor will help. They will give you insights into what a property will require even before you purchase it. Other additional costs should also be taken into consideration.

# Collecting Rent

Another major challenge that landlords face is that of collecting rent. If you will be managing your properties on your own, then you will have to collect rent monthly. Some tenants will pay their rent on time; others will give you excuses about their delays. Knowing how to manage all your tenants with regard to rent collection is paramount. Keep in mind that it could reach a point where you have to take legal action on those that fail to pay their rent completely.



# **Dealing With Problematic Tenants**

Tenants that are uncooperative will give you stress. If you have to argue with your tenant regularly about the noise, you will feel the pain of having to cope with them. This is a challenge to most tenants. The worst thing is that some tenants will even destroy your houses by misusing them. This will have a negative on your cash flow since you will have to cater for repairs.

# Market Fluctuations

Your real estate investment will also suffer from economic market fluctuations. This is another challenge that you have to cope with. A practical way of mitigating this challenge is by carefully studying the market trends prior to purchasing any property. You will be better placed to settle for rental properties that sit on stable markets.

Obviously, the challenges discussed in this chapter are not the only obstacles that you will face. Regardless, it is imperative to be aware of the common challenges that have been mentioned. The solutions proposed will also assist you in mitigating these challenges where possible. The most important thing to keep in mind is that challenges will always be part of any business. Don't be afraid of facing them; after all, failure is what leads to success.



# **Chapter 14: Negotiating Real Estate Deals**

When buying anything for the first time, one is always concerned about getting the best deal in the market. This is what happens when investors search the market for real estate deals to take advantage of. Getting the best deal is not only reliant on how good you carry out your research but it also depends on how good your negotiation skills are. Your negotiation skills will help you land a great deal in the market. The best part is that it would be somewhat easy for you to make profits out of it. This section will point out some strategies that you can adopt to boost your negotiation skills.

# Research

The first thing that you need to do in becoming a good real estate negotiator is by researching more about the market. Certainly, you cannot negotiate something that you know little about. When buying your first car, it is impossible to negotiate for a good price when you know nothing about cars. In the same manner, you need to do research on real estate investment. Find out what sellers expect from property buyers. Also, take your time to research more on the market prices for comparable properties. When you have a deeper insight about the market, it would be easy for you to negotiate for a fair and reasonable price.

# **Never Walk Alone**

Sometimes the negotiation process could make you appear as though you are the needy party. To avoid this, you should consider walking with a partner that will help you win the negotiation. Find someone who is more informed on real estate business. Before meeting with the property seller, decide on a price that will be your lowest. If the seller cannot accept the price that you are negotiating, walk away. This is a negotiation tactic that always works.

# **Negotiate Properties with High Demand**

Your goal of negotiation shouldn't be based only on getting the lowest price for the real estate property. You should consider the fact that it is essential to bargain for a property that will earn you good returns. Consequently, your main strategy should be to locate properties that are in high demand. The advantage gained here is that when selling these properties or renting them out, you are assured remarkable returns on your investment.

# **Have Several Leads**

Having several leads when searching for properties to purchase will guarantee that you negotiate without appearing too desperate. After all, if the first deal fails, there are ten more options for you to choose from. With such a mentality, you will sail smoothly throughout the negotiation process. But first, do your homework and find several potential leads in the market you are interested in. Communicate with realtors to help you land on great leads worth investing in.



# Negotiate in Person

With the many potential leads that you will be choosing from, you might be tempted to negotiate for a deal by phone or by writing an email. Yes, you can do this, but it is recommended that you negotiate in person. Negotiating in person gives the property seller the impression that you are serious about purchasing the premises. If they were thinking of slightly lowering the price, they might do this to close the deal fast. The benefit of negotiating in person is that you also get to scrutinize the property whether it is worth what the seller is asking for. If there are any issues with the property, these are the things that will help you determine the best price for the asset.

# **Don't Be Emotional**

Your emotional attachment to the property will affect the likelihood of negotiating for the best price. If you are overly emotional, chances are that you will not be willing to let go of a property because of its perceived profitability. Free yourself from any emotions with the asset. Have it in mind that if the deal was not meant for you, there is another one worth investing in. Also, have several potential leads that you can look at so as to prevent you from acting in desperation.

## **Stick to Your Budget**

You will not be negotiating properly if you will be going past what you had budgeted for. You need to keep in mind that the buying process is just the beginning of the investment process. There are additional expenses that you will face along the way. Therefore, don't spend all your savings on buying the property. Stick to your budget and bargain for a price you are comfortable with.

## **End on A Good Note**

It is important to always end the negotiations on a positive note. You might not have won the negotiation, but the seller might end up changing their mind later on. Accordingly, choosing to end the negotiation process on a good note will benefit you in case the seller changes their mind and calls you back.

Evidently, the art of negotiation is something that you will have to master with time. At first, you will find a challenge of bargaining for the best market value. However, over time, you will naturally bargain for a price that is within your budget. Luckily, there are experts that you can turn to whenever you need help in negotiating for a rental property. For instance, a real estate agent can do the job for you if you promise them good commission for a successful lead. Alternatively, you could request a friend to help you out if they are experienced in the field. The most important thing about negotiation is for you to find the best price for the property you are interested in. Money saved here would help a lot in paying for renovations and other costs.



# Chapter 15: Closing a Real Estate Deal

The final step that you will want to handle carefully during your real estate investment process is closing the real estate deal. To new investors, this is the time that they have been waiting for as they can finally close on a potential deal that they identified in the market. If you have done your homework already, you should have noticed that the closing process takes time. Well, there is a good reason why the process is lengthy. You should not rush things during the final process. You have been waiting all this time. As such, you should be patient to complete the process successfully. Besides, the process is lengthy simply because everything has to be confirmed to protect both the buyer and the seller. Look at the bright side of the closing process. This section will cover the basics of closing a real estate deal. This information will help you prepare yourself for the closing of the properties you would be purchasing.

# **Start By Opening an Escrow**

There is a lot of money involved in the process of buying and selling of real estate properties. Consequently, every party involved in the transaction is always careful when dealing with the transaction. Due to this reason, you should open an escrow account. This is an account where a third party takes control of it. The importance of this account is that it brings some sense of trust to the seller that the money being transacted is in safe hands. The escrow account that you open will also take care of the necessary documentation that is required during the closing process. Simply stated, escrow accounts will help you to transact safely in any form of real estate transaction that you will be involved in.

# Carry Out A Title Search

The person that you will transact with when closing the real estate deal is someone that you might have never met before. You cannot trust them. Conducting a title search is a safety measure, which will provide you with valuable information regarding the ownership of the property. If there are other individuals that claim to own the assets, a title search will bring this to the light. Getting clear information about the real estate property that you are about to purchase will guarantee that you stay away from any legal issues that could arise in the future concerning third party ownership. If everything looks good after searching, you can then proceed to the next step.



# **Work With A Real Estate Lawyer**

Some investors who have been in business for a while might argue that it is not necessary to hire a real estate lawyer when closing on a real estate deal. Well, I think otherwise. We are human beings and we make mistakes sometimes. In line with this, the significance of hiring a lawyer is that they will confirm that everything is done in order. They will ensure you don't miss out on anything in regard to the documentation process. Remember, this will only happen if you hire an individual that has experience in real estate. An experienced lawyer will be keen to point out the basic issues that most homeowners fail to consider. Also, their presence gives you the confidence that you are making the right decision. Ultimately, you will feel comfortable proceeding with other demands of your investment including renovating the properties.

# **Bargain Junk Fees**

Being a new investor in the real estate business, you will be surprised with the numerous fees that you will be required to pay during the closing process. Some of these fees include review fees, ancillary fees, processing fees, email fees, and processing fees. These are just junk fees. If you will be working with a real estate agency company, these are some of the expenses that you will incur.

Fortunately, when you are aware of the existence of these fees, you have a better chance of bargaining. Experienced entrepreneurs have a way of eliminating them altogether. For you, on the other hand, it could be a challenge to avoid them. As a result, try your best to negotiate for a lower fee.

# Home Inspection

Wait! You haven't paid for the property yet. This implies that you can back out of the deal if anything seems fishy. Carrying out inspection of the property helps in finding out whether there are any potential issues that may have not been uncovered while you were scrutinizing it. If the problems identified will cost you a lot of money later on, it is best to back out of the deal. This is a common process. It is quite likely that the seller of the premises would have conducted a home inspection before deciding to sell. Don't rely on their information, as you can never know what they are hiding. Therefore, hire home inspection services that are affordable before proceeding to the next step.

## **Further Negotiations**

Negotiating for a better price is a step that you will take when you realize that the home inspection revealed specific issues that need to be addressed. This applies when the damages realized do not affect your investment in a huge way. Some sellers would opt to cover for the expenses of fixing the damages that were brought out by the inspection. At this stage, you should take advantage of the inspection results to bargain for a much lower price. You never know whether there are other damages that you would have to deal with in future. This makes it vital to consider further negotiations and lower the asking price.

# Final Walkthrough

By the time you reach this point, you would have noticed that everything is okay with the property. The last thing that you would do is to pay for the property, right? Well, you're wrong. The process is not yet over. You should consider going for a final walkthrough. This involves going through the rental property room by room to confirm that everything is in order.

The final walkthrough is an activity that should be done after promised repairs have been made on the property. Remember the damages that were identified during the inspection? The final walkthrough should be done to assert that these damages were solved.

## **Finally, Sign the Papers**

This is the last and the most important step throughout any real estate investment process. Your goal should be to confirm that you are signing the right papers with the correct information. There is a lot of paperwork involved here. Don't be surprised when you are required to go through a 100-page paperwork details. Ask for more time if possible. You should not rush to sign anything that you have not read. Once you sign these papers, there is no turning back. Therefore, it is vital that you take caution when signing these papers. You can request your real estate attorney or agent to help you in confirming whether everything is okay.

And that's it, after confirming that everything is okay, you only need to transfer funds that were held in escrow to the seller. Thereafter, you will assume ownership of the rental properties. The process is not as difficult as you might have thought. The only issue is that you need to be extra careful before making any decision. As pointed out, you should hire an attorney if you are not sure of what is required from your end.



# **Chapter 16: More Secrets on Profitable Investing**

Let's face it; there are times when we just need the secrets to successfully investing in businesses. Investors who have succeeded in real estates have their own secrets of investing wisely. It is for this reason that outsiders might think that things work out easily for these investors. However, we shouldn't rush to make quick conclusions without understanding some of the secrets that successful real estate investors share. Some of tricks that will guarantee you thrive while investing in real estates are discussed here.



## **Invest in Low Priced Areas**

The idea of choosing an ideal location when investing in properties doesn't mean that you should go for high-end properties. Sure, high-end properties will highly likely fetch higher returns, but this is not always the case. When beginning your journey in real estate investing, you should consider investing in low priced areas. These are areas where properties have been undervalued just because there are no amenities or accessible roads. Honestly, not all people want to live close to towns. This means that you can choose to target a different population that would be interested in renting your properties. The idea is worth trying when there are other similar properties in the area, which have been fully occupied.

# Emerging Growth Locations

During your search for the best properties to invest in, you will notice that there are locations, which are growing at an alarming rate. These are the best places to invest in. You will not get high returns fast but you can be certain that you will get higher returns in the future. Most new investors in real estate fear investing in such neighborhoods as they consider it to be a huge gamble. The trick is that, in a span of five years, the value of the properties in growing markets would shoot upwards. Therefore, you stand a high chance of making huge profits within a short while. Undeniably, patience pays!

# Entice Tenants With Amazing Offers

Depending on the demographics that you will be working with, amenities will have a huge impact on whether or not they choose to rent. After understanding what the market is after, you should lure applicants with amazing offers that they can't resist. What you need to understand is that these amenities might not demand a lot of money. Nonetheless, they will make a huge difference on how you retain your tenants. For instance, it is quite likely that your renters will be interested in renting your place because of the swimming pool you have installed. Moreover, free Wi-Fi will entice individuals that are always browsing over the Internet. As you can see, it takes a few creative strategies to get people to demand your properties.

# **Understand Your Competition**

People will compete to live in well-maintained rental properties just like businesses compete for customers. A prudent investor should understand what their competitors are doing in the market. What are they doing to give a facial uplift to their properties? Their strategies will highly likely influence the demand that you will be getting for your properties. Therefore, you also need to up your game and follow what they are doing.

# Get Good Tenants

Just as a reminder, the secret to running a profitable real estate business is to choose the right tenant. Work with the right people and you will never regret investing in rental properties.

The secrets discussed in this chapter should help you realize that you need to be creative when investing in real estate business. Your creativity will make you stand out in the real estate market. Ideally, these are some of the secrets that are utilized by successful real estate investors in the world. Arguably, it is the little things that you do towards making your property stand out that matters most.

# Final Thoughts

By now you should be equipped with the knowledge that you need to kick off your real estate investment plan. There is a lot to digest in rental property investing. Fortunately, this eBook has outlined the most important things that you should be aware of. This means that you are prepared to go out, look for properties, and invest in them. Most people consider rental property investing as an ideal path to invest into. Part of their main reason is because of the fact that it is a lifetime investment. This is true; once you have purchased a rental property and found the right tenants, you will always enjoy being a tenant.

The idea of investing in rental properties should also motivate you knowing clearly that you can easily leverage the little capital that you have. With leverage financing, you can always purchase properties that are worth more than you would have bought with cash. Consequently, if all goes well, you will be doubling your profits within a short period. Certainly, this does not mean that real estate investing is a quick fix to your financial problems. As a matter of fact, investing in rental properties calls for patience.

Have you thought of the growing demand for housing in the world? People are constantly looking for new and exciting places to live. To you, this is a market opportunity that you need to take advantage of. The mere fact that there is a growing demand for housing means that you can never go wrong with rental property investing. Chances are that you might end up regretting why you never started earlier. Cut yourself some slack; it is never too late to invest in properties.

Most investors would jump to the idea of investing in properties because of the way in which other people could pay their mortgage payments. Once you have applied for a mortgage, you can be sure that your tenants will be paying this for you. Being the landlord, your goal is to effectively manage the rental properties by finding the best tenants.

Investing in rental properties is also worth trying bearing in mind that there are tax benefits for you to exploit. Your taxes will be reduced contingent on the type of expenses that you will be incurring. Also, there are tax exemptions for you to enjoy. This is what most governments do to encourage people to invest in rental properties.

Maybe the main reason why you are hesitant about investing in rental properties is because of your limited financing options. Well, if you believe that you have a good credit score rating, then this should not be an excuse. There are numerous financing options that you can choose from. You can rely on home equity loans, conventional bank loans, mortgage loans, or simply use leverage. These are the common financing options that entrepreneurs use to access loans. If you have a poor credit score rating, your best option would be hard money lenders. The only thing that they would ask for is security that will cover your loan if you fail to pay.

When locating properties in the market to invest in, there are several factors that you need to remember. Location is the most important consideration to bear in mind. Your renters will be careful not to live in a crime-infested area. Therefore, you should also not invest in such locations. Likewise, you need to check the type of rental property. The property that you invest in should be related to what the market is after. Don't just buy rental property because it is reasonably priced. Find out what the market needs and determine whether it coincides with what you are about to buy.

You will also be lured to invest in foreclosures. They are a great way of getting good returns from your investment because of their low prices. However, before investing in them, you should be aware of the foreclosure process. You should study the market to find out whether there are foreclosures that can be purchased from homeowners. Moreover, this should bring your attention to the importance of hiring a real estate agent to help you in locating such foreclosed houses.

Another thing that you should remember relates to rental property management. This will make or break your rental investment. Once you have gone through the entire process of buying and renovating the rental houses, you should not relax. You need to strive to make sure that the property is maintained in a state that will always impress its visitors. What does this mean? If possible, you will have to hire a property manager to give a touch of management expertise. The management process also entails choosing the right tenants. Reliable tenants will give you an easier time managing your houses. They will pay their rent on time and they will take care of your property as if it were theirs.

However, in the process of managing your rental properties, you should expect the unexpected. You might fail to realize that you are allowing bad tenants to rent your properties. This happens frequently. You need to know

more about the legal channels that you can use to deal with stubborn tenants. Don't ignore to equip yourself with legal knowledge as this could land you in trouble.

Cautious real estate investors should also equip themselves with knowledge regarding the common challenges that entrepreneurs face in rental property investing. Knowing these challenges confirms that you understand and formulate ways of mitigating them. A common challenge that you could face is that of financing your investment. This should not discourage you from proceeding with your investment plan. You need to know that there are several financing options that you can turn to. A major challenge that you will need help to solve is that of managing your properties. It is not an easy job if you have never done this before. So, consider asking for help before you make mistakes that will cost you your entire investment.

Your rental property investment process would not be complete without knowing how to successfully close a real estate deal. This is the final step in your investment process. It determines whether you invested in the right property or not. Therefore, it is imperative that you go over the process step by step. Don't be in a rush to sign the closing papers that would be presented to you. First, confirm that all details are correct by consulting your real estate attorney. Also, before finally sealing the deal, consider going through a final walkthrough. There is no looking back once your signature is on the papers. As a result, you should be careful to close the deal cautiously.

On a final note, remember that your creativity in rental property investing will take you to the top. The way in which you market your properties will have a huge impact on the demand that you will get. Similarly, first impressions will win over the hearts of many property visitors. Therefore, you ought to work on both interior and exterior sections of your property. Overall, investing in rental properties will help you realize your financial goals in ways that you never anticipated.

Good luck!



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# **No Money Down & Long-Distance Investing**

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# Introduction

Real estate investment isn't a new concept - it has always been around. People have been aware of it for decades, but for a while, nobody was interested. However, now everyone is interested in real estate investment! What could be the reason? It is a great way to make extra income. Everyone wants to make more money. Day jobs just don't suffice anymore. The best way to give your income a boost is through real estate investing.

Some people might discourage you from investing in real estate, but you must not give up without giving it a shot. Every successful investor was once a beginner, so if you are worried about being a beginner, let that fear go. You can succeed as long as you have the right information at hand. There are plenty of books catered to beginners who know nothing about investment. These books provide the complete details on how to invest in real estate. That is the ultimate goal of this book.

Remember, just like in any other market, in the real estate market you'll find drawbacks - but don't let those drawbacks stop you from reaching your goals. But what if your goal is to invest with no money down? Is it possible? Of course it's possible! The real estate investment market is becoming better and better every day, and the opportunities are increasing immensely. The no-money-down technique is ideal for beginners, and there are plenty of creative strategies to make the most out of this technique.

Before you get started, you should learn a few important factors. Without these important factors, you won't be able to get the most out of your investment strategy. I will cover the important factors to make investing easy for you.

What about long distance real estate investing? Is it effective? If you look at the real estate investment market, you'll discover that there are almost no limits. Instead, it offers more and more opportunities. In such a market, you don't have to think about whether or not you'd be able to make profits as a long distance investor - you most certainly will.

Again, with this type of investment strategy, you need to know the tricks and tips to get started as a long distance investor. You might be residing out of state, but that doesn't mean you can't access or handle the market from afar. If you want something, go after it. If investing locally doesn't provide the profits you're looking for, take the necessary steps to find better opportunities through long distance investing.



I'll make everything simple and accessible through this eBook. You just have to be determined and focused if you are in the real estate investment market. Get ready to reveal the secrets in this in-depth guide on How to Invest in Real Estate with No Money Down and Long Distance Real Estate Investing!

Happy reading!

# Chapter 1: How to Acquire Real Estate Investment Wealth Creatively

Once you decide to do something, you have to make an effort to dig in for more information. Most beginners who enter the real estate investment market don't make an effort to learn the market better. Not learning about the market is a major mistake. If you learn the market thoroughly, you'll make less mistakes along your investing journey. You will not make the common mistakes that naïve investors make.

The first thing you need to learn is how you can acquire real estate investment wealth creatively.

There is no industry more robust than real estate. But, some investors still worry about whether to enter it or not. I can't say it's wrong, because risk-taking is not fun. In the real estate investing market, it is all about risk-taking and managing your finances successfully. But then again, without risks, you can't do anything in the business world. The higher the risk, the better the profit - if you manage it accordingly. On the other hand, the capital requirement has become a barrier to newcomers. It shouldn't be a barrier, though, because if you can understand the logic in investing, you are good to go!

As a beginner, you must understand the simple tactic of acquiring money. If you do, it will not be hard to handle investing, even if you are new to it. The simple fact is you don't have to have a large amount of capital to start out. Many successful investors have achieved excellence with little upfront capital. For example, Kent Clothier didn't have substantial capital, but he managed to make real estate investing a success through the combination of a motivated buyer and a distressed home (R.L. Adams, 2017). Now, he flips thousands of properties and makes a hefty sum. If this isn't success, what is?

Kent Clothier's story is just one of the many success stories out there. You can find so many successful traders who started their journey without considerable capital, yet made it big regardless. Significant starter capital is not a requirement in real estate investing, but rather complete knowledge of the market.

There are so many methods to help you get started in real estate investing, and investors all over the world are earning more through those methods. One such way is the no money down method, which is ideal for someone who is starting their investing journey without considerable capital. Before you learn the ways to acquire real estate investment wealth creatively, you should know three key factors:

- Don't assume that only major assets make profits. Most naïve investors are made to believe that major assets are important to buy a property or to protect a contract during closing. Yet, it is not the case, and you don't have to give in to such assumptions. Once you understand creative financing, it will be easier to understand that your assumption wasn't right.
- If you think that you have to have amazing credit, you're wrong. People with poor credit can also find ways to invest. Most of the creative financing methods don't require credit. The investor that I discussed above didn't have great credit. Most successful investors started their journey with poor or no credit.
- Lastly, assuming that significant capital is required is a common misconception. Like I said above, you don't need a huge amount of money to make substantial income. Yes, you might have to look for the distressed properties or lower-priced properties. However, the point is to find someone who will help you to secure the deals.

Now, let's understand creative real estate financing. Most beginners are skeptical about whether they can reach their goals using creative financing. As I said, there are so many success stories that you can consider in creative real estate financing. Creative financing is obviously different from traditional financing. You will not only be using non-traditional financing methods, but most investors also prefer these methods. You can successfully raise capital if you use these methods.

There are several different methods of financing in real estate investment. These methods don't require considerable capital or involve processes that you can't afford. Instead, you'll be able to use these creative methods to acquire a great deal of wealth in real estate investing. You might already know that investing in the real estate market is highly valuable, as it offers steady income and great rewards. Also, when compared to other

investments, real estate is safe and consistent. A lot of people want to make more money, and real estate investing is their first choice - yet they wonder whether or not to consider it just because of the initial capital. The key factor in purchasing real estate properties is making informed decisions. This means you don't necessarily need a large amount of capital. You only have to be wise.

As a beginner and someone who's looking for no money down investment, you must consider your situation and your investment goals. Once you analyze these, you will be able to make an informed decision. Here are some of the creative methods that you can consider:

**Private lenders** - This can be regarded as less risky and a method to better cash flow. When you utilize private lenders for financing, you can deal with the repayment terms with them. The private lenders will include business partners, friends, or some other third party. As the term of repayment can be discussed, you'll be able to purchase properties with no money down or little money down.

**Partnerships** - This is a common financing method that you might already be aware of. Most young entrepreneurs consider this method more often. This lets the entrepreneur find the right investors to manage the investment. You'll experience lower risks and have more cash to move forward.

**Home equity** - This means you'd be using the line of credit that is obtained from some other property. This equity can be used as the deposit to purchase another property. You do not have to worry about substantial capital.

**Mortgaging your home** - Yes, another creative method of financing is using your home. You can also extend the mortgage to get cash and invest elsewhere. It is possible to borrow against one's own property to invest. If you are done with the purchase, it is possible to refinance later.

**Renting rooms** - You can consider renting rooms in your own property/house. If you rent out, you'll be able to make an income from it. If you're residing in an area where there is a higher rate of tourists, colleges, or business demands, you can make this profitable. This method does require more ongoing work on your part, however.

**Borrow from relatives** - If you have relatives who are well off, you could consider borrowing some cash from them. In a case like this, you

must know what you are doing, and you must have the ability to explain your plans to the person you are obtaining funding from.

**Leasing with selling option or rent-to-own** - This might be great for you because you are just starting your investing journey. When you consider leasing with the option to buy in a few years, you'll be able to buy the property when you're ready and after you've gotten to know more about it. This can put you in a good position to rent it out yourself after purchasing. Rent-to-own can be an excellent chance for you, as you are looking for no money down investing.

**Join with friends** - You can also invest by partnering up with friends. If you have friends who are passionate about properties, you might be able to get together with them and invest. But, when you are doing this, you must discuss and draw up contracts for everything. It is important to discuss the steps to be taken if one of you doesn't want to buy or sell certain properties. Sometimes, your friend might need the money back, so in such instances, what will you do? If you don't want to face these kinds of issues, make sure to plan accordingly.

If you want to become successful in real estate investing, it is important to climb the ladder slowly, but steadily. If you aim to reach new heights, make sure to take it one step at a time. You must be careful when you are expanding your investment portfolio, because it is not going to be simple. You must plan in a way that helps you get the best out of it. But then again, you also have to decide if creative real estate is right for you, or if you should stick to the traditional method. You can't decide without knowing both the methods in detail.

If you consider creative real estate:

- You must look for motivated sellers to find great deals.
- You will not face much competition.
- You don't really need a down payment.
- You can deal with the seller without an agent.
- You can utilize owner financing to purchase properties.
- You don't have to deal with loan applications.
- You can make many offers on the same investment property.
- You can benefit from an existing mortgage.
- You can use private and hard money.
- You can negotiate as per price and terms.

If you consider traditional real estate:

- You have to connect with MLS (multiple listing services) to purchase properties.
- You have to contact a real estate agent to find deals.
- You can purchase listed foreclosures on the MLS.
- You can buy properties by contacting the wholesalers.
- You can benefit from the foreclosure auction sale.
- You must have substantial down payments.
- You might need investor bank loans.
- You can negotiate as per the price.

Now, this provides a simple overview of both traditional and creative real estate investing. Of course, despite the choice you make, you'll still have difficulties when entering the real estate market. If you prefer creative real estate, you must have outstanding knowledge about it. But, if you are dealing with traditional real estate, you must have the money or the means to get money.

The challenge that you'll face when dealing with creative real estate is education. You must acquire the knowledge that is needed to succeed in creative real estate investing. It is even better to seek help from a mentor when you are facing difficulties. Remember, you can't dream for great results through creative investing without allocating the required time for it.

Also, you must have a little money to cover a few upfront costs of creative real estate. Now, you might argue that often, creative investors don't need credit or cash to acquire real estate properties. Of course, you don't need a huge amount of money, but you need a little to cover the operating and setting up costs. For example, a sum of money is needed for marketing, because without it you can't find motivated sellers. You don't need a large amount, but a enough to get started is vital if you want to succeed in creative real estate investing.

**Pro tip** - I advise you to save up a certain amount (to cover the initial costs) and then get going in real estate investing! If you follow this tip, you'll be able to reach your goals. If not, you'll have to handle the hurricanes in the market, and sometimes you might win, but you also might fail. It is better to be safe and prepared when you are in the real estate investment market.

Then again, when you are dealing with traditional real estate, you have to find the money required for down payments. Sometimes, you might need money to renovate the property that you purchased. In this case, you can borrow money from someone. But, most people utilize their accumulated funds, such as a retirement fund. Even when dealing with traditional real estate, you must have the required education. Selecting the right option is up to you because only you know your capacity. Sometimes, you might have the accumulated funds, so your mind gets biased towards traditional investing.

However, in this book, we are talking about acquiring real estate investment wealth creatively, which is the hot topic in the investment industry right now, so don't you think you should give it a try and see how it works?

Continue reading to find more detailed information on why creative real estate investing is the best way to break into the market.

## Chapter 2: The Path to Financial Freedom

Financial freedom is something that everyone wants to enjoy. Even though most people desire financial freedom, it is not easy to achieve because there are a lot of things that you must do to gain it. Before you dig deeper, you should know what financial freedom is. The term financial freedom essentially means no longer worrying about where the money for food, shelter, and clothing will come from. Once you achieve financial freedom, you can focus on what you love in life because you have made your income stable. The thought of making money will no longer create tension in your mind.

The path to financial freedom is not a simple one - you have to work really hard. If you are disciplined, you can go a long way. To create a path to financial freedom, you need to have a proper plan. You might have to sacrifice a lot. Some of your friends are going on great vacations, buying new cars, and luxury homes. But you are still residing in your old apartment, keeping your monthly spending low, and saving as much as you can.

All of these sacrifices are well worth the effort. You are making the decisions needed to reach financial freedom, while those around you are focused on what they want in the now. By the time you reach financial freedom, you'll no longer envy the people that you envied before. The ones you envied may be struggling with credit card bills, huge mortgages, bank loans, and much more. If you act wisely, you will never become one of those people who struggle to get rid of debt. Now don't you think the sacrifices that you make are worth it? To achieve financial freedom, it's ideal to follow a few steps that I'll discuss below.

### 1. Control your spending to save money

Everyone has monthly expenses, but the problem lies in the way you deal them. You can generally count on reaching a certain income level every month and or/year, and if you are spending more than you are making, or spending as much as you earn, you won't be able to save. To avoid spending too much, you have to set a budget. If you set a budget, you'll be able to move towards your financial goals slowly, but successfully. Since



we're talking about real estate, don't forget to factor your investment goals into your budget and savings. While it may seem like you need to cut down every expense possible, there are some that will pay off in the end - like investing. By allocating some of your funds to building your real estate portfolio, you'll essentially be creating a physical savings account in the form of property, which earns better interest than any bank account ever would.

Additionally, if you can save more, that's great! Just remember that you have to decide if you're benefited more from savings than from paying off debt. It's smart to have an emergency fund, but you should keep in mind the money you're losing by holding onto debt and carrying balances. The biggest challenge that you'll face on your way to financial freedom is debt. Debt ends up costing you more later, so if you have lingering debt, you won't be able to achieve financial freedom. The worst problems come from credit card debts due to their high interest rates. If you get rid of these debts first, the obstacles related to achieving financial freedom will become easier to manage. Then, you can set aside the money you used to have to spend on credit card payments!

### 1. Make sacrifices

Like I said before, you must make sacrifices to gain financial freedom. Start sacrificing in one category to begin with. For example, and you can start with food. Most of us spend too much money on food, and on the wrong kind of food. If you are in the habit of buying lunch at work, you can try to overcome this habit by packing a homemade lunch. If you do this, you'll be able to save the money that you used to spend on lunches out or snacks that aren't healthy or filling. You don't have to follow this every day in the beginning - start with at least once weekly, and slowly increase your sacrifices so that you will not find it so hard.

You can also try to drive less, save electricity, cut down on shopping trips, and get rid of any subscriptions that don't add to your life.

When you are moving forward with your financial goals, you have give up the little luxuries that you can live without. Once you follow these tips, you'll see how your savings increase. Once you've achieved financial freedom, you can add some of these luxuries back. Of course, you may realize that you can happily live without them!

## 1. Increase your productivity

Another important point that you must focus on is productivity. No matter the costs that you cut, at some point, you will need more money to reach financial freedom. For this, you must look for ways to increase your income and also the level of productivity associated with that income. The simplest place to start is to ask for a raise at work. But, before you ask for a raise, you have to give your employer a reason to pay you more - hence the need for productivity. Show them why you're a valuable employee, and the money will come to you.

Think about what you do at home, too. Some people spend a lot of time watching television, but instead of wasting that time, see if you can utilize it in a more productive way. The productive solution must support your financial goals - for example, you could work on writing a book or searching real estate listings. It is highly recommended to have two or more income streams when your goal is financial freedom, and using your free time to build these streams is key. By doubling (or tripling) your income, you can become financially independent.

## 1. Passive income

This is where I wanted to take you, and I'll be discussing more financial freedom concepts through investing in this chapter. You'll come to a point where you can no longer spend more time on making more money. In some cases, the additional income might not support your path, and you're now spending time on something that isn't furthering your goals. In such cases, you must look for ways to make your income passive. The best choice for passive income is investing. When you invest, the investment you make initially will work for you and you'll make money without having to put more time or effort in. If you utilize the creative investing methods, you'll be able to make income without huge capital. If you understand the complete picture of real estate investment, you'll be able to find less risky methods of investing.

These steps will provide a path that will help you achieve financial freedom. Sounds easy, right? Try incorporating these steps one by one, and you'll feel that you are moving towards your goal.

My point here is to give you a clear understanding of financial freedom, then help you out to reach it through investing. Let's see how you can enjoy financial freedom through real estate investing.

As a beginner, you'll find real estate investing intimidating. You might even be confused by all the options available. The blogs, books, and videos related to investing have become numerous in quantity. Even though it's wonderful to live in the information age, as a beginner, you might find it overwhelming. Let me give you some tips to make your path to financial freedom through investing easier and less confusing or stressful.

Of course, just a few tips will not be enough to learn the entire investing market. But, these tips will be useful to help you get started as a beginner. You'll find the right direction with the help of these tips. To propel towards success, you need guidance!

### ***Have the determination***

You can't and shouldn't invest in real estate out of impulse alone. Real estate investing is a long-term decision that helps you to become financially stable - if you do it right. If you are dreaming of becoming rich overnight, you'll soon be disappointed. Instead, real estate investing is a path for you to grow your wealth slowly. You might face obstacles; you will think of giving up. If you are determined, however, all the negative thoughts will not overpower you. To become an investor, you must consider mistakes to be valuable experiences.

You also might encounter negativity from those around you - don't listen. Free advice is free for a reason. If you're offered constructive criticism, by all means listen. If all you hear is negativity and unhelpful "suggestions" from those who don't know your goals and ambitions, don't take it to heart. You know where you want to go in life. Keep up your determination in the face of criticism.

### ***Make an effort to learn***

Without learning what real estate investment is or how it works, you won't get very far. People might tell you that it's a great way to make passive income, but that knowledge alone won't help you. If you don't learn about the market, you won't know where to start, much less where to go. Sometimes, beginners who enter the market with no knowledge of investing

make big profits - initially. But it doesn't happen consistently; those beginners fall hard once their deals become bigger and more complex. Don't try to follow their method. Instead, always allocate time for learning. Yes, you can't make money while learning, but the time that you spend on learning is itself a more significant investment. Get to know the market better before you enter it. If you follow this tip, you'll be able to save the money that you might otherwise lose.

### ***Knowing a little is enough***

If you think that you need to be an expert to be in the real estate market, you've got it all wrong. You don't have to be a professional to become a real estate investor who gains a decent amount of income. Instead, you must utilize a little knowledge in a big way. Even if you know very little about real estate, use what knowledge you do have wisely. You don't have to be skilled at every aspect of real estate to be a skilled investor.

Many people are too afraid to start because they want to know everything first. They read every book out there, watch dozens of videos, and never get anywhere because they never feel ready. Learn to accept imperfection and begin where you are, wherever that is! You'll never get started if you wait to become an expert. The only way to really learn is to do, and the only way to do is to jump in. Have enough knowledge to get started confidently, then seek out experiences to add to that knowledge.

### ***Get connected with locals***

Putting feelers out there and getting in touch with people in the area are important aspects when you are just starting your investing journey. You shouldn't spam them through messages and calls, of course. Just reach out and have a conversation, like you're talking to a friend. Talk about possible investment properties, what the market is like, etc. You never know when you're going to encounter someone who knows someone who wants to sell their house or even partner up with another investor.

You can even connect with other investors in your area! People sometimes like to boast about their success and achievements. You'll be lucky if you can get connected with locals who know the market. You can get more information from these people, and they could become valuable

allies in the future. You can acquire more details from locals than online investors or impersonal articles and data sites.

### ***Reading should be your priority***

If you want to achieve financial freedom through real estate investing, you must make reading a priority. There are many books and articles that you can rely on, so try to make use of as many as you can and read everything you can get your hands on. If you don't like reading, you can listen to audio books. The more you read, the more your knowledge base expands.

### ***If you don't know, you don't know***

Don't try to act like you have all the answers when you don't know something in real estate investing. Remember, you are playing with your hard earned money, so it is safer to be honest. If you don't know something, you have to learn about it. It's okay to be wrong or not know something - it's not okay to stay in the dark out of pride.

### ***Creativity is always cool***

If you are creative, you can build your wealth. The ones who struggle to make passive income are the ones who have not yet utilized their creativity and fail to think outside the box. Overcome the negativity and find ways to make it happen. I discussed in Chapter 1 how you could make use of creative financing. You are offered so many great choices that require little to no money, so there's no reason not to get started! With creative investing, you can make real estate a successful passive income stream.

### ***Math, not emotions***

You must know basic mathematics to deal with real estate investments. In real estate investing, you never assume anything or make decisions based on emotions. Always. Do. The math. The internet makes this easy - use an investment property calculator to analyze your choices and find out if a property is worth it. If you get into the math, you won't let your emotions override your logical decision making skills. Keep your emotions at bay when you are dealing with the real estate market - or any investment market, for that matter.

## ***A plan makes things easy***

Without a map, you can't navigate a city you've never been to or go on an unfamiliar road trip. A map helps you get to your desired location. Just like in life, even on the path to financial freedom you must have a map of sorts - this is your plan. Your plan tells you where you're going and how to get there. In your plan for reaching financial freedom, you must include everything that might be useful along the way. You must include your financial destination, at the very least. You might not follow the plan to the letter 100% of the time, but you'll still be able to refer back to ensure you're on the right track.

## ***Don't give up your primary income stream***

As I said, you must have two or more income streams (ideally) to achieve financial freedom. If you hit big profits in investing, don't make the mistake of thinking you can immediately give up your primary income stream. Your primary income stream is your fallback plan. It's your safety harness. You have to treat real estate investing as a passive income method until you're seeing the kind of returns that can sustain you far into the future. If you are using creative investing methods, it is highly recommended that you stick to your day job, because you're going to need it as you're starting out. If you are smart about investing, you can become financially free and eventually ditch your day job. But, in the beginning, don't make the mistake of giving up on your job the moment you see returns, because real estate is risky. You never know when the market is going to come crashing down or you're going to get involved in a deal that goes sour. Beginners especially will face a lot of struggles. Real estate investment should be the supportive income that aids you in becoming financially free.

## ***Not a hobby, but a business***

If you treat investing like a hobby, wave goodbye to your dreams of becoming financially free. Most people tend to treat investing like a hobby, and this makes them lose out badly. Even though, as we stated above, you can't ditch your day job just yet, you must treat investing like a business, one that you organize and run systematically. You must look for ways to

improve its effectiveness and focus on growth. If you are dedicated, financial freedom is possible!

Some things that separate a hobby from a business include the time you spend on it, what you expect to get out of it, and how well you manage it.

### ***Bookkeeping will clear the mess***

You might think that bookkeeping is not needed for something like real estate investing. But somewhere down the line, you'll be thankful you started. When you become a steady investor, you'll find that you have created a mess if you don't get into the habit of keeping a record of your expenses and income. Remember, you're treating investing like a business, and all successful businesses require bookkeeping.

In the beginning, you might be able to get away with keeping track of your profits and losses in a notebook or on a computer spreadsheet. However, as you expand, you might find that you need something a little more professional, like an online bookkeeping service or an accountant.

### ***Begin small***

If you are considering going for a creative investing method, you need to start small. You might consider your home as the initial investment. Maybe you'll go for partnerships when flipping houses. Or you might hunt for distressed properties to get started in real estate investing. These are the best methods to begin your path to financial freedom. If you start with a huge loan, you'll soon find that you have bitten off more than you can chew, and your financial progress will be thrown off track. You may want big deals, but this is not the way to start your journey!

Now that you've learned about financial freedom and have discovered the skills you need to start investing successfully, let's learn the ways you can finance your investing journey with little or no money down!

## **Chapter 3: How to Finance Real Estate with Little to No Money Down**

Most people who want to enter the real estate world don't actually try, because they think without considerable capital it is impossible to enter the investing world. But this isn't true! You can become a successful investor with little or no money down. Doesn't sound legit? Keep reading to find out how.

If you can utilize another person's money to invest in real estate initially, you are good to go. What does this mean? It means you already have the skill you need to master real estate investing, even if you don't have money to invest. For those who are starting their journey as investors, this is an excellent choice, because they don't have to worry about credit scores or financial resources. It is high time you understand that having a lot of money is no longer a requirement for investing. That said, for someone who doesn't have enough capital to start on their own, it is important to have a trustworthy connection. Meaning, you must find people who can help you, and you must know how to make use of their help in a way that benefits you both.

Like I said, even with a little money you can become an investor. The small amount required to cover the costs related to finding good deals is all you really need to start. What you really need, and what is absolutely vital to your success (more vital than startup capital) is knowledge. Even if you are investing another person's money, you must know the market, which isn't always an easy task. You have a lot to learn in the beginning.

The investment market is huge. So many deals are being made in the real estate market every day, it's difficult to keep track of it all. Most of the deals are handled through traditional real estate investing, whereas what you want to be involved in is creative investing. Those who don't have capital or a phenomenal credit score tend to consider creative financing.

You must note that creative real estate investing with little to no money down has a lot of benefits, but you won't acquire 100% positive deals all the time. You might come across worthless deals, too. Additionally, even though your credit score doesn't count much when it comes to creative financing, it is better to maintain a good credit score for your own benefit.



There are many instances where you can make use of creative choices. Creative financing can seem more practical and even easier in certain cases. For example, cash buyers are looked at more favorably than those who deal with conventional loans. Everyone is aware that traditional loans take a lot of time and energy to obtain. When you have cash in hand, you are welcomed for negotiations with open arms. Before we dive into the meat of handling real estate deals and negotiations, let's discuss how you can finance those deals with little to no money down:

**Private or hard money lenders:** We discussed a little bit about private or hard money lenders in chapter 1. But, let's learn in-depth. When dealing with no money down payment options, this is one of the most famous methods considered by all the newcomers. In this case, you'll be seeking help from private or hard money lenders, meaning you will not get these loans from a bank. Instead, you'll get the support from businesses or individuals who have a great interest in investment. They might have had the idea of financing investments so that they can earn a certain return without having to put the work in themselves.

One pro/con factor of private or hard money lending to consider is that these lenders create their own criteria. This can be considered a pro factor, because you can negotiate with the lenders. But, at times, you might have to deal with high interest rates. The best option when dealing with such an issue is to find properties at a lower price.

Private money loans are efficient and quick, which makes these transactions easy to handle. The investor will typically offer a reasonable interest rate for the loan. But, this can vary with the person or business. If you are lucky, you will find good lenders.

Hard money lenders are a bit different, because their charges will be calculated in points. The points may vary, and the points stand for the percentage of the upfront fee as per the total amount borrowed. The interest rate may vary with the lender; however, if you can negotiate, give it a try. When you are in the real estate investing market, you must know to do your due diligence when dealing with certain lenders.

**Partnership:** Another common method of financing is through partnerships. This is more like a good relationship. One person has to make up for the other one whenever needed; you work with each other to split the costs and effort involved with investing to make it easier on you both. Every partnership is different, and you will have to decide with your

potential investing partner how you want to divide your responsibilities. For example, if one of you discovers a discounted distressed property, the other investor has to do something to finance it. The contribution from each investor is crucial when dealing with partnerships. If you don't want to face any issues afterward, it is better to become partners only after discussing the risks, returns, rules, and goals of each investor.

**Wholesaling:** Wholesaling doesn't require large capital or a great credit score, so you can consider it if you are after a no money down payment option. Wholesaling is all about dealing with the right numbers. The simplest procedure of wholesaling is all about getting ahold of discounted properties, finding potential buyers, assigning the properties to them, then getting paid for doing this procedure.

**Lease option:** This is the method of purchasing property that doesn't allow you to enjoy legal ownership initially. The investor is offered the chance by the property owner to sign an "option to buy" at an agreed upon price. The investor's role is to rent out the place (on a long-term basis) with the understanding that the agreement to purchase the property at the set price is on the table.

**Seller financing:** This is different from a traditional loan. Seller financing is a contract between the seller/homeowner and the buyer. The bank doesn't get involved. Both the parties will sign a contract stating that the seller is offering to carry the loan, along with important details like a repayment schedule, interest rates, and procedures to follow if the buyer defaults.

**Home Equity:** This is another option for someone who wants to invest with no money down. Property values increase over time, so this can be one of the more viable options. Additionally, you might collect more capital than you think you can. If you are considering this option, you have two ways to do it: pull cash out by rewriting the initial mortgage, or include home equity line of credit in the initial loan.

**Discuss the down payment:** Usually, the down payment is negotiable in the real estate market. There are rare chances that this might not work. But, most of the time, discussing the down payment works really well. As a buyer, you can ask for an installment option to pay the down payment, which can be monthly, yearly, or something that you and the seller can discuss.

**Swap properties that you own:** When you consider no money down, the option of swapping properties is ideal. For example, you can discuss with the seller and find out their requirements/what they would be willing to swap and, based on this, you can swap the property that might benefit the seller and not cost you anything more. Things such as furniture, campers, boats, and much more can be considered.

**Take the seller's responsibility for debts:** This can be another method to invest without a down payment, although this is one you have to be careful with. If the seller is looking for cash to settle their debts, you can shoulder the debts instead of paying a down payment. This can be a great option for you - and for the seller!

**Combine Mortgages:** You can consider this option if you own property already. Through a combined mortgage, you can meet a seller's requirements pretty easily. Another suggestion to this option would be to consider a second mortgage on top of an initial one.

**Consider your skills:** You can exchange the skills that you possess instead of paying cash. For example, doctors, mechanics, accountants, lawyers, contractors, and many others who possess skills that are tradable can utilize them instead of providing a down payment.

**Exchange Property:** You can exchange one property for another if you already own one. You can offer to exchange a property of similar (or greater) value with a seller. If you have property of lower value, you can add a small payment on top of the property to complete the deal.

**Do research:** Using thorough research, you can find whatever you are looking for. Through the powers of the internet, you can find sellers who are willing to accept no money down offers. If a property has been advertised for a very long time, the chances are higher for negotiation. Even if you find great deals on your own, you must ensure to research the property before signing any contract.

This is by no means an exhaustive list. There are endless ways to finance real estate, but the methods mentioned are the easiest to get started with. Also keep in mind that not every method will be ideal for your personal situation. If the method of combined mortgage is great for Investor A, it might not be great for Investor B. You have to select your preferred financing option by doing proper research while studying your strengths and weaknesses. Don't ever select an option just because everyone else is doing it!

That said, do you think that you can invest in real estate if you have bad credit? Before you get going in the real estate market, you should know that not having money for a down payment or having a bad credit score are not obstacles for an investor who is determined. However, if you want to move forward in investing, you must understand the concept of a credit score. Your credit score determines your capacity to pay back a loan obtained. Credit scores becomes a crucial factor when obtaining traditional loans for real estate investment. If you have a good credit score, you will receive better mortgage rates. With this, you can enjoy long-term saving. FICO (Fair Isaac Corporation) is one of the most popular models for credit scores. In this model, 300-850 is the score range. The standard guideline is as follows:

Poor - 300 to 599

Fair - 580 to 669

Good - 670 to 739

Very Good - 740 to 799

Excellent - 800 to 850

Based on this, the creditworthiness of the individual will be analyzed and decided. Almost every credit agency has its own system to evaluate a credit score based on many factors. But, the general factors are payment history (35%), length of credit history (15%), types of accounts (10%), credit inquiries (10%), and outstanding balance (30%).

If you want to achieve success in real estate, an understanding of credit scores is significant. Once you understand your credit score, you will be able to find out the ways it affects your investment journey. For someone who's securing a traditional loan, this can be a great deal. Their credit score will decide their eligibility to get a loan. Both financing options and investment strategies will be determined based upon the financial status that you are in. It is better to learn about no money down investment options, because they are accommodating. But, remember that you are offered many other options as well.

It is high time you overcome the stereotype thoughts related to investing. Money doesn't make or break investment deals - at least, not the money you start with. Of course, your ability to reach for larger properties may be limited if you don't have enough funds, but that doesn't mean you can never enter the real estate market. A buyer's personal money is no longer required to invest in real estate, as I have mentioned, and you can try

creative ways to find funds instead. You have to work hard to find the right deal, but once you do, funding is possible. No matter what type of investment option you select, you must ensure to read and understand all contracts before signing. Don't ever make quick decisions in the real estate investment market!

# Chapter 4: Rules to Follow When Investing with No Money down Payment

Once you understand real estate investing, you may feel like it is easy. Of course, it may feel that way, but you shouldn't take it lightly. There are many rules that you must follow if you want to succeed in investing. These are general rules that will help you find success. Once you've covered these rules, I'll be discussing the rules that apply for investing with no money down. Let's begin.

## ***Learning the market***

You might know some things about real estate investing, but it is not enough to persist in the market. Knowledge is essential if you want to remain in the market among all the other investors. If you don't acquire the knowledge required, you might have to rely on the advice of others. If you have the right market knowledge, you'll be able to differentiate good advice from bad advice. You must make an effort to learn the market if you want to hold onto the income you receive from investing.

## ***Have investment goals***

If you want to become rich, this is not an investment goal. Becoming rich is your dream or wish. To achieve a dream, you must set specific goals and move towards them. These investment goals must be specific and clear so that you can reach your target easily. You can reach financial independence if you have clear investment goals. Those who have goals tend to stay focused on what they are doing, whereas those who don't have goals have the tendency to drift. As you are a beginner, you must set small, yet achievable, goals. The goals may include the number of investment properties that you want to acquire, desired annual income, ideal investing location, and much more. If you want, you can decide on the rates of return, as well.

## ***Keep an eye on the cash flow***

On rare occasions, you may not be able to purchase investment properties that have positive cash-flow. But, it is highly recommended that you always aim to purchase properties that have optimal cash flow. The return you get from the property is related to the cash flow before the tax amount. You must understand that cash flow has a lot to do with your investment, and it keeps your investment healthy. If you keep an eye on the cash flow, the equity will enhance with time. Cash flow should cover debts and expenses.

### ***Be a rationalist about the market***

What happens if you fail to remain just a little skeptical? You'll overestimate the market and underestimate the risks. The U.S. real estate market is massive market and made up of multiple smaller markets within every state, county, and city. The markets move independently (up and down) due to certain factors that affect all markets. As an investor, you must be skeptical when it comes to understanding these market movements and be practical about deciding when to invest and when to give up. Don't invest for silly or illogical reasons - instead, make sure that, in a given situation, investing makes sense. Timing is crucial in investing, so be attentive.

### ***Don't speculate***

If you don't have a long-term view of the market, there is no point in remaining in the market. Like I mentioned before, don't treat investing like a hobby. Be serious about what you do. If you speculate and become biased towards short-term gains, you are not going to go a long way. Market movements are hard to keep up with unless you are observing consistently, so don't think you are going to reap large profits by speculating and guessing. Running after appreciation will not help you - learn to give enough importance to prudent value.

### ***Make sure to diversify***

You may have heard people say that diversifying reduces risk. This is true - but only if you diversify correctly. If you want to diversify, you must focus on a market with 100% attention, so you should stick with one market for now. Then, once you have accumulated all the properties that you intend to,

you can move to another market. It can be a geographically different market (this means investing from another state, more on this later). If you stick with one asset class, you'll be able to diversify it to many economic centers. Real estate markets are local, and they move freely. For example, even if you are not residing in Texas, you can still consider the Houston real estate market. The factor that you need to consider is whether the investment is beneficial for you or not! Before you do invest from afar, take time to learn about it, and don't worry because I'm going to cover a lot about it in a later section.

### ***Do the check-ups***

Most naïve investors don't allocate enough energy to analyzing whether a property is worth investing in or not. Whenever you are investing, you must make sure to consider the investment goals that you already set. The decisions that you make must match with your goals. Most beginners overlook the factors related to location. This could be the greatest mistake that you can ever make in real estate. The correct way to make a decision is to consider the town or the city that the property is in. Consider the population growth, job growth, unemployment rate, and many other factors to narrow down your choice. Once you narrow it down, look for the factors related to the neighborhood. Factors such as schools, amenities, crime rate, rental demands, and much more should all be considered. Once you have considered the factors mentioned, you'll be able to settle for the ideal deal. Remember, it's always quality over quantity. At first, doing all of this may seem daunting, but once you become familiar you'll find that it's far easier than you initially assumed.

### ***Don't underestimate the value of property management***

If you're going the route of renting out your property, don't discount property management. Initially, you may not require their services. But over time, you might need their service to handle your properties as you acquire more and more. Even when you are starting as a beginner, it is better to allocate some amount for property management, because these agencies are typically great at marketing, have the tenant-landlord understanding (and contracts), and the skill to handle complaints from tenants. Like I mentioned earlier, even if you are considering no money down payment,



make sure to have some money set aside for costs like this. If you spend on property management services, you don't have to do those tasks on your own, and you'll have more time left that can be utilized for important things.

### ***Consider leveraging***

You won't always have to use other people's money in your investment journey. Over time, as you acquire more property, you'll have the opportunity to leverage investment capital to acquire more properties. You don't have to worry about cash in this case. Through leveraging, you can increase your wealth while enhancing the rate of return. If your tenants are dealing with the mortgages and if the cash flow is positive, there is no reason why you must buy more properties using the money of others.

### ***Take control***

One last general rule that you must follow as an investor is to take control. Even if you are considering creative investing, you must make sure you do what is necessary to take control of your investment journey and financial future.

Creative investing might seem like a rule-free technique, but there are some things to keep in mind to optimize your earnings. Take the advice laid out above, and you'll go far.

There are also some tips to keep in mind that apply to creative investing specifically:

### ***Creative real estate investing requires consciousness***

If you are not conscious of market conditions, you'll walk into potential deals blindfolded. When purchasing investment properties, this becomes an even more debilitating issue. You must have proper knowledge of things like taxes. Sometimes certain properties will require more repairs, and you might have to find great tenants to create positive cash flow. Factors like these can be understood and analyzed beforehand if you are conscious of them. Before you purchase an investment property, you must make sure to consider the costs that you'll have to deal with. It is better if you can spend some more time studying the ways to analyze an investment property.

## ***Creative real estate investing needs your sacrifices***

If you are creative, you can invest! This is the most straightforward idea of creative real estate financing. If you want to become a creative investor, you must adjust to the sacrifices that you have to make. Sometimes, you can't get everything that you need from a few books, blogs, or articles. Sometimes, you must spend all your time, energy, and effort to get things done on your own. As a creative investor, you will have to spend the time to secure a deal as well as close a deal. This doesn't mean traditional investors don't have these problems. What I mean is creative real estate investing is an open path where you'll have to deal all alone (unless you form a partnership). You must figure out how to do things on your own. You may have to sacrifice your sleep, comfort, and lifestyle, to some extent. Are you ready for it?

Try to get help whenever you need it. Never be too proud to ask for guidance or an assist. It's better to succeed with someone else than fail on your own.

To become a successful real estate investor, you must have mental and physical strength to persevere. If you are not ready to make sacrifices, you can still choose the traditional investing route. If you have a considerable amount of money, there is nothing wrong with traditional investing. However, if you choose creative real estate investing, you must be ready to sacrifice.

## ***Creative real estate investing has cons as well***

If you think it's going to be all good just because you are not investing your money, this is not how real estate investing works. You still have to deal with cons as a creative investor. You need to have a backup plan to deal with financial problems that could arise. You don't have to save a considerable amount to protect yourself from the risks, but you must have an understanding of the risks that you might face. For example, let's say you have to evict a difficult tenant that you've been trying to oust for months. The costs that you incurred during this eviction process fall on you alone. It can be \$1500 or \$2000, and it all depends on the eviction process. Or other times, there can be costs related to property repairs and so on. Likewise, there are many issues that you have to be considerate of. Try

talking to other local investors to gather more knowledge on these problems.

Whatever you do, you must be vigilant and conscious. It is a must to have a backup plan - prepare for the worst so it doesn't catch you off guard. Never underestimate the power of education and preparation. Always gather the required sources to enhance your knowledge of creative investing!

# Chapter 5: Traits of a Successful Real Estate Investor

When you learn details related to real estate investing, it is important to consider the traits of a successful real estate investor. Why? If you're going to become an expert investor, you need to know what those who came before you have done. When compared to other markets, the real estate market has created more millionaires. The ones who make a steady income in real estate know that it is not as hard as it seems, but it is challenging. Even for a pro-investor, the real estate market will be challenging. The investment market is broad, and you can find a lot of ways to make a steady income - but which method is the best? You'll find a myriad of opportunities to benefit from, and it's not always easy to know which direction to go in.

Every successful investor has a story behind their success. None of them became successful in a day or two. To become successful, you have to be dedicated. You can get the knowledge to create wealth in real estate investing if you interact with the ones who are already in the real estate market. If you study or learn the success stories of investors, you'll find that there is a conventional pattern in everyone's story. As a beginner, it is highly valuable for you to grasp the conventional pattern, because you can utilize it in your journey. You don't have to spend time researching stories of successful investors, because I have made it easier for you. Below, I've created a list of traits that you will find in successful investors:

## ***Forbearance***

Forbearance is important in life - not only for real estate investing, but also for anything in life. You must be patient to achieve success. Some people might say that being patient is easy, and you just have to stay in control. Well, that's not the case. If you are in the real estate investment market, your patience will be tested over and over again. You will be pressured to move faster than your usual speed, because everyone else in the market is moving more quickly. You can't secure a good deal if you are slow in decision making. Even if you don't like being pressured, you have to get

used to it little by little, just like successful investors. Deals will not wait for you!

How do successful investors cope with the pressure created from the market? Well, they incorporate both patience and wisdom together so eventually, they will be able to handle the issues in the market successfully. Once the investors develop tolerance, they become better at decision making, so they know when to react and when not to respond. Then again, patience in real estate has different facets.

The most common mistake made by beginner investors is setting deadlines to buy certain properties. These deadlines are set to meet investment goals. The new investor feels pressured to buy the next property so that they can achieve their investment goal. This is not a good move, because it makes the investor secure the wrong deal, as they are in a rush to meet their goal. The successful investors will not be pressured into buying a certain number of properties at a particular time. They are aware that buying properties in a rush will create losses, not profits. You must have the patience required to secure a good deal. If you can wait until a good deal comes your way, you'll be able to make significant profits. A trait of successful investors is that they wait for the right sale.

Another issue faced by beginners is that they enter the wrong section of the market cycle. Of course, when you witness other investors purchasing homes, you might be tempted to buy, too. But, successful investors will not make this decision, and even if everyone is hyped about the market, the successful investors will remain patient. They don't become greedy like others, because through patience they can achieve success. You must develop the skills to wait to act during a pressure-filled moment.

## ***Focus***

You must have solid focus when you are dealing with real estate investing. The successful real estate investors are focused at all times, and they know what they are going to do and what they want. They will not let anything stand in the way of them achieve their goals. If you are focused, the problems in the market will not be a big deal for you.

The successful investors don't let any problems stop them from achieving their goal. To understand the importance of focus, you must know the "Pareto Principle." This principle involves the 80/20 rule that was

created by economist Vilfredo Pareto. This means 20% of your efforts will produce 80% of your results. Along with successful real estate investors, people in business run their companies based on this idea. If you adhere to this principle, you'll be able to progress well and outsmart others.

The successful investors know this formula, and they make sure to concentrate more on the essential parts. If you give enough importance to this principle, you'll be able to enhance your performance and overcome the obstacles.

## ***Education***

If you think you can replace education with anything else, you can't! There's no better option for education, because you definitely need the right knowledge to become better at what you are doing. The successful real estate investors tend to know a lot more than others because they invest their time in learning. The ones who own large portfolios know the factors that drive the market. They are aware of the market cycles. Basically, they know what to look out for when dealing with real estate investing. They will witness the changes in the markets even before any other investors. Since they know the changes, they'll be prepared to make the best out of them.

You must never settle for good if you want to reach for the best. If you're going to become a successful real estate investor, you must learn as much as possible. Remember, successful investors never give up learning. Even though they are successful, they still have more to learn - and they know it. There are many reliable, free sources online, so you can't say that you have no means to learn. Many successful investors invest their time to educate budding investors by writing blogs, eBooks, and much more. You will never run out of sources when it comes to education. To enhance your knowledge, you must focus on the skills such as analyzing cash flow, estimating rehab costs, recognizing undervalued property, property management duties, and the driving factors of the market. It is always better to know about something that you are trying for the first time because you'll have more confidence and less fear. If you overcome fear, you'll be able to see the market clearly.

## ***Building connections***

The most important trait that you can clearly see among successful investors is that they build connections. The people who give importance to building connections tend to get better at what they do, because every business involves connections. If you have good connections, you will be able to secure great deals, receive permits, and also win bids. Likewise, there are a lot of advantages that you can enjoy from building good connections. The successful investors are great at building good connections because they know their connections are going to pay off big time at some point in the future.

For example, if a successful investor is considering something like a yacht tour, it is because they can talk to people and get to know the ones who are ready to offer business loans for the investor's business needs. Getting to know some great people and making smart connections will help you to enhance your status as well. Smart business people know this, and they make sure to build great connections and spend time nurturing those connections.

If you bring value to your connections, it will be possible to lay the foundation for a successful future business partnership. If you know the fundamentals of building good connections, you'll quickly get what you're looking for. As an investor, you definitely need to have great connections.

## ***Perception***

Successful real estate investors are perceptive. You might not know how a market that involves numbers can also be understood by using perception. Along with the numbers side of real estate investment, it's also important to be able to read between the lines, so to speak. You can buy properties that have positive cash flow and hold them for a long time to create more wealth, which is a method practiced by some investors, but successful investors will not buy and hold. They'll do other things to increase the value of the property and to enhance their portfolio, because they look beyond the numbers.

Perception will serve you well when you're examining a property and analyzing its use to find out if it would be a good addition to your portfolio. The "highest and best use" in the real estate markets deals with finding properties by analyzing their best use and improving the properties to create said best use. Successful investors know how to make this happen, because

they are perceptive enough to pick up on what makes a property worthwhile and how to bring it to its “highest and best use.”

If you are looking for good deals, of course you’ll find some. But the best success comes when you make good deals even if the market doesn’t provide good deals. The successful investors find ways to enhance the value of their properties. But, when they are doing this, they don’t spend too much or too little. Instead, they set a reasonable budget and stick to it.

If you develop the perception trait, you’ll be able to buy the worst property and recreate it in a way to make it look its best. There are a few ways investors increase the value of properties: adding bedrooms, converting carports into useful rooms, adding bathrooms, focusing on cosmetic upgrades, increasing the rent (income properties), and also reducing the costs (commercial properties). Likewise, there are many other methods. If you are creative, you can come up with your own method. If successful investors can master these skills, why can’t you?

## ***Productivity***

Did you know being productive is a trait of successful people? It is common among successful investors, because they try to be as productive as possible. When the skill of productivity is practiced, you become better at everything else. We all could achieve a lot more than we do now if we focused on productivity. If we try harder to overcome distractions and focus on the critical goals in life, we might reach our dreams faster. The successful investors are pros at productivity, which is why they are successful!

Successful people know to spend time on things according to their level of importance. They categorize the activities that take more time and try to get them done as soon as possible. Successful people don’t spend time on unscheduled calls, emails, and text messages. They set time to attend to those communications so they can utilize their work time to do work only.

If you understand the importance of productivity and if you try to be just a touch more productive in your everyday life, you’ll discover how fruitful it is! You’ll find that you can achieve a lot more if you become a productive individual like successful investors.

The successful investors don’t delay things - they work according to a schedule, and they are pros at time management. You can’t become a



productive individual without managing your time wisely. Successful investors do things like listen to podcasts while they are traveling so that they are not wasting that time. If you want to become like the successful investors, you must incorporate their traits!

# Chapter 6: Learn More about Owner-Occupied Multifamily Investing

A great choice for a new investor is owner-occupied multifamily investing. This can be one of the easiest ways to begin the journey. You might not know the benefits of owner-occupied multifamily investing, but that's okay. I'll be discussing the benefits as well. However, the hardest part is getting started. How do you do it? Not every individual can begin investing in large apartments (which is generally what multifamily housing refers to) for several reasons. You need a lot of time to learn the markets in the real estate industry. You must practice a lot before you think of investing in huge projects. Also, it is not THAT easy to begin investing without huge capital and great connections. You must know a good real estate broker to find the right deals. Even if you seek help from a broker, you have to do your part to analyze the selected deals. All of these procedures aren't going to be easy for you since you are a beginner.

What's the definition of owner-occupied multifamily investing? This is about living in one section of the property and renting out the other sections. Most beginners pick fourplexes, triplexes, and duplexes when dealing with owner-occupied multifamily investing. This kind of investing will not be suitable for everyone, because the investor has to manage tenants and deal with general property management problems, including evictions.

A few important points related to owner-occupied multifamily investing:

- You can easily finance the property.
- The property can pay for itself.
- You'll learn the ins and outs of property management.
- This can be your first step towards many other property investing methods.

A few issues that you might encounter with owner-occupied multifamily investing:

- Some tenants may not prefer living with or near the landlord.

- You'll have to deal with tenant complaints.
- It will not be to your advantage to become overly friendly with tenants.
- Conflicts might become common.

These are some of the basic points that you must know as an investor. There are many other details that you should learn about when you are dealing with owner-occupied multifamily investing. Let's learn some of the benefits that you'll enjoy as an investor.

The rental income you receive can be used to pay the mortgage, and you can enjoy the benefits of depreciation and tax deductions due to residing in and renting out different units of the same property. But, some might not prefer living in their own rental property, which is a potential downside. The income you receive from the investment will be based on your personal circumstances. For your safety, it is better to discuss with a tax advisor about the decision that you are going to make.

Also, you don't have to bear huge maintenance and management costs. Not only costs, but you also don't have to shoulder the responsibilities, too. You can hire a third party to do it all for you as advised in the previous chapter. But, you have to allocate a certain amount for the payment, which will reduce your rental income.

If you want to have a peaceful life while making a good income, you must be selective when finding tenants. Your tenants will be your neighbors as well, so it is important to know who you want as the people next door. For this, you have to find high-quality tenants. Normally, high-quality tenants will pay higher rents, so this benefit can be like two in one.

The owner gets the opportunity to deduct the depreciation from the total cost of the building annually. But, this applies only to the rental units and acts as protection for taxation to your rental income. Along with this, the owner can reduce property taxes as well.

Lastly, as the owner-occupied investments are not included in the certificate of occupancy, you don't have to bear the cost improvements and repairs. These properties are used for income generation, so the general requirements do not apply to this option.

These are some of the points that you can consider if you are planning to invest in multifamily housing. Remember, if you have a clear vision, you can go a long way in the investing world, and you don't have to worry

about anything else. Once you get a clear vision of your goals in multifamily investing, you can dive in.

Most of the investors who are new to the real estate investment world utilize the internet to gather information. But, you shouldn't limit your knowledge to online research. Instead, you must look for all the possible resources to gather information related to investing. When you are looking for property, you must ensure the owner's interest in selling is extremely high so that you can easily get ahold of it. This will become especially important when you're looking into multifamily dwellings.

Investing in just one multifamily property will provide so many benefits such as economies of scale, quick transaction, easy management, steady cash-flow, equity gains, depreciation benefits, increase in revenue, and much more. Even though you might think that multifamily units are costly, you can easily finance them. The main reason why is because of the steady cash flow, which lenders are aware of.

Due to the benefit of steady cash flow, you can easily find ways to finance the property. Even if one of the tenants leaves, it will not be an issue for you - there's always another tenant, and you have more than one rental unit. But, if you have invested in a single-family unit, then the risk is higher because you must make sure that your tenants are long-term renters.

If you invest in multifamily properties, you can sit back and enjoy the income that you receive. But before you invest in multifamily investment properties, you must make sure to do your part - yes, homework. You have to make an effort to learn as much as possible. Your knowledge will help you throughout the investment journey.

If you want to get started with any form of real estate investing, you have to just go for it. However, it is highly recommended that you gather some tips before you start investing in multifamily real estate. Through multifamily investments, you can get a steady income without much effort. You can compare and contrast single-family investing in multifamily investing before you make a decision, but if you are leaning towards multifamily, here are some of the tips that will help you get going:

### ***Find the value of cash flow***

Keep an eye on the NOI (net operating income) for the property that you own. Calculate the cash flow for that property and reduce it from the

monthly mortgage. Through this method/formula, you will be able to find the money that will go straight to your wallet. This cash flow estimate will help you decide whether or not to continue an investment.

### ***Mind the capitalization rate***

The capitalization rate is used to find out how soon you will receive returns from the property that you have invested in. To calculate the rate, the factor taken into account will be monthly NOI, multiplied by 12 months so that annual number can be found, divided by the total amount of mortgage. A higher cap rate is not always better. A higher rate means higher returns and risks.

Similarly, a lower rate means lower risks and returns. You should ideally focus on a range of 5 to 10 percent. You can decide whether you are ready to take higher risks or not. If you are, you can go for a higher cap rate. Whatever the rate may be, you must ensure to make the decision vigilantly.

### ***Find your rate***

Before you accept a deal, you must do the math to decide if it is profitable or not. To find this, you must calculate the result that you get by subtracting the expected expense from the expected income. A few examples for expected income can be storage fees, rent payments, parking fees, etc., and some of the examples of expected expenses can be maintenance costs, repair costs, etc. When calculating this, you might come across inaccessible details like neighborhood comp. In this case, you must make use of the 50% principle. This means you will be taking half of the income as an expense. The difference that you received is the NOI (net operating income). Before signing a deal, you must make sure to find this rate so you can decide whether to invest or not!

You can make use of these tips when you are investing in multifamily real estate as well as single family or commercial.

You can't just window shop for multifamily investments - you have to do a lot of research until you find a good deal. An investor must possess the knowledge to locate a property and deem whether or not it is worthy by analyzing and understanding the financial sensibility of the investment.

It is not easy to find the right property if you are a beginner; there are a lot of things to be considered when finding the right deal. The search usually begins with the location you want to look for property in. Once you have decided on the location, you'll consider the prices, long and short term costs, and the estimations for rentals. These are basic details that every investor should know, but it is in your hands to utilize due diligence when investing. You must be highly aware when you are investing in multifamily real estate, because they are not like other financial deals. The following checklist will help you make the right decisions:

**Location** - I'm repeating this; location is the most important factor that you must consider when you are looking for property. If you have selected property where there is a high demand for renters, you are going to be benefitted. So, when focusing on the location, consider the neighborhood, growth, accessibility, and all the other important factors.

**The number of units** - Without knowing the number of units, you will not be able to calculate the income that you'll receive. Hence, when purchasing property make sure to consider the number of units in the property. As a beginner, you can consider properties with two units, three units, or even four units. Don't try to go for more than four units if you are just starting out. The reason for this is you can limit your risks if you select smaller properties, and these properties are generally more affordable. If you target higher priced properties with more units, you'll have to deal with more risks.

**Potential Income** - The important factor that you can't overlook is potential income that can be gained from the property. You can use Craigslist or Rentometer.com to find income and rental prices in your area. But as an investor, you shouldn't rely on the sites alone. Rather, focus on the things that you can learn by checking out the neighborhood or even finding out about previous rental income from the property. If you can't find the right value for certain expenses, as I said before you should use the 50% principle. This is an excellent method for beginners.

**Seller** - When you are acquiring multi-family homes, you must find details about the seller. The price of the property may vary according to the seller and their urgency to sell. As an investor, you must understand the person you are dealing with, as well as their motivations.

**Costs** - you are going to have to deal with many different situations when you are in real estate investing. Investing in multifamily homes

should only be done after carefully understanding it. For example, when you are selecting a unit to reside in and when you are renting out a unit, you must consider the lender's qualifying ratio from the unit rented out. You have to know the ins and outs of owner-occupied financing.

I by no means covered everything there is to know about owner-occupied multifamily investing - there's always more to learn. Keep searching for more information before you begin investing!

## Chapter 7: Detailed Instructions on Private Money Lenders

Even though I have discussed a little bit about private money lenders, I feel it is important that I provide detailed instructions for you. Private money lenders are categorized under non-institutional lenders. You can seek their help when you need a loan for proper investment, which is why we are about to discuss them. Any investor who wants cash-out refinancing, quick funding, or rehab project funding can consider private money lenders or hard money lenders. There are different rates charged by different lenders. Hence, you must do some research before selecting one. There are ways to get qualified online for loans, and these generally take only a few minutes. Also, the time it takes to get funded will depend on the lender.

The best thing about private lenders is that they offer solutions based on the investor's needs. For example, if an investor needs quick money, they provide solutions to help the investor get a loan quickly. But finding such an amazing private lender is not always easy. It's one of the best options, but it is not a simple option. If you find a lender and if you are getting a loan, there are a few factors that you must know. Yes, the certifications and licenses are important, but there are some additional factors.

**You don't need a credit score** - you must be glad that you don't need a credit score when you are taking a loan from private lenders! A credit score can act as a barrier in your search for a loan, so this is something great for those who can't make a loan otherwise. Private lender loans are not given based on the history of your credit score or the current status, so there's nothing to worry about!

**You can fill out the online applications** - you don't have to fill out all the endless documents to get a loan. Instead, you just have to fill out the loan application, which can usually be obtained online. This will be time-saving, too. Once you fill in all the required details, your application will be processed, and you can get the loan in a short amount of time.

**You can enjoy convenience** - obtaining loans from private lenders will be super convenient, and that will make the whole process more comfortable. You will not experience the regular inconveniences that you



face when obtaining regular loans. Everything related to private lenders is convenient, because everything happens quickly and simply.

**You can enjoy the quick processing system** - The loan will be processed in a short time so that you can enjoy it sooner. For any investor who needs quick money, the private lender is the best option. You can do everything online in a few minutes and wait for approval.

These are some of the significant factors when dealing with private money lenders. But that's not all you need to know.

### ***The procedure of private money lending***

Like I mentioned earlier, private money lenders offer loans to purchase multifamily properties, condos, or houses. Someone like a friend can become a private money lender, too. It doesn't necessarily have to be a lending company or stranger. Usually, when people refer to private money lenders, they are considering hard money lenders. The hard money lenders offer loans on a short-term basis to utilize in renovations or when purchasing properties. Fix-and-flip and short-term investors can benefit from hard money loans. So, who precisely are private money lenders? Technically, we can divide them into three sections: primary, secondary, and third-party circles. The technical division is based on the link between the lender and the borrower. The primary circle includes people you are closely related to or associate with such as family and friends. The secondary circle consists of people whom you associate with such as colleagues and personal acquaintances. The third-party circle includes the most common lenders, such as hard money lenders (private lenders) and accredited lenders.

Even though private lenders are considered as the third-party, you can rely on them without a second thought. Thanks to them, your investing journey will be smooth if you have everything organized properly. They offer standard interest rates, loan terms, and fees, so you don't have to spend extra time to discuss and negotiate those.

### ***Who should ideally obtain loans from private money lenders?***

You already know that private money loans are for fix-and-flip and short term investors. But this doesn't mean long-term investors are prohibited from obtaining these loans. Here is the list of people who should consider going to private money lenders:

- The fix-and-flip investors who are ready to purchase, make adjustments, and re-sell the property in a year can obtain loans from private money lenders.
- Both long and short-term investors who are looking for quick financing can seek help from private money lenders.
- Buy-and-hold investors with the intention of renovating the purchased property before mortgaging can obtain loans from private money lenders.
- The unqualified long-term investors for 23 (k) loan or conventional mortgage who are looking for refinancing can consider private money lenders.
- The long-term investors who want to flavor the property can consider private money lenders.

In addition to these situations, private money lenders offer rehab and traditional loans to renovate or purchase rental properties. You must bear these points in mind if you are looking for loans. You can check whether you belong to any of these groups before making a decision.

### ***Ways to find private money lenders***

There are three different ways to find private money loans for real estate investing. We have already discussed the types of private money lenders, and you should be able to find the ones in primary and secondary circles yourself. But what about the ones in the third-party circle? This can be the most difficult part, so we'll discuss it.

You can easily find lenders online, and you don't have to struggle a lot to find reputable ones. If you find a few good sites like LendingHome, LendingOne, etc., you will be able to gather the details of the lender from the site itself. In fact, the information on the application process, types of loan, and everything else will be on the site itself.

Once you know the way to find lenders, you should try to gather details related to the online application, requirements, and the process. If you are aware of the procedures, you will know what questions you need to ask and whether or not the lender is right for you. Also, remember that you must ask about the prepayment penalty, too. If you are aware of the charges, you can budget accordingly. I'll discuss the loan application process as well so that you don't have to spend more time looking it up.

Basically, you'll find two sections in a loan application: pre-qualification and funding. The section on pre-qualification will only need three or four minutes. In this section, you'll receive all the general details about the private loan and its options. The funding section takes around 15 days, and if the proceeding time is increasing, it means the lender is analyzing the borrower's details.

### **In the pre-qualification section**

You will gather details about the loan options, so in this section, everything will be general and easy to understand. You will be able to compare and contrast offers, find better options, and decide what suits your financial status. Basically, the borrower will consider a certain loan, its costs and terms, and then use the details to get a maximum budget.

The preapproval letter offered by the lender can be shown to the seller when you are looking at a potential investment. This letter is proof that you can afford the investment property. In the pre-qualification section, you'll be required to provide the following:

- Personal bank statement within three months.
- Details of the property: address, required amount, and more.

Once the lender receives the details of the borrower, the list of options will be offered to pick from. You can negotiate with the lender if you have any issues.

### **In the funding section**

This is when you'll receive the funds after approval. In this stage, you might have to offer more details for the private money lender so that it is easy to make a decision. Typically, your experience in the real estate market will be assessed during this stage.

You must understand that the funding section is more strict than the pre-qualification section. The private money lender will evaluate your financial status by considering all the submitted details and documents. The lender will decide whether to take the risk of providing a loan for you. In the funding section, the lender will consider the following:

**The contract** - this contract will include the agreement between the seller and the buyer by mentioning the outlines of the contract.

**Past projects** - the lender will ask for the past projects that you have engaged in, but if you don't have any or are a beginner, you can discuss this

with the lender. You might be offered an option called a contractor bid. Inexperienced rehabbers must deal with a contractor, in this case.

**Appraisal** - You might have to provide an appraisal done by a third-party. Sometimes, the lender will conduct the appraisal.

**Costs and fees** - The reason why I mentioned you should allocate some money towards your real estate journey even if you are investing with no money down was because of fees and expenses. You might have to cover the costs and fees when obtaining the loan.

That said, when you are looking for a lender, there are certain factors that you must consider. If you want to find a reliable lender, keep these aspects in mind:

**Experience** - Normally, private money lenders mention their work experience and the loans they have approved in the past. You might want to work with a lender who has dealt with more than 100 loan approvals, because then the lender will have more experience. If you want to know whether the lender has the right amount of experience, you can often find the details on the website itself. On the other hand, hard money lenders mention their capital availability to show their expertise.

**Specialization** - private lenders specialize in specific fields in the real estate market. For example, lender A might specialize in residential loans, while lender B might specialize in commercial and residential properties. Thus, you must make sure to consider this if you want to obtain the right loan.

**Interest rates** - The interest rates will vary with the lender. The general interest rates are 7% to 12%. You are just starting your journey, so make sure to consider the lowest rates possible before making a final decision. You must not forget the prepayment penalties. The penalty will be based on loan balance percentage and the repayment time. It is better to find a lender without the prepayment penalty option.

Regardless of choice, you might come across a similar application process when obtaining a loan. The information provided will be helpful for you to get a proper understanding of the application process. Once you have understood these details, you can move forward and learn the pros and cons of obtaining private loans.

### ***Pros and Cons of obtaining private Loans***

For investors who need quick money and are struggling without any capital, private loans are a great option. Even though there are many benefits in obtaining private loans, you will also face drawbacks. All the financing options will have both pros and cons, so what can you do? Instead of avoiding a financing option, you can educate yourself on the pros and cons and make decisions accordingly.

Pro factors of private money lenders are:

- You can enjoy low credit qualification.
- You are offered with a fast funding process.
- You can benefit from the rehab financing option.

Con factors include:

- You might have to deal with higher interest (depends on the lender)
- You have a short period to pay back the loan.

That's pretty much everything about private money lenders and all the required details that an investor might need. Still, you must never stop learning, because education widens your knowledge about what you are doing and helps you make better decisions along the way. For a beginner, knowledge is the pillar of support!

# Chapter 8: All about Co-Investing in Real Estate

Real estate is not an easy market, even for top investors. There is a lot of work that goes into a successful deal. However, it's not an impossible market to enter - not anymore, at least. Even if you don't have tons of startup capital, you can still become a top investor in the real estate market. You can't become successful overnight just because you have entered real estate, but you can strive for eventual success. Most beginners find real estate investment challenging because they think they can't get started with little to no money. Of course, thanks to this book, you now know that this isn't the case.

One of the common solutions is obtaining a mortgage loan. But then, you might have to offer a down payment. Or you can consider wholesaling, which means owning property is not necessary. Despite the choices, you must educate yourself about the housing market, because without knowing what's happening around you, you can't go a long way in real estate. Along with knowledge about the real estate market, you must also have social skills. Why? Without social skills, you will not be able to negotiate or communicate. Therefore, you must try to improve your social skills as well.

In some cases, you might prefer investing with a partner. This is a great choice when you don't have enough capital to get started alone. Buying investments with a partner can be a great start for you if you are new to the market. If you have been looking for ways to start investing without having to shoulder every responsibility, co-investing should be your number one choice.

Real estate investment with a partner is not a new topic, but it is definitely one worth discussing and looking into. The partnership in real estate investment is not only for beginners, but for anyone else. Yet, beginners tend to select this option above anything else. Most top investors consider investment partnership as a great opportunity to make profits while reducing investment costs. But then, do you know how it works? What would it be like to invest with a partner? Is it possible to make money in an investment partnership?

Real estate investing with a partner is really simple to understand. You will not be buying the investment property with your own money alone - rather, you'll be partnering with another investor (or investors). When you are learning the concept of real estate investment partnership, it may sound complicated and tricky. You might be worried about uniting with a partner. First of all, you must understand that merging will not be a big issue if you can set up proper contracts with proper rules. Both the partners must agree upon the rules before beginning the real estate investment partnership. Through an investment partnership, you can grow your investment portfolio and earn more income. Also, the costs and fees will be divided among the partners. So, the expense borne by an individual will be lower. Once contracts are in order, the risks involved will be relatively lower compared to other investment methods.

Finding the right partner can be a challenge if you do not know what qualities to look for. It is crucial to learn ways to find a partner that will help you, not hinder you. If you were a top investor, you could find a partner easily, because you'd have a great network of connections. But, as a beginner, you might have to try a little harder to seek out potential partners - but it will all be worth the hard work.

If you are a beginner, you must do your part to find a partner. There are many ways to do this. You should begin by increasing your commitment level to real estate investing to show that you are serious.

For example, you can connect with local investors and discuss real estate investing. Or you can join real estate courses that will help you become better at investing. Slowly, you need to increase your network. You might come across events and programs that are related to real estate investing. If you do, make sure to attend those. Don't think twice about taking part in online forums. Growing your connections and getting involved in real estate investing discussions will be more beneficial than you can imagine. In fact, these factors are the key to finding the ideal partner.

However, finding an ideal partner can be quite difficult. Before you begin your investing journey with your investing partner, you must evaluate their reliability. It is also important to share the same thoughts and goals when investing. Partnerships in investing will be effective if done in the right way. To start, you must have an agreement with your partner. If you have an agreement, you can avoid unnecessary problems with your partner

that evolve in the future. You can avoid misunderstandings, conflicts, and the consequences that arise from each. But, what exactly does an agreement include? Let's see.

### **Details regarding profit and cost allotment**

When you're dividing up the share of profits, one partner might receive more than the other. But then again, the same partner might have to deal with higher expenses. If you don't want to face problems in the future, you must get things like division of profits and costs sorted out in advance.

### **Details regarding the financial contribution**

This includes the details of the financial assets that each partner will contribute towards the final investment. You must detail out everything clearly. If your aim is to start investing with no money down, your partner can also be your source of capital. If they agree to provide the finances, you should offer something of equal value, such as knowledge of the market or full responsibility for finding and closing deals.

### **Details of the responsibilities**

If you want to enjoy the partnership, it is better to discuss and jot down the responsibilities that each partner has to do and follow. You can mention the working hours and days as well, if preferred. These details will be useful in the future, even if they don't make a difference now.

As mentioned above, responsibilities don't necessarily have to be split evenly. If one partner offers to provide finances, the other will take on a majority of the responsibilities regarding the handling of those finances. No matter what the split is (50/50, 70/30, 80/20), ensure both partners are happy with the arrangement. The last thing you want to experience is built up resentment because your partner feels jilted by the responsibility split.

These are the main factors that are normally included in an agreement between partners. So, now you know the format to create an agreement. What else should you know? How about exactly how you will make property investments? What are the procedures?

Whenever you talk about property investment, you might find that certain tools come up often. Investment property calculators are very important when dealing with property investment. Even in partnerships/co-investing, this calculator is required. Likewise, there are many amazing tools that you must utilize when investing in properties. Even the entire procedure of selecting, analyzing, and deciding on property investments should be done together, in unity.



Basically, partners help you get the cash that you can't afford and divide up the responsibilities. They will not only offer cash, but also share the risks in investing. If you find experienced investors as partners, you are even luckier, because you can seek advice and ideas from them. Most experienced investors are pros at mentoring. Finding a good real estate partner is tough, but if you do, it will be a massive benefit. This is why you must spend as much time as you can finding a good partner. If you find a partner who is just like you, meaning they don't have enough funds to help you, there's no point in the partnership. Thus, you must make sure to find a partner who can create valuable changes in your investment journey. The base of the partnership should be solid!

You have to be realistic, though. Sometimes - or most of the time - finding a partner who has experience and money will not create a good partnership. Why? Many other factors are crucial to consider if you want to enjoy co-investing. What are they? Let's discuss!

### **Regular communication with your partner**

The most important factor that you can never overlook when it comes to co-investing is communication. Even if your partner/partners don't expect regular updates, you should provide them anyway to ensure everyone is on the same page. Your partner might not need it, but it is always better to be safe when it comes to business dealings. For example, if you have co-invested in rental property and your partner doesn't ask for regular updates, you should let them know at least quarterly how the investment is doing. It might be easy and less work for you to not to report to your partner about updates in the investment property, but to keep your partnership on solid footing, communication is key.

It is always better to inform your partner if tenants move out or in. Or, if you foresee any huge costs, you must inform your partner ahead of time. Sometimes, due to many reasons, your property value might increase or decrease. If this happens, be sure to inform your partner. If the market trends are against you, inform and reassure your partner about it. If there are any urgent matters, make a call right away.

If your partner sends an email or calls, reply as soon as possible. The reason why you must keep your partner updated is to make them feel confident about the partnership. If you always make your partner feel confident and comfortable with you, you'll have a steady source of investment capital - and a steady partner.

### **Must have common objectives**

If you want to create a great partnership, you must not expect overnight success. Don't assume (or tell your partner) that you will make millions from a few deals. The techniques that help you to create positive cash flow come along with risks. Yet, you must have the ability to manage the risks wisely.

This is why you have to have common objectives with the person that you are partnering with. The fundamental objectives related to investing should be similar. If partners share common objectives, it will be easy to build a successful and comfortable partnership. Plus, common goals will help it turn into a long-term partnership. If one partner is a risk taker and the other is more conservative, this can lead to differences of opinion that impact your investments down the road. You don't necessarily have to find someone who is exactly like you, but you should be sure to address any stylistic differences or opposing goals ahead of time.

### **Don't offer over/under expectations**

When you add more partners to your partnership, you must not offer over/under expectations. For example, if you are discussing with your partner-to-be your investment property and its current status, you must state that it's creating the profit that it truly is, not lower or higher.

For example, if you inform the partner-to-be that you make \$400 per month on an investment (positive cash flow) and you actually make \$290 per month, your partner will not be happy about it. It will disappoint them when they learn the truth of the returns, and the partnership will not be fruitful. Thus, if you don't overpromise and underdeliver, you won't set yourself up for failure, and your partner will be happy - even with \$290 per month. You must make your partner feel like they can trust you.

### **Talk about the end**

If you want to have an effective partnership, you must know how it will end in the future. Yes, even in the beginning, it's important to keep the end in mind. Many investors tend to overlook this factor, assuming that it will not be needed for a long time. The future, however, is unpredictable, and we all know it. What if one partner faces a difficult situation and requires their share back? In such an instance, you will have different choices to look into such as selling the property, finding another partner, or something else that might solve the issue. Whatever the solution is, you must plan for it. Knowing what to do if the partnership ends will not only help when and if

that time comes, it will also provide peace of mind while the partnership is intact - both will know where they stand within the agreement.

The partnership agreement should include all the details related to both the end of an agreement or partnership, and how to incorporate new members. For example, if you are adding a new partner, they must be ready to fill the position with 100% satisfaction. In simple terms, your existing partner should not walk out without informing or making necessary arrangements. For that, your partnership should provide the details related to ending the agreement.

Here we complete the section of co-investing in real estate. Just like I mentioned in the previous chapter, there's always more to learn, so don't think the topic has been exhausted!

## **Chapter 9: What Should You Know About the Rent-To-Own Option**

If you still have questions and doubts, you'll find answers in chapter 10. But before we get there, we have one more creative investment option to discuss.

The major obstacle faced by beginners is deciding on the right investment strategy. You can't find an investment strategy that fits all your investment needs. Rather, answers will be based on the property type and many other factors. Therefore, a strategy that works for investor A might not work for investor B, and this is a common occurrence. Even with this in mind, the most popular investment strategy recommended for beginners is the rent-to-own option.

If you have picked the rent-to-own option, you must begin by learning about it. Through learning, you can clear a lot of doubts that you have about real estate investing. To make learning easy for you, I have included the details that a beginner must know about the rent-to-own option. Let's get started!

Do you know what rent-to-own properties/homes are? This option can also be called purchase option or lease option. This means that the investor agrees to lease the property from the owner for a specified duration of time. Once the duration is complete, the renter gets the chance to buy the property at a previously agreed-upon amount.

If you know about the buy-and-hold strategy, you'll understand this better. The rent-to-own option is similar to a buy-and-hold option. The similarity is renting the property on a long-term basis. But, there is a difference. The buy-and-hold strategy doesn't offer the option to purchase the property like the rent-to-own option does. Also, the rent-to-own strategy makes it mandatory to sign a contract. Both the seller and the buyer will sign the contract after discussing the rules and regulations. The rules regarding regular rental payment until the discussed period ends will be mentioned in the agreement. If these rules are already discussed and mentioned, it makes the whole process more straightforward and less problematic. Another important factor is that the investor has no right to market the property for sale or rent after signing the contract. Similarly, the

renter shouldn't refuse to buy the property as agreed when the time comes. The rent-to-own option creates mutual responsibilities between the buyer and the seller.

Just like any other aspect of investment, you will have to deal with risks related to the rent-to-own strategy. Of course, there are benefits as well as risks, so you can't really be biased about anything. There is one solution for you - you can learn the risks and find methods to handle those risks successfully.

## **What are the benefits of rent-to-own investment strategy?**

Just from the definition, you might realize that there will be benefits in the rent-to-own strategy. For example, you are renting it out - that means you will be receiving a monthly income. Meanwhile, you have set a price to sell it after a few years, which means you are still benefited in the end. Yet, nothing comes without risks. There will be risks, but first we will address the benefits. There are many benefits related to the rent-to-own strategy, so let's discuss some of them.

### **Rental Income**

This is a steady income because you'll be receiving a monthly rental payment throughout the years that you have agreed on. Usually, leasing prices are based on the market rate, along with an added amount every month. The fee ranges from 10-15% each month as option lease.

For example, market rent for the rental property might be \$1,000, but the rent-to-own property will cost \$1,200 monthly. The difference will be set aside in the escrow account. The escrowed amount will be utilized when the tenant decides to purchase the property. If they do not, the owner will have the escrowed money until the lease term ends. Here, the investor is benefitted either way!

### **Maintenance cost is dealt**

When you consider other types of investment properties, you (the investor) typically have to deal with maintenance costs, which can sometimes go through the roof. But, when it comes to rent-to-own properties, you don't always have this issue. Typically, the investor (owner) has to deal with insurance and property taxes for rental properties, because

they are the owner. With rent-to-own properties, this is not the case. The agreement between you and the renter should address transferring the maintenance responsibilities to the tenant.

In most cases, the renters who sign the contract will take 100% care of the rental property, because after the completion of the lease period, it will be their home! This is beneficial to the investors because they don't have to worry about maintenance costs.

### **The Option Money Fee**

Along with the security deposit, the renter has to pay a small amount upfront – the Option Money Fee. This upfront payment is non-refundable. Even though there are no standard guidelines for this fee, usually investors charge around 2-7% of the property price. The Option Money Fee is an initial profit for the investor. This is advantageous to the owner of the property because the amount is non-refundable. There is no legal way to refund the paid fee, in any instance.

Additionally, don't forget that the renters are benefitted as well. This amount is a credit for the renters on the purchase price. Thus, it will be easier for the renter to cover the rest when the lease term ends.

### **The guaranteed sale**

Another obvious benefit is that you (the owner/investor) can enjoy the guaranteed sale when the lease period ends. The rent-to-own option is a beneficial strategy for investors emotionally and financially. From the emotional side, investors will feel secure that they will make positive cash flow from their investment. From the financial side, the rent-to-own strategy cuts down a lot of costs from an investor's pocket. The costs eliminated will include searching for an agent to sell the property at the end of the period. There is no requirement to find buyers, because you've already found a buyer. So, a guaranteed sale creates both emotional and financial benefits for the investor.

### **The eviction**

The investor has the complete right to mention that they will evict tenants even after signing the agreement for purchasing the property. The reasons can be standard, such as not paying rent on time, in which case the investor receives the right to evict. However, in a rent-to-own agreement, there is typically less risk of having to evict, because the tenant is motivated to continue honoring the agreement in order to eventually purchase the property.

We have learned the most important benefits related to rent-to-own strategy. Now, it's time to check out the risks you'll face.

## **What are the risks of rent-to-own investment strategy?**

As you have already figured out, the rent-to-own investment strategy deals with a win-win scenario. Both the investor and the renter might have to face risks, though, even if they abide by the rules and regulations set out in the agreement. Don't let this put you off - every investment strategy will have risks. Let's discuss some of them.

### **Missing out good offers**

I already mention that you can't sell or rent the property after signing the contract (lease term) with a renter. In this case, you might miss out on potential better offers than the current one. Even if better offers come, you have to turn them down because of this rule. There are reasons why this rule persists, but still, from the investor's side, it might be a downside factor. Of course, there is no guarantee that any better offers will ever come up, so this can also be seen as a plus - there's no waiting around for an offer that just isn't going to happen.

### **Chances of canceling lease option**

This is a huge risk, because then you have to do everything all over again. Sometimes the renter might give up and cancel the lease option, saying that they can't afford the price. If this happens, you would have to start searching for tenants again and follow all the procedures from the beginning. There are plenty of stories about great tenants who do everything perfectly, but in the end, walk away without even considering the situation of the owner.

Nevertheless, you are benefitted from the option fee and the escrowed money, which offer protection of sorts.

### **Maintenance in the form of risk**

I mentioned maintenance as a benefit, yet there is a chance for it to become a risk as well. Sometimes, some tenants don't take the duties seriously, and they might act as if they will buy the property according to the lease option, but in the end, they leave. Such tenants may not maintain the property, so to avoid this risk, you must keep an eye on them. This is not

as risky as the other two risks. You just have to spend a little more time on the property or properly vet your tenants beforehand.

These are the only major risks related to the rent-to-own option. In this investing business, beginners might benefit a lot more from rent-to-own properties than any other properties. Of course, don't jump into it just because this investment strategy is repeatedly being recommended to you. In some cases, it might not work for you; in others, it might. It is always better to get your hands dirty and practice than sit indecisively on the sidelines!



# Chapter 10: Frequently Asked Questions by Real Estate Beginners

As a beginner, even though you have learned a lot about no money down investing, you might still have doubts. Even the top investors still face problems in real estate investing, and they look for solutions. As a beginner, if you have questions to be sorted, it's nothing to be ashamed or worried about. You should never think that you can't invest just because you have a few questions to be cleared up. Even if you read dozens of blogs and books related to investing, you'll still be uncertain whether to take that deal or not. It is how the beginner mind work, but that shouldn't stop you from reaching your goals.

Most newcomers aren't ready to ask when they are in doubt, but when you are in real estate, you must feel free to ask. There are many online forums that you can easily get connected with, so why not give them a try? To remain in the real estate market, you have to be confident and patient. Now, let's get the answers for FAQs by real estate beginners.

## **How can you lose money in a deal?**

Most beginners think if they find a good deal, they will not lose any money. Well, chances are always there that you might lose money. Sometimes, you might assume that the deal has lower risks and try to ignore them. You shouldn't - instead, analyze even the minor risk. Why? If you don't study the risks, you will not be able to protect yourself. Other times, you might think that the investment is worth the risks. Of course, it can be. Still, a risk is a risk, so you must analyze it and at the very least be aware of it. Those who don't analyze the risk are the ones who lose money.

If you want to know how one can lose money in a deal, it is pretty simple. If you don't analyze the risks, even the minor ones, you're setting yourself up for failure. You must spend the time to analyze, understand, and address the risks if you don't want to make a profitable deal turn into a loss. For example, if you have invested in a property that requires renovation, and the cost of the contractors overshadows your projected profits, what will you do? You shouldn't be careless when you are investing, so brainstorm ideas to overcome risks before signing a deal.

## **Why should you know about the vacancy rate when dealing with rental properties?**

The vacancy rate will help you decide whether or not to invest in a particular property. Low-demand markets are not great, and as a beginner, you shouldn't get yourself into one. It can turn into a very bad experience, and you may even leave real estate investing. To stay away from low-demand markets, you must learn how to find good ones. If you are buying a property, you must find out the vacancy rate.

It is highly recommended to talk to local realtors, landlords, investors, and property managers. You should not only talk to the ones in the field, but also visit the area and check for the demand. Also, never forget to consider the vacancy rate for cash flow calculation.

## **What are the contingency plans that you can consider?**

You can't assume that your plan A will be perfectly fine and you can get positive cash flow from the property. There are chances that your plan might not work. For example, you've fixed up a property, and your closest friend will move into it. Usually, we assume that the friend will accept the fixes made and the way the property has turned out.

But, what if your friend didn't like the fixes that were made? And refused to move in? Chances are high, because renting to those close to you comes with more risk. What will you do? Instead, can you flip the property? Maybe you can make an effort to look for a tenant, even though you might have to work really hard to find a reliable one. What about Airbnb? There are many different contingency plans, so you must write down those, find the pros and cons, and then decide which will be your backup. No matter the plan you pick, make sure you won't end up losing!

## **How will you know whether rents are in your favor or not?**

If you are dealing with rental properties, you must understand the flow in rents. You can't always enjoy good rents and property prices. Don't forget that since the price of rent can shoot up based on market factors, they might fall back again just as quickly. You must not make quick decisions when the market trends are uncertain, as you never know when it might react for or against you.

However, there are no strict guidelines for trends in rent. As an investor, you must study and know the market thoroughly, because education helps you make clear decisions. When you are learning the market, you must not forget the trends, local economic factors, and everything else that will

impact your decision. If there is a slow, yet steady improvement in prices and rents, the investors will be benefitted.

### **Should beginners invest when the market price is shrinking?**

You shouldn't invest when the market price is shrinking, even if you have mastered the concepts of investing in a short time. It is better to practice before you take more significant steps in investing. If you can't manage a deal in a tricky market, you might lose the interest in investing. Let the veterans handle such markets. You should focus on beginning small if you want to reach the bigger markets.

### **What if a lender turns you down?**

What if a lender turns you down, even after a deal is contracted? What will you do without funds? If this happens, do you have backup plans to manage the problem? Of course, you must have backup plans even if the lender did not turn you down. Backup plans are crucial in financing. Funding sources should be ready if you want to secure a deal. So, even if the lender turns you down, you can still defend the deal, because you have multiple backup plans.

A great tip is to have good connections with multiple money lenders. But, if you find one right lender and build a good relationship with them, you might not face any issues. Good relationships are beneficial and healthy for investors.

### **When is the right time to invest?**

Most beginners have this question. The most straightforward answer is to start now! If you want something, you must begin right away. When you delay entering the market, you are missing a lot of chances to make potential profits. There are a lot of opportunities in the real estate market, so you will never feel as if you entered in the wrong time. The only focus should be in knowing the investment type and its details. Of course, real estate deals with money every day, so it's your choice to become a part of it or not! At the very least, be aware of whether it's a "buyer's market" or a "seller's market." These terms indicate home prices, availability, and overall trend of the current real estate market. As the names suggest, a buyer's market favors the buyer (you), and a seller's market favors the seller (who you will one day be).

### **Is there a BEST investment type?**

This seems pretty hard to answer, because how can you pick an investment type among the pool of great choices? But it's okay to ask this

question, and I'm obliged to provide an answer. Every beginner will have this question in their mind, because everyone wants to make profits in real estate. The way you select the best investment is to analyze risks and factor in your long term goals. In any type of investment that you select, you will have to deal with risks. Without risks, you can never be rewarded. Instead of looking for the best investment type, you can look for ways to handle the risks of each type. By doing so, you will be able to make the best investment decision for you.

When you are starting your investing journey, it is better to consider residential rentals. This investment type is excellent for beginners because less capital is needed. Also, beginners will be able to gather required information related to rental property investment and understand the ways to handle such investments. But, when selecting an investment type, you don't have to select it just because it has been recommended. Instead, consider your weaknesses and strengths. You must have the financial status to put up with the fees and costs related to the investment type. Thus, you can't and shouldn't select an investment type just because it's the "best." You must educate yourself to understand the investment type, risks, expectations that you can set, and many other factors.

### **How to deal with taxes?**

Taxes are complicated no matter how experienced you are. If you don't understand tax procedures, either take the time to learn, or contact a professional. The best option to manage taxes is to hire an accountant who understands real estate investment. The accountant must be able to sort your tax issues. This is another reason why I emphasized to have some money for other requirements. You can't hire a professional at low prices - you get what you pay for. Yet, the money you spend on an accountant will be worth the payment. Taxes have a lot to do with your final profits. You might end up receiving twice the amount you spent if you hire the right person.

An accountant is a huge investment that you make in your real estate journey. You should not think that you are wasting money on something that is not useful. Tax accountants are very much needed for every investor. Even though I'm no expert in tax procedures, I know there are benefits to be gained by leaving it to the pros. Neglecting tax procedure or trying to do it all yourself is not a wise decision, especially once you are involved in multiple deals.

### **What if your plans don't work as you hoped?**

That's life - most of the time, your plans won't work. But that's okay! Seldom will your plans go as intended, but this shouldn't stop you from planning anyway. You must analyze the instances where you might go wrong. You must think as realistically as possible. For example, beginners usually face the consequences of not being able to rent out the property as they planned. But the problem here is not identifying the risks before buying the property. If you don't want to face these consequences, you should consider this risk before you invest.

If your plan isn't working as you intended, it might mean you did not plan accordingly. But it's still okay if it doesn't work out, because you are learning. As a beginner, you'll have a lot of failures, but when you move on, you'll be able to correct them and reach your goal. To become a successful investor, you must face failures, because failures shape you. Even if your plan won't work this time, find out why and work on improving it for next time!

Asking too many questions is not wrong. Even after you become an experienced investor, you must not think twice about asking a question. You don't have to limit your access, meaning you don't have to remain within the reading materials such as blogs and books. Instead, sign up for courses, join an investing club, talk to a mentor, or even join investing forums. But that's not all. You must open up when you are interacting with these people. Tell the other connection that you have about your doubts, and you will receive solutions along with many new ideas as well. The online world is wonderful, because investors from the other end of the world can be connected and share wisdom.

When you ask questions, you discover the problem and risks you may not have been aware of. Clearing your doubts will be beneficial in decision making. Your knowledge will be enhanced when you ask questions, so keep asking until you get a clear mindset.

How to Invest in Real Estate with No Money Down would have been a problem until now, but it's not anymore, because I've covered almost all the required sections that a beginner must know. It's time to do your part by enhancing your knowledge about creative investing. Keep reading to discover more about the next section of the book - Long Distance Investing!

# Chapter 11: Why Consider Long Distance Real Estate Investment?

Now, let's get started with the next section of the book - Long Distance Real Estate Investing! What do you know about long-distance real estate investing? Is it as hard as a long distance relationship? Could be! Just like an honest long distance relationship is worth the wait, long distance investing is worth the time and effort! Most beginners have a problem with being a beginner. Remember, every successful individual started out where you are. You shouldn't consider it as a problem - instead, treat it as an opportunity to learn something new.

Most of the time, you will receive recommendations about investing in the place where you live. But it's high time to think above the boundaries and reach for what others say you can't! Then again, there is a reason why they insisted on investing in the area you live in. It is because of the difficulty in learning about markets outside your own. Even if you know some details of a market out-of-state, you will still have difficulties when handling the investment in the long-term.

Another practical reason why you may focus on investing in your area is that you get to control and manage the properties. If you are investing from afar, you have to handle properties from afar, which can be expensive. These are the thoughts many investors have about long distance real estate investment. Yet, there are investors who make profits from distance real estate, and they are the ones who look for a chance — a creative chance. If you are one of these people, you might also have an interest in long-distance real estate investing.

As a beginner, before you invest in real estate from a distance, you must understand why the idea is frowned upon. Why aren't a lot of people ready to accept that long distance investment is possible? There is just one reason people ignore long distance real estate investment - their belief. Have you ever thought about how your beliefs can become an obstacle when dealing with real estate investing?

Sometimes, in life, you miss out on things because of the beliefs that everyone shares. People aren't ready to buy a property without seeing it. That's one of the beliefs carried on and on. But it's high time you give up

that idea and change your thinking to match our changed world. Common problems you may think of are how you will manage the properties, or how you will know that a property is right without actually visiting it. We create all these problems ourselves. The answers are out there. If you are not comfortable doing something, you'll find reasons to make it sound as if it's not the right thing to do. I'm going to change the way you think about long distance real estate investing.

Most people are not comfortable with investing out-of-state because they worry too much about unnecessary things. But as an investor, you must not fix yourself to a certain place. You must be ready to overpower your gut feeling, even if it says that out-of-state investing is not your thing. Don't listen! This is your game, and you play it. If you think differently and overpower gut feeling, you'll come up with amazing solutions. You don't have to be afraid to invest out-of-state and remember - every first step will have a lot of risks. Sometimes, your first investment might not go as you planned, but it doesn't mean the same thing will repeat over and over.

You definitely don't need emotions to handle real estate investing. Set aside emotions when you enter the real estate market and believe that out-of-state investing is just as possible as local investing. If you can do that, there's nothing that can stop you!

Initially, investing out-of-state wasn't easy. Not without a middleman, at least. There were so many obstacles that investors had to deal with. Without real estate brokers, everything seemed impossible. If an investor wanted to secure a deal, the presence of a broker was almost mandatory. Brokers were the ones who handle everything related to investing. To get any information about real estate, you had to contact the broker. Say you wanted to know something as simple as the properties that were for sale. Still, you had to contact the broker. In this case, the brokers were always benefited, because if they wanted to they could prevent the right information from reaching investors. Just like that, investing was much more beneficial to brokers than investors.

For example, if you wanted to purchase a multifamily property, you'd have to pay a visit to the spot and have a closer look so that you knew the condition of the property. Okay, that's somewhat reasonable, but think about having to visit offices or contact locals to ask about the condition, rating, and the reputation of the neighborhood. If you wanted to know about

the reputation of a school in the neighborhood, you had to find someone who knew about it and could get you the details.

Similarly, before online data sites were around, crime rate information wasn't easy to come by. Back then, you might have to discuss with your broker about the crime rates, and if they weren't a genuine person, you'd have to handle the problem afterward. You might end up with a vacant multi-family home, as tenants would not have a great interest in living in a place where there is high crime. All the activities in the real estate market happened on trust. The investors had no other way to obtain information, so willingly or unwillingly, they had to rely on brokers, agents, and people. The trust was misused, and long-distance investors were easy targets.

Basically, the insiders who were able to gather accurate information about the properties tended to make incredible profits, whereas the ones who had no access to anything of the sort were failing badly. When an investor purchases property without accurate information, it will never become a profitable option. For example, if the neighborhood is not as convenient as the tenants want, and if your broker had given false information to sell the property, you lost!

Thanks to smartphones and the internet, the lives of investors have changed for the better. With the use of the internet, gathering accurate information will not be difficult, because you can get whatever you want with a few clicks. This simple option that creates immense benefits is surprisingly still not considered by most investors. The website Zillow is a great choice for any investor to gather all the details related to properties. You can view the property, find the price estimates, and gather all the other required factors within a few minutes. Once you understand the importance of the internet and its service, you'll know that you are no longer bound to the market in your area. You will have the liberty to collect the right details on your own. Technology is a great way to become the best at investing if you master it!

When you think of investing in your area, you might feel that it's the best, if not only, idea. Of course, it is a good idea because you can keep an eye on the property. Whenever you feel you should, you can simply go and check whether the properties are safe. You don't have to worry about whether or not the tenants will take care of the property, because they know you are close by and can check up on it. But all these details are simply directed to the comfort level. You are comfortable with the decision of



investing in the place you live, so you try to find all the good things about it. But remember, you don't have to worry about the place you invest if you know what you are doing. If you know the market, it is more than enough.

Whenever you buy a property, wherever it is, you must have a reason for purchasing. If you know your "why," there are no obstacles standing in your way of out-of-state investing. If you know what you are doing, you can quickly master real estate investing in any area. Out-of-state investment are no different from any other kind of investment - they're just a little farther away. If you want to invest anywhere, do it!

Whether investing out-of-state or in your backyard, both options have just one underlying factor: you must know the market. No matter which option you choose, you must make sure to learn the ways of investing. As has been discussed, real estate investing is not a get-rich-quick scheme - if you want to enjoy positive cash flow, you must have the patience to wait until the invested property takes the turn that you want it to.

Every business needs time to become better, so even if you are planning to invest out-of-state, you must learn to wait. You don't have to go by the saying "invest in your backyard." If you are talented enough to understand the market, rates, price differences, and the challenges, the area will not matter to you! Only an open-minded investor will be able to handle out-of-state investing.

If you want to become a long term investor, you must be ready to allocate the time required for the journey. You can't buy some random properties and wait for them to become profitable. If you want to make profits early on, you must be ready to give what the market wants - attention! Your complete attention is required if you're going to grow your investment business successfully.

It's okay if you're still not sure whether or not you want to invest long distance. I'm going to give you all the possible information to make your journey easier. If you are planning to invest out-of-state, I hope my explanations and guidelines become of great help.

Starting your investment journey is important, but the time you start is not important. Similarly, how you started is not important, but how you are making it work is important. There are so many ways to make out-of-state investing work. I'll help you understand all the possible methods. If you utilize technology successfully, there is nothing to worry about when it comes to investing out-of-state. There is one hitch, however - you can't

handle out-of-state investments all alone. If you want to get into long distance investments, you must have a great team.

Before we discuss choosing the right team members, we'll look at how you can use the amazing technology of today's world to make your long term investment goals come to life.

# Chapter 12: Time to Utilize the Internet in Real Estate Investing

We've discussed why and how it's possible to invest in long distance real estate properties. By now, you have a clear mindset about the reasons to consider real estate investing even if you are not going to invest in your backyard. In this chapter, I'll take you through some facts related to the history of out-of-state investing before actually moving to the topic.

Until recently, long distance investing wasn't considered by most people, because everyone assumed it was too risky. Most beginners were confused, because they had been looking at long distance investing like gambling. Almost every piece of advice was about avoiding real estate outside your area. People were scared to make a prudent decision due to lack of information.

Some beginners left the journey halfway because they believed investing itself is risky. Ask yourself, should you listen to those people who mindlessly offered some random thoughts? Or should you just give out-of-state investing a try and decide for yourself? For a while, people treated real estate investing like gambling. Then, people started learning what investment is, what rates are, how investors deal with properties, and much more.

However, some people still consider real estate as a scam, and they believe it is impossible to make money in real estate investing. Usually, these people have seen the faults with the market, but not the mistakes they were making. They might have skipped the process of learning the ways of analyzing the properties, securing deals, and much more. You can't shift your mistakes to the market. It has been the same story with long distance investing - until now.

Let's come to the real topic - the internet! How beneficial is the internet? It has become one of the most important sources that people turn to. Without the internet, people might go crazy, because it has become a habit to turn towards it for many needs. When you are dealing with out-of-state investing, you'll receive great benefit from the internet. It will be the platform where you gather all the information you need related to out-of-state investing. In the past, people ran away from out-of-state investing

because they didn't have enough information. Now, you can't say that you don't have enough information or have no means to collect information.

With technological advancements, real estate has taken a great leap as far as out-of-state investing goes. Thanks to the internet, you don't have to involve an unreliable broker in your investing journey anymore. Back then, brokers and agents had complete power, but now, the power is with the investors. If the investor wants to buy a property, they can easily gather crime stats, property tax info, or neighborhood reports online. The market has changed, and this should reach many beginners who are still afraid to become long-distance investors.

With the power of knowledge, you have fewer risks when you invest in another state. The fear of finding accurate information is long gone by now, and people can easily access any of the information they want at any time.

Now that there is enough information to make informed decisions, do you still find out-of-state investing risky? If you do, it is important to acquire as much knowledge as possible. More information means you'll have fewer risks to handle. To become an influential investor, you must have more information with you. It is essential to have the ability to make informed decisions in investing without getting a third person involved. For that, you must make an effort to gather information.

The internet was a game changer in the real estate industry. The websites that are related to real estate put forward all the information otherwise held back by brokers. The exact details are required by an investor to make proper decisions, and that information is now readily available. When this happened, the market changed in the best way!

With the help of the internet, you can become an independent investor who doesn't have to depend on a broker. If you want information, you can get it on your own instead of asking a broker. You can still ask a broker or an agent, but then, you have the sources to check whether the information is true. There's a better strategy above all these, i.e., building your own team (more on this later). If you have built a good team, you can rely on them completely without a second thought. You must ensure that they are trustworthy and let them know that you are capable of double checking the information via the internet if you sense anything negative. You can begin by double checking the information provided when handling a few deals with the relevant broker, agent, or team. After some time, you'll feel that they are honest. Then, you can be relaxed while making a great profit.

The place where you invest is no longer important. The important factors are your knowledge related to out-of-state investing and a team to handle it. You can buy properties from wherever you want, and there are no barriers.

## **Technological tools that you need**

If you want to invest out-of-state, you need technology and people. When you have a team to handle your investment deals, things become simpler and easy for you. For example, someone will handle your property, tenants, and many other things that you'd have to do otherwise. So, having a team that works for you is a great choice. Let's talk about it later and now come to the point - technological tools! Yes, they are very much needed if you are investing out-of-state. There are a myriad of websites, apps, and programs related to real estate investing. Let's discuss some of the important ones.

### **Zillow**

You might already know about Zillow. You can benefit big time from Zillow if you are hoping to become a long distance investor. Just like other tools, Zillow has many benefits such as looking up property images, property maps, and tax information. So much more can be gathered from this tool.

Zillow also offers a Price History search, and using this, you can evaluate the changes in the value over a long period. The tools will access any country. Also, you'll be shocked to witness the value drops in many countries. This tool is user-friendly, so you won't have any difficulties in handling it.

### **Rentometer.com**

This is a free website that offers rent estimates of the properties that are closer to the property that you are going to invest in. You can compare and contrast the values before making any investment decision, which is remarkably useful. The website accesses the average rent rates of the properties that are close to your expected investment, and shares it with you the amount paid. You can also get the address of the properties if you want.

Getting the addresses of the properties that are closer to your investment is a great decision. The reason is you'll be able to have a look at the properties and compare them with your investment, then decide whether the rental rate that you have planned will attract tenants. If you see similarities

in those properties and your investment, it makes sense to also charge the rent being charged nearby.

This method helps you gather information rather quickly. If you have this tool with you, you can save a lot of time.

### **YouTube**

YouTube and investments seem like two different things, right? But they aren't! Most investors don't even recognize YouTube as an important tool to enhance the growth of investments, but it is! If you are a long distance investor, you might ask for videos of a property or updates on project completions. Do you think it's easy to send video files via email or SMS? It's not! This aspect is one of the frustrating things about out-of-state investment. The best option is to consider YouTube! Your property manager or broker can easily upload videos and get a shareable link to send to you. You can just click the link to view the video that your team member uploaded with no hassle.

### **Google Drive**

This is another great tool that you'll need when you are working with a team once you grow in real estate investing. You can consider email instead of this, but when you handle email, you have to manage it all and respond, even if just a single person requests a file. This will be time-consuming. The best option that you can opt for is Google Drive. You can use Google Drive and allow access to those that you want to give access to. If the relevant person gets to access the specific folder, they won't have to ask you for it, which saves you time.

Along with the time-saving option, you can enjoy the option to share huge files with the relevant parties. Just like YouTube, you can enjoy this option in Google Drive, too.

In this case, you have to allocate some time to organize a certain property's files and allow access to certain people. Once that's done, you'll have more time to allocate for other important things in your real estate investing career.

### **Mortgage Calculator Plus**

If you want a quick option to calculate the mortgage payment, this is the right tool that you need! This is not a paid app, so you don't have to worry about that, either. You just have to include the loan amount, interest rates, amortization term, and then the tool will provide the final mortgage payment. The whole process will take only 10 seconds or less.

Along with the above option, you can also get amortization schedules and graphs. You can use this tool to decide the right loan option. The property analyzing process will become faster and easier if you have this tool!

To wrap up, you must never overlook the importance of the internet, even if you are not a long-distance investor. When you utilize this tool, it makes you an influential investor that can handle a lot of aspects of investing all alone. For example, even if you don't have your team, you can still do everything by yourself, because you are capable of it!

However, to become successful in investing, you need to practice. Constant practice will help you master the strategies and techniques of out-of-state investing. Have an internet connection? That's all you need if you want to become a long-distance investor.

# **Chapter 13: Factors That You Need to Know About Long Distance Investing**

Why should you always have the bigger picture in your mind? This will stop you from making rash decisions based on short term objectives. Whenever you start something new, you must have the confidence to achieve as well as the wisdom to persevere. In real estate, you are going to grow and learn more than you ever thought possible, so having the bigger picture in your mind is crucial.

The real estate market will not grow or shrink overnight - it needs a lot of time to get where it's headed. In the beginning of your investment journey, you'll make money, but more than that you'll be gaining experience and knowledge. The first stage of investment will be more about the experience. During this stage, you may not see steady growth in your investments. Of course, you might make profits, but they might not be what you expected. Remember, the experiences and the knowledge that you gather will help you double your financial status. Once you get the hang of things, you'll easily find success. So, if you are struggling in the beginning, you shouldn't be worried about it. Instead, you should strive to keep learning.

Before you get yourself immersed in the investing (especially long distance) market, you must spend time learning about it. Here are some of the factors that you need to know about long distance investing:

## **Look for the right service provider**

Some investors tend to remain with the same people even if they don't offer the required service. If you want to make out-of-state investing successful, you must tackle problems vigilantly. You must have the ability to understand the type of work that is required, and if the relevant person is not providing what you requested, you need to fix the situation or find someone new. Yes, there are two options if the person hired isn't doing the work properly - firing doesn't have to be your go-to. Sometimes, the problem can be low pay, and if it is, you should at least consider offering more (without creating a loss). If you can fix the issue, that's one less



problem you have to deal with. But if you can't, the next choice is removing the person.

If you don't handle business relationship as they should be treated, in the end, you won't be benefitted. There's always the chance that the management company you're working with could be ripping you off. If you, in any instance, feel like that might be the case, you need to take immediate actions.

There's also the chance that you might face issues with inexperience. There are many inexperienced agents, so if you are obtaining their service, they might make unacceptable mistakes, so you might have to find someone new. Just remember, there are great service providers that don't have a lot of experience. Always make sure that you receive the benefit, in the end. If the service doesn't provide benefits to you, it is okay to get rid of it!

The major reason to make such a clear-cut decision without giving anyone time to change is that you are investing as a long distance investor. Being a long distance investor takes a lot of patience and smart work, just like a local investor. But, there are higher risks involved in long distance investing if it's not done right. It is always better to have the right people with you when you are investing out-of-state. Be wise enough to get rid of them if they don't meet your needs!

## **Look for a reliable agent**

There are many agents in the investment market, but you can't hire just anybody. The agent must be investor-friendly, because you will have to work with them throughout your investing journey. The agent plays one of the most important roles in your investing career. When it comes to out-of-state investing, the importance is higher. They must get reasonable payment, as they provide help finding the right deals. You must ensure that they get what they deserve.

When you are finding an agent, you must make sure to consider their reliability. For that, you can simply ask for referrals from others. You can search the online presence of the agents before selecting one.

The agent you choose must know how to work with an investor. Unfortunately, there are some agents who don't know the special circumstances surrounding working with an investor. Do your due diligence

to find an agent that is not only experienced, but familiar with the type of real estate transactions you are interested in.

When you are hiring an agent, you must make sure that the agent understands the importance of investing. They must know why it's crucial to secure cheap deals. Above all, they must be supportive throughout the journey. You might consider hiring an agent who already been in the investment market. They will not only know what your goals are, they will be familiar with investing in the area you plan to pursue.

Make sure you choose an agent that you trust to handle the deals for you, since you can't be there yourself. Communication will be vastly important, because deals in real estate move quickly and both of you need to be ready to be on the same page if the right property becomes available.

Also, the agent must be ready to take a lot of pictures of the properties, because you are not there to see it yourself. In out-of-state investing, pictures have a greater place in the deal.

There are more points to consider, of course, but these are some of the most important. Out-of-state investing will not be easy without a good agent.

## **Look for the right property management company**

If you think property management companies can easily be found, you might be in for a surprise. If you don't want to waste your time with out-of-state investing, you must spend the time to find the right management property. For any investment type that you select, the duties of the management company are highly important. It will decide the rate of success, above anything else.

Even if you know the right location, even if your agent has provided the required information for great deals, and even if you know real estate investors from the area, you can't make the right decision without a top management company. Even after gathering all the details, you will need to be in contact with a property management company to get an idea of rents in the area, rental demand, and even find tenants.

The rent rates differ from street to street, so you can't always find those amounts as a long-distance investor. You have to let your property

management company do their part. They are experienced and will ensure you make your deal profitable by charging the right amount for rent.

Just like finding the rental rates, you must also do a home inspection before buying a property. You can always contact a professional to do the inspection by looking up companies in the area. But, when you rely on the management company for the inspection, there are added benefits. The management company would have inspected and managed several properties in the past, so they know what to look for. The management company will do the inspection, take pictures, and discuss with you anything important that could affect your ability to rent out the property. For example, if there are any urgent repair needs, they will be able to let you know.

As they have complete knowledge about the type of property that renters will look for, they will consider that factor as well. You might give up many deals because of their warning, and if you have hired a good company, you will not regret making the decision.

The management company is like the hub of your investment. You can even find referral sources from the company. If you want to find a better agent, you can request their help. Also, they make arrangements for you to meet successful investors, so you can enhance your knowledge by interacting with them. The management company has a lot of contractors, so if you are on good terms with them, you'll be able to secure great contacts.

These are the major factors that you need to know about out-of-state investing. I know, you are wondering how to find a good management company, right? I'll help you with some tips:

The best way to find a good management company is through referrals. There are forums that you can peek into and ask around on. Or you can ask other investors, contractors, agents, or even mortgage companies to suggest good management companies. As all these connections are interconnected, you'll get many suggestions, some more than once.

Once you receive the choices, you must shortlist. How can your shortlist? Start collecting details of the management companies suggested by other connections. Then, talk to the company to know more about their work procedure.

Ask them about the fee structure, procedure of finding renters, eviction process, the way they manage properties, number of properties managed,

number of investors worked with, and their experience in the field. By asking all of these questions, you will be able to get a clear understanding of what they will be able to offer you, service-wise.

If the companies that you contacted feel sketchy in any way, cross them off the list. All of the questions listed above are related to their success, so they must share the details without hesitation.

Don't forget to look them up on the Better Business Bureau (BBB) website as well as social media platforms.

Ask whether they will let you speak to their previous clients (investors and renters). It is good to know the information from both the ends. Always do more research before making any decision!

A management company will become a great asset for your out-of-state investing career if you select the right one. If you don't, success might be harder to find.

If you are mindful about these points, you will be able to create the right path in your investment career. If not, you'll have constant problems throughout your investing journey.

Investing out-of-state might have sounded crazy in the past, but not anymore! You have everything required to make out-of-state investing successful. It's time to give it a try and see how it works for you!

# **Chapter 14: Who Should Be the Team Members of Your Long-Distance Real Estate Journey**

Buying real estate anywhere you want to buy makes you a long distance investor. Becoming a long distance real estate investor takes a lot of courage and perseverance. You don't have to be limited to property that is near your area! Even in life, we don't have to settle for things just because they are readily available. You keep searching until you find the right choice to match your tastes. Just like that, in investing, you must not invest just because a property is near you. Instead, look for the better option - look for out-of-state properties. If you think they are profitable, go ahead and invest!

People don't apply this strategy to real estate, which is why they run away from out-of-state investing. There are valid reasons for not investing somewhere other than in your backyard. Nevertheless, try to open your mind and see the opportunities available for you. Do you really think that learning another market is impossible? Nothing is impossible if you gather the right knowledge. If you know the simple concept behind long-distance investing, you will not find it to be impossible.

Did you know that there are experts who have already mastered many areas in real estate investing, and you can simply have them on your team to continue your journey? What if you had a team to move on to long distance investing with? Would it make things easy for you? Will it make investing from afar possible?

Having a 'team' with you is more like having a strong weapon in a war! Sounds victorious, right? Having a team is highly important. But who should be on your team? How can you find the right team members? How will they minimize the risks involved in long distance investing?

Let's first discuss the formation of your team and how it will impact your long distance investment journey.

## **A Member to Secure Deals**

Even if you are not a pro-investor, you know that deals are prominent in investing. The prominent factor in investing should receive the highest recognition, right? Thus, you must find the right member to secure deals for you. Typically, this person could be a bird dog, wholesaler, agent, or the investor themselves. The place where deals come from doesn't matter - only whether or not it's a good deal worth securing. However, agents are considered the most common member to use to secure deals. So let's talk about adding an agent to your team. Most successful investors use the services of the agents more than any other options mentioned.

Agents are the ideal option because they are experienced in finding the right investment properties. They are capable of providing a lot of valuable referrals. Additionally, they possess a vast amount of knowledge about the market. If you don't know how to negotiate deals, it's okay, because agents know how. They will help you through the complicated aspects and difficult times. You will feel as if you've made the right decision by adding an agent to your team.

You know it is important to have a member who will secure deals for you, and who you can feel confident about. An agent is not only an important member of the team, but also a powerful member of the team. Sometimes, you might feel uncertain in an unfamiliar market. In a case like this, an agent that you've hired will help you through it. They will be like the map that you carry when you are touring cities that you've never been to.

I already mentioned that out-of-state investing wasn't recognized or considered for a long time because people started looking at it like gambling. In fact, some people started playing it that way! The investors did not know the stranger at the other end, even though they were listening to the advice offered. Investors weren't aware of the condition until they were used as a key to make a profit by those strangers.

Like we already discussed, the internet has changed this version of "gambling" into a profitable investing career. The investors have sources to gather information that they required even if the property isn't in their country. When the required information and the agent come together, finding the right deal is no longer a difficult task. The agent will provide appraisal numbers, comparable sales, and all the other required information to help you make an informed decision. But, finding an agent may not be easy. You have to be really careful and vigilant when selecting an agent!

## **A Member to Manage the Property**

After you add the first member, you can move to the next –property manager! You’ll have a lot more work to do for yourself if you don’t have a property manager on your team. Most local investors consider local investing just because they can handle their property on their own. Well, is this your only concern? Don’t you want to become better at investing? Don’t you want to seize the best opportunities? Besides, taking on all the responsibilities of a property manager is hard!

The property manager will provide more services than you can handle on your own. For long distance investors, it is imperative to have a property manager. Never underestimate their value. They are experienced, knowledgeable, and excellent at managing properties. Meanwhile, they have close connections with businesspeople, agents, renters, and other investors.

Property managers are brilliant individuals because they can easily find problematic properties that could turn into excellent deals for you. The first person to know about these deals, particularly when it comes to rental properties, will be the property manager. Having a property manager on your team will not only save your position in the real estate investing market, but also save your hard earned money.

Property managers are not “just” rent collectors. They can be one of the most valuable members of your team when you are investing out-of-state. To build a great team, you need a top property manager.

## **A Member to Fix Up Investment Properties**

Here we are talking about a handyman, rehabber, or contractor. For the purposes of long distance investing, we will focus on the contractor.

The contractor on your team will be responsible for fixing up property and making any repairs needed. It’s not always easy to find a good contractor, and there is a valid reason for this.

All the experienced investors know to find the right contractor to get their work done. As these contractors become better at their work and are in higher demand, tend to charge more and are available less. So, the one you planned to add to the team might become unavailable or have a price far

beyond your budget. In this case, you have to keep your options open and search for a contractor that might not have been your top choice.

Once you've added a contractor to your team, don't assume that it's all sorted out and you can move on to the next task. Contractors can slip through your fingers - they might be offered a better deal by a higher paying investor, or they might get too busy to focus on your properties. Additionally, when you grow as an investor, you'll have a lot more properties to fix up. Thus, the contractor will be required more often.

You can find contractors through other members of your team. If you try to ask other investors, they might think twice before suggesting a contractor, or they might not even suggest one because they know the struggle. Contractors are very important because if they don't fix up the properties, how are you even going to sell the property and make money? So, ask your team members to stay on the look for contractors. Inform everyone you can that you are looking for an investor, and if you find one, protect them and let them know they are appreciated. I encourage you to keep gathering information on how to find contractors in this market - there's a lot more to learn.

## **A Member to Lend**

Of course, without a lender, it's impossible to move forward with a deal. The lender offers other people's money to invest in properties. This member is easy to find, right? Wrong. Initially, it will be easy to find one when you are purchasing one or two properties, but when you become more experienced and the count parachutes, things will get tough. And, you are not investing locally - you're investing out-of-state.

After you secure more than a few deals, finding lenders becomes a tough task. You might have to allocate more time to find lenders than deals. It will be tough until you find an ideal lender to keep a steady connection with. Once you team up with the lender, things might settle down. But the race will be competitive. Rules and regulations differ from lender to lender, so the best thing that you can do is to find lenders who resonate your needs. Even the investor-friendly agents might be a great help in this search.

Some lenders prefer not to work with investors who don't purchase property to meet their primary residence needs as well. If you find a portfolio lender, count yourself lucky! They are great, because they have the



loan in their books. They will not sell it to someone else, and they often don't follow lending "standards." If you find a portfolio lender who will agree to borrow over and over, you'll be able to create a great link. Once you find the lending member of your team, you will be able to focus on finding better deals.

It can be difficult, in the beginning, to build good relationships with lenders. If you want to stay in the real estate field on a long-term basis, you must build good connections with lenders. If you lay the foundation correctly, those lenders might work with you even after you secure ten or more properties.

With the lender, you create a complete team for your investing journey. Teamwork will reduce your work. After you've built your team, if anyone discourages out-of-state investing, you have the answer! You can tell them that you have team members who are pulling their own weight and making your life as an investor far easier.

Your team members can also be responsible for each other so you don't have to micromanage everyone. For example, if the contractor requests payment, saying that the project has been completed, you can ask another member of your team to ensure the work has been done to your specifications. Working with a stranger is risky, but if you do your part to handle the risks, you don't have to worry.

Leveraging the team members is the best way to get the best out of them. When you are paying your team members, you must ensure give them what is owed based on the work they do and the value they offer your investing business. Also make sure to get what you pay for. It is important to ensure each of your team members is 100% involved in the process if you want to succeed in long distance investing!

# **Chapter 15: Who Else Should You Include in Your Team to Handle Long Distance Investing**

In the previous chapter, we talked about having a team including a lender, agent, contractor, and a dealer. If you build this team successfully, you'll be able to enjoy positive cash flow. Also, the common obstacles that you might otherwise face will become easier to handle. You can let the team members handle other vital tasks while you focus on the important aspects of investing.

Real estate investing is not easy unless you make it easy. In fact, it is all about teamwork. The investor with the best team will be successful, because the value of team effort can't be overlooked. If you are a good leader, you will work hard to find the right people for your team - and keep them.

Once you become a pro, you don't have to worry about anything else. But until you become better at what you are doing, you must work hard. Initially, the whole process of investing may seem daunting when you are a beginner. The formation of a great team is highly crucial when you are starting out. Remember, your team will improve when you improve, so it's an overall process.

Before you form your team, it's essential to determine the market and the strategy of investing you're going for. You must have a clear plan and a great strategy that other members of your team will be able to understand. If you are specific, your team members will be able to understand your message and goals more clearly. However, there are some other members that you must have on your team along with the main members that we already discussed in the previous chapter. Let's find out who else should be on your team when you are beginning your investing journey.

## **The Mentor**

You might have read a lot of blogs and articles on the importance of mentorship. So, it is not a new concept, and I probably don't have to stress

the value. When you are finding a mentor, you must make sure to consider someone whom you can contact whenever you are in need of guidance or advice. The mentor should help you become the investor that you want to be. Achieving your goals will take more time if the right mentor does not guide you. With the guidance of a mentor, achieving your investing goals will not be so difficult. Additionally, investing from afar will not be as challenging as you thought it would be. Remember, a mentor is a must-have member if you are just starting your investing journey.

## **The Attorney**

The attorney is another important member of any new investor's team. When you are investing out-of-state, it is not going to be like local investing, so you must find an investor who is well aware of the out-of-state information. The attorney should be able to make you aware of the law-related details in out-of-state investing. It is better to learn from the basics, so try to get connected with a reputable online attorney so that you can easily gather the required knowledge. If you can hire an attorney to work with you in the long-term, you'll be benefitted. Yes, it can be tough if you don't have the money to afford a good attorney. But, when you do end up needing them, you'll be thankful you found them early on. Try to allocate some of your startup funds for such needs as this. When it comes to out-of-state investing, you have to be prepared for anything.

## **The CPA**

A CPA is a critical member required for a successful team. The CPA must have experience with real estate investing. If they don't, they may not be able to help you with every aspect of your investment journey. It's even better if the CPA has been an investor in the past. Most successful investors suggest working with the ones who have real estate knowledge.

## **A Special Team Member**

You must have at least one person on your team to support you when you move forward. That one person can be your relative or someone who's

already on your team. But they should know about investing - if they don't, how can they properly motivate you?

Before you started investing, you set some goals. Once you started to get the ball rolling, did those goals go out the window? It's easy to be diverted or distracted from your plans, but with the right team member to help you stay on track, you'll find it far easier to keep pushing forward.

## **The Insurance Agent**

You should not confuse agents with brokers, because they are different. It is always, always a good idea to insure your properties. When you start making multiple deals and have many properties to watch over, it helps to have a contact on the inside. If you have a close connection with an agent, they will help you throughout the insurance process, which can get complicated. Having someone on your side will help you get better rates, better guidance, and bigger profits.

## **The Hard Money Lender**

There are different aspects of being a newer investor. Sometimes you might need to seek help from hard money lenders, and sometimes you might not. Sometimes, whether you like it or not, you might have to seek help from hard money lenders because you don't have other options. Some deals will certainly require the support of a lender when considering other financial options. In such an instance, you will require the help of a hard money lender. Thus, it will benefit you to have someone who you can work comfortably with. Moreover, it is a must to ensure that the person is trustworthy.

## **The Equity Partner**

Looking for an equity partner to do long-distance investing can be quiet tough, because your partner should be willing to work with you. Even the equity partner should have an understanding of out-of-state investing. Having an equity partner on your team is very beneficial to you. You must look for someone who will align with your dreams and goals. If you find an

equity partner whom you can work comfortably with, you'll be able to protect the partnership on a long-term basis.

## **The Birddog**

It will be beneficial to have these people on your team. They are the ones who already have regular jobs, yet they are aware of the potential opportunities in the market because they have a grip on of the insider details. They are the ones who are interested in becoming investors and are looking for other investors to get support from. The partnership is mutually beneficial, making birddogs important team members.

## **The Business Connections**

Even if you are investing out-of-state, it is best to have strong business connections in the area you intend to invest in. You might be investing from afar, but you can get connected to people who are doing similar things. Sometimes, you might find investors who are investing in the same area as you. In such an instance, you must try to build a good relationship. These relationships are win-wins because both parties are impacted positively from these connections.

These are some of the important points that you must note if you want to become a successful long-distance real estate investor. Chapter 14 includes the main group members that you can't work successfully without. To participate in out-of-state investing, you must make sure to build this team successfully. Of course, the main group members aren't easy to find, but the time spent to find them is definitely worth it.

The members discussed in this chapter are secondary members required to your team. As you are a beginner, even the secondary members have a great deal of importance. You must ensure that the members of your team are reliable. Once you create this team, you will be able to handle long distance investing successfully. I won't say that it is going to be easy, because the risks are higher in real estate. You have to handle risks wisely, and learning to do so will take time. But it will not be impossible.

# **Pros and Cons of Building an Out-of-State Investing Team**

Did you think that there were no cons to building an out-of-state investing team? Isn't it great to have a team so that your responsibilities and risks related to out-of-state investing are reduced? Well, yes. Your responsibilities can be shared among other members who are skilled at a particular task. This will not only reduce risks, but also enhance efficiency. But then, what about the cons related to building an out-of-state investing team? Let's check out both the pros and cons:

## **Pros of having a team**

- You will have more time to focus on other important tasks.
- You will have to deal with fewer risks when the duties are delegated.
- You will be able to enjoy more profits than the usual way of investing because it's a team effort.
- You will be able to enhance your portfolio.
- You will be able to go a long way in out-of-state investing.
- You will find better opportunities.
- You will receive more ideas from everyone on the team, and potentially business-altering ideas might pop up.
- You'll be able to reach more and more success if you have a team to support you throughout.

I could keep listing pro factors, because building a team should be mandatory if you want to enjoy positive cash flow from out-of-state investing. But it is always better to know the cons of having a team so that you can take the necessary steps to handle the negative factors.

## **Cons of having a team**

- You might have to spend a lot of time to find the right members. For example, you have to find **ONLY** four members for your main team, but you have to spend a lot of time to find these members.
- You might have to take huge risks, because sometimes you might not find team members who are as reliable as you anticipated.
- You might face betrayals - in every business venture, there is this chance.

- You have to spend money to build a team.

These are the main drawbacks of having a team. Of course, spending time and money on a team is more than acceptable if the result turns out positive. You are going to be benefited if you have picked the right members, but if you haven't you'll have to deal with the issues. So make sure to spend more time on finding the right team members. You'll enjoy investing more if you have support from the right people!

# Chapter 16: Tools Required by a Virtual Investor

You must break the norm if you want to succeed in real estate. The most common misconception of the market that we have been discussing throughout the book is investing within your limits. Most beginners tend to believe that they find good opportunities only within their geographical location.

If you believe you are capable, there will not be any obstacles for you. Out-of-state investing will not be a big deal for you if you know how the market works. Most successful long distance investors are the ones who learned that geographic location is not an obstacle. If you become aware of this truth, you'll become a great long distance investor.

In the beginning, you may not feel that out-of-state investing offers so many opportunities. Over time, you will realize the resources and opportunities available in the out-of-state market. You'll start witnessing that there are less and less obstacles when buying properties out-of-state. To become a successful virtual investor, you only need a good device and a reliable internet connection.

Many successful investors are capable of buying properties without actually seeing them. You don't have to see a property to invest. You just need the knowledge to evaluate the property. In fact, after a few virtual deals, you will find that investing out-of-state isn't so complicated after all. But the most crucial part is that you must get comfortable with the idea of virtual investing. When you start your virtual investing journey, you might sound like an idiot to yourself. But hang in there, because you are going to create magic once you get comfortable with the process. Even if you have a wealth of knowledge about the market, you have to be a negotiator, communicator, advertiser, and much more to handle investing from afar. But if you have a team as we discussed previously, you don't have to multitask. You can share the tasks among your teammates, and that will make things simpler for you!

If you are not ready to think out of the box and if you are not ready to get comfortable with out-of-state investing, you won't be able to reach new heights in your investing journey. It's understandable why you might want



to stay away from out-of-state investing. Some people might never buy ANYTHING without actually seeing it. They might not even consider online shopping sites. But we live in a new world with incredible technology. To successfully invest from afar, you need a few tools - tools that are readily available thanks to technology.

## **Tools for Out-Of-State Investing**

There are so many tools that a virtual investor will need, but I'll discuss some of the most important tools that you'll require to continue your out-of-state journey.

### ***Zillow***

We already discussed Zillow in one of the chapters, but let me mention the importance in simple words. Market estimations, property research, find local realtors, land valuation, and many more benefits can be enjoyed through Zillow. This is one of the most important tools for every virtual investor.

### ***Craigslist***

This highest-traffic website is important for you to buy and sell investment properties. It will help you get the details pretty easily, so if you are a beginner, you must consider this.

### ***Facebook***

You already know what this website is all about. This is one of the dominant websites in the market today. People are being benefited immensely through this website because it has become highly effective and active. You can find properties to purchase, or you can sell properties if you prefer on this website. There are different groups on Facebook that let you buy and sell real estate, and you can connect with other investors both near and far.

### ***Lead Propeller***

This is not going to help you at the beginning of your journey, but over time you will find this tool effective. This tool will help you build the website that you always wanted to build as an investor. You'll be amazed by their offerings and options, so make sure to keep this tool in mind.

### ***Google Earth***

If you want to become a successful virtual investor, you need Google Earth. It is one of the most valuable tools. It helps you get information and data related to surroundings, topography, street views, and much more. If you are buying a property or vacant land, you'll benefit immensely from this tool. You can easily get it on your device, so don't delay!

### ***One Weird TrickGIS***

The GIS (Geographic Information System) Database works as a chained system. From this system, it is possible to gather details about the USA property boundaries, ownership, location, tax history, and many other important details. Even though the system is highly effective, there's still doubt as to whether people can access it. Some systems are easy to decode, and some others are complicated. But most systems like this provide the right information needed. Find out whether or not you have access to the GIS system.

### ***WeGoLook: Property Inspection Services***

This is another incredible tool that makes investing simpler for you. Through this website, you will be able to inspect the property without visiting the actual property. This tool is great for long-distance investors when handling remote property. The investors are able to gather useful information from this tool.

### ***County Websites***

This is a great tool to gather the information that you want. The county websites will provide help to find information about the property that you want to purchase. Just like the GIS Database, you'll have difficulties in decoding this system because it is extremely complex. If you have selected an area to invest regularly, you'll have more information available on the

county's website. Take time to learn from this website so that you can make your virtual investing journey a success.

### ***RingCentral***

A steady system to maintain good communication is a vital factor in real estate investing. This is more than important for out-of-state investing. You can easily control all your real estate deals with the help of this tool. You can find many other cloud-based systems to handle all your communication needs. For a virtual investor, the phone system is something that they can't operate without. So, you must make sure to find the right service provider.

### ***Dropbox***

This is another great tool required to manage and share your files with other people in your business circle. For example, you can share the files with your teammates if you have Dropbox without any hassles. You can use this tool to send documents that require signatures or revisions. You don't have to go through the traditional process of attaching files to your email anymore. Dropbox makes things easier and quicker because you can share the folders within a few minutes.

### ***Rocket Lawyer***

This is one of the best legal DIY websites that you can find online. You will be able to gather a lot of resources from this website. If you can handle this website, most of the duties related to rules and regulations in the investment market will become easier to understand. This tool paves the path to understanding and handling legal documents such as deeds, wills, trusts, agreements, and much more. This is an awesome tool for virtual investors, because the site makes everything easier for you.

Is that all? Not really! These are just some of the tools that are required by a virtual investor. A beginner will be able to manage their investments more easily with the help of these tools, but that doesn't mean you need to have all the tools to succeed in investing. Having these tools with you will make things easier for you, and the barriers that you thought existed will no longer exist. Once you utilize these tools, you will understand that it's not difficult to invest from afar.

The reason why most people struggle to enter out-of-state investing is that they fear what could happen. They fear the market, just because it's in a different location. Perhaps you might fear the market if you have not gathered the information that a new investor must gather, but that information is readily available. A higher percentage of investors who can invest in the out-of-state market don't make it happen. They fear the market and they don't utilize the information they already have.

The most common issue that we can clearly see in budding investors is that they don't understand the accuracy of the information. You can certainly invest in the local market and enjoy the great benefits. Moreover, you will feel comfortable doing it. If you have better opportunities, why not seize them? You must become comfortable with out-of-state investing, and you must give yourself some credit for doing it.

For example, when you buy a property out-of-state, you will easily spot con factors in the property if you are aware and resourceful. If you feel comfortable about a certain property, you can consider it. You don't have to doubt your resourcefulness. If you do so, you'll never be able to settle for a deal as a virtual investor.

You can't gather information, the accurate information, without a cost. You might have to pay in terms of cash, time, effort, or energy. The form of the cost will differ depending on the information that you obtain. However, if you are confident about your decision, you shouldn't listen to any other opinions.

If so many other virtual investors could make it, why can't you? To become a successful virtual investor, you need to have the determination that you can make it work. At times, your plans might not work as you intended. Your strategies might not help you. Or even your first deal might not make a huge profit as you anticipated. So if all these things happen, will you just walk away, or will you try one more time?

You must try one more time, because this is your initial stage in investing. Only through practice can you go a long way!

# Chapter 17: How to Handle Investment Properties from Afar

The best thing that every virtual investor gets to enjoy are limitless opportunities. If you want to purchase a condo, you can. Or if you like single-family properties, you can go for those. You have the liberty to choose between a town and a city. If you don't prefer cash payment, you can consider a mortgage. If you want to save money, property management can be done all by yourself. If not, you can hire a property manager to reduce your work. The number of investments that you prefer owning is related to the finances, goals, and skills that you possess. Once you get started with a smaller property, you will get the confidence to handle the market. Only through experience will you learn the best lessons. So no matter the information that you gather, nothing will be equal to experience. Even if you are a beginner, you can still consider out of state investing if you have the required knowledge. But, how do you remain sane while handling investment properties from afar?

There are many advantages in investing out of state, and you'll be offered with a lot of great opportunities as well. For example, if you are living in an area where you can't afford to buy properties, you can consider out of state investing. You can enjoy portfolio diversification, better markets to select from, and much more. I don't want to sugar coat the case, because if I do you won't understand the depth of out of state investing. When you are investing out of state, you will have problems as well. For example, you are relatively unaware of the market, so you must make an extra effort to learn it. If any serious issues come up, you might have no means to travel to the place where the property is (although if it's relatively close by, you can). You'll have a lot of responsibilities until you team up with other members as we discussed. Finding those members can be time-consuming as well. Nevertheless, the benefits of out of state investing are more numerous than the risks associated. Let's discuss some of the tips that can help you handle your investment properties from afar.

## **Study the market that you are planning to invest in**

You must know that the regulatory framework and legal details of a market are highly important when investing out of state. Of course, they are

important even when you are investing locally, but the rate of importance is higher in out of state investing. Even if you are planning to invest in a single property, you must make sure to learn the market. Researching the complete market, including the legal framework and the regulations, is important when making proper investing decisions. The laws and market conditions are the factors that will vary from location to location. If you are assuming that you can become a great virtual investor just because you've been doing great in one area, you may not understand the finer details. Being an expert in your area doesn't necessarily mean you'll know market details of another city. There will be a clear cut difference. There are so many sources online such as books, apps, tools, and websites that are there to help you. Utilize online resources to educate yourself. Remember, building connections with investors in that particular area can be even more beneficial. So, make sure to do it. If you don't know how to network, that's okay. We will be discussing it here.

### **Become an organized investor**

A real estate investor needs to have extreme organization skills. Especially if you are investing in out of state, it is crucial to becoming an organized investor. You will have responsibilities such as paying taxes, property maintenance, mortgage payments, selecting tenants, and much more. But for all of these, you have to possess the knowledge as well. This is why I recommended building a team. If you do so, you'll be able to manage everything. Until you find all the team members, you have to keep an eye on most of the things yourself. If you have already started investing without a team, start looking. If you haven't focused on building the team first and you try to continue to do everything, you'll eventually find yourself burnt out. If you are not organized, you will not be able to keep track of your profits and losses, progress, or anything else vital to running a real estate investing business.

### **Make use of the technology**

The key component of online investing is technology, so if you want to make your real estate investing journey a success, you must make sure to get the best out of your technology. There are high-tech online resources that you can use to make your real estate investing activities easier and efficient. In fact, technology is a major component that helps investors get the best out of virtual investing. If you use these sources, you can save your energy and time. You can use Investopedia to gather basic knowledge about

investing in real estate. But this is just one of the many sites that you can consider, and there are several others out there. Mashvisor is a site where you can gather tips, actual properties, and analytics. For a listing and many other services, you can consider Realtor, Trulia, or Zillow. Likewise, there are so many ways to get the best out of online websites and apps. There is no reason why you should not consider out of state investing.

### **You must know basic math**

Of course, you are not required to have the skills of an accountant, but you must know the basic math. If you want to prepare a budget, you must have the basic knowledge to do it. To understand more about preparing a budget, you can consider an online course, or you can seek help from professionals. Basically, as an investor, you have to do all the calculations before deciding on an investment. You must know both the income and costs related to the property to understand whether or not it is profitable. You shouldn't underestimate the costs. Beginners make this mistake and end up losing a lot of money. This is one of the careless mistakes that one could make in investing. Your careless mistakes will affect your cash flow, and it will not be easy for you to handle the after-effects. Even if you have just started investing, you'll find it daunting. To avoid all the careless mistakes, you can select any of the many online rental property calculators. When selecting an online rental property calculator, you must make sure to select a reliable one.

### **Service of the property management**

You might have investors say that property management is costly; of course, it is! But the money you spend on it is worth it. You don't have any other options than considering them, unless you want to manage property yourself. When you become a distance investor, you almost can't make it without a property management service provider. For example, if you are investing in out of state rental properties, you can't go back and forth to check the condition of the property. So, the best option is to consider property management service. I've already mentioned that a property manager must be one of your main team members, so don't forget that!

### **Nothing is as great as networking**

It is seldom that beginners understand the value of networking. When you are investing out of state, networking becomes more of a mandatory factor. When you interact with other investors, you'll get better experience. They will share stories from which you can learn a lot. Actually, through

networking, you'll be able to protect yourself from falling into the wrong habits. Many successful investors will provide ideas and advice that you can't find online. No matter how many online sources you look at, nothing will be as good as networking.

As an investor, you aim to become better while growing your income level and financial goals. You might have certain aims in investing, so to achieve all that you must follow the tips and ideas that I shared above. Not only these ideas and tips, but you must also always stay on the lookout for more information and knowledge. Like I promised earlier, I'm going to help you understand the ways to build investment networks. Not only how to build, but also ways to manage your network will be discussed here.

Success in real estate doesn't come overnight or even after a year. Success comes when you understand the concept of investing. Success comes when you realize the importance of networking. You must not try to become a "great" investor just by educating yourself about investing, because it doesn't happen that way. If you want to become successful, human interaction is highly essential!

## **Why is it important to connect with others?**

Some beginners tend to believe that they don't have to work with other people because they have enough knowledge to handle everything themselves. You might think that associating with others will reduce your efficiency, or that too many connections will create unnecessary headaches. Let me clear up something for you; your logic might be true, but it doesn't apply when you are in the real estate market, because in real estate networking is one of the profitable factors. The benefits gained from networking will overpower the inconvenience related to it. However, let's discuss some of the major benefits related to building networks in real estate investment.

**Local market knowledge** - when you are investing out of state, you will not know about that particular market. Even if you have the general knowledge about investing, it will not be equal to gathering the local market knowledge. Thus, you need to have connections with the people who already are well-versed in the market that you are planning to invest in. If you build a good relationship, they will not think twice about sharing their



knowledge with you. For a virtual investor, this is one of the most important factors.

**Necessary guidance** - Naïve investors must seek necessary guidance from experienced investors. The guidance offered by the experienced investors is way more beneficial than the regular guidelines that you read online. Usually, experienced investors love speaking about their achievements, so you don't have to force them to share. They will willingly do it if you lay the right platform in the beginning.

**Gather ideas** - You get the opportunity to gather ideas from successful investors, mentors, and others. When you network, your knowledge about real estate investing will enhance because you get new ideas from the people you connect with.

**Helps to build the reputation** - Did you know that reputation is a key factor in real estate investing? If you have the reputation, you'll be more likely to succeed than other investors in real estate who don't have the reputation. When you are contacting an agent or broker, if they know about your reputation, they will feel better about providing their service to you. Through this, the whole process will become easier. So for this mere factor, you must get connected with reputed individuals in the real estate market. Once you do, you'll easily reach many ears.

**Find great partnership opportunities** - You will be able to find great partnership opportunities when you build a network with other investors in the real estate investment market. This is one of the most beneficial ways to find the right partner to enter into a partnership in real estate. If you find partners through networks like this, you'll be able to enhance your knowledge as well. Besides, partnerships built through networking tend to be better than other partnerships.

## How to build a network?

You already learned the reasons why it is crucial to network with other investors when you are in the investing market. But do you know to find people to network with? Where can you find reputable investors, brokers, and other important people? Let's see!

**The internet** - This is one of the biggest places where you can find investors and other individuals in real estate and connect with them. There are many social media platforms, but you are more likely to find great

connections using Twitter, LinkedIn, or even Facebook. These social media platforms are used by successful investors to share their experiences as well. Thus, you can connect with professionals through social media.

The internet provides another benefit - you get to connect with people without sacrificing your comfort. Another way to interact with investors is to leave a comment once you've read their blogs. If they are the blog owner, they might reply, and so you can interact with them. When you engage in a conversation, you will gather more information about real estate investing and some connections might be in your network for a long-term basis.

**In Auctions** - Yes, this is a place where you can find responsible professionals and investors, because they can't take part in auctions if they aren't responsible. Only the ones with a serious mindset will attend an auction. Thus, attend auctions, meet people, and learn how things work there. Interact with them and get to know more!

**Real estate partnerships** - I mentioned that partnerships created through networking are great. Similarly, partnering with a random person who is as interested in real estate as you are can also become a great way to interact. This interaction will widen your knowledge about investing, and it will benefit the partnership as well.

**Trade Shows** - If you can attend these shows, you will be able to meet contractors, building suppliers, lenders, investors, and other professionals in real estate. So, this is another way to find people to interact with.

**Chamber of Commerce** - Almost all towns will have a Chamber of Commerce branch. The branch itself will organize meetings, events, and other programs. If you attend those events, you will be able to interact with people from finance, accounting, and law — another important part of investing.

## **How to handle the people in the network?**

Now that you've found the people to interact with and you can easily build the network. But how will you handle them? What are the qualities required to be good at networking?

**Excellent communication skills** - I don't know whether you remember or not, but I mentioned enhancing your social skills when you are in the investment world. One of the reasons is because you will need to interact with others. So, you must have the ability to communicate with others if

you want to build links. If you can communicate well, it will not be hard for you to build networks. But if you are not good at communication, it is not too late to learn it. There are many online options that you can consider. So give them a try!

**Your time** - If you want to protect the connections that you made after a lot of hard work, you must devote your time to them. You shouldn't think twice about spending time nurturing your relationships and business connections.

**Your efforts** - Yes, another important quality that you need is to exert effort to manage the relationships. Networking will not work until you make it work! Thus, make sure to put as much as effort as you can, for the right people! If you keep networking alive, it is possible to gain a lot of benefits.

So you see, networking is not as hard as you thought! Make use of the information to build the right connections and create a great network. Through networking, you will benefit investment-wise while developing your personality as well!

# Chapter 18: Discussion on Three Most Important Sections of Out-Of-State Investing

Does this sound like a mysterious chapter? Well, it is not! I have included the three most important aspects of out-of-state investing in this chapter.

First, we are going to discuss the top challenges related to investing out-of-state. Next, you are going to find tips to enhance your out-of-state investing business, and third we will look at some tips to maximize ROI. These three sections are often confusing to beginners, so I'll help you understand as best I can!

Out-of-state investing is one of the best chance for you to grow financially as well as personally! You are not going abide by the phrase 'Invest where you live' once you understand the importance of out-of-state investing. As a beginner, you shouldn't shy away from the challenges in the out-of-state investing market. But how can you not shy away when you are just a beginner? What if you are already aware of the challenges? Will you be able to face them bravely? Perhaps, yes! I'm here to mention the top challenges that you'll face. Once you read about and know these challenges, you will be able to prepare yourself to face them.

## Top challenges you'll come across when investing out-of-state

I won't discourage you by saying out-of-state investing is tough. Instead, I'll say that even if it is tough, if you are determined you can overcome the challenges and reach your goals. If you have formed a good team, if you are aware of the strategies, and if you have the determination, you can definitely yield profits from out-of-state investing. Let's discuss the challenges that you'll face in out-of-state investing:

**Lack of knowledge/experience** - Aside from experience, if you don't have enough knowledge about out-of-state investing, you'll have a hard time handling it. Even if you want to become better at investing, you will

not be able to because you lack the knowledge required. So how can you overcome this challenge? It is pretty simple - you have already been taking steps to overcome this challenge even without realizing it. How? You have been educating yourself about out-of-state investing, which is one of the best ways to overcome this challenge!

**Changing market condition** - You will find it hard to handle the market from afar because it's a changing market - every market is. Plus, you are not living in the area of your investment, which is why I suggested having a team! Yes, by now you'll know how important it is to have a strong team if you are investing out-of-state. Even if you have to deal with the changing market, it will not be an issue because you have a team!

**Expenses** - You might have to bear the brunt of some costs if you want to invest out-of-state. But don't you think that by investing out-of-state, you'll be able to make profits over the costs that you have incurred? When you compare it to the local market, you'll have a harder time handling the out-of-state market. But, out-of-state investing is worth all the hard work and the costs. Once you become better at investing, you will easily make more income than the amount you spent to handle out-of-state investing!

**Hiring the wrong team members** - This is another top challenge faced by virtual investors. You will be investing from afar, so your team has a lot to do with the success of your journey. You will have to trust a third person to manage your properties. So, it is definitely a huge challenge that you'll face. But I've already discussed how you should build your team. If you follow the guidelines, you won't have to face this challenge.

**Not allocating the time** - When you are buying out-of-state, you must focus on many factors just like you do when you invest in local markets. For example, you must consider the location, neighborhood, the team, and all the other factors related to investing. So if you are not ready to invest your time in out-of-state investing, it will become a challenge. You have to spend the required time for out-of-state investing, as well as local investing.

These are the top challenges that you'll face in out-of-state investing. I have made things easier by mentioning the challenges as well as the solutions to overcome those. Now, let's go to the next section on tips to enhance out-of-state investing.

## Top tips to enhance out-of-state investing

You might know all the required information to handle investing, but there might be some triggering factor or knowledge that will enhance your investing journey. These tips that we are going to discuss will help you enhance your investing performance:

**Financing out-of-state investing** - The common concept is no money down, but most beginners don't understand it clearly. Even though we have already discussed this concept in the first part of the book, I'll give a quick explanation here. When you are planning out-of-state investing with no money down, you should have some amount with you anyway! Without some amount set aside, you'll find it hard to build a team or to get going in the investment market. Thus, to remain in the out-of-state investment market, you have to have some capital. And for that, I hope chapter 2 will be helpful!

**Know that it is lucrative** - Long distance investing wasn't always a widely accepted concept, as we have discussed. But after the technological advancements we have experienced in the last decade, the concept became prominent. And after many long distance investors proved themselves in the market, people started turning towards out-of-state investment more than ever. But there is one thing that you must understand - out-of-state investing should be much more lucrative when compared to your local market. Even the ROI should be worth your hard work. You must ensure that your hard work pays off really well when you are investing out-of-state. In fact, when finding out whether a certain investment is lucrative, you must compare and contrast with the local market. If your local market is better, there is no reason why you should invest out-of-state. Be vigilant when you are making a decision; don't make decisions just because you feel like you have to!

**Consider the property taxes** - You must not begin investing without considering the laws pertaining to that particular area you are planning to invest in. The one and only goal in investing out-of-state is to gain higher profits and better ROI than you could in the local market. If your profits get wiped out by the property taxes, why should you even invest in the market? If the taxes are high in the areas where you invest, you should not invest in that area, right? To avoid all these issues, you should consider the property taxes before you actually invest in the market.

**Stay tuned with the trends** - There will be both future and present trends in the market. It is an utmost need to stay tuned with the market trends. You must not only be attentive about the out-of-state market trends, but also about the general trends in the real estate market. Usually, successful investors make sure to analyze the market before they decide on any specific location. If you don't invest in the right location, you will not be able to enjoy the benefits that you wanted to!

**Focus on the price to rent ratio** - The best tips to consider the right location is to use the price to rent ratio on different markets. By using this formula, you will be able to calculate the cash on return, capitalization rate, rental income, and occupancy rate. This formula is sufficient to get a good understanding of the lucrativeness of the area. After the calculation, you can decide to invest or not. The formula is Price to rent ratio (P/R) = Average list price/ (Average rent x 12). If the ratio is 1 to 15, you better buy the property. If the ratio is 16 to 20 or more than 21, it's a great chance to rent the property. However, you must not forget to gather more details on this formula, because it is going to be helpful throughout your investing journey.

I hope these tips will help you yield better profits and to create a successful investing path. If you are a creative individual, you will not halt here. Instead, you'll find or create better ways to enhance productivity and success in long-distance real estate. If you analyze and handle the out-of-state markets well, you will be able to gain many more benefits that you would from a local market. You should never think that you are not capable of reaching the target that you set. Even if you fall once or twice, keep moving forward!

## **Tips to maximize ROI in out-of-state real estate investing**

Investing in real estate itself is a good decision. If you consider out-of-state investing, it is that much more beneficial. The real estate investing market creates more successful individuals than any other industry. However, finding your way into real estate investing will not be easy until you become comfortable. Even the experienced ones struggle sometimes. But there is something you must know - this is a competitive market. You must become competitive if you want to remain in such a market. However,

there are different ways to increase your return when you are in the real estate market and thus be more competitive. Here are some of the tips to maximize ROI in out-of-state real estate investing:

**Seek help from a pro** – Never be afraid to seek help from those with more knowledge than you, especially in a market as complex as real estate and investing. For example, if you are looking for an agent, it is important to be clear and specific about your needs so that the agent will be able to get you what you want. If you select a pro, they will help you with the relevant advice as well. You must make sure to find someone who will help you increase your ROI, and the person should know the laws and tax breaks as well.

**Focus on your affordability** - If you want to invest in a property, you must think about whether you can afford it, or find ways to. You must prove that you are capable of financing the property. For that, you must at least try to get the pre-approval letter. If you have the letter, you'll be able to prove that you are responsible and serious about this! If you don't want to miss deals that might reap better ROI, you must ensure to prove that you can afford the property!

These are some of the general tips to increase the ROI, but you must make sure to increase ROI of the property that you are investing in. It is much better if you can research and seek guidance before you maximize ROI, because if you are a beginner, you will not have the required experienced. While you search for more information and knowledge, you must make sure to contact an experienced individual to seek help if you don't understand. You must never think that you know 'everything,' because nobody knows everything. Every individual has something new to learn every day!



## **Chapter 19: Should You Actually Invest near a Bad Neighborhood? Yea or Nay?**

The neighborhood is a vital factor. Even if you are a long-distance investor, you must have an understanding of investing near a bad neighborhood. Even if you are doing out-of-state investing, you still have to consider the factors such as neighborhood, because it impacts your tenants' experiences. The common problem faced by most investors is they want to buy a rental property that is cheap, but good! How can you expect both cheap and good? They don't align, do they? If you are looking for cheap properties, you'll have to sacrifice certain factors. However, most cheap properties are available only in bad locations. What are you going to do? Will you invest? What if tenants don't want to move in? Won't it become a loss?

Well, most investors say that it is a must to have a good location if an investor wants to make good money. Rental properties especially should have good locations. But is this always the case? Let's see.

### **Look for a property in an undesirable neighborhood**

The following method should be followed even if you are looking for top properties to invest in. The major components are an investment property and a market analysis. If you do both the analyses, you don't have much more to worry about. But to do both the analyses you must spend a lot of time, so what can you do? You can instead consider a rental property calculator. If you had to do a neighborhood analysis, you would have to spend a lot of time putting together all the details. Thus, using a calculator can be a great option to save time and effort!

So what exactly is a property calculator? I mentioned a rental property calculator in another chapters as well. What is it? It is a tool used by those in the real estate investing market to analyze the financial status of a property. If the investor uses the rental property calculator, they don't have to do the investment or market analysis and waste time. With the help of the

tool, the investor can find out the returns earned by investing in the rental property. But that's not all! You can also gather the details of the cap rate, cash flow, and many other details too (I have discussed some already). The greatest benefit of using this tool is reducing your workload and saving time. If you are planning to invest, make sure to use the rental property calculator to find the in-depth details. The investor can make a decision based on the information provided.

If you are thinking about whether or not to invest in a bad neighborhood, use the calculator and get the details. After you get the details, you can analyze and make a decision.

## **Is it okay to buy properties in a bad location?**

Sometimes, you get confused when you think about the information and choices that you are left with. Do you think it is fine to buy investment property even if the location is not as good as the property? Actually, there are some benefits in considering bad locations. If you invest in such a location, you will be able to enjoy the benefits that I'm going to discuss. But no matter the type of property that you are planning to buy, don't limit your search or knowledge to a book or two. Keep collecting more information, talk to other professionals, and seek their advice. If you don't want to waste your hard earned money, avoid making quick decisions in the investing journey, especially if you've decided to become a long-distance investor.

Some of the benefits of a bad location investment are:

- You can pay off the mortgage pretty easily.
- You can get higher returns on the investment.
- You can expand your business way faster and easier.

These are the top benefits. If you just analyze more on these benefits, you'll understand that they are way more beneficial than they seem. For example, expanding your investment business isn't something that you can do that easily, so if bad locations have such benefits, why not consider them? But, there is more information that you must know before making any decision. If you are considering purchasing a property in a bad location, you must have the real estate knowledge.

## **When should the investor consider bad location?**

If you don't have any other choices, you can consider this option. But if you have better deals to consider, you should go for those. Also, when you are looking at property location, don't just look for bad locations simply because of the benefits mentioned above. Instead, if you find good locations, invest there.

So, when should you invest in properties that are located in a bad neighborhood? Well, you must remember that you can't categorize all the neighborhoods as bad and leave it at that. There are bad neighborhoods with the potential for growth.

When you are selecting a neighborhood, you must make sure to consider the following factors:

- Accessibility rate for public transportation
- Recent investment opportunities
- The rate of public facilities
- Rate of occupancy

Besides these, there are many other factors that you must consider when looking at a neighborhood. However, before you buy the property, you must make sure that the neighborhood is closer to another great area so that your bad location doesn't look that bad. Additionally, proximity paves the path to it becoming a better neighborhood. As I said, you must consider future improvements. Now, let's find out the pros and cons of cheap rental property investment.

## **Pro factors related to investing in cheap rental properties**

If you want to buy cheap properties to rent out, you must consider the reasons why they might turn into good deals. If you consider the percentage of opportunities with cash flow generation from the neighborhoods with low income, it is extremely high. When you consider a bad or low-income neighborhood, you don't have to pay as large an amount as you would pay for properties in an excellent neighborhood.

When you invest in cheap properties, you don't have to worry about the vacancy rate, because tenants don't move out often. They are the ones who can't afford high expenses related to moving, so they tend to remain in the same property for a long time. You are benefitted, as you don't have to think about the vacancy rate.

Despite the neighborhood being characterized as "bad," you can still consider a multifamily investment. By doing so, you will be able to increase your ROI. However, if you are planning to do this as a long-distance investor, you must ensure that your property manager and your team are ready for it! As I said, you can't handle a huge responsibility from afar if you don't have a team. Bear this in mind!

## **Con factors related to investing in cheap rental property investment**

There are both pros and cons of cheap properties, especially if the properties are in a bad neighborhood. The major downside factor is the crime rate. There is always the chance that crime will be high, and if it is, the property is going to be a risky move. To decide on the investment, you must analyze the crime rate, then think about whether or not it has an impact on the other positive factors of the investment. If yes, you know what to do! It is not wise to invest just because the property is cheap. You should invest only if the cheap property is worth the risk!

You will not only have a hard time deciding whether the bad location is considerable, but you may also have difficulty finding tenants. Since it's a bad location, the tenants will be hesitant to sign a lease. Not only will some tenants be hesitant, but you must also be careful about who you approve. As the location is prone to negative activities, there are chances that unsuitable tenants might look for accommodation. Thus, you must do a thorough check of any potential tenants before you hand over the keys. The whole procedure should be dealt with the utmost care, because you can't risk your property as well as your name.

You must be ready to accept delayed payments if you are considering this investment option. Usually, the tenants who occupy this property will not be people who are well off, so it's obvious that you are going to face difficulties.

These are the major pros and cons of investing in properties that are in bad neighborhoods. Here, most investors tend to consider the term ‘cheap,’ but I’m warning you not to fall for that word. If you are thinking about investing in this type of property, do it in the interest of making changes. For example, if you see any potential for growth, it will be a great idea to invest in a property that is located in a bad neighborhood. Why? You will be able to improve the condition little by little. Over time, you will be able to enhance the value of the property as well. But to do all these, you must make sure to do proper research before making ANY decisions related to cheap investments.

For long-distance investors, this is going to be a challenging task. So if you are interested in taking up the challenge, you must prepare yourself for it!

## Chapter 20: Excellent Ideas to Get More Deals as a Long-Distance Investor

Beginning your long distance real estate investing journey might have been hard at first. Even the thought of investing out-of-state might have been scary back then. But what about now? Do you feel the same? Would you like to consider long-distance real estate investing now? I hope there have been some changes to your thoughts. Personally, I believe if someone has the capacity to invest in long-distance investing, there's no reason why the person shouldn't consider it.

But then again, you shouldn't consider long distance investing just because someone says there's the potential for you to become successful. Why? Not only in investing, but in any decision that you make, it should be something that YOU feel good about. You are capable of investing in long-distance properties, so if you feel confident about long distance investing, go ahead with your decision. If you are attracted to the hype alone, then it is better to step back and think. However, for someone who genuinely wants to become a long distance investor, there are so many ways to make the journey a success. We have already discussed all the areas related to long-distance investing, so in this chapter, I'm going to help you with some of my ideas to get better deals.

**Bonus payment to your agent** - by now, you mustn't overlook the factor of building a team if you are considering long-distance investing. The agent on your team is as important as the property manager. However, with the help of the agent, you'll be able to get more deals on your table. Let's see how it works. If you want to get more deals, you can talk to your agent and let them know that you are ready to pay more to get more deals. But, the agent must offer the service for the money they get paid.

**Half-finished properties** - This is another great method to get more deals, because most investors don't prefer half-finished properties because they find them to be extremely risky. Even I'm not in for investing in a half-finished homes with a huge risk. Here I'm talking about the half-finished home that you can consider as a good deal. What does this mean? If you are planning to invest in half-finished homes, you must ensure the deal is worth considering. Check the risk rate of the property. Is it worth spending more

money to repair the house and resell? Do you think it will cover the cost that you incurred? Of course, purchasing a half-finished home will not be a big deal in the beginning because you don't have to bear a huge cost, but repairing it will be a big deal.

Sometimes, the repairing cost that you estimated might be exceeded, so what's the point? Well, you shouldn't sell the repaired property just like that. Rather, wait for the right opportunity. If you do proper research, you'll be able to find an ideal seller to make a profit from half-finished homes. You should be wise when you are dealing with investment properties of any kind.

**Social media presence** - nowadays, everything has a direct connection with social media. Even investors should build a connection with social media. For experienced or budding investors, social media presence is highly significant. If you are a long distance investor, your social media presence is that much more important. Your social media accounts should be active, and you can promote the properties that you want to sell on them.

Make sure to also interact with other investors who are active on social media. This interaction will help you get more deals from the market. Besides, you can follow pages, groups, and other websites related to real estate properties, so if there are any good deals, you will know about them.

If you are trying to get deals through your social media presence, it is important to spend more time in shaping up your presence. What does this mean? You must ensure that you have close links and a good reputation on social media accounts. Plus, you must invest time to make your social accounts look better so that you'll be recognized. If you have a reputation, you can get deals before others.

The above ideas are general ideas that you can consider to find more deals, but what about MLS - Multiple Listing Service? How can you find the top deals from the MLS when there is so much competition? Let's see!

## **Ideas to find the top deals from the MLS**

You can find deals from an agent, but the most common way to find deals is through an MLS, and many investors completely rely on it! Multiple Listing Services include the properties that the agents are looking to sell. Many other websites that you can find deals on include properties which are already on the MLS - and that's the issue here. Just like you, every other

investor is aware that MLS is the right place to look for deals, so they keep using the MLS. In a competitive market like real estate, the thought of getting the best deal itself might exhaust you. Thus, you must consider these ideas when you are finding top deals on an MLS.

### **Be the early bird**

You already know if you become the early bird, you get the worm. Just like the old adage says, if you want to find top deals, you must be the early bird. Sometimes, the time you spend searching for deals might not be worth it, but that's not always the case. There will be properties below the real value that you can grab onto if you are quick. You must try to get the deal without getting involved in unnecessary competitions and bidding wars. But there is no point in being the first if you don't have the following:

- Pre-qualification is essential, so have it with you when you are trying to get the best deals. You shouldn't look for it after saying 'yes' to the offer, because most sellers request the pre-approval letter.
- Know your limit, because it is essential. You must know the amount that you are planning to pay, and you must have an idea about the property that you want to buy. If you have this mindset, you'll be able to narrow down the choices on the listing, and you don't have to waste time.
- Activate automatic alerts so that you'll be notified. If you want to get notifications when there are new properties, you must make sure to activate automatic alerts.
- There is no point in being quick if you are not wise. You should be both fast and wise if you want to find good deals.

### **Find the funnel exit**

This is one of the most excellent methods to get the top deals - finding the funnel exits. This can be quite confusing for you, but it's powerful. You must understand the procedure of funnel to play it!

The lead will enter the top funnel, and then you have to analyze some of the leads. From the analyzed leads, you can make offers to some. From those, some might get accepted. Simple as that!

In simple terms, if you offer more, you can buy more properties. By analyzing more leads, you will be able to send out more offers. But to analyze more leads, there should be more incoming leads to the system.



It is important to understand that the funnel exit is essential to turn everything the way you want. You must decide the number of properties that you are going to buy this month. Then, based on that number, you have to analyze the whole process as explained above.

It is hard to mention an exact count, but work this strategy in a way that aligns with your goals. If you work really hard, you will be able to get good deals.

### **Go slowly**

If you know how frustrating it is when you try to sell a house and nobody buys it, you'll understand the owners on the MLS. You'll appreciate their mindset, as well. The unsold properties might be on the market for many months. Thus, owners will gladly accept offers that are low, because they want to get rid of the property. To take advantage of this, you should spend time going through the history. Or, ask your agent to do it for you.

Once they provide a list of properties that have remained on the market for too long, you can analyze the list and make a decision, then keep making offers. So, go slowly if you are planning on purchasing these types of properties.

I'll be honest - you can't always find a good deal that easily. The real estate industry is competitive and changing. There are so many investors like you who are looking to snatch the best deal. Thus, it is going to be extremely competitive. You have to be ready with the market information, tips to secure good deals, and ways to master the art of achieving the right deals.

There we end our discussion on long-distance investing! You can become a long-distance investor if you WANT to become one. It requires confidence, patience, and determination!

# Conclusion

If you are looking for quick income, real estate investing might not be the best pursuit for you. It is not going to be an easy journey, but I promise you it will be well worth it. Always remember that in order to succeed, you must continue to expand your knowledge and learn everything you can about the market.

If you spend more time understanding the market and ways to manage it, you'll be able to forge a clear path ahead. Every beginning is a challenge, and you must be ready to face it with confidence and courage. Just imagine - you are entering the real estate investment market with no prior understanding of it. How will you, at the very least, find the right real estate investment property to invest in?

You must always do your homework before you enter the market. Most beginners enter the real estate investment market with zero knowledge, and they end up failing. Once they fail, they assume that it is impossible to make a good income. You must not follow their path, so take the right steps and study the market.

If you study, you'll be able to make a good income from real estate with no money down. Also, being a long distance investor will not be impossible once you get the grip of the market. Once you educate yourself, you'll be practicing, so both education and practice will help you become a better investor. If you dedicate your time to learning the market, you'll find that real estate is not as tricky as you once thought.

I genuinely hope *Real Estate Investing: Beginner's Guide on How to Invest in Real Estate with No Money Down and Long Distance Real Estate Investing* becomes a tool that helps you in your future investments tremendously.

Cheers to a successful journey!

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# Introduction

The harsh economic times that we exist in have pushed people to invest in rental properties. Regardless of the fact that this kind of investment is capital intensive, experienced investors would argue that there is a way around this. The benefit gained in investing in rental properties is that people benefit from the real income gained from renters. What's more, the landlord doesn't need to pay for their mortgage. Tenants would cover up for this expense. The only thing that the landlord would be worried about is managing their properties.

With regards to rental property investment, most people might purchase properties and hold them for several years before selling them for profit. This is what we call buy and hold strategy of rental property investment. Another strategy that could be adopted is that of buying and selling. In the latter strategy, the investor purchases the rental properties and sells them after a few months, weeks or days. This eBook will pay attention to the buy and sell strategy.

If you were thinking of investing in rental properties, the idea of flipping houses could be your way out to get the financial freedom that you have always dreamt of. The idea of buying and selling properties might sound straightforward to you. Nonetheless, there are some basics that you need to understand. Laying the right foundation before investing in real estate is always recommended. This prevents you from making hasty decisions that could cost your life savings.

Taking your time to learn more about rental property investment is a wise move. Information is power. When you equip yourself with information regarding the investment process, you increase your chances of profiting from the business. The worst thing would be venturing into the business of flipping and rehabbing houses without prior knowledge of the ins and outs of the business. This eBook will consider both the experienced and the inexperienced in the world of real estate investing. Specifically, it will focus on flipping and rehabbing houses for profit.

If this is an area of your interest, then this book is meant for you. First, the material will consider the basic concepts of flipping rental properties. You will get to know the types of flipping that are out there in the market. The most important step in flipping houses is locating lucrative investments. The content discussed herein will explain in detail how you

will effectively locate premises that are worth investing in. We will also dive in further to understand how best you can evaluate the premises for their value. Finding the best value for your rental properties should be your top most priority. Hence, this material will strive to make you comprehend how to determine the value of a property before choosing to flip it.

A huge mistake that you should never make when investing in real estate is to think that you can walk the entire path on your own. Many have tried it and few have come out victoriously. So, why should you risk losing everything? This material will discuss why you need to assemble the right team when investing in real estate. In addition to this, some secrets that will contribute to your rental property investment would be carefully discussed. On that note, rental property management is always a delicate issue. This is also an area that this book will delve into to warrant that you make the right management decisions that would foster growth in your business. Finally, as the author of this book, I understand that the main goal of investing in real estate is to find financial freedom and in the end, happiness. Therefore, I will point out a few tips that will not only help you see the bigger picture of investing in real estate, but they will also help you in real life. Truly, we cannot overlook the importance of motivating yourself to approach life with the right attitude. At the end of the day, it's your happiness that counts.

# Chapter 1

## Why Invest in Flipping Houses?

The idea of flipping or rehabbing houses is not a new thing for most people. It is a common form of real estate investment that has been hyped on shows that we watch on TV. With the perception created from shows that we watch, most people end up thinking that flipping houses is easy and that no research is required before beginning the business. This is not true. Every business decision that you take requires careful analysis. It is important to take your time before doing anything that might hurt you financially. Of course, many would advise you that researching should be your number one priority.

Conducting in-depth research about house flipping is imperative. It keeps you on the know. From the info that you will be getting, you will understand the pros and cons of such investment. We cannot turn a blind eye on the fact that every investment has got its associated risks. Consequently, you should be aware of the risks that you would be facing when you decide to invest in rehabbing houses.

Before taking any further steps in your investment, the main thing that you would want to know of is; why invest in flipping houses? You can choose to invest in buy and hold strategy of real estate investing. Nevertheless, you should be motivated to choose the idea of flipping houses due to a number of reasons. Some of these are as discussed.

### ***Quick Profits***

Rehabbing houses will earn you returns that you are looking for in this form of real estate business. The best part is that if you invest wisely, you will be getting your returns faster than you expected. This is one of the chief reasons why most investors prefer this form of investing to the conventional buy and hold real estate investment strategies. You don't need to hold your home for 10 years in order to rip the benefits of real estate investing. When flipping houses, you could get returns in day or months. This would depend on how fast you flip a house or simply how fast the house can be rehabbed.

There is a certainty that you might get your returns faster if at all you invested in a home with minimal repairs to be done.

Let's go over the idea of quick profits from another angle. When investing in real estate properties by buying and holding property, you would have to wait for the property to appreciate its value. This would be contingent on its potential growth in the market. In this case, if the potential growth of the property is low, then rest assured that you would wait for more years to earn good returns from your investment. In such instances, you will come across investors arguing that rental property investment requires patience. Why don't you opt for rehabbing houses? With a few tricks here and there, you will find the business as lucrative.

### ***Expanding Your Connections***

A hidden long-term benefit of rehabbing houses is that you will gradually build a list of important connections in the real estate world. There are numerous people that you ought to interact within an order to become a pro in this business. You need to know the existing realtors in the market. You should have a list of the best property managers that you can turn to for assistance. Insurance brokers, conveyances, solicitors and other investors are another group of people you should interact with. The diversity of the real estate business requires that you have all these individuals in your contacts. Fortunately, while investing in flipping houses, you will be interacting and building solid connections that would help you in the future.

### ***Personal Development gained through Experience***

Besides expanding your network in the real estate world, you will also gain solid experience in the field. It should be noted that this will take a lot of time and money. You can't expect to learn everything overnight. There is a lot of information that you need to digest with regards to real estate business. Hence, it is imperative that you embrace the virtue of patience to gain the best from real estate investing.

Luckily, by regularly purchasing and renovating houses, you expose yourself to an environment where real estate information flows constantly. You will become a better negotiator through the deals that you will be landing. Since you will be working with different personnel on your team, you will also learn the value of teamwork. Equally, as a manager of your

own business, you will enhance your management skills. Such attributes are worth mentioning as they are acquired through experience in a working environment.

### ***A Rewarding Venture***

You might be in for the idea of rehabbing houses because of money. Well, this is the main reason why most people invest, right? But, you also have to think of the big picture. As an investor, there is a rewarding feeling that comes with knowing that you are making this world a better place to live in. Through buying and renovating houses, you will be changing the lives of many. From an overall perspective, you will be enhancing the quality of life of a specific community. It is a rewarding feeling to know that your efforts are not going in vain. Therefore, besides making money out of the investment, you will also fancy the fulfilling life that you will be living.

### ***No Prolonged Headaches***

Compared to real estate investments where you hold properties as a landlord, investing in rehabbing properties will prevent you from going through prolonged headaches. If you have ever tried being a landlord at some point, you will attest to the fact that dealing with tenants is not an easy job. Some tenants will pay their rent on time, whereas others will take ages to pay their rent. Moreover, some renters will naturally be stubborn and cause inconveniences to other tenants. All these could be avoided if you chose to invest in flipping properties.

### ***Taxes***

Your real estate attorney should take you through the tax benefits that you would gain if you opted to purchase flipping properties. Depending on your state, you might be taxed in the same way you would be taxed your employment income. This is a huge benefit as compared to investing in other forms of real estate.

### ***More Time to Concentrate on Other Projects***

Investing in buying and rehabbing houses is an excellent choice for an investor with lots of projects to attend to. You can easily purchase a

property and sell it after a few months. This gives you time to focus on other projects you are running. The hustle and bustle of managing rental properties for years is freed from your chest.

### ***Flipping Properties is a Business***

The idea of investing in flip properties could be regarded as a viable business to run. Remember that you will be getting your profits sooner than you expect. In just a few months, you will be smiling on your way to the bank. This is just like any other business. Compare this to managing properties for rent. This is a long-term investment. Therefore, if you are out looking for a business with quick profits turnaround, then you should consider the flipping business.

## **Why Invest in Flipping Houses Now?**

Having looked at the benefits that you will be getting by flipping houses, you might be skeptical about when to start. Well, start NOW! Not literally, but think about starting the journey now. Why should you be motivated to begin the process of buying houses and renovating them? The following is a brief analysis of convincing reasons why you should begin the investment process now.

### ***Markets Are Enticing***

There are several market attributes that should convince you that now are the right time to invest in rehabbing houses.

### ***Affordability of Rental Properties***

Since you will be investing in flipping houses, you can be sure that you will find affordable deals in the market. The process of finding and evaluating good deals to invest in will be discussed later in this book. Houses that need to be renovated will always go for a cheaper price as compared to other investment options. You should take advantage of this while you can.

### ***Low Interest Rates***

If you do your homework on the best banks around you, you will realize that you will easily get the lowest interest rates. Often, people make hasty decisions and rush for big names. This is not a good trick as these banks already have enough customers to serve them. Consequently, it is important to opt for smaller banks that offer lower interest rates on mortgage loans.

### ***High Demand for Housing***

People are always hunting for places to live. The constantly rising demand for housing is usually met by a stable supply<sup>[1]</sup>. To an investor, this means that there is a demand gap that needs to be filled in the market. The high demand for housing implies that you won't go wrong when you decide to invest in fix and flip houses. For rental properties, the advantage that you would gain is that you will charge high rents without worrying that your tenants might seek for alternatives. Consequently, besides the benefit of high demand, you can also mull over the benefit of higher returns.

### ***Most Investors Think Otherwise***

The interesting thing about buying and renovating houses is that most investors are slow to embrace the idea altogether. This implies that there will always be an open window of investment opportunity for you to take advantage of. Investing in fix and flip homes will never be a bad idea as the market is not flooded yet. You can expect numerous opportunities throughout the investment process. Accordingly, the probabilities of getting higher returns within a short while are high.

### ***Low Overhead***

There are low overhead costs that you will incur with rehabbing homes. This will happen once you learn the tricks of purchasing properties that need minimal renovations. There is identification and evaluation strategies that will help you land on lucrative deals. The low overhead costs involved will lead to more profits after selling the properties purchased.

### ***Few Employees Required***

Another reason to start investing right now is that you don't need a large team to initiate the process. By working with reliable contractors in the real estate market, you can buy and renovate rental properties for profit. The only thing that you need to do is to find reliable contractors in the market. If you will be working with real estate agents, using referrals would be a great way of finding reliable contractors to help you renovate properties.

### ***Little Competition***

The mere fact that most investors think otherwise about investing in flipping houses implies that you will be facing little competition in the market. Most people are afraid to acknowledge the risks involved in flipping properties. Consequently, they end up opting for other forms of real estate investments that are mostly long term.

### ***Forced Appreciation***

It is also worth pointing out that flipping properties is an enticing investment option simply because a property appreciates in value right after you begin renovating it. The fact is that you will be turning an old house into a new one. Thus, its value automatically appreciates. In the end, this transforms into higher profits for you as an investor.

From the details provided, you can see that they are convincing reasons why you should initiate the investment decision today. Perhaps you have been thinking about investing in flipping homes for a while now and you haven't made up your mind. Arguably, the risks are high but the lucrativeness of the business idea should motivate you to take the necessary steps and just invest. Think about the high demand in the market for housing, affordability of the investment idea, low overheads and the few employees that you will require. All these are solid reasons to invest in rehabbing houses. You will never go wrong as long as you employ recommended success strategies that will be looked at later in this material.



# Chapter 2

## Rehabbing Houses Defined

One of the main ways in which you might have heard about flipping houses is on TV. Frequently, there are shows that air houses being renovated. These shows are normally motivating. They help us in realizing that houses can be transformed into homes for people to live and enjoy life. However, something that these shows lack is the basic information that would help an investor begin the process of buying and renovating houses. If this is what you have been looking for, this section will guide you through the basics that you need to be aware of.

### *What is Rehabbing Houses?*

Rehabbing houses or flipping houses is the process of buying rental properties with the intentions of renovating them. Once the houses have been renovated, you can then sell them for profit<sup>[2]</sup>. The process sounds simple. Nevertheless, it never is because there are several things that you need to understand. The overall idea behind flipping houses is that you end up adding value to the premises.

To understand the investment process behind buying, renovating and selling a rental property for profit, it is important to divide the entire process into four categories. These are the fundamentals of flipping houses. Going through these fundamentals would take months to comprehend. The pages in this material would also not be enough to look at each vital step in detail. However, a succinct look at each category would give you an overall idea of what you should expect when investing in flipping properties.

### *The Buying Process*

The buying process is, of course, one of the most important steps in investing in flipping properties. The decisions that you make here would have an impact on the outcome of your investment. A poor buying decision will automatically mean that you would face the risks of incurring losses.

On the contrary, if you rely on expert guidance when making your buying decision, you will have laid a solid foundation in your investment plan.

### **Finding an Ideal Asset**

There are three important things that you need to handle during the buying process. Well, you not only need to buy the property. The first step requires that you find the rental properties. Not all properties will be flipped. There are some rental properties that are in good condition and you simply need to purchase them for renters to live. The process of identifying rental properties that should be renovated is a skill that you will learn given time. In some cases, you will have to work with real estate agents. This applies to situations where the areas to invest are sparsely located. Doing the search process on your own would only be a waste of time.

### **Analyzing**

Besides finding the right rental property to invest in, you also need to analyze the asset. Your analysis is meant to determine whether the property is worth investing or not. What you will be doing here is that you will be checking whether the repairs required are minimal. Too many repairs will cost a lot. Moreover, it might take a lot of time to get the house ready. Such decisions are important when analyzing a rental property to rehab. This will be looked at in detail later on.

### **Type of Inventory**

Part of the buying process demands that you should analyze the type of houses that you will be choosing. The mere fact that you will be a novice in this form of investment means that you should start slow. Don't be in a rush to purchase a rental property with more than three bedrooms. Start small as you work your way up. A tip to keep in mind is that you should begin with rental houses that are smaller in size. These should be those houses that are within the entry-level price range.

If you are not sure about the size, simply settle for something that will not make it difficult for you to renovate and sell. Remember, you need to keep yourself motivated during your first few steps in fix and flip rental property investment. If you wish to get discouraged as you begin investing in rental properties, try out starting with high-end houses.

### **Farm Area**

After deciding on the type of property you will be investing in, your next step should be to determine your ideal location. Yes, this might be something basic but it will count a lot later when you are selling your

property. Being familiar with the location that you will be choosing would make a huge difference. Knowing the neighborhood helps you in understanding your target market. This way, you can easily renovate a house, as you will give it a facial uplift based on the needs of the target market.

As a newbie in this business, your aim should be to settle for rental houses that are close to your place of residence. The advantage gained here is that you will save on costs that you would have incurred to drive every day to see how the house is being renewed.

### **Deal Analysis**

Now, after choosing the right rental property situated in an ideal location, you should buy the property immediately, right? Wrong! The buying process is not over. You need to figure out whether the deal you are about to enter into is profitable. This is the deal analysis process that you should go through. It entails determining whether the amount you will be investing into would gain you profits after the property has been renewed and sold.

It should come to your awareness that this is a vital step in the buying process. If you make mistakes here, rest assured that you are doomed in this business. Nothing will work out for you. Failure to carefully analyze the deal will increase your chances of failing. This is because you will be investing blindly in a business that promises nothing in return.

### ***Financing***

Understanding the basics of flipping rental properties also requires that you know more about financing the investment you are about to make. Obviously, rental properties in the market are not free. You have to find a way of raising money to buy the rental property that interests you. One common myth that you are probably thinking of right now is using banks to finance your investment idea. Truly, this is a common option. In fact, most people turn to banks without thinking outside the box. Besides relying on banks, you should understand that there are other financing options that you can turn to out there. This and more will be looked at in detail in a separate chapter. There is more to financing than just asking your banks for loans.

### ***Flipping***

It is also imperative to learn a few basics about the flipping process itself. The actual process is where most investors go wrong. Some think that by fixing the houses on their own, they would be saving a lot of money. If this were true, then most rental property investors would be opting for flipping over buying and holding. What you should understand is that knowing all about flipping is not necessary. There are experts out there who are ready to do a good job at considerable prices. Relying on professionals not only get the job done but it also warrants that you give you rental properties the facial uplift that will make it marketable. If you will be investing in flipping rental properties, you need to find reliable contractors that you will always turn to. With time, they will offer you discounts. Hence, you will save money while at the same time getting value for your money.

## ***Selling***

After understanding the basics regarding buying, financing and flipping your rental property, you should be looking forward to selling the premises. Your main goal during the selling process should be to get profit. Your realtor should inform you that there are numerous ways of listing the rental property on sale. Choosing the best platform will guarantee that you sell your investment within the shortest time possible. In line with this, you should know that you will be better placed if you choose multiple listings to list your asset for sale. This increases the chances of getting a good buyer real quick.

The rundown of the basics behind flipping houses ought to give you a rough idea of what it takes when investing in these types of real estate. There is a lot for you to digest. Succinct details have been provided to acquaint you with what you should be aware of. The basics steps can, however, be summarized as; finding a house, renovating it and selling it for profit. After grasping a thing or two about the basics of flipping houses, you should be ready to start investing in fix and flip properties.

# Chapter 3

## How to Start Investing in Fix and Flip Properties

Now that you have the basics in your mind, you are well equipped to go through the process of investing in flipping properties. This is something that you will do systematically to confirm that you take the right steps to buying the best property in the market. What are some of the things that you should put into consideration from the start? What should you do to kick off your investment process on a high note? These and more are some of the questions that this section would be tackling.

### *Define Your Goal*

The first and the most important step in your real estate investment begin by defining your goal. You need to have a well laid out goal of what you expect from the investment. To be on the safe side, you should set SMART goals. This is to mean that your goals ought to be Specific, Measurable, Attainable, Realistic and well Timed<sup>[3]</sup>. What do you wish to achieve in the entire investment exercise? This is something that should be at the back of your mind. Perhaps you are looking to gain financial freedom. Maybe you are investing in the flipping of properties for the sake of gaining experience. Or rather, it could be that you are seeking to expand your business to feature such investments. This should be well defined to guarantee that you take the right measures in meeting your investment goals.

#### **SMART Goals**

As pointed out above, your goals ought to be SMART. Well, first, they should be specific. You cannot wake up one morning and claim that you wish to become a successful investor in the world of real estate. It doesn't work like that. The goals you set should be specific. For instance, your specific goal should define that you anticipate making about \$3,000 monthly as profits for the next two years. Such specific goals will drive you to try your best in meeting your goals as you invest.

In addition to setting a specific goal, you should also focus on setting a measurable goal. If your goal cannot be measured then it means that you can't keep track of it. You cannot monitor whether you are heading in the

right direction or not. With reference to the example mentioned above, if you are looking to getting \$3,000 as monthly profits, this is something that can be calculated every month. Don't set vague goals that can't be measured.

Your goals should also be attainable. As a newbie in the world of real estate, you might be tempted to set goals that seem out of reach. Ideally, it is good to have ambitions. Ambitions should help in driving you towards your goal. Regardless, you need to be realistic. Set goals that you can achieve within a specific period. You need to set short goals that you can attain without putting pressure on yourself. Most importantly, the goals you set should match with the resources that you have. It wouldn't make sense setting high goals when you are sure that your capital cannot sponsor the entire project of renovating a property.

A smart goal should also have a time-bound. You can't say that you expect to earn certain amounts of profits from your real estate business. This is vague. Whether you have long or short-term goals, you need to have a time frame for them. Say that you wish to earn about \$10,000 in five years. Give yourself a challenge by setting smart goals.

### ***Know the Numbers***

The success of every flip would rely on whether you know the numbers involved in the flipping deal you will be getting into. Which numbers are we talking about here? Find out more about the price ranges of the rental properties that you wish to invest in. What are the closing costs involved? How much would you incur as taxes? How much will you pay as insurance to cover your premises? How much will the repair cost? How much are the expenses totaling to? These are the numbers you should familiarize yourself with even before repairs are done on the property. After the asset has been renovated, you should be aware of the commissions, holding costs and the estimated final value of the renovated house. All these numbers are important in guaranteeing that you successfully invest in rental properties.

### ***Getting Your Finances Ready***

Getting your finances ready is a crucial step in rental property investing. The last thing you need to do is to go checking for homes without having your finances ready. How will you be financing your flipping investment

project? Will you be using your bank to get the capital required? If yes, have you taken steps to determine how much you qualify for? You can't assume that your credit score is good and, therefore, it would be easy for banks to offer you the financial help that you are seeking. It is imperative to take steps to communicate with your bank and get everything ready. The importance of doing this is that you never know when you will be landing on a great deal. As such, you ought to have everything ready and wait for a good deal to invest in.

There are different financing options that you can turn to. You need to do some research to understand that you don't have to rely on banks alone. Have you thought of the fact that you can easily partner with other investors and still get your capital? It is important not to limit yourself to one option of financing your investment. Doing this only increases your chances of getting disappointed in the process.

### ***Picking the Right Market***

During the early stages of your investment, you will need to choose a market where you will be investing. Markets differ and this affects the price of rental properties in the market. Depending on how good the market is, you will have to make a valid choice on the right market to invest in. If you will be working with a realtor, they should help you in choosing a market that has great potential. As an entrepreneur, you are expected to carry out your research to find out the market prices for renovated homes. You also need to know the type of tenants or buyers that you will be dealing with. This information will help you in renovating their houses according to their tastes and preferences.

Of course, you will also learn the importance of choosing a home that is located in a prime area. Homebuyers are often choosy with the locations of the houses that they wish to buy. Essential aspects of the market that you ought to put into consideration include:

#### **Job Market**

The area that you will be choosing should be a location where people can easily find jobs. This is what would attract more people to purchase the rental property that you would be renovating. Confirm whether there are job opportunities that people can take advantage of. A good location should

have several companies or simply working places where people can get paid. This is something that would attract them to the vicinity.

### **Population Growth**

Do your research to find out how the population growth is coming along in the neighborhood. If people are moving out of the area, this means that there is a problem. On the other hand, if the population growth is constantly rising, it implies that renters find the area as promising. As an investor, a good place to buy your flipping property would be an environment where more people are moving in rather than moving out. This increases your chances of getting a homebuyer real quick.

### **Convenience**

People have got varying preferences when it comes to choosing their places to live. Some would opt for places where they can walk to their places of work. Others would want to live in remote locations. The main idea here is that the choice of location should be contingent on the people that you will be targeting. So, if you are targeting people that seek convenience you should purchase flipping properties that are conveniently located. This means that they should be in close proximity to roads, schools and social amenities. These attributes of an environment would increase the likelihood of getting buyers without having to spend a lot in marketing your assets.

### **Safety**

This is an obvious one for you. It is imperative that you strive to choose a location that is safe. It should be your priority to find a safe and secure environment to invest in. People are always looking for safe places to live. Consequently, when conducting your search for a good location, the safety of the neighborhood should be prioritized. Talk to locals to find out more about the safety of the place you wish to invest in. Locals will always give you raw information without fabricating anything. However, the homeowner might not give you accurate facts since their main aim is to market their properties for a quick sale.

### **Public Transportation**

If the location that you will be choosing has no roads for easier accessibility, this will discourage buyers from purchasing the flipping property. Residential houses that are located close to urban areas should have public transportation means such as trains, subways, buses, etc. This will make the place highly accessible, and therefore, it will attract buyers.



The factors discussed here should help you in choosing a good market to find your flipping property. All these factors contribute to the overall price of the rental property. Consequently, if you find a good deal that meets all the attributes discussed, then it is worth going for it. There is a high likelihood of getting good returns after renovating the rental properties.

### ***Finding Good Leads***

Once you have made up your mind on the market that you will be investing in, the next thing would be to find good deals to take advantage of. To most investors, they regard this process as a skill. Some entrepreneurs struggle to find good deals in the market. This happens when they don't know the right aspects of a fix and flip property that they should be going for. In some cases, some might think that a property is expensive while in real sense its valuation could have increased the price of the rental property. Besides, the houses might be expensive because of the surrounding environment. Therefore, it is important to mull over other factors that influence the price of a particular investment before choosing alternative deals.

The process of finding reliable deals to turn to should be something that is done with a plan. What you need to know is that not every worn out property should be flipped. Equally, you shouldn't be disappointed when you don't land on the deals that you expected. There are numerous deals that you could turn to; you only need to keep searching for the right one.

Another essential point that is worth mentioning is that the first flip deal is not always the right one. As a newbie in this business, you might be tempted to go for the first deal that comes your way. This is not the best way to find a lucrative investment. What you need to do is compare what the market has to offer you. As such, you will have to compare 10-15 homes before making a final decision. This warrants that you settle for the best flipping deal with the highest rewards.

### ***Assembling Your Team***

You are going to investing in buying and renovating houses. Thus, as you walk around looking for properties to purchase, you should also be assembling an A-team to work with you. You cannot manage to engage in the entire investment activity alone. You will only waste your time if you try this. So, ensure that you find a contractor with proven track record. Ask

around for a local agent with experience in the market. The repairs that you will be doing on the premises will require experts such as plumbers, electricians, painters, handymen and several others. Before completing any deal, you should have assembled your team. When the time comes to renovate a property that you will have purchased, the process would be stress-free. Save time by assembling a good team right from the time you decide to invest in fix and flip houses.

### ***Listing***

After completing the process of renewing houses, you need to sell them. This calls for listing. Where will you list your rental properties? The listings that you choose will have an impact on how fast your properties will sell. If you are going to rely on the Internet, ensure that you settle for listings that are famous. A huge mistake that you should never make is to think that you did a great job on the premises and that you don't need to list it. This will hold your property in the market for too long. There are other people also renovating rental properties. Consequently, if their marketing techniques are great, people will find their assets with ease. Your properties will not get you the quick money you have been dreaming of.

Fixing and flipping houses is indeed a lucrative investment process. It gives an investor the opportunity of earning quick money and move on to the next investment. However, it is not always as simple as it sounds. There are several nitty-gritty aspects of the investment that you ought to be aware of. When engaging in the process for the first time, it is wise to take things slowly. Handle one thing at a time as you learn. With time, you will be a pro. Ensure that you keep the discussed tips in mind as you begin your venture.

# Chapter 4

## Guide to Effectively Locate Properties

You are aware of the importance of choosing the right location to purchase a rental property that you will be flipping. But how do you locate a property that should be flipped. What are the considerations that you ought to bear in mind when locating an ideal property? Finding flipping properties are a challenging process at times. In fact, if you are going to do this on your own, then you will waste a lot of time in the market. This section focuses on the specifics that you need to know regarding locating a property.

It is worth noting that the process of searching demands a lot of patience. You will have to move from one area to the other comparing houses. The benefit gained by being patient is that you will reduce your risks as you will be comparing between several houses. Therefore, it is quite likely that you will only settle for a residential property that is within your budget range and that it meets the goals you have in mind. There are many ways of effectively locating properties that need flipping. Some of the common ways that will be discussed here include using realtors, classified ads, websites, investment clubs, lenders and real estate publications.

### ***Real Estate Agents***

In as much as the process of finding properties to rehab is cumbersome, it doesn't mean that there are no ways of circumventing the process. One of the easiest ways of locating a property without having to waste a lot of energy is by hiring real estate agents. These experts have the information about the market on their fingertips. They know the best places to purchase properties. Moreover, they are even aware of properties that are on sale. This infers that they would be making the searching process relatively easy if you choose to rely on them.

Consider hiring two or more real estate agents to do the scouting process for you. They will not only save on time but that they will also increase the number of properties that you will be comparing. Hence, the chances of getting a good deal are high. The best part is that the real estate agents will also simplify the buying process for you. They will schedule

time with the property owners for you to look at the premises and consider whether you will like it. If yes, the agents will also help you in jotting down a good offer for to the homeowner. Therefore, before you rule out the importance of a good real estate agent, you need to think over the additional benefits that you will be getting.

How do you find a reliable real estate agent to help you out? There are tons of realtors in the market for you to depend on. This is what makes the process of finding reliable agents to be challenging. You can't differentiate a good real estate agent from another by just looking at their faces. So what should you consider when searching for a trustworthy realtor?

### **Do a Background Research**

The Internet is a great place to begin your search for a reliable real estate agent. Professionals are making the best of the Internet to advertise their skills. Consequently, using the Internet will help make their entire search process quite easy. Needless to say, you will have to be careful with the information you get over the Internet. Make some calls to confirm that you are investing your money on the right professional.

### **Talk to Former Clients**

Before hiring any real estate agent, ask for contacts of former clients that they have helped. If they are sure of their service provision, it shouldn't be problem to give you a list of clients that you can call to confirm their record of service provision in the market.

### **Confirm for Licenses**

It is also essential to confirm whether the real estate agent you will be choosing is licensed. States normally offer licenses to real estate agents. Hence, you should confirm that you are working with a licensed individual. The significance of doing this is that it protects you in the event of any legal issues in the process of buying a property to flip.

### **Ask Questions**

The best ways of getting more information about the realtor that you are about to depend on is by asking questions. One thing that you can be sure of is that they will be making a lot of promises. These should not cloud your judgment. Have a list of questions that you should ask them prior to meeting them. It will assist you in getting the right individual for the job.

### **Chemistry is Key**

Organize for an interview with the realtors that meet your demands. This should be your opportunity to find out whether you click with them.

Query them about how they choose to communicate with their clients. Does the communication preference suit you? It should be noted that communication between you and your real estate agent will have a huge impact on your investment. If an agent is not responsive, it is quite likely that you will be missing out on good deals in the market. You should make sure that you choose to work with real estate agents that communicate efficiently<sup>[4]</sup>.

### **Gauge Their Knowledge of the Market**

Simple questions directed to a real estate agent will automatically give you some insight on whether they know the market or not. For example, begin by asking them about the properties that are up for grabs. A dependable realtor should be aware of any listings within the area. This proves that you can depend on them to scout for you ideal flipping properties.

### ***Real Estate Publications***

Real estate publications will also provide you with quality information regarding real estate deals in the market. The good thing about using them is that there are those publications that are local. Therefore, browsing through these pages will give you information on existing deals in the market. This is a great place to begin your search. Similarly, you will gain access to relevant real estate information from advertisers in the market. For example, real estate agents will advertise their services in these publications. Consequently, besides relying on the discussed tips, you can also use these publications to find trustworthy realtors in the market. Other essential contacts that you will through these publications include contacts for surveyors, appraisers, insurance companies and contractors, etc.

### ***Websites***

The Internet offers you with convenience when it comes to tracing rental properties. Before turning to real estate agents or any other source of information, you should make good use of the Internet. A mere choice of keywords will get you handy information about existing real estate properties that are on sale in the market. Interestingly, you can specify the location where you need your search to be based. This limits the results to a few options.

When browsing through the Internet, you can also check social media websites whether there are any ads featuring rental properties for sale. Information gained here will help you in knowing the places where you can search for good houses to flip. While doing this, you should strive to rely on top ranked websites. The rankings of these websites will give you the impression that most people rely on them for information.

Today, most newspapers have their papers published both locally and over the Internet. This means that you can also use local newspapers on the Internet to find out more about real estate deals. The advantage gained in using local newspapers is that you will gain access to local adverts from homeowners. This aids in settling for reliable deals without having to spend a lot running up and down.

### ***Investment Clubs***

Arguably, there are other real estate investors with the same goal that you have in mind. They also have similar interests in buying and renovating properties for profit. You ought to realize that there are real estate investment clubs, which bring together entrepreneurs having similar interests. These clubs feature all kinds of professionals within the same field. You will find other real estate investors, realtors, appraisers, attorneys, brokers, etc.

In most cases, you will find that clubs meet on a regular basis to discuss about issues that should be attended to. This should be your opportunity to attend such meetings to equip yourself with knowledge about a market or real estate investment in general. You should also know that there are times when these clubs invite speakers to motivate people on how best to invest in properties. Thus, you will not only widen your network of professional friends but you will also advance your knowledge in the real estate business.

### ***Banks' Real Estate Owned Cases***

It might come as a surprise to you but you can also turn to banks for information on the best deals in the market. How is this possible? Both local and regional banks offer loans to entrepreneurs willing to invest in real estate. To banks this is normally considered as a risk. There are certain rules and regulations that govern the process of offering loans. For example, in

the event that a borrower defaults and fails to meet the requirements of the lender, the bank is normally forced to repossess the property that had been purchased. This is the only security that they have to ensure that they get their money bank.

Most individuals are not aware of the existence of cases where investors defaulted on their loans. For publicity purposes, banks prefer to keep this information confidential. However, their interest is normally to recover their money. So, approaching them will be a good idea. If there are any foreclosed homes around the neighborhood that you are interested in, banks will not hesitate to share this information.

Why should you rely on banks? A huge benefit of relying on banks is that they have the obligation of recovering their money as soon as possible. In some instances, they are forced to sell homes for a relatively cheaper price. Their main aim is only to recover their money whether the property has appreciated in value or not. So, you can bet that you will land on a great deal to flip in the market.

The idea of relying on banks sounds lucrative. However, you should always take your time before jumping on any deal that sounds too good. When a bank is desperate to sell a certain property, you should take your time to evaluate the premises. Consider the repairs that will be required to bring the house back to shape. How much could it fetch in the market? By analyzing your potential to get profit from the deal, you will be better placed to offer a bank with an offer that you can work with. Don't just assume that the rental property being offered by the bank is worth investing in. Do your own analysis and compare with nearby houses for valuation.

## ***Marketing***

Your marketing strategies will also present you with numerous opportunities to take advantage of. The process will take time. Given time, you will want people to know more about the business that you are involved in. You will have to consider advertising your real estate company for people to be aware of your existence. You could do this on social media or by simply using conventional forms of advertisements. Assuming that you have marketed your brand for a long period, you will definitely increase the market knowledge about your existence. Homeowners and real estate agents will have your contacts. They will reach you whenever they feel that

there is a good offer for you in the market. Consequently, locating a rental property to flip would be somewhat easy once you have had stable roots in the market.

### ***For Sale Properties***

At times homeowners prefer to sell their houses without hiring professionals to help them. Frequently, homeowners opt to sell their houses on their own since they think that they will be saving a lot of costs that they would have incurred if they hired professionals. To get their properties on sale, they advertise them on different media platforms. With the increased use of social media, you can be certain that they will be posting 'for sale' ads on their social pages. You should pay attention to these ads.

Another way of locating 'for sale' banners is by driving around the neighborhood where you are interested in. Houses that are on sale would have signs placed around the lands. The interesting thing about such deals is that homeowners fail to realize that they can lose a lot of money since they are not conversant about the market prices. As an investor, this is the advantage that you will get. Their lack of expertise in the market means an excellent opportunity for you to bargain for a great price for the house. In the end, you will increase the chances of getting a great deal for a fraction of the cost.

### ***Vacant Rental Properties***

Vacant rental properties will also be an indication that there is something wrong with the premises. The owners of the houses might have travelled abroad and they have no time to maintain the houses. It could also be that the homeowners divorced. Vacant premises could mean just about anything. Taking time to find out what the problem is could present itself as an opportunity for you. Pay attention to obvious signs indicating that a house has been vacant for some time now. This could be a overgrown weed, cluttered driveway and general poor look of the rental property. As always before investing in any opportunity that you are not sure of, ensure that you confirm whether everything is okay. You could get quality information from your local real estate agent. Ask them questions regarding the house you saw. After that, you can then take the necessary steps to invest in the property.



## ***Foreclosures***

You could also land on potential deals by depending on foreclosures. These are homes that have been vacant for too long. The process of buying and selling foreclosures demands some market experience from the entrepreneur. Your main focus would be finding undervalued foreclosures. Undervalued houses will definitely present you with a great opportunity of making profits from the homes. Since you will be purchasing the rental properties at considerable prices, you can flip them to meet the requirements of your target market. There are several ways of buying homes that are placed on foreclosure. You could purchase them from banks, distressed buyers and from trustees. Prior to making any moves on foreclosed properties, ensure that you have acquainted yourself with information relating to foreclosure proceedings.

Locating rental properties to fix and flip is not as difficult as you might have been thinking. You only need to think outside the box and be creative about the searching process. Don't just depend on real estate agents to do the job for you. You can always drive around to find out whether there are signs showing for sale properties. Talk to your local banks whether there are properties that they need to get off their books. This information is never presented to the public, thus it is up to you to query about it. You should also invest in marketing your brand. The more people know about you the more you increase your chances of getting lucrative opportunities. Don't assume that people will know about you as you buy and sell properties. Market your business through recommended marketing strategies. Finally, remember to always turn to the Internet for quick information about the investment decision that you are about to make. You never know, it could save you a lot if you landed on a great deal worth purchasing.

# Chapter 5

## Evaluation Techniques

The valuation process is another important step in fix and flipping rental properties. Once you have learnt how to locate and purchase a particular property, you should get to know more about the value of the premises. The final value of the property you will be buying will determine whether or not it is worth investing in it or not. Making a valid decision based on how you value it will impact the profits you will be getting. It is imperative to learn of the methods of valuation that you can use. This section will discuss the most important methods that you can utilize so as to get the best value for your assets.

### ***How much is Too Much?***

Knowing the best value for a particular premise is sometimes a challenging task. As a buyer, how do you know that a house valued at \$70,000 is worth the asking price? Maybe the asking price is too high or too low. So, it is important to find out whether it is undervalued or overvalued. One thing that you ought to realize is that an undervalued rental property should not mean that you are getting a great offer. You never know, chances are that the buyer is disposing the house for a good reason. Consequently, you shouldn't be all happy because you found a house that is undervalued. When the deal is too good; think twice. When engaging in flipping houses for profit, the worst thing you can do is to overpay for the premises. This will put you out of business before you know it. You will never realize that you are making any profits simply because there are other expenses that you will be incurring.

### ***Knowing the After Repaired Value (ARV)***

The first step in evaluating the property that you are interested in is by calculating the after repaired value. This refers to the value of the house after all repairs have been done on it<sup>[5]</sup>. Quite obviously, knowing the value of the property after renovations will give you a rough idea as to whether it

is worth putting money on it. It will also help you in finding out whether the resale value meets your financial goal expectations. With the right numbers, you can then deduct the rehab cost to get your profit margin.

The question that you probably are asking yourself is; how can you accurately define the after repaired value? Well, first, you ought to research the market to find out how much other similar houses are going for. Similar properties being sold or that have been sold will give you an idea of what to expect from the final value of your property. This information is normally offered in listing services around you. The Internet could also be a place where you search for similar houses around the area. Find out how much they are valued at to know the range of the selling price you should be after.

You need to consider all those rental properties that have been sold recently i.e. within three months. Properties that you will be comparing with should also be within your locality. Equally, they should also be of the same size of the houses that you are looking to renovate. Keeping this in mind as you do your comparison helps you in getting accurate after sale value for the property.

### ***Estimating Repair Costs***

The evaluation process will also demand that you estimate the cost of repairs that you will incur. Experienced investors will find this easy as they only need to look at a house and would immediately figure out the amount of money required. Hiring an expert to do the estimation for you will assist you in knowing exactly how much you will be spending on the house. There are some repairs that you could miss out if at all you choose to do the evaluation on you own.

Find out whether electrical appliances need reinstallation. Check the roofing of the premises, if there any leaks, you need to put them on your rehab list. Are there any plumbing issues that need to be attended to? Getting all the necessary information warrants that you establish a realistic profit value. Consequently, leaving out anything important will affect your valuation. You could end up purchasing a flip property only to realize later that the cost of repairs exceeds your profits. Save yourself from going through the nightmare by carrying out accurate estimates.

## ***Holding and Closing Costs***

After doing your math regarding the rehab costs that you will be incurring, chances are that you might have found out that you will be making immense profits. Before making your verdict, consider the holding and closing costs involved. This is something that you will never see flipping shows on TV talk about. The amount of money spent holding and finally closing the deal could take away part of your profit. As such, it is imperative to have the right estimate of how much you will spend on these expenses.

### **Holding Costs**

Holding costs are also called carrying costs. These costs refer to the costs that you will face during the time that you own the property. This means that if you are going to spend three months renovating, the carrying costs would cover the entire three months period<sup>[6]</sup>. The most important carrying costs are the financing costs. These are the costs incurred in renovating the property. Other holding costs include insurance costs, taxes, and utility costs.

### **Closing Costs**

Closing costs also need to be estimated to get an accurate approximation of the value of the property you would purchase. Closing costs are incurred when you buy a property. Conventionally, homeowners paid purchasing closing costs. Conversely, selling closing costs is an expense that you will have to incur. Contingent on the real estate agents that you will be working with, the rate of selling closing costs will differ.

Considering the information offered concerning evaluating the flip properties that you might choose to invest in, it is clear that you not only need to consider the buying and selling cost. There are other hidden costs that you ought to be aware of. The cost of renovating the premises is part of the main costs that would affect the value of the houses you will purchase. Besides these, you also need to find out how much the holding and closing costs will take from you. All these costs have a significant impact on the profits you will be getting. Consequently, it is wise to accurately determine how much profits you will get.

# Chapter 6

## Financing Your Investment; Fix and Flip loans

One of the biggest challenges that real estate investors face with regards to fixing and flipping houses is the issue of cash<sup>[7]</sup>. Money is always a problem. The notion of financing your investment could make a huge difference more so in the outcome. If you lacked the required capital to renovate a particular premise, this will affect its outlook. Chances are that you will have to settle for poor quality of materials to cut on overall costs. Also, you might end up ditching professionals that would have helped you in identifying a good deal in the market. Getting the required amount of capital is an important thing to do even before you begin looking for properties to flip.

The good news about real estate investing is that, you don't need to have the full amount of money to begin your investment. There are several financing options that will help you land on a great deal in the market. This section takes a closer look at the financing options that you could turn to. Investors should be aware of the fact that they should be creative when thinking of ways to finance their investments.

With fix and flip investments you will seek for financial help to cover four areas of the flipping process. First, you will need financial help to purchase a property that needs flipping. Depending on the lender that you will rely on, they will require some percentage of the actual price as down payment. This means that you will have to communicate with your potential lender to determine the percentage that they will require from you.

Secondly, you will also seek loans to cover for the holding expenses. As earlier mentioned, holding costs will include insurance payments, taxes, utility costs, etc. After evaluating the amount of holding costs that you will incur, you should gauge whether you will need financial assistance to cover these expenses.

Third, labor and materials that would be used for renovation might not be as cheap as you had expected. Consequently, you also need a loan to cover these expenses. Getting the right amount is essential as it will determine whether you will successfully renovate the premises or not. The

last expenses that you will face include the closing costs and the real estate agent's costs. Let's take a look at how best you can finance your investment idea.

### ***Friends and Family Loans***

Assuming that you are new to the world of real estate, the best place to seek for financial aid would be your friends and family. People are always looking for places to put their money. As such, you need to inform your friends and family about the investment idea that you have in mind. Fix and flip investments are always enticing. You shouldn't be surprised when your loved ones decide to finance you with the hopes of getting a cut from the profits you will be making.

The fact that you will be requesting money from friends and relatives doesn't mean that you should take loan acquisition process for granted. Embrace the idea of noting the terms of the loan in writing. In your writing, the interest rate and the time duration required to repay the loan should be mentioned. The importance of having a written document is that it protects the parties involved in the transaction.

In most cases, your friends and family should not expect you to repay the loan when you are renovating the rental properties. They should wait until the deal is sealed. This means that they should be patient until you have resold the house for profit. This is the time you can think of repaying them based on the agreement that you had signed together. In case you default in paying the loan, you should make it clear to your family member or friend that the house counts as security. This should stand as a convincing reason why they should lend you the money.

### ***Financing Partner***

As you continue buying and selling properties, there are times when you will face challenges raising enough capital to cover the entire investment project. This is the time when you need to bring in somebody that will raise a fraction of the capital required. The partner that you choose to help you should also have some knowledge about fixing and flipping properties. This helps a lot as they would be aware of the risks involved in the business. Hence, you will free yourself from having to explain everything to them.

The best thing about working with a partner is that you agree on how you will be sharing the profits gained. This is contingent on what each party contributed. If you raised the capital equally, then it would mean that you will be splitting profits 50-50. You also have the freedom of working with several partners for different projects. Alternatively, you can choose to work with the same partner in different flipping projects that you have.

### ***Home Equity Loan***

Home equity loan is another viable option to get financial help and complete your investment project. This is a loan that gives you the freedom to ask for a loan against the value of the house you own<sup>[8]</sup>. You have to be a homeowner to be eligible for this financing option. It could be argued that this is a form of a second mortgage. The first mortgage is the one that you used to buy your home. Thereafter, additional loans can be added to it if you have been paying your installments on time. The house stands as a security for the money that you will be borrowing<sup>[9]</sup>.

One of the main benefits of using home equity loans is that they are easy to get. This is influenced by the fact that lenders are attracted to the idea since there is enough security for the money you will be borrowing. Borrowers also have the freedom of using their loans in whichever way they want. You will not be limited to use the loan on the house. Hence, you can use this money to finance your fix and flip business. You should also understand that these loans are offered with low interest rates. What's more, if you are confident about your equity, chances are that you will be getting a huge sum of money. Sounds interesting, right?

Wait! Don't jump into the deal without considering the drawbacks that could affect you. With home equity loans, you stand the risk of losing your home. This happens when you fail to meet the repayment requirements from the lender. Since your home stands as the security for the money borrowed, the lender could foreclose and sell it to recover funds. Is this a risk that you are willing to take?

### ***Personal Loans***

Personal loans are also a great choice when you have a good credit score. The advantage of these loans is that you are not limited in its use. You can use it for any purpose. The only drawback with personal loans is that you

might get a small amount of money. Thus, you should consider combining this loan with another type of loan to fully manage your investment demands. It could work best when you have a partner that would be covering other expenses in the investment process.

### ***Seller Financing***

Did you know that you can also ask the seller of the rental property to finance the fix and flip investment you are interested in? It is possible. Frequently, a good number of homeowners would want to be paid their money immediately. However, it won't break a bone if you questioned a homeowner whether they are interested in seller financing. There are those landlords that would be willing to finance you when they want to get rid of the premises fast. When getting into an agreement with the owner of the house, it is imperative that you write down the terms of the contract. This protects you and the seller. Also, consider asking for legal advice from a real estate lawyer to explain the mundane aspects of seller financing.

### ***Hard Money Loans***

In instances where you lack options since you have a poor credit score or that your friends and family cannot help, you can turn to hard money loans. These are loans that you acquire from private investors. The advantage of these loans is that they have minimal requirement to qualify for them. With a little commitment, you can get the money that you required to buy and flip a particular rental property. The downside of this type of loan is that lenders will charge you a high interest rate. The interest rate can go as high as 20%<sup>[10]</sup>. In line with this, you should consider other loan options before getting to this point.

### ***Conventional Bank Loan***

Let's not forget that you can also rely on your bank provider to get the loan that you want. If you have been banking with your local bank for some time, you could consider asking them to pay for the investment project. You only need to make sure that you have a good credit score. The bank will finance the project and after that you will pay the mortgage based on the agreement you made with the bank.



Most people would want to invest in real estate but raising enough capital is always an issue. People that haven't taken time to research investment options available at their disposal will easily give up. Judging from the information discussed, there are multiple financing options at your disposal. Therefore, you don't need to sweat over getting the full amount to purchase and flip a property. Just work hard to get the small deposit that would be required from you.

Important thing to bear in mind when seeking for financial help is that you should begin by first talking to your friends and relatives. Consider the fact that your family and friends might offer you attractive interest rates. Also, you should mull over involving a reliable partner in the deal that you have in mind. They will help you cover a fraction of the expenses. You should always remember to market your business. In future, this will have an impact on your loan application. When private investors and other individuals are aware of your business, they will be confident enough to offer you the financial aid you are looking for.

# Chapter 7

## Negotiating Fix and Flip Properties

The best way of landing on a good house rehabbing deal is by knowing how to negotiate. The negotiation process that you go through will have an impact on the final price that you will be getting for the property. Ultimately, this also affects the profits you will be getting. If you negotiate well, you will cut costs on your expenses. Automatically, there would be more profits for you. Investors ought to be aware of the psychology behind negotiation. Home sellers are individuals that are not experienced in the real estate business. Selling properties is not a frequent activity for them. As a matter of fact, it could be that they are selling the assets for the first time. So, you should understand that you have an upper hand. You not only have the market experience but you also have the power to win over a homeowner.

This chapter discusses some of the best negotiation strategies that will guarantee you land on a lucrative deal. While going through these strategies, it is essential that you are conscious of the things that the seller would be thinking of when negotiating a good deal.

### *The Mind of a Homeowner*

During the process of bargaining with the homeowner for a profitable deal, you should always begin by putting yourself in the shoes of a homeowner. The truth of the matter is that homeowners lack experience in the real estate business. This is the main reason why most of them would prefer to seek assistance from realtors. Those that chose to sell their houses on their own are at a great disadvantage when faced with investors.

A big issue that homeowners normally face is that they are emotionally attached to the properties that they sell. Therefore, it becomes difficult for them to see past their frustrations. For instance, assume that a lady owner is selling a good rental property that would be good for flipping. If this property has been listed for several months without getting a potential buyer, this would be discouraging for the homeowner. They would be

thinking that it would be difficult for them to find a buyer. In fact, most homeowners will think of lowering the price to attract more buyers.

With regards to the above, when a buyer comes along and shows interest in a property, the homeowner would be overjoyed that they finally got someone interested in the houses. Interestingly, they will not be thinking about closing the deal. Rather, their minds would have rushed to mull over how they will use the money. They will think about paying their debts, buying another house, or even buying a new car. So, the seller will be focusing on the good things that the money would do for them.

In the real estate business, investors are always looking for better deals in the market. Therefore, when the buyer finds another deal, the lady owner would be completely frustrated. All the dreams that she had in mind would have been shuttered. At some point, she would think that maybe her properties have issues and are not fit for the market. Well, they are human beings. Cut them some slack and understand that this is just a normal way of thinking.

When purchasing any property in the market, you should pay attention to the seller's desperation moments and signs. This will give you the upper hand to bargain for a deal that will save you some money for renovations. By understanding how the seller thinks, you will have the upper hand when you sit down to negotiate. Additional tips to help you in the negotiation process are as discussed.

### ***Knowledge of the Market***

You can't negotiate for a good deal in the market when you don't know how much similar flipping properties are worth. Before approaching any homeowner, you should have comprehensive knowledge of the market. During the bargaining process, you will be better placed to negotiate for a fair price backed with reasonable arguments. The seller will not be convinced to reduce the price just because you said so. You have to make them realize why you are demanding for a lower price. For instance, talk about how other rental properties are being sold out there. Your argument should be backed by facts.

Rehabbing houses for profit requires that you get the best price for the property in the market. Overpaying for these houses will only affect your returns in the end. You might end up making losses if you are not careful.

So, it is highly recommended that you bargain for a deal that will leave you making some profits from the deal.

### ***Why The Property is on Sale***

It is also important for you to find out why the homeowner is thinking of selling their property. Depending on their reasons, you will know whether to take advantage of them. For instance, an individual that has lost his/her job would be more motivated to sell the house at a flexible price. On the other hand, if a seller is just selling the house to get cash, you might have to use your negotiation skills wisely. Certainly, they would be a hard nut to crack. Some sellers will be open about their reasons. Others will be wise enough to keep this a secret. Regardless, a real estate agent with experience in the market should be aware of the reasons why the homeowner is motivated to sell their assets. Some reasons for selling houses could include relocation, investor burnout, retirement, financial issues, investor gains, etc. Make sure that you get this information as it would assist you to bargain for a great offer.

### ***Concessions***

Making concessions during the bargaining process is a great way of getting a lucrative deal. The best way to negotiate using concessions is that you ask the seller to surrender the property to you with additional things. Of course, you should ask for properties that you are sure that the homeowner will not feel free to let go, for example, their appliances. Remember, don't assume that the seller will not let go of these things. You never know the type of seller that you are dealing with. They might be willing to sell their properties fast and, therefore, they will accept anything that comes their way.

The seller might not accept your offer right away but they will present you with a counteroffer. This is when you should mention your concessions. They are your bargaining chip. Convince the seller that you will be willing to pay the property in cash if they accept a certain price. You can also use the demands you mentioned earlier on. Negotiating is all about mind games. Play your cards right and you will convince the seller that it's a win-win deal. In reality, you are the one that would be bagging profits on your way to the bank.

## ***Money Talks***

You've probably heard of the phrase 'money talks.' Well, in real estate, the concept applies. When negotiating for a good deal, you should keep in mind that money talks. The seller of the property you are interested in has been offered numerous offers. What will make your offer stand out from the rest? Mere promises to the seller will not convince them that you are serious about buying their property. You need to show commitment. After drafting your offer, attach a check to it. This could be a commitment to pay a fraction of the total price if at all they accept the offer you present them. A seller would be attracted to the offer as it proves to them that you are serious.

Mastering the art of negotiation in real estate investments will guarantee that you always make a profit from your assets. The idea behind every negotiation is that you should come out as a winner. The best part is that you don't have to force a deal when the seller is unwilling to cooperate. What you need to bear in mind is that you are after profits. Thus, if the deal doesn't earn you the returns you anticipated, it is wise to look for alternative options. Master the art of negotiation using the recommended strategies in this chapter and you will never feel the burden on investing in rehabbing houses for rent.

# Chapter 8

## Assembling Your Team of Professionals

Real estate business is demanding. If you asked an experienced investor about the aspects of the business, they would probably say that it's not easy. As you begin investing in buying and selling properties you might think that this is not true. At first, you will be dealing with one or two properties in a year. Nonetheless, as time goes, you will buy more flipping properties that require your attention. Once you branch out, you will realize that you cannot manage everything on your own. You need to assemble a team of individuals that will help you increase your efficiency. Any random people would not do; you have to ensure that you are working with professionals. Your team should feature experienced personnel right from your real estate agents to your handymen. Who are some of the people that you should be working with? What are their qualifications? How will you find them in the real estate market? These are just but a few of the questions that this chapter will look at.

### ***Mentor***

There is nothing that would be regarded as easy when investing in real estate. You will have to go through a series of ups and downs in this business. Indeed, from your business experience, you can attest to the fact that there are risks associated. Often, these risks are unexpected. The same case applies to invest in flipping properties. The nature of the business demands that you should have someone with you that is willing to motivate you when things are not running smoothly.

A mentor will do the work of ensuring that you are always positive minded. When relying on a mentor to guide you, ensure that you pick one who is close to your place of residence. It should be an individual that you can freely interact with. Most importantly, they should have the experience that you don't have in the market. Talk to them and let them guide you as you begin the process of making your financial goals come true through buying and rehabbing houses.

## ***CPA***

Finding an ideal business accountant is also an important thing to do as you plan to invest in properties. Interestingly, this is something that both experienced and inexperienced investors have difficulty with. By working with a certified accountant in your team you can be sure that they will help you take advantage of tax benefits in the market. Also, an accountant will help you in sticking to legalities that could face you concerning tax. Besides that, they will also be at the frontline of making sure that your business transactions are running smoothly.

The process of finding a good CPA might be daunting at first. This is because there are several of them in the market. An easy way of finding them is by asking for referrals. Talk to your mentor and ask them about the accountants that help them in their businesses. He/she should surely give you a reliable contact to communicate with.

When you find someone that you think you could hire, you should take your time to ask him or her whether they are experienced in the business niche you are working in. A good accountant should give you a list of clients that they have recently worked with. Contact some of these clients to find out whether the candidate is worth hiring.

## ***Real Estate Attorney***

The other MUST have team member is a real estate attorney. An experienced attorney in your line of business will be of great significance in your business. The expert will be there to educate you more about real estate. They will be responsible for putting together documents that you and the seller need to sign. If at all you will be entering in any form of partnerships, an attorney will be there to advise you accordingly. Similarly, they will also help you during the closing process. In case there will be any disputes concerning the costs that you should pay, the attorney will help you sort them out. You should never forget to work with an attorney in any real estate transaction you might conduct. If you do this, then you will only risk losing everything if the deal goes wrong.

## ***Scouts***

Far from the office, you will need scouts to be part of your A-Team. These are individuals that will work to get you the right leads you need to purchase and flip or rehab. The more leads you have, the more likely you will purchase a profitable flip deal. Therefore, you should communicate with your scouts to inform them about your goals and objectives in the business. The importance of doing this is that it saves both of you from time wastage. They should not scout around blindly for rental properties that need flipping. Rather, they should present you with potential leads that are in line with your business goals.

The scouts that you work with should be constantly motivated. They should be aware of the benefits they could gain if you end up buying the properties they present you. In this case, you could choose to entice them with commissions for every purchase. Ideally, this will keep them on their toes looking for lucrative flipping deals.

### ***Flipping Manager***

A flipping manager is another significant individual that you cannot fail to have on your team. Just as the name suggests, they will take care of any renovations taking place. They are there to make sure that repairs are done according to your demands. They will also coordinate with the contractors you will hire to confirm that the job is done successfully.

It is worth noting that the expert hired here should not be anyone without experience in renovations. You should consider working with a handyman in this position. They have sufficient knowledge about the renovations you will be carrying out. Hence, their expertise will save you from the worry of whether things will be done as you had instructed the contractors. If you will be repairing a few houses, chances are that the handyman will work on minor repairs. This will also save you some costs.

You might be tempted to carry out the repairs yourself. Indeed, this would have been a great way of minimizing on the overall expenses to incur. Nevertheless, fixing these properties yourself will only tie you down. It will limit you from attending to other issues that relate to your business. Hire a qualified handyman to oversee the operations for you. This will give you ample time to focus on the core activities of your real estate business.

### ***Insurance Agent***



There are different insurance companies that offer varying forms of coverage. In this case, some will cover your flipping properties whereas others will not. Settling for the right insurance company could be a challenge if you are not conversant with the market you are investing in. As such, it would be a good move to find an insurance agent to help you in the search process. The agent should assist you in not only finding a good insurance company but in finding one with the best prices.

### ***Real Estate Agent***

A real estate agent or a realtor is another indispensable expert in your investment team. A good real estate agent should be one that connects with both the investors and homeowners. Also, they should have worked in the market you plan to invest in for some time. This warrants that they have the right connections to help you get ideal homes to purchase. The benefit gained by working with a realtor is that you don't need to be experienced in the market. With the experience that they have, you can depend on them to inform you of any potential leads.

A realtor will want to confirm that you are a serious buyer. Once they are sure about this, you can be sure that they will be sending incredible leads your way. From your end, you should make a point of rewarding them for their efforts. This goes a long way in creating a lasting and profitable relationship. A word of advice that you should always recall is that you shouldn't limit yourself to one realtor. Have several on the ground. They are your eyes when you are not searching for properties to flip. Therefore, you need to have them distributed all over your potential area of investment.

### ***General Contractor***

A contractor would be key to the project that you have at hand. Since there are many contractors in the market, finding a reliable one might prove to be a daunting task. A good contractor should be there to make sure that the flipping process goes on successfully. Working with a team of professionals will guarantee that resources are used appropriately with minimal wastage. It is for this reason that you need to invest your time in finding an experienced and trustworthy contractor in the market. Some pointers to keep in mind as you search include:

**Seek for References**

Getting recommendations from your friends or business partners who have recently used the contractor services could be the best option for you. The good thing about this option is that you will be depending on individuals that have a proven track record. You will minimize the need to go through trial and errors to find a reputable contractor.

### **Contractor References**

You can also communicate directly to the contractor and request for references from their former clients. An experienced individual that trust his skills and work performance would not hesitate to give you a list of names that you can contact. From the information you will get, you will make your verdict whether or not to rely on their services.

### **Get 3 Bids**

It is always wise to compare prices and level of experience between different contractors. As such, you should not rush to rely on the first contractor that you find. You should take your time to compare different options. This confirms that you rely on the best service among those that you have chosen to compare. In line with this, the prices charged by the contractor should not be a determining factor. The lowest price will not directly mean that you have landed on a great deal to save you money. At the same time, the highest prices will not imply that you will get top class services. Simply compare several contractors to find the best among them.

### **Consider a Licensed Contractor**

Your search for a reputable contractor should also take into consideration the fact that they need to be licensed. You will have to confirm with appropriate licensing boards whether the candidate you wish to hire is licensed. The benefit of working with a licensed contractor is that you will be certain that they have insured themselves. Therefore, in case of any accidents, you will not be liable.

### **Time Frame**

Most home flippers will want to push a contractor to do the job right away. Well, this might save you time. However, you should keep in mind that contractors also have other tasks to attend to. They might be busy today and the following week. This should not be a reason why you should not hire them. If they have the skills and experience you are looking for, you ought to be patient. Rushing things around will only create room for mistakes. Hence, you should have it in mind that a good contractor might not be as flexible with their schedules as you anticipated.

## **Job Specification**

When getting referrals from friends and other investors, you should ensure that you hire experts that actually know what they are doing. Depending on the job specification, a contractor might fail to have the skills necessary to successfully complete a particular task. Before relying on any contractor that has been recommended to you, make sure that they are conversant with the job specifications.

### ***Plumber***

The renewal process of the properties will also demand that you rely on a reputable plumber. A similar process when finding a contractor will be used here. Make calls and ask for referrals from friends. If you have been in the real estate business, finding one might not be that difficult. Other investors will tip you on the best plumbers with reasonable prices.

### ***Electrician***

This is also another professional that would be handy in the fix and flip investment project. Without a doubt, you will need an electrician to make sure that lighting is well fixed in the renovated property. Everything should be well fitted to reduce the number of errors that a buyer could point out. It should come to your attention that every error identified when selling the property will affect its price. So, it is important to have everything checked and fixed. Getting services from an electrician will not be costly. You only need to shop around and compare prices. While doing this, make sure that you ask about their qualifications.

### ***Property Manager***

There are particular professionals that will make the entire investment process an exciting experience for you. For instance, a property manager should be handy in case you will be dealing with several properties that need flipping. At first, the tasks of a property manager are something that you can do since you only need to oversee one property being worked on. With time, when you purchase several properties, you will need a manager to oversee all flipping activities for you. The advantage gained in relying on a property manager is that you will improve your real estate business. This

is because you will have time to handle other core activities of your business. Also, if you are planning to hold the property for some time, a reliable property manager will save you from stress associated with such management.

# Chapter 9

## Common Challenges Faced in Flipping Houses

In any business that you will be dealing with, there is a surety that you will encounter problems. This should not be a discouraging factor. Rather, it should be a wake-up call that you need to be diligent in your approach to real estate business. Buying and selling properties is not an easy task. You need to be careful with every decision that you make. If you are not experienced in the flipping business, there are several mistakes that you will be making along the way. Consider these mistakes as part of the learning process. Challenges are inevitable. You only need to learn how to mitigate them. As an investor, the worst thing is that you will never know what lies behind the walls. Only an experienced contractor will understand the challenges that you will face even before you flip a property. This chapter will take a closer look at some of the common challenges that you will face as you begin rehabbing houses for profit.

### *Theft*

Theft will appear as a minor issue to most investors. Regardless, it bears some weight more so if important appliances will be stolen from your flipping assets. Stealing of these items will cut through your budget. If you are not careful, you might end up buying things repeatedly as they will be stolen more than once. To ensure that you prevent theft from occurring, ask the contractor to install door locks that you can use to keep everything safe during the night. The backyard should also be secured. Likewise, valuables should not be left hanging around when you are not sure of whom you are interacting within the renovation environment.

### *Market Trends*

One of the biggest challenges that you will face is understanding the market trend<sup>[11]</sup>. In the real estate business, markets always fluctuate. At times, the market will be booming and in other cases, it will be dropping. There are times when the market will also be balanced. As an entrepreneur, your goal

would be to research about the market trends and know the best times of investing.

### ***Demographic Shifts***

Another challenge that you will face is that of demographic shifts. The area that you are investing in could be linked to frequent movements from renters in the location. This implies that the people you are targeting might not be there for long. On the contrary, if the area is attractive, you will be at an advantage since your chances of getting a homebuyer are high. However, it is vital that you understand more about the demographic shifts of the area you are planning to invest in.

### ***Money Saving Challenge***

As you commence investing in fix and flip properties, it will reach a point where you will be tempted to renovate the properties on your own. At first, this might seem like a great idea since you will be saving a lot of money that you would have alternatively paid contractors and handymen. However, what you don't realize is that you will be spending more time than what the experts would have spent. Therefore, the notion of saving money by repairing the houses on your own will not work. Time is money. You will be wasting time and money. Besides, you are not a professional. So, you don't know how to effectively use the resources that you have. To circumvent this issue, you simply need to hire a professional and save yourself from the burden.

### ***Delays***

Delays when rehabbing houses will always be a huge challenge. The problem with delays is that if they are not managed, it will only cause your flipping project to stall. It is vital to note, however, that there are sections of the renovation process that will take time. For instance, the roofing part will slightly delay. These delays are caused by the fact that there are some sections of the house that are more demanding than others.

There are other delays that will only frustrate you and the contractor. Materials delaying, machine stalls, irresponsible workers, illness, etc. are some of the issues that will disappoint you. The issue here is that when one

delay occurs, it prevents the successful completion of the project on time. When one of the machines stops working, this drags everything. Workers will have to wait for the machine to be fixed so that the work can continue. This is a common challenge that you could face while renewing your properties.

That's not all, there will be delays even in the closing process. Yes, you have completed renovating the premises on time, but the buyer might not purchase the asset immediately. This challenge is also disappointing. You need to know how to brace yourself for such unforeseen challenges. In case of power outages, you should embrace the idea of having back-up plans. This applies even to the machines that will be in use. A good contractor should have this in mind. Another way of dealing with delays is that you can have multiple companies that you are working with. This aids when things go wrong with one of the companies that you rely on. The challenge of experiencing delays can also be mitigated right from the beginning. Choose experienced workers to join your team and these delays will be reduced.

### ***Government Regulations***

With the recent turn of events in the real estate business in 2008, the government beefed up its regulations to ensure that people invest wisely in the market<sup>[12]</sup>. The move from the government was done to warrant that the real estate market did not collapse as it was seen a few years ago. Consequently, existing regulations could hinder one from running their real estate business smoothly. There are laws that could prevent you from quickly selling the property that you just finished renewing. Rules and regulations vary from one state to another. For that reason, you should do some research to find out whether there are regulations that could affect your real estate business. Wait, you could easily find this information by talking to your real estate attorney. They will guide you on the best legal moves to take in case issues arise before selling your flipped property. Equally, they should help you learn of the legal channels you can go through to bypass restraining laws.

### ***Unexpected Expenses***

The mere fact that you have budgeted for everything doesn't mean that you will not be spending more in the flipping process. A budget is only there to limit you from overspending on unnecessary things. However, it will not prevent you from spending on necessary things that were not anticipated. There are unexpected expenses that you will meet along the way. This will be an extra cost that you will have to incur. For instance, you might be fixing the wall of the premises, but you never expected that it will burst. Have you thought of bad weather that could occur as you continue renovations? There might be cases of pilferage of things. All these are classified as unexpected expenses. They are frustrating, but you will have to set some money aside in case such events occur.

### ***Bad Weather***

You cannot overlook the fact that bad weather will be a huge challenge during the flipping process. It doesn't matter the country that you live in. Bad weather will always throw your flipping schedule out of the window. If the weather is too windy, rest assured that you cannot paint on this day. This is for the reasons that the paint will spread to areas that are not meant to be painted with that color. Rain will also interfere with certain installations such as a new sliding. Bad weather will affect your schedule as you will have to postpone certain activities to the following day.

If you will be fixing a property during a bad season, you should adjust your schedule appropriately. You need to study the weather to find out the times that it rains. If it rains during the afternoon, then you will have to fix for an early schedule. This means that you will begin working on the exterior of the premises in the morning before rain falls in the afternoon. Later, you can work in the interior sections when the weather is not favorable. The main idea is that you should be flexible to adjust your schedule when plan A fails to work.

From the look of things, the challenges that could be coming your way could be easily dealt with. As a prudent investor, the best way of dealing with these challenges even before they occur is by hiring a reliable team of experts. For example, by working with an experienced contractor, they will know how to adjust their schedule to match with the bad weather that they are experiencing while working. This is something that you don't have to explain to them. You don't have to be present for work to be completed on



time. Choosing to work with more than one company could mitigate delays arising from machines. Working could also solve issues relating to government regulations with a reputable real estate attorney. Therefore, dealing with challenges effectively begins by hiring the right team for the job.

Challenges will be part of your real estate business, you should not let them get in the way of completing your renovation project successfully. When these hurdles occur, it should not discourage you from continuing with your plans. Unexpected expenses should not bring down your entire investment plan. Always have a backup plan to save you when plan A goes wrong.

# Chapter 10

## Maximizing Your Potential in Fix and Flip Property Investment

The process of buying and flipping a property to capture the market's attention is not easy. The money and time you spend working on a particular property will be draining. After the renovations have been completed, it would be a rewarding feeling to get the attention that you anticipated. The time to reap what you sow is always enticing. This is the period where you are rewarded for your efforts. During this time, your focus would be on getting the best value for your property. Interestingly, there are those investors who work hard to get lucrative deals and they fail to do so because of the decisions that they make. On the other hand, there are flippers with tricks in the market that guarantee them high-profit yields. What are the ways of maximizing your potential in fix and flip property investment? This is a question that this section will be answering.

### *Increasing The Property's Salability*

Congratulations that you finally managed to successfully renovate a property. The next thing in line would be to sell it. The selling process demands that you rely on ideal strategies that increase its ability to sell. You need to embrace certain marketing techniques that will attract the market attention towards the property. So, what should you do?

### *Preplanning*

One of the most important strategies that you ought to bear in mind is that you should have an exit plan. A prudent investor should not wait until the last minute to begin planning for the selling process. You should have this in mind right from the beginning. Of course, when buying the property, you knew that you will be selling it eventually. Therefore, preplanning guarantees that you stick to a working exit plan that will see your asset sell at a high value. Besides mulling over the buying process, you should also think over the selling process during the early stages of your investment.

## ***Increasing Visibility Using MLS***

Getting maximum exposure for your assets is imperative. For that reason, you should consider listing the asset in Multiple Listing Service (MLS). Using multiple listing services demands that you will have to work with several realtors. The advantage gained here is that your premises would be exposed to numerous realtors in the market. If they have heard of a buyer looking for a property with the specifications you have, they will ring you right away. Your property will not stay in the market for long before getting a good buyer. Ultimately, if the property is sold quickly, you will save some money on the holding expenses that you would have incurred.

## ***Selling a Marketable Property***

If you are going to sell a property to a certain target market, then it needs to meet the specifications of such a market. Just like any other product that you would want to sell, it has to meet the demands of the customer. Buying and renovating a property is not what is important. A crucial consideration that should be kept in mind is that it is the customer that would determine whether they like the product or not. A buyer will be interested in purchasing the property if it is worth its value. This means that you have to study the market demands before renewing the property. Take your time to learn what the market wants. If single-family homes are in high demand, you should consider the unique features that families are after. This will increase the marketability of your property. At the end of the day, a property that attracts a high demand will obviously get a good price for it.

## ***Competitive Pricing***

Another tip to maximizing your potential in flipping properties is by knowing the ideal price for your asset. Yes, pricing the house for a higher rate than the market price would be a great way to achieve higher profit yields. However, this might be a challenge as it might mean that you will have to wait longer for you to find the right buyer. So, the best move would be to price it slightly lower than the market price. Get it clear that this doesn't mean that you will not get any profit. Certainly not! It only means that you will get a lower profit than you expected. Regardless, it's still something to smile about.

Lowering the price of the property will entice more buyers to come your way. This also reduces the length of time you will have to wait to get something out of your investment. Similarly, keeping in mind that there are carrying costs for you to pay, you should contemplate on selling the property fast. Consider the fact that there are other opportunities in the market for you to take advantage of. Hence, you need to surrender your property for a smaller profit.

### ***Offer Incentives***

You can also drive traffic to your end by offering buyers with incentives that would make your deal highly enticing. Most people would be motivated by money. You need to be creative when offering incentives as this will alter the profits you will get. After evaluating your asset, you will have a certain profit figure that you have in mind. If the deal is good, you can choose to pay the closing costs. In some cases, you can lure the buyer by informing them that you will cover a fraction of the closing costs. To them, this would be a great deal. As such, they would consider your offer over others within the same neighborhood.

### ***Educate the Buyer***

Another great way of getting the best value for your property is by educating your buyer. The interested parties should be made aware of the most exciting aspects of the property that you have on sale. Give them a reason to consider purchasing your asset over others. Talk to them about the security features that you have installed on the premises. Walk with them around the property to see the beauty of the surrounding environment that they will be living in. The main idea is that you should convince the buyer to imagine living in the property. What is it that will excite them? What is different in your property that they will not find elsewhere? Your winning points will make the buyer purchase the property without bargaining too much. You will be on the winning end as you will get the best value that earns you the profit you anticipated.

## **Possible Pitfalls**

Now that you have a rough idea of how easily you can maximize your potential in the real estate business, you also need to be aware of the pitfalls that will hinder you from realizing your potential.

### ***Not Enough Money***

Entering the real estate business without having enough capital will only affect your business negatively. You need to be sure of your finances before trying anything. The last thing you need is to get stuck on the way. Before you purchase any property, you should have done your math to determine whether the money you have will complete the project. You should not have an exact estimate. Ensure that you have some money aside that will be used to cover unexpected expenses that have been discussed herein.

As earlier mentioned, you need to find reliable financing options for your real estate business. Shop around for the best deals with attractive interest rates. This warrants that you get enough money to cover expenses that would be required in your investment. While doing this, you should also double check that you are investing in projects that are within your budget range. Certainly, this doesn't mean that the best deal will be the cheapest. Regardless, it makes a lot of sense to compare several properties as this will land you on a lead that will help you meet your financial goals.

### ***Lack of Time***

Another pitfall that will prevent you from getting the best from your investment is time. If you don't have enough time for the entire flipping process, it's better to think of doing something else. The renovation process takes time. There are different phases that the house will have to go through to ensure that it is renovated according to market demands. Some rooms will have to be demolished whereas other installations will have to be done. All these require time. Doing things in a hurry will only hinder you from renovating the property to meet the quality demands of a prospective buyer. Consequently, if there are other activities that you will be attending you, make sure that you have a property manager that will oversee the operations for you.

### ***Lack of Sufficient Knowledge***

From the details that you have gathered this far in this book, you know that there are numerous things that you should be aware of before investing in real estate. You need to know whether to locate ideal properties to invest in. You should be in a position to find a reputable contractor to help you in renovating the asset you just bought. Also, you should know of the best ways to value your asset to capture buyers' attention. Learning about real estate is a slow and gradual process. You need to embrace this during your investment process. Don't expect to learn everything overnight. It is always advisable to seek professional assistance before doing anything that cost a lot of money.

### ***Lack of Patience***

If you don't have patience, then maybe flipping properties is not the best business option for you. Most entrepreneurs are patient in the market waiting for the right deals. Going for the fast deals that come your way is certainly not the best way of investing in real estate. You need to be patient. It is imperative that you compare properties before making your verdict. This reduces your chances of making mistakes and that it increases your chances of getting profitable leads in the market. As a novice in the business, don't expect that the process would be straightforward. There have been challenges that have been mentioned to you. Expect the unexpected when it comes to real estate investments. The best thing that you can do is to equip yourself with knowledge and always value the importance of learning from the best.

The drawbacks discussed here will prevent you from getting the most out of your investment. These are common pitfalls that you can easily deal with. Before beginning to invest in real estate, do your homework. Read books as you are doing now. Find journals that have been published featuring real estate business. The more you know about this type of business, the better you will be placed to make sound decisions.

In line with the idea of maximizing your potential from your rental property investment, you should value the tips that have been discussed. The market is always flooded with investors willing to do anything to emerge as the best in the market. At times, it becomes difficult to gain a competitive advantage over your rivals since your mind is focused on selling the property. Nonetheless, from the details discussed, you can

always take advantage of incentives. Offer your buyers incentives and you will pull traffic to your end. Also, give buyers the product they need at a slightly reduced price. They will not hesitate to choose an offer that will save them some money while getting them a home that meets their everyday demands.

# Chapter 11

## **Do's and Don'ts When Investing in Flipping Properties**

Flipping houses is a great way of earning your returns from real estate business fast. However, there are big risks that are associated with the investment process. An investor will also argue that there are numerous questions that they keep asking themselves during the investment process. You can never be sure of your investment until you sell it for profit. Just like any other business, risks will always be there. This section features some of the dos and don'ts that you ought to keep in mind when buying and rehabbing houses for profit. With the info provided here, you should be making sound decisions that will take you a step further to realizing your financial goals.

### ***Do Choose the Right Location***

First things first; location is key when finding a good property to invest in. If a rental house is fairly priced and that it is located in a crime-infested neighborhood, this affects its demand. Buyers are always looking for properties that are uniquely designed and that they are located in a friendly neighborhood. Other factors that you need to mull over when choosing an ideal location include social amenities, hospitals, schools, accessibility, etc. These are some of the things that your buyer will keep in mind when looking at your property listing.

### ***Do Hire the Right Team***

There are many things involved when buying and selling properties. Finances and legal issues are the most important of them all. As a novice, these are crucial areas that you might not be conversant with. So, it is best that you hire the right people to help you make the right decisions before buying any property. Just as a reminder, some of the experts that you should have in your team include a real estate agent, lawyer, CPA, contractor, and a property manager among others.



## ***Do Secure Your Financing***

When you make up your mind about investing in real estate, the first thing that you should ask yourself is whether you have the right amount of capital. If not, do you know of the best financing options that you can turn to? Visit your nearest local bank to find out whether they can give you a loan. As had been said earlier on; you could contemplate on talking to your friends and family about the investment idea. Get your finances in order before going out to compare prices for rental properties that could be flipped.

## ***Do Accurate Valuation for a Property***

A great deal in the market is not always the one that is lowly priced. At the same time, one that is high priced doesn't guarantee quality. Before purchasing any property, you should evaluate it to determine whether it is worth putting money on it. Accurate evaluation will help you know whether you will be making profits out of the investment or not. Also, you will be better placed to know how much the repairs will cost. Other hidden expenses could also be unveiled in the process of evaluation. Staying informed on how much you will be spending on the house gives you the benefit of knowing where your money will yield the best returns. So, make sure that you carry out an accurate evaluation of the property you are interested in.

## ***Do Compare Similar Properties***

Comparing similar properties around the neighborhood will also tip you on what buyers expect. If you will be renovating single-family homes, visiting some of them will help you know exactly what your target market needs. Definitely, with this information at hand, you will make solid decisions on what you should do and what you shouldn't.

## ***Do Price Your Property Reasonably***

The idea of flipping properties depends a lot on how fast you will be selling the premises in the market. This is one thing that most flippers forget. Often, they might take their time waiting for a buyer that would accept the

high price that they have valued their property. What they fail to remember is that there are holding costs that they incur daily. This means that the more time a rental property stays in the market, the more they will have to pay. To easily evade this dilemma, an investor could price their asset reasonably. This will attract many buyers and thus increasing the probabilities of selling fast.

### ***Do Market the Property***

After completing the flipping process, you should know that this is not the end of your obligations. You also need to market the asset for the best returns. Sitting down waiting for the right buyer will not get you the best deal in the market. You need to utilize effective marketing strategies that will increase the salability of your newly renovated properties. The Internet is a great place to market your property. Nevertheless, you should remember to rely on Multiple Listing Services. This opens your property to numerous buying opportunities. Part of the marketing tactics entails presenting the right product to your target market. Buyers will only be interested in your property if it meets their specifications. Study the market to understand what people expect from your rental properties. Don't make blind conclusions without considering the demands of your prospective buyers.

### ***Don't Let Your Emotions Cloud Your Judgments***

As a new investor in fix and flip investments, you will be anxious to purchase the first flip in the market. Allowing emotions to cloud your judgment will prevent you from realizing that you are making mistakes along the way. As such, set your emotions aside and have it mind that you are in this business to make a profit.

### ***Don't Overlook the Red Flags***

There are times when you will be tempted to ignore the minor repairs that are in a flipping property. Well, the risk involved here is that these small issues could add up to become something big. You will end up spending a lot on repairs; something that you never anticipated. It is wise to take every

repair seriously and note it down. This will affect the profit margin that you expect.

### ***Don't Blow Your Budget***

Flipping business requires that you stick to your budget no matter how enticing a property might seem. Sticking to your budget will benefit you in the end as you will be making the profits you expected with ease. Instead of exceeding your budget, shop around for an alternative that has similar leads. Clearly, you will be new to the world of real estate, so there are times that you will be pushed to settle for a deal that sounds profitable. In such cases, you will ignore the price of the rental property being sold. Nevertheless, it should be the last thing you ought to consider doing. You will regret it.

### ***Don't Rush to Hire a Contractor***

Yes, we understand that you are in a rush to renovate the property. However, it doesn't mean that you should hire the first contractor that comes your way. Be patient about the entire investment process. Ask for referrals where possible. Take your time to find out from former clients whether the contractors are worth depending on. Save yourself from frustrations by doing everything right the first time.

The same case applies to hiring any professional. Whether you plan to hire a realtor or a real estate attorney, it is imperative to take your time. Patience pays. Relax and compare the options that you have at hand. If possible, ask for referrals from other investors.

### ***Don't Price the House Based on Your Hard Work***

It goes without saying that you will be doing your best to make sure that the flipping properties stand out from the rest in the market. Guess what? This doesn't affect the price of the premises. The money you use to renovate the properties will also not affect the final price that you will be asking for. The market price range is what you should consider. So, when doing your repairs, keep in mind the market price that you expect. The selling price minus the repairs and other costs should get you the profit you want.

The dos and don'ts basically feature the mundane aspects of real estate investments that any entrepreneur would forget. These are some of the

things that will have an impact on the success or failure of your flipping business. Consequently, it is vital that you know what you should do while investing in rehabbing houses. At the same time, you should be aware of the things that you should not do.

### ***Don't Repair the House on Your Own***

As mentioned earlier, you should always find an expert to do the repairs for you. In the short run, you might think that you are saving yourself money. In reality, you are only wasting time and money. Hire a professional that will guarantee quality. A professional will work to be paid for quality services. Consequently, they will be careful to provide high quality of services. This is the only way that they could be recommended to other investors. So, before thinking about the savings you will be making, consider the time you will be wasting doing the repairs on your own.

# Chapter 12

## The Closing Process

Ah, finally, the closing date is here. This could be the happiest moments right from the time you began investing in flipping houses. The closing date means that you finally get to sell your house to a buyer. You will transfer ownership of the asset to another individual. For your business, it means that you will be getting your profits. During this stage, you will have come to terms with the interested buyer of the premises. The only thing that would be left is to sign the legal documents and surrender the keys to the new owner.

There are a number of checklist items that you should have in mind as discussed in the following lines.

### ***Gather All Necessary Documents***

All important documents should be made available during the closing process. Instead of waiting to collect all these documents in the final hour, you should begin early enough. Talk to your real estate agent and confirm whether you have all the required documents. Any missing documents will prevent the deal from being sealed. As such, it is vital that you have all your documents in place and ready for the buyer.

### ***Time to Clean the House***

Throughout the renovation process, there are numerous items that were scattered all over. Before the buyer finally comes to reside in the new property, you should consider cleaning it. Fortunately, this is something that you wouldn't have to do on your own. There are cleaning services that offer great services at considerate prices. After such cleaning is done, make sure that all valves are shut off. Any drips left behind will eventually flood the premises.

### ***The Final Walkthrough***

The mere fact that you hired professionals to repair the flip property doesn't mean that they didn't make mistakes here and there. You should go through the house one final time to confirm that everything is in order. Check that the lights of every room are working. The sockets for the house should also be working as desired. These are the small things that the buyer would notice. Therefore, it is essential that you give them a final walk-through just to be sure of the final product you will be presenting.

### ***Terminate Your Insurance Policies***

All along you have been paying for insurance as part of the holding costs of the property. When you are sure about the deal, you should initiate the process of canceling the insurance policies you have been paying for. Communicate with your insurance broker about your move so as to make the process swift and stress free.

### ***Agent's Cut***

Obviously, the closing day also means that it is payday for a real estate agent. They will be careful to make sure that you pay them according to the contract that you signed with them. So, how much should you pay your realtor? In most cases, realtors are paid between 5-7% of the final price of the property<sup>[13]</sup>. Perhaps you are wondering whether you are the one to pay the realtor's commissions. As a seller of the property, the expenses will be on your shoulders.

Most sellers would think about negotiating with the real estate agent to get a lower commission rate. Ideally, this is a good thing to do as it would save you some money. Nevertheless, in situations where a real estate agent is paid higher commissions by other investors in the area, they will consider them for lucrative deals. This shows that it is important to pay your realtors well. You could tip them for a sales deal that earned you good returns. This creates a lasting and worthwhile relationship.

### ***The Closing***

The last step of the closing would be where the buyer gives you money for your property. At the same time, you will be transferring your deed to them. Who should attend the closing? Contingent on the laws of your state, it is

expected that the buyer and the seller should be present. Other parties that should be here include the real estate agent and a lawyer. The buyer could also choose to bring their team of experts to make sure the process runs smoothly. Some of the parties that you should expect from the buyer's end include a mortgage professional, a home inspector, a realtor and a title insurance agent. Indeed, the buyer brings these people to warrant that he/she doesn't make any mistakes during the purchase.

You must have wondered how long it takes to close a house? The length of time will vary. In most cases, it could take up to 41 days<sup>[14]</sup>. The delay is normally caused by the buyer's financial delays. They might have secured themselves with finances that take weeks to mature. There are times when buyers make mistakes of looking for finances just before they purchase their new homes. This is what often leads to delays.

There are other things that could possibly cause delays during the closing. Some of them include:

### **Loan Problems**

While selling your property, it is quite likely that you will select a buyer that agrees to your offer. Unfortunately, the buyer might have agreed to your offer before asking the bank whether they can get a particular amount of money. This is where the problem comes in. The local bank could take days just to confirm with the buyer that they qualify for a certain amount of money. The worst thing is that there are 50-50 chances when it gets to this point. The buyer could either get the loan or not. So, don't be happy just yet. Wait until you are presented with the money to be sure of the sale.

### **Home Inspection Issues**

Issues relating to home inspection will also cause some delays during the closing of the house. Remember, as earlier pointed out, the buyer will come with their team to foresee the closing process. Hence, they will want to make sure that they are purchasing something that is worth its value. Bearing this in mind, your recently flipped property should be free from issues.

We can't say that there won't be any issues in the house. The home inspection officers could identify some issues. These issues could be minor whereas some might be major. Minor issues are easily resolved between the buyer and the seller. Major issues will affect the closing process by a huge margin. In fact, things could go wrong when the inspectors realize that the property has got insect infestations. The buyer would opt out of the deal.

Accordingly, the best thing that you could do is to have the house inspected before the closing date. By doing this, you will fix major issues before presenting your product to any potential buyer.

### **Walkthrough Problems**

It might be disappointing during the closing to notice the buyer take out something that wasn't supposed to be there. When this occurs, it means that you didn't do your final walk through process thoroughly. It is vital that you avoid presenting any red flags to the buyer. It could delay the closing process beyond your expectations.

### **Paperwork Issues**

Yes, paperwork issues will also consume a lot of time during the closing process. Both you and the buyer will have to spend time going through these documents to make certain that everything is correct. The buyer will spend more time as they are the ones buying the property. Rushing them to complete the process will only raise eyebrows. Give the buyer ample time to finish going through the details to the documentation before signing any papers.

The final step in closing the deal is never a simple process that should be taken for granted. It could be argued that this is, in fact, the most important step in your investment process. It determines whether you successfully invested your money or not. So, there is nothing that is taken for granted. During this day, important documents that you need to carry include your photo identification and any outstanding documentation that is needed in the closing. The buyer will also come with similar documents and an additional check payable to the seller. It is also important to note that the closing process will take place at the escrowee's office.

## ***Closing with Confidence***

With an in-depth understanding of what goes on during the closing day, you should not be afraid to approach this day with confidence. You only need to be aware of the things expected from your end. In this case, the buyer would be most interested in what you have to offer them. Your flipped property should, therefore, be the most important thing in your mind during the closing. If you are sure about the renovations that you carried out, there is nothing that should scare you from closing the deal. Be careful not to leave behind items that will raise eyebrows during the inspection of the



property. Most importantly, if there is anything that you are not sure of, consult a professional for assistance. They are there for a good reason. Confirm that you walk with them throughout your investment journey.

# Chapter 13

## Secrets to Succeed in Your Flipping Investment

Succeeding in real estate investment is not contingent on the amount of money that you have. If entrepreneurs were willing to invest in rental properties, most of them would be doing this. However, the fact that you are reading this book means that there is an opportunity for you to take advantage of out there. This window of opportunity will always be open since few people understand the secrets of mastering the real estate business. The tips that will be discussed in this section should make you stand out from other entrepreneurs out there. Interestingly, these are some of the things that you have heard over and over again. It's only that you need to constantly remind yourself that you are in a risky venture that requires patience.

### *Understand the Risks Involved*

The first secret to becoming a master in flipping properties is that you should always understand the risks involved in the business. Right from the time you walk to the bank requesting for financial aid, you should bear in mind that there are risks that you will have to deal with. Most of the risks and challenges have been discussed in this material. Nothing will come on a silver platter. Anything can go wrong in your investment. For instance, if you end up overpaying for a flip deal, this means that you will run the risk of losing money.

A simple mistake like underestimating the repair costs will also haunt you. In the end, you will have to incur losses just to sell the property to recover your money. Think about the issue of delays. These are unexpected events that you never planned for. You can't blame yourself for the delays that would be occurring. The issue is that delays will push you to incur heavy expenses in terms of carrying costs.

All these risks will give you stress during your investment. At some point, you might even think of giving up. Nonetheless, you shouldn't give up just yet. Flipping properties is a lucrative business. Investors are making

a living out of the business. So, it's all about knowing the risks that are associated with this kind of business.

It is by understanding the risks involved that you will enjoy the exciting experience of investing in flipping properties. You will develop a passion for the investment process simply because you know all about it. Whether things go wrong or you earn profits, you will always have a reason to smile. Besides, you can't be sure that all the leads that you will be flipping will always earn you profits. There are unforeseen events that could affect your business. So, the best thing that you can do to succeed in this business is by understanding the risks associated with it.

### ***Passion***

With the right attitude about your business, there is nothing that should stop you from realizing your goals. Once you understand that you are treading on risky grounds, you will develop shock absorbers. This infers that you will never be stressed when a deal goes wrong. In fact, you will be glad that you went through the experience and you came out stronger. When this happens, you will be passionate about what you do. Often, you will have the feeling that you can succeed in the real estate business. A passionate businessman or woman will always see the positive aspect of the activity they are doing. Hence, challenges will never be a stumbling block to your business. On the contrary, they will be a stepping stone to advancing your real estate expertise.

The main point here is that you should have the right attitude about the business that you are doing. Don't assume that real estate business will work for you since it worked for your friend. You never know the secrets that they are employing to emerge victorious. As such, you should find it in yourself to develop some strong liking to the process. This will open your mind to learn more about investing in flipping properties. You will always be eager to learn something new from other investors. Ultimately, when you gain experience in this business, you will have a story to tell other novice investors.

### ***Choose to be Independent***

You will be working with many people as you invest in buying and selling properties. Nevertheless, you ought to demonstrate that you are confident

about your ideas. This is what makes most investors stand out in the real estate business. By being autonomous, you convince your mind that your ideas could change the world. If you develop a strong conviction that your investment will change the neighborhood; nothing can stand in the way. Regardless of what other people will be saying, you should have the final verdict. If you are thinking of renovating properties in a unique way to entice clients; try it out. Other people might discourage you from trying, but you should go all the way. Business is all about implementing the ideas that you have in mind. The good news is that when things turn out as anticipated, you will be the happiest person in the room. So, don't hesitate to take that leap.

### ***Overcome the Fear of Failure***

Have you ever wondered why most people have not yet capitalized on real estate investments? Well, the answer is simple; they focus on fear. They fear that anything could go wrong with their plans. This is the attitude of a coward. If you do some digging, you will realize that these kinds of people have never invested in lucrative businesses. Real estate business all about understanding the risks involved and knowing how to circumvent them. Fear will only hinder you from realizing your financial goals. What's more, life demands that you take courage in what you do. Never underestimate the power of a courageous business person.

### ***Perseverance***

We've all heard stories of real estate investors that started from nothing and today they are making a fortune from their investments. What happened to them? Why did they choose to continue in spite of the hurdles that they faced? Simply stated, they began their investments with the end in mind. They knew where they were going. As a result of this attitude, they were more than willing to persevere. They kept pressing on when everything seemed impossible. Ideally, this is the fighting spirit that you should embrace as you begin investing in flipping properties.

The mentality that you bring to your real estate investment will have a huge influence on whether you will make it to the end. Without a doubt, the path to success is never easy. Challenges will be there. The way in which you handle these challenges will make a difference as to whether you will

thrive in the real estate business or not. Your drive should come from the idea of understanding that there is something that you will get out of this business. Profits will be your main priority, but if you look at the bigger picture, what you need most is to be happy. So, brace yourself and take courage as you invest in buying and selling properties for profit. Ask the experts in this field, their experience was never easy.

# Final Thoughts

Investing in flipping properties could be the best decision that will transform your life forever. If you are thinking of investing in rehabbing houses, the time to start is NOW. Why? The market is enticing, for a start. You will never go wrong when it comes to investing in rental properties for sale. If anything goes wrong in the investment process, it's probably because you never listened to what your mentors were saying. It could also be that you never heeded into recommendations like the ones that have been discussed in this book. The idea of investing in flipping properties should also entice you simply because there are low overhead costs involved. Once you determine the costs you will be incurring to renovate a certain property, you can easily seek for financial assistance and renovate the property as desired. Also, with your small team of professionals, you can easily begin the investment project.

The process of starting to buy and flip houses is not complicated. Most people are often confused at its complexity and they end up ignoring mundane aspects of the investment. The most important thing that you need to have in mind is your financial goals. These should drive you right from buying to selling your assets. If you are looking for a small profit, this will influence the price you will be setting as your selling price. On the other hand, if you are investing big and you foresee higher profits, this should also influence the selling price you will be set. Your goals are therefore important right from the beginning.

As a prudent investor, you should be aware of the costs associated with the entire investment process. This begins with understanding the market value for rental properties that are similar to what you will be buying. Also, part of comprehending the numbers requires that you get to know how much repairs will cost to fully renew the properties. The best properties would be those that have minimal repairs to attend to. This will boost your chances of getting higher profits. Besides, few repairs will mean that you will not go through emotional strain to get the homes ready.

In addition to having all the numbers on your fingertips, you also need to get your finances ready. If you haven't talked to the bank about your financial plans, you need to communicate with them. What you should know is that if your credit score is poor, rest assured that you will not be getting any financial aid. The idea of getting finances should not scare you

are there are multiple options that you can rely on. A good place to start with should be the people that you relate to. They might be looking for places to invest their money. Hence, it won't break a bone to talk to them about the investment idea you have in mind. They could provide you with the capital you need to initiate your investment. There is also the option of finding a partner to work with. They will help you pay a fraction of the costs required to successfully complete the investment project. There are many loan options that you can rely on. Don't limit yourself to conventional loans from banks. You will only be discouraged when you realize that your credit score is not as good as you thought.

A major issue that you should keep in mind involved locating ideal flip properties to invest in. The market could be filled with a wide array of houses to buy and renovate. It, therefore, becomes a problem finding one that suits your budget. To make the process easy, consider working with real estate agents. Also, as you browse through the Internet, pay attention to ads that relate to properties that require flipping. The Internet will help you find a flip property around your location. Real estate publications are often ignored by most investors. They have crucial information that will assist you in getting quality leads to invest in. These publications will also aid you in finding realtors and linking up with other investors that have similar financial goals.

You should also ask banks for information regarding properties that are yet to be foreclosed. Most banks will keep this information confidential. You have to talk to banks to find out whether there are any good deals for you to take advantage of. The exciting thing about these banks is that they would offer great prices for foreclosed properties. Banks are not out to manage properties. Hence, getting the assets out of their books soon enough will be their topmost priority.

When looking for rental houses to flip, you should pay attention to signs indicating that the owners might be distressed. Such signs present you with an opportunity of finding out whether the houses are up for grabs. Maybe the owners of the properties divorced and are looking for a way out. This could be an excellent opportunity to grab a lucrative deal in the market.

Another fundamental thing to remember is that you need to evaluate the rental assets before buying them. You need to understand whether the price of the houses is worth it. You also need to determine if they are overvalued. Getting the facts right will aid you in doing your profit calculations even

before you pay for anything. In this case, if the math doesn't add up you will have to shop around for another deal in the market. The significance of the evaluation process is that you get to determine whether the asset is worth putting your money into or not.

Additionally, you also need to learn more about negotiation in the real estate business. Your negotiation skills will have an impact on the final price that you will be getting for a particular property. This will also affect the profits you will get. It is recommended that you should bargain for a reasonable price by having the mentality of a homeowner. They are anxious to get the house off their chest. Thus, they would fall for any impressive deal that captures their attention. Don't just send an offer without thinking of enticing the buyer. Give them a reason to think twice about ignoring your offer. Send your offer and remember to include a check that promises to pay a certain percentage of the selling price. This is an effective negotiation technique that always works. After all, money talks!

Investing in fix and flip properties might sound like a deal of a lifetime. However, it also has its challenges that you should be aware of. The most common challenge that you will have to deal with is understanding the market. There is a lot that you need to digest about the market that you will be operating in. Initially, this would seem to be a daunting task for a newbie. However, with the aid of experienced realtors in the market, you should find it easy to overcome this challenge.

Also, be prepared for unexpected expenses along the way. This implies that you should not work with a fixed budget. Understand that there are some expenses that you might overlook. In the end, these expenses will cost you a lot of money. Such expenses could even prevent you from getting the profits that you anticipated from the flipping deal. Consequently, such challenges should be expected in flipping properties.

Notably, a real estate investor should understand that the salability of the flipped property depends on their efforts. You cannot expect a property to sell just because you spent a lot of money on it. Your goal should be to utilize marketing strategies that will guarantee your property sells in the market. Go over the proposed marketing tips to warrant that you maximize the potential benefits of a rehabbed property.

Overall, it may be said that investing in flipping properties is an astute decision to take. If you wish to learn from the best, find a mentor that will guide you all the way. He/she will hold your hands whenever things are not



going as expected. Other professionals that you should also work with include a CPA, scouts, flipping property manager, insurance agent and a real estate agent. The benefits of working with professionals go far and beyond. They will help you invest wisely by evading common real estate investing challenges. Moving forward, I strongly encourage you to implement the tips that have been discussed in this material. By doing so, you will be a step ahead towards fulfilling your financial goals.

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# Introduction

There is always the myth that goes around claiming that investing in real estate is the best way of making quick money. Well, to investors that have been in this business for ages, they would argue that indeed real estate investing is the best direction to take in business. If this is the feeling that has recently crossed your mind, then there are numerous questions that you must have asked yourself. How do you begin? Where do you get the money to start investing in real estate? Ideally, investing in real estate is never an easy thing to do. It takes time to accomplish the dreams that one has set for themselves. So, it's best to learn from the experts on how to invest in real estate.

This eBook takes a look at real estate wholesaling as one of the best ways of investing in real estate. By going through this book, you will understand more about real estate investing and specifically, real estate wholesaling. The material will also introduce you to the best ways of carrying out real estate wholesaling in the market. You will also be convinced about some of the main reasons as to why is real estate wholesaling should be the best investment option for you in the market.

Quite often, when investors plan to put their money in real estate business, there are risks that have to be considered. These risks could prevent one from successfully investing in real estate. For instance, when a new investor thinks of the market risks of buying and selling a property, they opt for alternative businesses. These leaves people with regrets hoping that they would have taken the risk of investing in real estate. Also, most people would be cautious about seeking for financial assistance so as to invest in real estate. When an entrepreneur fails to gain access to the money they required, they end up quitting. This is the uneven rocky path that numerous investors go through in the world of real estate.

Far from all the challenges associated with real estate investment, have you ever thought of the fact that you could invest in real estate without having any money? Sounds impossible, right? Well, with real estate wholesaling, it is possible. What you need to understand about real estate wholesaling is that the wholesaler simply plays the role of a middleman. They are there to connect home sellers with potential buyers for a specified amount of profit.



The wholesaler will work to find a motivated seller of a particular property. After getting their hands on this property, they negotiate for a relatively low price. After this, they sell the property for a higher price tag than what the motivated seller asks for. The difference between the two prices is what the wholesaler would consider as their profit. The process of real estate wholesaling is as simple as it sounds. You don't have to own any properties to make profits. This means that it is a quick way of making money from real estate business. The best part is that you never have to become a landlord and manage tenants for you to earn returns. So, real estate investing could be an ideal investment option for novice entrepreneurs in the real estate business.

This material goes right ahead to discuss the basics of real estate wholesaling. From the in-depth analysis of this investment option, you will garner a deeper insight into real estate wholesaling. You will be in a better position to make sound decisions on real estate properties that you ought to consider for wholesaling opportunities. Ultimately, you will acknowledge the fact that indeed real estate wholesaling is the way to go if you seriously need to make quick cash with real estate.

# Chapter 1

## Why Real Estate Wholesaling?

Just like any other investment decision, you must be wondering; why real estate wholesaling? Undoubtedly, the best way of making any investment decision is by looking at both sides of the coin. You have to consider the pros and cons of the business decision you would be taking. With regards to real estate wholesaling, the first thing that you would want to know is why you should opt for this business option over conventional real estate investing. Well, of course, the main reason that should motivate you to invest in wholesaling is the fast cash that is associated with it. Truly, any real estate investor would want to gain their returns fast. Consequently, wholesaling could earn you the advantage of getting your profits sooner than you expected. This chapter takes a look at some of the reasons why you should be motivated to try out wholesaling.

### *Great Option for Beginners*

The idea of investing in wholesaling is regarded as the best investment option for those entrepreneurs that wish to invest in real estate for the first time. When you compare wholesaling versus owning a rental property, there are several benefits linked to wholesaling. For a start, there is little knowledge required from the investor. One doesn't need to know a lot about the real estate business. Buying and selling real estate is different. The investor should be aware of several aspects of the real estate business. For instance, they should be informed about the market trends, capital acquisition processes, skills in flipping properties, etc. A beginner in wholesaling doesn't have to know all of these.

Equally, minimal capital is required to kick off the business. Owning a property demands a lot from the investor. Buyers have to seek sufficient funds to be able to purchase and renovate a particular property. With this advantage in mind, a new investor in this field of business could be advised to try real estate wholesaling.

The ease in which a novice entrepreneur could begin investing in real estate through wholesaling makes this investment option viable. It is a great

way of learning more about real estate investing while at the same time getting good returns from the learning process.

### ***Simple to Learn***

Wholesaling doesn't require the investor to learn a lot about the business itself. Brief research into the field will help one to know the basics of wholesaling. One could easily be briefed about how to acquire great deals in the market. Also, they could be tipped on the deals that they should avoid. Adding this to good negotiation skills, an entrepreneur could easily begin investing in real estate through wholesaling.

### ***Quick Cash***

The main motivating factor behind wholesaling is the fact that the wholesaler will quickly make their profits without ever owning any property. This is what motivates many to try out the real estate investment option. Once the wholesaler finds a motivated seller in the market, they negotiate on a reasonable price. The advantage of relying on a motivated seller is that they are often distressed and that they look for ways of disposing of their properties. This, therefore, makes it easy for a wholesaler to bargain for a cheaper price.

After agreeing on a certain price tag, the wholesaler and the homeowner sign a contract defining the length of time that the property should be sold. The wholesaler then spends time looking for an interested buyer willing to pay a price higher than the asking price from the homeowner. The selling price should not, however exceed the asking price by a huge margin. This guarantees that the property sells quickly in the market. When the right buyer comes along, the deal is closed and the wholesaler walks away.

Let's consider how you easily get this money. Say you find a motivated seller willing to let go of their property for \$70,000. You then find a buyer willing to buy the property for \$100,000. The difference between the prices is what you consider as your profit. The process is as easy as it sounds. Wholesaling gives you the advantage of making quick cash.

### ***Little Capital Required***

Are you worried about getting the right capital to begin your real estate business? With wholesaling, you don't have to worry about this. Your lack of finances should not discourage you from investing in real estate. By merely bargaining, for a great deal, you can achieve your financial goals. The good news is that there are many financing options that you could turn to in the real estate market. Whether you choose commercial loans or hard lender loans, it all depends on whether you can afford to pay them back. More on financing your real estate investment will be discussed later in this material.

### ***No Credit Required***

Most new investors into the world of real estate are often discouraged from pursuing their dreams due to their bad credit score. Are you facing the same dilemma? Worry not as you can easily invest in wholesaling without relying on your credit score. You're not going to purchase any properties. As such, your credit score should not hinder you from pursuing your dream of investing in real estate.

### ***Location Independent***

A huge advantage of wholesaling is that it is a business that you can engage in from any location in the world. You don't have to be physically present for a deal to go through successfully. By acting as a remote middleman, you will be connecting a potential buyer to a seller for a small profit. Investors will term this as virtual wholesaling. The introduction of the internet has indeed transformed the way we do business. Thus, you shouldn't be afraid to try out virtual wholesaling if you know what you are doing.

### ***Valuable Experience***

People will discourage you from investing in real estate. Most investors that would discourage you are those that have tried but failed. Others will simply discourage you because of the inherent fear of investing in real estate. Therefore, if you wish to invest in this line of business and you are uncertain about it, starting off with wholesaling could provide you with valuable experience. With time, you will learn more about real estate investing in general.

Besides gaining a deeper understanding of the real estate market you will be operating in, you will also cross paths with top investors. They will provide you with valuable info about the business. The strong network that you will build will help you in future in case you need to branch out.

### ***Minimal Risks Involved***

Forget all about the risks that you have been told about real estate investments. With wholesaling, you will spend your time bridging the gap between a buyer and a seller. Your money is not involved in the process. Well, the mere fact that you will not be risking anything doesn't mean that it's a zero risk investment. The idea here is that you will not hold on to any properties. Similarly, you will not seek financial assistance from banks and other lending institutions. Bearing this in mind, it would be reasonable to argue that there is minimal risk involved here.

## **Why Most Investors Fail**

From the possible benefits that you could accrue by investing in real estate wholesaling, it begs to wonder why most entrepreneurs fail. Indeed, there are numerous benefits that could be gained by simply acting as a middleman and getting profits from properties that are sold successfully. However, the lingering question is; why do most entrepreneurs fail in real estate wholesaling?

Good question! To understand why investors would fail in this type of business, let's first consider the concept behind wholesaling. One of the main things worth putting across regarding wholesaling is that the wholesaler does not necessarily purchase the property. They purchase a contract linked to the property. Often, this is a contingency plan that helps them to back out of the deal when they fail to find a good buyer for the property<sup>[15]</sup>. Say the wholesaler purchases a contract at \$70,000. The approximate cost of repairing this property is \$3,000. The selling price of this property is valued at \$100,000. From this assumption, if the wholesaler sells the property for \$80,000, he/she would have bagged home \$10,000 in days. This means that they would have invested nothing into the deal. This is how great the idea of wholesaling is.

The process of completing a deal with wholesaling sounds pretty simple. Nevertheless, this should not blind you from realizing that you need relevant connections to close the deal soon enough. You need to have a large network of professionals that can help you land on a lucrative deal fast. Time is of the essence in real estate wholesaling. Wasting time will only render your investment unprofitable.

So, in line with the issue of having a vast network of professionals, this stands as one of the main reasons why most entrepreneurs fail in this business. It might be easy for them to find a motivated seller, but it could be a daunting task to find a buyer quickly.

Another issue that affects most investors is the lack of information. Entrepreneurs out there who are already investing in real estate have different success stories. These people have their own definitions of what it takes to invest in wholesaling. This creates a problem for a newbie as they cannot determine the best possible strategy to adopt. The confusion brought about by various ideologies could make one to give up on the whole idea.

What's more, getting into wholesaling without a formal plan is another reason why investors fail. The idea that you need little capital to enter into this business should not sway you from drafting a realistic plan to follow. Properties don't just fall from the sky. You need to have a plan that defines how you will find properties in the market. The plan should also point out the specific properties that you will be hunting for. As a new investor in the real estate market, getting this information accurately becomes an issue.

# Chapter 2

## Guide to Wholesaling a Real Estate

Getting a real estate to wholesale is not that easy. With the many investment deals in the market, there is a likelihood that you could get confused along the way. Also, there are many business individuals with similar goals. Therefore, if you are not conversant about the market, it might take you time before landing on your first wholesale deal. This section will, however, take you through the steps that you need to take when finding an ideal property to profit from. The succinctly discussed steps should help you in settling for the right deal without wasting time.

### The Starting Psychology

#### *Defining Your Purpose*

In any business that you plan to establish, the most important step to take is to define your purpose. You need to have a solid reason why you want to start the business in the first place. Likewise, before going out to look for wholesaling properties, you should ask yourself what you need from the investment idea you are thinking of. Your purpose should be clearly defined. In this case, just saying that you need to make a profit won't be enough.

Picture yourself going to the bank and asking for a loan without having a reason in mind. When the teller asks; why do you need the loan? You won't have any answer for this. You will also lack a precise amount that you need simply because you don't have a direction. You don't know what you will do with the money. It sounds silly, but it is essential that you clearly define your purpose right from the start. Think of something specific that will motivate you to begin this business on a positive note. Don't just be vague. Give your subconscious mind something that is easy to digest.

#### *Find a Team*

Next, you need to work with a team. This means that your search should land you on the people that share similar goals with you. The people that you choose in your team should be in the real estate business. Having the right connection will help you get real estate information with ease. Where do you find other real estate investors? Begin your search by looking at online forums. Most entrepreneurs meet there before arranging for physical meetings. Find local joints where real estate investors hold their meetings. Through these meetings, you will build a network of professionals that will help you realize your dream with ease. One thing you ought to keep in mind here is that your aim is to work smarter not harder.

### ***Learn Everything***

After finding the right team that you will be working with, you need to spend time learning all there is to learn. In case you need to ask anything, you should ask. Never be afraid to ask even the dumbest questions. The learning process will determine whether or not you will be successful in your business endeavor. You should learn from the best in the market. Ask them about the market. What are the best properties for wholesale? Where and how do you get potential buyers? What are buyers looking for? These are some of the questions that other experts should help you get answers to.

### ***Be Ready to Pay the Price***

As an investor, you should be ready to invest in anything to get the best returns. This implies that you not only invest your time but you will also have to invest your money. Most entrepreneurs will be busy with their daily schedules, thus, you will have to invite them for lunch some time. Be ready to spend to get their attention. Equally, you will also have to buy informative books such as this one to help you in knowing the right direction to follow.

## **The Wholesaling Process Defined**

By now you should have the right mindset regarding investing in real estate. The process begins with your mentality. Therefore, the first step is always to define your purpose. Real estate wholesaling also demands that you work



with a team. There are times when you will be busy and you might not have found to find deals worth taking advantage of. In such instances, you will need the help of experienced realtors. The point is that the process of real estate wholesaling begins from the moment you conceive the idea in mind. Below is a look at the steps that you will follow when investing in a wholesale property.

### ***Locate a Distressed Real Estate***

The best properties to look for when investing in wholesaling are distressed properties. These are properties owned by individuals willing to sell quickly. Just as the name suggests, the properties belong to distressed people. The advantage of choosing distressed properties is that one can easily bargain for a cheaper price than what is stipulated on the purchase contract.

Bearing in mind that you might be running on limited capital it is imperative to find cheaper ways of locating distressed properties. Experienced investors in the market would rely on affordable ways to locate such properties. So, how do you easily located distressed properties in the market? You could opt to rely on online websites. There are dedicated pages that could help you find distressed real estate in the market. Also, you could make good use of investment groups that you are associated with. These groups will give you insight on properties in the market that are on sale. Real estate agents will also prove to be handy in the search process. They are conversant about the market. Thus, providing you with info for a fraction cost would not be a problem to them. The process of finding distressed properties will be looked at in depth later in this material.

### ***Make an Offer***

After completing the search process, the next thing to do would be to make an offer to the property owner. During this step, your main aim should be to lure the property owner to sell their assets. They should also sign your purchase contract if they agree to the terms you would be offering them. This is a crucial step as it ensures you secure the property in the market to gain you the returns you anticipate.

It should be noted that the process of making an offer to the homeowner ought to be done in a professional way. Don't make the deal appear as

though the owner is too desperate to surrender the property. Try your level best to be courteous when relating to them. Remember, you might not be the only individual making an offer. Thus, it is prudent to convince the owner you are the best candidate for the purchase.

### ***Have the Right Members on Your Team***

Besides working with a real estate agent, you will also require the help of a contractor, Title Company and an appraiser. These experts will assist you in ensuring that the wholesaling process runs without any hitches. The significance of hiring a contractor is that they will help you run estimates on how much the repairs will cost. This information should not be overlooked as it would help the potential buyer of the property you just purchased.

Why should you work with a title company? The company that you work with here will help you get solid information as to whether the property being sold is legitimate. From the title search that they will run on the property, it would be easy to determine whether there are any unmentioned parties that own the real estate. This implies that their information will warrant that you purchase a contract for a property with no issues.

Conversely, an appraiser will appraise the real estate deal that you are interested in. The benefit gained here is that you will end up paying for the property based on its worth. It, therefore, prevents you from overpaying. The last thing you need is to overpay when you are looking for ways to get the most profit from any deal.

### ***Check the Renovation Demands***

By knowing how much the renovations will cost, one could gauge the amount of profit that they could get from wholesaling the property. Therefore, it is advisable to consult with your contractor about this. It will help you realize whether a particular deal is profitable or not. Distressed properties that demand repairs will attract a higher profit margin for the entrepreneur that will purchase the asset. This also means that you stand to gain something from the deal.

### ***Locate a Buyer***

The buyer for your wholesaling property will not be an individual new to real estate. It is quite likely that the buyer will be another investor seeking to gain profits from fixing and flipping the premises. This step should be done swiftly since there is a timeline stipulated on the purchase contract you signed earlier on. Simply stated, finding a buyer could be achieved by advertising online, communicating directly with other investors or talking to realtors in the market. The strategy you use in locating a buyer will have an impact on how fast you get them. It will also confirm that you close the wholesaling deal in time.

### ***Negotiating with a Buyer***

After locating an ideal buyer for the property at hand, your next move would be to negotiate for the best price. Your negotiation skills would come in handy here. It is important to bargain for the best price keeping in mind that you also need to make a profit. Equally, you should not be too stringent on the price as it might discourage the buyer from buying. During the negotiation process, ensure that you have in mind the estimates from the contractor. Information about the distressed property will guarantee that you bargain for the best deal. The buyer should not gain the feeling that you are desperate to sell the property. Instead, make them understand that you have a list of potential buyers. This will motivate them to complete the sale within the shortest time possible.

### ***Closing***

The closing is the last step in the wholesaling deal. This is the point where you transfer the property ownership to a new buyer. This process is usually conducted at the office of the title company. Depending on how fast the closing is done, the time taken would vary. The parties involved in the transaction will have to be present and when the title deed is transferred to the new buyer, the process is terminated.

# Chapter 3

## Finding Great Wholesaling Deals

As a new investor in the real estate business, getting the best deal in the market might prove to be a tough task to handle. The market is filled with numerous offers, therefore, finding the best deal might not be easy. Also, the mere fact that there are numerous investors in the market means that you will be competing for the same market. Consequently, it is vital to know of the best ways in which you can utilize to locate leads that will earn you profits.

### *Make Calls*

The idea of making calls might sound like a conventional strategy to adopt. Regardless, it is one of the best strategies you can employ in locating wholesaling deals. The best thing about this option is that you will not spend a lot. Equally, it gives you the opportunity of communicating directly with potential sellers. This means that you will be getting their feedback right away. You will not have to wait for days to get their responses, but you will be getting valuable information first hand.

Once you have identified the location that you plan to invest in, compile a list of motivated sellers within that location. All potential leads should be listed down before making any calls. During the call, you should aim to question the seller about the reasons why they are selling the properties. This will help you target sellers that are highly motivated. They would be flexible in terms of lowering the prices for their homes on sale. For instance, if the seller is going through financial difficulties, they would be more than ready to surrender the property at a reasonable price tag. Consequently, after identifying motivated sellers around you, organize for a meeting and negotiate on a price that will ensure you earn your anticipated profits.

### *Driving Around the Neighborhood*

This strategy of locating properties is quite easy. What you need to do is to drive around your preferred investment location and look for distressed signs. You will be looking for signs that indicate that a property has been abandoned for some time. Signs outside the premises indicating that the property is on sale will also be of great significance. Look for neglected houses by checking the condition of the premises. As a prudent investor, you ought to be aware of possible signs indicating that the owner is ready to sell. From a distance, check the grass. If the grass has not been cut for a while, this is a clear indication that the homeowner is absent. Note their contacts somewhere to make calls afterward.

Check the property for broken windows. This is also another sign that shows that the property is vacant. The mail condition will also speak volumes. If letters and newspapers have filled the mail, then the owner is also not present. Perhaps they might have flown overseas or they are somewhere distant where they cannot take care of their home. These signs should help you in locating properties as you drive around the neighborhood.

### ***Your Network***

Throughout your real estate investment career, you will meet people that will help you invest wisely. It takes time to build a network of professionals. These could be real estate agents, other investors, appraisers, etc. These individuals could prove to be handy when looking for areas to invest in. At first, you will have to communicate with them asking for any potential leads in the market. However, as you learn more about the market, you will find it easy to locate properties as your network of friends will call you when good deals are in the market.

### ***Local Marketing***

Local marketing tactics around your area will also present you with valuable information on ideal places to put your money. Look for signs on telephone poles showing properties that are on sale. There are those homeowners that might prefer to sell their homes without relying on realtors. Thus, you should also consider looking at ‘for sale by owner’ properties. These assets are an excellent choice since bargaining for a lesser price would be relatively easy.

## ***Social Media***

Besides using social media to communicate with friends and relatives, you can use it to locate motivated sellers in the market. With the introduction of the internet, most homeowners prefer to use social media to advertise properties that they wish to sell. Therefore, you could exploit this move and target such individuals. The network of professional friends that you build on social media could also help to direct you to potential leads. This means that you should choose your friends wisely on social media. Interact with other investors on social media as they will also tip you on good deals in the market. Moreover, ensure that you join real estate groups on different social media platforms. Here, you will also gain the advantage of expanding your network.

## ***Online Websites***

Perhaps this is the first place that you might be tempted to begin your search for wholesaling properties. The good news is that there are tons of websites that will provide you with the information you need. Most homeowners would rely on these websites to advertise their premises. Therefore, it could be an excellent place to begin your search. You don't have to pay for anything when using these websites to search. The convenience that you get in searching for homes is what should motivate you to browse through different pages. Don't rely on one website when searching for a wholesaling property. Open different websites in separate tabs. This way, you will easily compare the best deals in the market.

The strategies mentioned in this section should help you land on great deals in the market. What you ought to remember during the search is that you are after making a profit. Therefore, your focus should be on finding properties that are undervalued or those that belong to distressed homeowners. Real estate wholesaling is heavily dependent on the initial value that you bargain for a property. A highly priced property will only be an additional burden as it would require more capital from your end. So, it is imperative that you employ the strategies discussed here to find a distressed property that can easily get you the returns you anticipate.

# Chapter 4

## Finding Property Buyers

After locating an ideal real estate that you think is worth investing in, the next thing would be to find a reliable buyer. Real estate wholesaling demands that you conduct the investment process quickly. At the back of your mind, you should remember that there is a timeline for selling the property written under the purchase contract. The earlier you get the property off your books, the better. So, it is imperative that you know of creative ways of getting your hands on reliable buyers in the market. The secret here is to gather as many buyers as possible. This increases your chances of closing the wholesaling deal soon enough. What's more, the contacts that you get will be used in the future if you plan on continuing with real estate business.

### *Attending Events*

During the buying process, you will have to keep yourself busy attending events here and there. These events should be directly related to real estate investments. The main purpose of attending these events will be to increase your network. Consider your local Real Estate Investor Association and find out whether there are any events lined up. Go to property auctions and interact with people. These events are packed with both buyers and sellers seeking to take advantage of amazing deals in the market. This should be an excellent opportunity for you to leave your contacts behind or rather take contacts for potential buyers of the property you are selling.

### *Email Marketing*

Assuming that you have a list of potential buyers that you would like to contact, email could be a great tool to use. Email gives you the advantage of contacting hundreds of buyers with the click of a button. You only need to confirm that you are targeting the right people. Most investors will ignore emails that don't relate to their area of business. Therefore, you should make certain that you have the right list of investors to contact.

## ***Business Website***

Having an online presence is very important in today's digital world. Without this, you will be preventing yourself from reaching your potential in the market. Most investors have their business websites where they market their products and services. The significance of a business website is that it not only ensures you have an online presence but it also adds a professional face to your business. Investors looking to purchase properties will be pleased with a well-designed website featuring your services. They will be motivated to deal with you both in the short and in the long run. There is nothing that you will lose by having a business website.

## ***Social Media***

Besides having a business website, you could also find ideal property buyers using social media. Marketing on social media has become the in thing in today's marketplace. Most investors would turn to social media to find properties being sold by homeowners on their social media pages. Consequently, you should take advantage of this platform to gain access to investors willing to purchase distressed properties. Since you already have the contract to purchase the property, you will need to post relevant pictures showing the house on sale. You should also entice the buyer by creating an effective promotional message about the property. For example, talk about the way in which the house is located in a growing market or a friendly neighborhood. These are some of the factors that any buyer would want to consider before buying any property. Your social media marketing strategy will have an impact on the number of buyers that will be contacting you.

## ***Bandit Signs***

These are the common signs that you notice everywhere as you drive around your neighborhood. In most cases, you will notice that these signs are used to find buyers in the market. Therefore, you should also make good use of the signs. Plant these signs on the property you are selling. You never know where your buyer will come from. Hence, you should try all means that could prove fruitful. Again, your marketing tactics will determine the response you will get. Your signs should have relevant motivational messages that entice buyers. For instance, consider adding phrases like



“Selling Property Fast,” “Cheap House on Sale,” etc. Such phrases will grab the attention of interested buyers and would want to find out more. Don’t forget to include your contacts on the bandit signs.

### ***Real Estate Agents***

Realtors in the market will not only help you locate properties but they will also help you in selling them. It is for this reason that you should have a good relationship with them. An experienced real estate agent in the market will identify for your potential buyers that you can contact. Depending on the agent that you will deal with, they might need some motivation to help you find an investor quickly. Thus, you should be ready to spend.

From the information discussed, the process of finding a buyer for your wholesaling property is not difficult. You only need to exploit every opportunity that you have. Whether you will be doing your search over the internet or by attending events, you need to have your word out that you have a cheap property to sell. It all comes down to your marketing techniques. You might have a property that could impress any buyer, but if your marketing skills are poor, expect to waste a lot of time in the market. The following is a look at some amazing marketing tips that will help you become a good real estate marketer.

#### **Never Forget to Use Social Networks**

One of the best marketing strategies that you should adopt is using social media. You should embrace the idea of having an online presence in most of the major social networks such as Facebook, Twitter, LinkedIn, Google+, Pinterest and Instagram. The platforms will gain you access to a list of many buyers that are also using social media to find properties to purchase.

#### **Social Sharing Buttons**

Your business website should have social sharing buttons where your visitors can easily share the houses you are selling. This is an effective way of making sure that any buyer leads are not overlooked. An interested visitor to your business page would want to inform their friends and relatives about the property on sale. Therefore, you should have all the relevant social buttons on your business website.

#### **Watch Your Rivals**

Certainly, there are other investors who will be competing for great wholesaling deals in your market of operation. As a newbie, you should watch what they are doing to market their wholesale properties. Ensure that you emulate the best strategies to attract the best buyers.

### **Business Card**

As a prudent investor, the last thing that you shouldn't have is a killer business card. Having a business card will get your contact far and wide. The more people know about your business the easier it is to contact you.

### **Make the Best of Local Photos**

Home buyers are usually motivated to rent or buy properties because of the surrounding neighborhood. Thus, you should keep this in mind when selling your wholesaling property. Have local pictures showing how beautiful the surrounding environment is. This will lure more buyers to visit the property in person.

### **Make Use of Virtual Tours**

You could also stand out from other property sellers by giving your target market a virtual tour to the real estate property. This will save them time that they would have spent visiting the premises in person. It is a competitive strategy that will win you buyers who will not have a lot to ask about the properties.

### **Have a Mobile-Friendly Website**

Another marketing tip to keep in mind is that you should have a mobile-friendly webpage. The increased use of tablets and smartphones should convince you to have a mobile-friendly website. Mobile internet users account to about half the world's population that use the internet<sup>[16]</sup>. For that reason, it makes a lot of sense to invest in a mobile-friendly webpage.

With these handy marketing tips, you shouldn't find it difficult to market your wholesaling properties. Strategic marketing will warrant that you don't waste time before selling your property. Therefore, you should employ the proposed marketing tips in your real estate marketing plan.

# Chapter 5

## **Negotiation Tips to Keep in Mind**

Negotiating for the best deal in the market will guarantee that you sell a property at a price that will garner you profit. The negotiation process is often easy. However, this only happens when the buyer and the seller come to an agreement. In other cases, there are instances where the buyer is stubborn and would demand a price reduction. What do you do in such cases? Do you just walk away or do you bargain for a fair price that will see both of you benefit from the deal? Negotiation is a fundamental process in real estate wholesaling. It could help you realize your financial goals within a short period of time. On the contrary, if you don't know how to negotiate, you might end up feeling as though real estate business is not your niche. Before you make any jumpy decisions, let's consider some negotiation tactics that will help you seal a deal effectively.

### ***Research the Local Market***

The first thing that you need to do is to research the local market to determine how much a similar property would go for. An important part of the negotiation process demands that you equip yourself with market knowledge. You cannot sell a property if you are not conversant about its valuation. Therefore, you need to do your homework by comparing prices with other similar properties. Talk to real estate agents and other investors about your wholesaling deal. They could tip you on the best price that your property should be valued at.

### ***Reasonable Pricing***

The price tag for property on sale is in itself a negotiation tactic. Before a buyer thinks of buying the property, they will first consider the price. If the price is unreasonable, they will not think twice about it. Consequently, one of the most important negotiation tactics that you should master is to price your property right. It should be noted that pricing too low or too high is an issue. A price that is set too low will also raise eyebrows about the

premises. People will ask themselves whether there is something wrong with it. Pricing it too high will also scare them away. So, you need to know when the price is too high or too low. Just price it right.

### ***Understand the Seller Motivations***

You will also land yourself on an amazing deal if you begin the negotiation process with the first owner of the property. Take time to find out why a seller is motivated to sell their property. Are they traveling abroad? Are they retiring? Are they facing financial challenges? Knowing their motivation will set the right tone to get the best selling price that will warrant you make something good out of the wholesaling deal. The selling price that you agree with the property owner should be reasonable. If you fail to agree on the best price, it is best to look for another distressed property. Separate your emotions from the negotiation process. This could make you incur losses or it could simply tie up your money in a property that will earn you zero returns. So, be careful.

### ***A Win-Win Perspective***

A property buyer will be interested in a real estate deal simply because they will also earn profits from it. If the investor sees an opportunity to earn something from flipping a property, they will surely consider your wholesaling offer. Now, when negotiating with an investor, convince them that they also stand a chance of benefiting by purchasing the property. The idea here is to negotiate with a win-win mentality. Don't bargain for the property in a way that sounds you are too greedy to earn proceeds from it. Have the convincing tone that will entice an investor not to let go of the lead.

### ***Don't Be Afraid to Lose***

The negotiation process will not always be as smooth as you expect. There is no guarantee that you will be making profits every time you sell a wholesaling real estate. Keeping in mind that you will be tied to a particular closing date, you should be wary of the deal that you are negotiating. If the deal is too sour, sometimes it is best to be on the losing end and get the property off your chest. There are times when you will have to choose to

sell the property even though it means you will earn nothing from it. Besides time, there are other factors that you should consider. For example, holding on for too long on the property prevents you from exploring other investment opportunities in the market. Therefore, don't be afraid to be on the losing end.

# Chapter 6

## Elements of a Good Wholesale Deal

Real estate wholesaling could be the best way of entering into the world of real estate with minimal investing experience. You also require little capital to plunge your head into the business. However, you should understand that not all deals are good. Not all distressed properties will be worth investing in. Some are lucrative whereas others will only give you a headache throughout the wholesaling process. So, how do you distinguish between an ideal real estate that you should invest in and one that you should avoid? This is the question that most new investors fail to mull over. Entering into real estate wholesaling without understanding how to identify a good wholesale deal will prevent you from succeeding in the market. This chapter will take a look at the warning signs that will help you differentiate a bad deal from a good one. Also, the chapter will also discuss the elements that you should look for the warrant that you proceed wisely on the wholesaling process.

## Warning Signs Signifying a Bad Deal

### *No Seller Motivation*

One of the main signs that you should be looking for when locating a wholesaling deal is the seller motivation. If the seller is not motivated in any way to sell the premises, then you should consider this a bad deal to invest in. It is imperative to eliminate such deals from your way before committing yourself. To effectively determine if the seller is motivated, there are some questions that you should ask them:

- Why are you selling the property?
- How fast do you want to sell the property?
- What is your preferred closing date?
- What will you do in case the property doesn't sell?

With the help of these questions, you will evaluate whether the seller is motivated to release the property. While asking these questions, you should have determined the after repair value (ARV) of the property. If the difference is not that huge, then it means that you might not be getting good returns from the deal. Walk away!

### ***Misleading Property Information***

Getting all the property information is an essential step in any real estate deal that you might be entering into. The information that you have could help you determine whether the property is legitimately owned or not. If the records are misleading, this is a red flag. The deal might not be as lucrative as you initially thought.

### ***Low after Repair Value***

Proper valuation of the real estate prior to investing in it is a fundamental step that should not be ignored. When carrying out valuation, your goal should be to determine if the ARV value is worth it. This is what your buyer will be looking at before purchasing the real estate. A good deal should have an appealing ARV. Any investor will be keen to put their money in properties that will earn them admirable returns. Hence, you should consider this as an early warning sign if the ARV value is low.

The warning signs discussed should help you point out bad deals that you should stay away from. These deals will only cost you money and you might run the risk of failing to get something out of them. So, it is best that you avoid them.

## **Factors to Consider When Selecting an Ideal Wholesaling Property**

Now, what makes an ideal wholesaling property? There are several factors that you should mull over when selecting your preferred investment. Let's take a look at some of them.

### ***The Neighborhood***

When searching for wholesaling properties, you are never limited to choose a neighborhood of your choice. Regardless, it is important to choose the right neighborhood that will suit your business goals. Maybe you are running on a tight budget. Going for high-end neighborhoods will therefore not be an ideal choice for you. At the same time, the fact that you are in search of low-cost premises should also not direct you to gang-ridden neighborhoods. The prices of such areas could be affordable but you will not find buyers for the property. Therefore, you should think over the neighborhood that you are planning to choose a property from.

### ***Population***

A preferable neighborhood should not only be gauged based on safety. There are other things that any buyer would be careful to contemplate on before purchasing the real estate that you are selling. A buyer will want to know whether the area is well populated. A populated area signifies a highly demanded location. An investor will jump at any deal that is associated with high demand. From an investor's perspective, it would imply that the asset could easily be flipped to gain a higher value. Consequently, it is vital that you select a wholesaling property by considering the population of the area.

### ***Amenities***

Social amenities should also be examined. During your evaluation process, find out whether there are any restaurants, shopping centers or parks near the property. These amenities need not be in close proximity but they should be around the area. Such social amenities will be a bargaining factor when selling the property to an investor. If at all you can get a low-cost property with social amenities nearby, this will be a jackpot for you. You can be sure that you will sell the property in days as it will be in high demand.

### ***Schools***

Depending on the target market for the properties that will be on sale, you should find out whether there are neighboring schools in the region. This applies mostly when you are wholesaling properties that will be used by



families. If there are neighboring schools in the region, you can be sure that the properties will be in high demand when investors are done flipping them.

## ***The Type of Home***

Motivated sellers will be ready to dispose of their assets at any cost. This is the main reason why they are an excellent choice when looking for wholesaling deals. But, there is a limitation to the type of homes that you should be going for. Individuals that are distressed will sell all types of properties. Some will sell low-end assets whereas others will sell high-end properties. Which homes should you go for?

### **Starter Homes**

As a beginner in real estate business, the best move to take is to go for starter homes. They are the least expensive in the market. This could include condos or single-family homes in your area. When choosing an area to conduct your search, it should be a neighborhood that you are conversant with. Starter homes will make it easy for you to bargain for a fair price with its owners.

### **Consistent With Market Demands**

A look at your neighborhood should tell you a lot about the type of homes that people will be after. This means that it would not be practical to go for a 4-bedroom house when people around the area demand a 2-bedroom house. The properties you choose ought to be consistent with the market demand. This influences the demand for the asset once an investor flips it for profit. It also gives you an added advantage as you will sell the property in time to get your returns fast.

## ***What Makes a Good Deal?***

Wholesalers out there should gain an understanding that there is no one size fits all formula in knowing when a deal is good or not. Different real estate markets will have impeding factors that might hinder a deal from being processed successfully. Therefore, it takes experience to learn the ins and the outs of real estate wholesaling. Your lack of experience might lead you to speculate about a market before investing in it. Well, this is a terrible mistake that you should not fall for. Don't assume that common factors such as the market, location, and the neighborhood will help you make

sound decisions. These factors are beyond your control. The best you can do is to invest in learning more about real estate in general. Also, you should seek assistance from experts as they will guide you whenever you get stuck.

# Chapter 7

## Locating Distressed Sellers

The process of finding distressed properties might sound like an easy task to handle. However, in reality, it takes years to master how to effectively locate them. You need to invest in advertising your business and ensure that you have people on the ground to alert you when lucrative leads popup. With time, the process gets easier. This is because you build your network of real estate professionals as you continue investing in this type of business. Thus, with a few calls here and there, you could effortlessly locate a distressed seller. Since you are learning the ropes, it is worth looking at some of the ways in which you could employ to trace distressed sellers in your area of interest.

A common problem faced by newbies in real estate wholesaling is that they easily give up when they fail to find a distressed seller. They might begin the investment process on a high note but after a week or two, they lose hope. What they forget is that finding a good deal might take time for them. Learning is a process and therefore, they should be patient. The main reason for finding a motivated seller is that they have pressing reasons why they need to sell their properties. This makes it easy to bargain for a lower price. However, it should come to your attention that not all sellers will be motivated to let go of their properties.

### ***Reasons Why a Seller is Motivated***

Motivated sellers in the real estate market will be in dire need of money. These are people that have pending issues that need to be solved that very moment. There are several issues that could push a seller to be motivated to sell quickly including:

- Divorce
- Job transfer
- Loss of employment
- Neglecting a rental property
- Poor real estate management

- Financial issues
- Impending foreclosure
- Loss of a loved one

It is by understanding the situation that a seller is going through that you can effectively approach them. If a seller is suffering the loss of their dear ones, you need to show empathy. Don't approach them with the intention of robbing them their property. It should not appear as though you are there to take advantage of the situation. Showing empathy will motivate the seller to open up. Give them a reason to think that you are on an equal playing ground. Show them respect through your way of communication. The key to winning over a motivated seller is by developing a good working relationship with them from the start. This is dependent on how you approach them.

## **Finding a Motivated Seller**

The process of finding the seller that you will be dealing with takes time. There are certain series of steps that you could follow to end up finding a great deal in the market.

### ***Create Your List***

The first step is always to gather your list of potential motivated sellers that you will be contacting. From there, you can communicate with them by sending out your marketing messages. In this case, you could choose to contact them via direct mail as this is an ideal way for them to contact your investment team. There are different types of motivated sellers you will be approaching. Some of them include:

- Realtors
- Absent landlords
- Foreclosures
- Absent homeowners
- Lien properties
- Probate homeowners

You will be locating distressed sellers using different channels. You could use several options such as:

### **Classified Ads**

It is never an old idea to use your newspaper to locate individuals that need to sell their homes fast. Often, you will find ads featured in your local newspaper. With the advent of the internet, you could turn to websites like Craigslist. This is regarded as one of the best real estate platform to search for potential leads<sup>[17]</sup>. Since there are many buyers and sellers interacting through this platform you can exploit it to your advantage. The best way of locating a buyer using this online platform is by using the right keywords. Try to reduce your search by typing words like “must sell” or “sell fast.” This will reduce the query search to a few options.

### **Realtors**

Real estate agents in your market will also gift you with valuable information about existing sellers in the market. One thing that you should know is that these real estate agents are also in the market to make money. Therefore, you have to be careful with how you associate with them. To keep them on your side, you could promise to send them a commission when the deal goes successful. This way, they will be motivated to offer you the information you need.

### **Mortgage Broker**

Mortgage brokers will also have names of people that have contacted them in distress. A property owner might be pressed to the point where they call mortgage brokers seeking for opportunities to sell their properties. Other simply call asking for loans. Talk to your local mortgage broker. The most important thing would be to offer them something in return.

### **Referrals**

Searching for distressed properties on your own will always seem to be a tough task. You cannot master the entire neighborhood by searching alone. You have to consider the fact that there are people that can help you. Ensure that you have a business card to pass around. You should give out this card every time you meet with other investors in events or real estate meetings. Equally, when attending open houses, you could also give out your card to real estate agents or contractors in the premises. At some point, the network that you build will pay off.

### **Scouts**

In the beginning, you will go from place to place looking for distressed sellers. This means that you will be acting as a scout. Nonetheless, as your real estate business expands, you will need a team to open up the market for you. These people will want to be paid for a successful referral that you ended up selling. Your team of scouts will be reliant on you, therefore, you could find other ways of motivating them. Make sure that you pay them even when you don't end up investing in a particular deal. As long as they are hardworking, consider them as your eyes on the ground.

### ***Create Your Marketing***

Once your list of potential distressed sellers is ready, the next thing in line would be to reach out to them. You will have to market yourself to them. Your preferred marketing channel will vary. It is, however, important to try out different options just to ensure that you are contacted by more than one seller. You could opt to send them a direct mail or have a business website where they could conveniently gain access to your services. Sellers will want to reach out to a wholesaler who is always available. So, if there are other activities that you usually attend to, find someone to represent you.

### ***Filtering Your Leads***

With the right marketing strategy, you will get calls and emails from motivated sellers ready to sell their houses. However, this does not mean that you should jump for the first deal that comes your way. You need to single out the best that will earn you profit. This is why you need to filter the leads that will come your way. Your goal here is to find out why the seller is motivated. Also, information about the property will be helpful. Gather as much information as possible as this will aid you in eliminating leads that will not profit you. For instance, if you get leads from distant locations, you could choose to just ignore them. Also, if a seller doesn't have a good reason to sell, be sure that they will give you a headache when bargaining for a lower price. Hence, it is best to ignore such leads.

## **Types of Distressed Properties**

As you strive to find motivated sellers in the market, you should also be conversant about the types of distressed properties. You should know that there are different types of properties where you could easily bargain for a relatively lower price. This implies that you will make profits from distressed properties without too much of a hustle. So which type of properties should you consider?

### ***Bank-Owned***

Bank-owned properties are obviously those houses that are owned by banks. In most cases, these houses did not get buyers during auctions. These houses are usually sold by real estate agents. You will notice that they are sold “as is” condition. This means that a buyer will have to handle the repairs on their own. They are an excellent choice when looking for a wholesaling deal to profit from. As usual, you need a network of friends to gain access to this information. Talk to real estate agents and offer them a good incentive if at all the deal goes through. Money talks; give them something to anticipate from the information that they will give you. You should also build your connection with your local banks. Make them aware that you are in this business. In the future, they should contact you directly with a deal worth exploiting.

### ***Probate Properties***

Death is certain. However, it never comes with a warning. It is for this reason that most individuals will die with houses still under their names. Most of these houses are normally in bad condition as they were neglected by those that owned them. When the owner dies, the ownership is not directly transferred to their relatives. Depending on the will of the deceased, the ownership of the asset will have to be determined through probate. This is a court proceeding that aids in giving the property to the heirs mentioned in the deceased’s will.

There are situations where the heirs will want to share the property left behind. This means that they would want to liquidate the asset. Therefore, a wholesaler could take advantage of the opportunity and negotiate for a reasonable price.

### ***Foreclosure Properties***

With the harsh economic times that we live in, there are times when loans simply overwhelm us. When this happens a homeowner might fail to meet the lender's requirements with regards to making monthly payments. As a result, the lender would want to recover their money by putting a house on foreclosure. This will occur after a series of notices that the homeowner fails to comply with. The bank will, therefore, step in to sell the property on auction. The issue with foreclosures is that the house deal information is often made public. Consequently, you will be competing with many people for the same investment. It could be a frustrating option for a newbie in the real estate business.

### ***Government Owned***

A property will be owned by the government if it was purchased using loans obtained through covers from the Federal Housing Administration<sup>[18]</sup>. When the homeowner defaults, the government body will pay off the lender and reclaim the property. The acquired house will then be sold just like any other property in the market. Again, real estate agents will prove to be handy as they normally have this information first hand. Therefore, if you have good working relations with them, they should share this information. It is worth noting that the bidding process for government-owned properties is never easy. As such, you might require the help of an experienced realtor. The good news is that once you acquire the asset, the deal will finally pay off as they are sold at discounted prices.

Judging from the information discussed, the process of locating distressed sellers is not difficult. Regardless, there are numerous things that you should be aware of. This begins by knowing what makes people to be motivated to sell their properties. Equally, you need to understand that there is a courteous way of approaching motivated sellers. You cannot just approach them with a clear intention of taking advantage of the situation. There are different types of distressed properties in the real estate market. You should also know the best properties to go for. These properties are worth going for as they are bargain-able. Investors will rush to buy them as they are reasonably priced. In turn, it means that getting profits from them is straightforward. If you are looking for a wholesaling property for the first time, it is never too late to seek for professional help. Real estate agents will



make the process easy for you. Having good working relations with them will pay off. They will always present you with advantageous leads.

# Chapter 8

## Property Valuation

Knowing the best price for your wholesale property is sometimes confusing. It is vital that any wholesaler should evaluate the final value of the premises before sending their offers to interested buyers. The best way of pricing the asset would be by relying on the selling price. If the price does not match with other similar properties in the market, then this could be a deal to avoid. Most real estate investors fail in the market because they base their judgments on speculations. This will only lead you to make wrong decisions. Moreover, you might end up wasting your time and money only to finally realize that there are zero returns in the wholesaling property. Therefore, valuation is a key step that should not be assumed by any entrepreneur. This chapter will take you through the ways in which you could effectively evaluate your wholesaling lead.

### *Calculate the After Repair Value*

When you have the first glimpse on a distressed property, the first question that you should ask yourself is; how much will it cost after repairs? This question will motivate you to find out whether or not the deal is worth your time. Put yourself in the shoes of a buyer in the market. This is the first math that they will be doing. They would want to know if the profits linked to the asset are worth investing. In the same manner, you should also prioritize this.

You will accurately come to the right conclusion by first going through comparables around your neighborhood. How much are similar properties going for? Similar houses that have just been sold will assist you in getting a vague picture of the final price for the asset. Besides driving around your neighborhood or asking realtors for information, you can simply look at multiple listing services. They will provide you with all the info you need about recently sold premises. While doing this, it is vital that you only consider houses that are of similar properties. Look at the sizes and confirm that they are similar. Remember, you need an accurate estimate.

Consequently, you have to be careful with other houses that you compare with.

When dealing with real estate wholesaling, you will be looking to sell the property within a short period. Thus, market trends will not be that important here. Recently, the real estate market has stabilized<sup>[19]</sup>. You should not be worried about fluctuating market trends. Focus more on the properties of the premises.

### ***Gauge the Repair Costs***

There is no way that you will be going through with a particular wholesaling contract without confirming the repair costs. Experienced investors will get a rough estimate by just looking at the property. Don't do this. You are a newbie in the wholesaling business. Get the math right by hiring a reliable contractor in the area.

### ***Estimate the Closing and Holding Costs***

You must be wondering why you need to estimate the closing and holding costs and yet you will not be purchasing the property. Well, the trick here is that you should have all the necessary information with you before purchasing the property on contract. It gives you bargaining power when talking to both the seller and the buyer. Bear in mind that the buyer will be careful not to invest in an asset that will cost a lot just to close it. So, equip yourself with the closing and holding costs before stating the offer you are willing to make.

### ***Determining the Wholesale Price***

Part of the valuation process requires that you determine the price that you will charge as a wholesaler. You will have to do some digging in the market to find out the price that buyers are after. The price that the buyer will be willing to pay should be compared with the discounted price that the seller will give you. The difference between these prices should give you your anticipated returns. For a start, you shouldn't expect a lot. Having high expectations on the profit that you should be making will only hinder your chances of successfully selling the property. Just be realistic and appreciate the little that you will be making for a start. You should keep in mind that

you are a wholesaler, most of the work on the property will be done by the buyer. Therefore, don't expect much from the wholesaling deal.

The valuation process is a straightforward process that should not challenge you. The significance of this process is that you will find out if the deal is profitable or not. A word of advice to bear in mind is that you should not expect a lot from the first deal you will make. A wise investor is always realistic to the fact that wholesaling requires patience to be the best in the market. Therefore, getting something small from the first sale is what you should be after. Enjoy the experience for a start before you begin focusing on how much you are making.

# Chapter 9

## Mastering the Wholesale Contract

The exciting thing about wholesaling is that you only get to act as the middleman in the entire transaction. You are simply there to prepare a game where other parties will be involved. So, what are your duties as a middleman? Simply said, you find a lucrative deal in the market and thereafter assign the contract to an investor. The process is similar to a purchase agreement with slight differences here and there. This section will guide you through the basics of what you need to know about the wholesale contract.

### *Wholesaling Contract; The Basics*

When a wholesaler purchases a real estate property on contract from the owner, legally, they are entitled to have an equal interest in the asset being sold<sup>[20]</sup>. This does not mean that the seller would have completely sold the property to you. Rather, it means that they also have the legal title that shows that they own the property. So, the importance of the contract you will be signing is that it will help you control the real estate property. You shouldn't be worried if the seller fails to give you the title to the property. They are exercising their legal rights.

Once you find an ideal buyer in the market, you will transfer the rights stipulated under the contract to them. After doing this, the investor will now assume the equitable ownership rights that you once had. An important thing to do when transferring ownership is to inform the buyer about all the mundane aspects of the contract. Nothing should be left behind. To confirm that the buyer agrees to the terms of the contract, the wholesaler is required to attach the original copies of the agreement with the seller.

The wholesale contract will also be successfully transferred to the new buyer when the wholesaler is paid their profits. The terms of payment will be noted in the sale agreement that will be made. Depending on the deal that you enter into, you will be paid your profits in full once the transaction is completed. At first, the buyer will only pay a fraction of your profits as a sign of commitment.

Evidently, the transactions that you will be conducting will not be secure if you don't have a legal expert to oversee things. As such, it is vital that you hire an attorney to confirm that the documents being signed are legal and valid.

# Chapter 10

## Financing the Contract Purchase

Without a doubt, you will need some money to finance the entire operations of your real estate wholesaling business. The wholesaling process might be cost-effective, but this does not mean that you will invest in the business without spending a dime. So, after you have valued the premises and you have concluded that it is worth investing in it, how do you fund it? Where do you get the money to initiate the investment process? This is where most investors go wrong. Their lack of money from the start could deter them from pursuing their goals. The issue is that they haven't taken the time to understand that there are a wide array of financing options that they could turn to. Real estate wholesaling is just like any other real estate deal. If you know how to source out for funds, you will not experience any difficulties from the beginning.

### *Transactional Funding*

The first funding option that you can turn to is transactional funding. Often, this is preferred by most investors because it caters for short sales. Real estate wholesaling will not take time before you sell the property and pay off the loan borrowed. How do you get this loan? The loan can be obtained after you signed a purchase contract with the homeowner. This is what the bank will require to act as security. The bank will hold on to the contract and give you the money that you require to complete the purchase. Afterward, the bank will only release the contract to the buyer after the due funds have been paid in full. After funds have been paid to the bank, the buyer can then proceed to purchase the asset.

There are two contracts that will have to be signed when relying on transactional funding. The first contract would be between the bank and the homeowner. This contract will show that the seller has agreed to offer the bank their property as security in the event that the loan defaults. The second contract involves the selling of the property to the new buyer. The terms of the contract here will indicate that the seller agrees to sell the property for a certain value that will be enough to pay the bank its fees.

## ***Hard Money Loans***

You also have the option of asking for financial support without using conventional lenders such as banks. Hard money loans are a common option for many investors. The unique aspect of this type of loans is that you get the money from random individuals who offer loans. Of course, these people will want something that will act as security for you to pay the loan. If the lenders are well aware of the terms of the wholesaling contract, they will sign an agreement with you and the seller. You can also choose to avoid this by using another valuable asset as your security.

The advantage of relying on hard money lenders is that they will not look at your credit score before giving you money. These lenders will be after the security you will be providing them as a guarantee that the loan will be paid in time. If anything goes wrong, the lenders will only sell your asset to recover their money. It is worth noting that the value of the collateral you will be providing them should be more valuable than the amount of money you will be requesting.

The other benefit of relying on hard money loans is that they have a relatively high approval rate. Some lenders will give you the cash you need within a day. This means that you can acquire the purchase contract for the real estate property without wasting time.

Undeniably, all that glitters is not gold; you also have a price to pay for their efficiency. Hard money loans are costly. Lenders take advantage of the situation and double their interest rates. Consequently, it is wise to think twice before jumping on any financing option.

## ***Crowdfunding***

Just as the name suggests, this is where a large number of investors come together to raise capital that will finance their businesses<sup>[21]</sup>. Crowdfunding takes advantage of the latest technologies to bring investors with similar interests together. Therefore, as a real estate investor, you only need to find people that share similar goals. One of the main benefits of crowdfunding is that you don't have to raise a lot of money so as to get the capital that you need. It should come to your attention that there are thousands of investors brought together through e.g. social media. This means that the large pool of investors will only require to contribute something small that will benefit an investor who is in dire need.



Crowdfunding will give your real estate business an ideal marketing platform as you will be interacting with thousands of others with similar interests. Consequently, it can be argued that it is an ideal marketing platform that will get your business going on the right track.

The deal sounds too good here, right? The main issue with crowdfunding is that; if you fail to hit a certain target amount, the money raised will be refunded to you. This could discourage you from investing in your real estate business. Also, you have to convince your group that your project is viable. If people cannot understand what your business is all about, rest assured that they will not fund you. Equally, there is also the risk of exposing a business idea to potential investors within the same market. Having mentioned this, if crowdfunding does not seem to work for you, consider the alternative funding options that have been pointed out.

### ***Other People's Money***

Who wouldn't want to be part of any profitable investment? Most people are out in search of investment options where they could put their money into. This infers that as long as your idea is promising, money should never be an issue. There are many options for you to finance your real estate investment without actually using your money.

#### **Partnerships**

Sometimes the best way of raising money when you are broke is by working with other partners with shared interests. You should, however, choose your partners wisely bearing in mind that people have got varying skills and expertise. An ideal partner, in this case, would be one that does something different than what you do. For example, if you are a good marketer, your partner could be a good accountant. The best partner to pair up with is also an individual with experience in the real estate business. Obviously, your lack of capital should also push you to mull over partnering with someone with money.

#### **Borrowed Money**

You are also not limited to relying on your friends and relatives for financial support. Perhaps you know a friend who will lend you the money with minimal restrictions. This could be a great way to source your finances. A family member could also help you realize your goals by helping you out. In fact, you should begin asking for finances from those

that are close to you before asking banks and other financial institutions. It will save you from the burden of having to deal with deadlines and financial repercussions.

### **Seller Financing**

There are lenient property owners out there who would be willing to let go of their properties by offering to pay for the wholesaling process. Therefore, you don't have to use your money to finance your investment. The seller might not be as distressed as you think. If they are well-off financially, you could talk to them about your idea of asking them to finance the sale. If the deal runs smoothly, you will end up making profits without having to spend a dime. Keep in mind that this might not work with every seller you come across. Consequently, you should not be disappointed when they reject your proposition.

### ***Commercial Loans***

Loans from banks will also be a lifesaver when you are sure about your credit score. These are the common loans from banks you acquire at a fixed interest rate. These loans are worth going for as they have flexible means of paying them. You can easily pay the loan within the stated time without having to face any pressures. You should keep in mind that your wholesaling deal might give you enough money to pay off the loans on time thereby reducing the interests that you would have paid for. Similarly, banks can offer you large sums of money. This is an added advantage for new investors willing to take huge risks in the real estate market. Don't forget the fact that commercial loans will offer you the lowest interest rates as compared to other loans out there. So, if you don't have any option to source out for financial assistance, your local bank might just be the place that you need to visit.

Investing in real estate is a risky but rewarding business. Most people shy away from the idea just because they lack the required capital to invest. Well, from the discussed information, there are several alternatives that investors could turn to. This means that your dreams of investing in real estate should not be thwarted by your lack of funds. Contemplate on the mentioned funding options and stick to one that suits your financial goals.

# Final Thoughts

You might have been a victim of being discouraged that you should not invest in real estate due to its associated risks. Well, if this is the case, this book has revealed to you that with real estate wholesaling, you can circumvent all these risks. There is little capital required in wholesaling properties. This means that you don't have to sweat over the idea of getting the right amount of capital to begin your real estate business. As a beginner, it is also a great place for you to start. The experience that you will gain here will go a long way in transforming you into a prudent real estate investor. The process of understanding how to invest in wholesaling properties is relatively easy. With a little research into the real estate market, you can be sure that you will find a property to profit from. Landing on the first deal is always an issue even in other businesses. However, when you have understood what you need to do, everything will fall into place.

The idea of making quick cash from wholesaling properties should motivate you in trying out this investment option. Experienced wholesalers could close their deals in days. Often, this is made possible through the reliable connections that they have. Don't worry about your network; you will also get there. Learning is a process and therefore, you should not rush to learn everything overnight. Building and expanding your network might take years. Nonetheless, it will finally pay off. It will reach a point where you only make calls and close deals. To get to this point, you need to be patient.

Most people shy away from the real estate business because of their poor credit score. This is something that affects their eligibility for getting financial help. With real estate wholesaling, this is the last thing that you should be worried about. Considering the fact that you will not be asking for financial help from the bank, it means that your credit score is of no use here. What's more, you will not be purchasing the property. Therefore, your credit score will not prevent you from investing in wholesaling properties. This is one of the main reasons why you should try out this investment option as it could guarantee that you realize your short term financial goals.

To successfully invest in wholesaling properties, you should have a clear purpose in mind from the start. Why do you want to start the real estate business? If your answer is still to get rich, you should think of

investing elsewhere. You need to have a clearly stated goal. Don't just say that you need to be rich; everybody needs to be rich. So, you need to realize that only SMART goals will guide you to successfully invest in wholesaling properties. Give yourself a timeline that you will work with. Your goals could be to earn a particular sum of money within a year or two. Of course, you will also have to consider setting realistic goals. The advantage of this is that it saves you from getting disappointed along the way.

Investing in real estate is one type of business that you will require help from all corners. Consequently, you need a team to help you realize your goals. The real estate market you will be entering into is diverse. You can never have time to look at every wholesaling deal that pops up. You will need the services of scouts and real estate agents. Also, there are instances where you might face legal issues with the wholesaling properties. In such situations, real estate attorneys will be handy. As a newbie in this type of business, you also need a mentor to hold your hand and guide you to the end of the tunnel. As you can see, this is an investment process where you will require help from all ends. With this in mind, you should never neglect the idea of seeking for assistance where possible.

The wholesaling process should not scare you as it is a process that you can easily handle with the help of professionals in the field. The process begins by first locating a distressed real estate. How do you do this? How do you know that a homeowner is distressed and might want to get rid of their homes? You can get this information by locating the homeowners and communicating with them in person. Send them emails or call them. Organize for a face to face meeting if the deal is good. A homeowner that is distressed will always be motivated to sell. Such motivation arises from the fact that they might be facing financial challenges, foreclosure pressures, and divorce-related issues, etc. When a seller is not motivated, this will be an issue because they would not be flexible to lower the price of their properties. Wholesaling is all about negotiating for the lowest price from the homeowner. Thus, if they are not motivated, you should find another deal in the market.

One of the most important things to keep in mind during the wholesaling process is the evaluation of the asset. Evaluation will give you an idea of how much the property will cost after repairs have been dealt with by the investor. This implies that you will know whether the property is worth investing or not. If the difference between the seller's asking price

and the final price of the property is small, there is little profit in the deal. There are chances that you will hold on to the asset for too long before selling it. It is therefore important that you accurately value the property to give you a glimpse of whether you should purchase it on contract or not.

There are various ways of locating distressed properties. First, consider the network that you have. If you have a good team working with you, there is a surety that they will help you find the experience exciting. A real estate investor that has been in business for long would have a chain of connections to contact when they are searching for profitable deals in the market. In most cases, they are the ones receiving calls about potential offers that they should go for. This implies that your local marketing strategies will be of great importance. As you grow your business, make sure that you also market it. Social media is also a great place to find information. Most people have turned to social media to market their products and services. Interestingly, this is something that both individuals and companies are doing. Accordingly, you could locate distressed properties by browsing through social channels.

Besides finding distressed houses, you will also have to find buyers for the assets you are selling. How do you do this? Simply stated, you need to attend events. You should be an active real estate investor in the market. Your aggressiveness will help you to meet with people that will connect you to potential property buyers. Your business website will also be a great tool for finding buyers. The online presence that you have will create a lasting impression on distressed buyers. They will want to reach you and thus you should be always available. Bandit signs will also give you directions to a property that needs wholesaling. In the same way, buyers will also rely on these signs to get the property that they want. Experienced real estate agents in the market will also be of great significance in getting the right buyers for the property on sale. They might not give you this information right away, but you should entice them with incentives.

When all the wholesaling process is going on, you will have to bear in mind that your negotiation skills will be of great importance. You will only get the best deal in the real estate market by learning how to effectively negotiate. This means that you need to do extensive research of the real estate market you operate in. You will have to take into considerations why the seller is motivated. There are cases where the seller is in dire need of money. During such situations, you can rely on your bargaining skills to get

a lower price for the property on sale. When selling the assets, proper pricing will warrant that you also sell the real estate property in time. Real estate wholesaling demands that you should sell the property within the time frame allocated on the contract you purchased. It is vital that you acknowledge the fact that not all deals will run smoothly. Keeping this at the back of your mind will help you know the best time to walk away from any deal gone bad. Wasting your time on a deal that will not earn you profits will only render your investment useless.

Last but not least, when choosing a property to wholesale, you should mull over crucial factors that will make the property highly marketable. The neighborhood, for example, is one of the most important things to remember. The fact that you are looking to get a low priced property in the market should not make you go for a crime-infested asset. Have an investor's mentality when wholesaling a property. Any buyer will want to invest their money in a profitable asset. Consequently, they will consider the neighborhood before anything else. Other things to reflect on include social amenities, population, and the type of home. On a final note, remember to always seek professional assistance whenever you feel stranded in your real estate business. Make friends with professionals as they will help make the real estate wholesaling experience quite exciting.

Good luck!

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# **How to Successfully Invest in Commercial Real Estate and Apartments**



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# Introduction

It is a well-known fact that real power and real wealth was gotten through ownership of lands and properties. The feudal lords knew this secret long before sophisticated Harvard business school researchers started saying the same thing. Real estate is the real deal and if you want to create wealth that will outlast you, then you should get involved.

Starting from somewhere in the real estate industry means you should have prerequisite knowledge of how the industry works; that's why it is important to gain enough insight on what real estate business is about, the type of real estate you can invest in. Investing in commercial real estate and apartments requires a certain level of expertise different from investing in other kinds of businesses. However, Expertise is not the only requirement needed for investing in commercial real estate, another important requirement is the availability of capital. You need a whole lot of capital when you're thinking of investing in commercial real estates and apartments. While commercial real estate is everywhere, it's imperative to note that your profit as an investor is based solely on the income from the estate and its value. So a constant appreciation of the estate is in order for more profit.

Investing in commercial real estate can be seen as a gold mine because the returns are quite attractive. Nevertheless, being successful in the business of commercial real estate comes from understanding how the business works. The commercial real estate is in high demand, thus making it a very lucrative business to invest in. Yet, there is still a dearth of investors in real estate. Commercial real estate has the ability to make you very rich, but it's not a business venture that should be rushed into. It is fast rising, and soon, the people who were initially too scared to get involved in it, might find a way around their fears and begin to invest in it.

# Chapter One: What Is Commercial Real Estate?

Mr. Duley recently bought a building on the commercial real estate market and decided to turn it into an office complex or a plaza. He plans to rent or lease out spaces in the building to people in need of office or workspace, and collect rent from the tenants weekly, monthly, or annually, depending on the individual agreements.

Mrs. Moonbeam wants to start a restaurant business. She is faced with the options of either buying a property or renting a space. She hears about the new commercial rental spaces Mr. Duley has just acquired and decides to go check them out before they are all rented out.

To make a long story short, she ends up signing a lease for an entire floor of the building for her new restaurant business. In this scenario, Mr. Duley is earning some money by leasing out his property to Mrs. Moonbeam, and she is saving herself the extra cost of constructing a new building for her restaurant business.

This above illustration is an example of how commercial real estate works.

Commercial real estate refers to properties that are used exclusively for business purposes and income generation. It is also known as commercial or income property. Breaking this into a more straightforward definition, commercial real estate are properties that are owned with the intent of generating profit. Looking at it from an investor's point of view, commercial real estate entails of buying property, renting it out to business owners and collecting rent at a specific time decided between you and your clients.

Examples of commercial real estate properties include clubs, offices buildings, shopping malls or complexes, hospitals, hotels, storage facilities, sports facilities, restaurants, lands, plazas, and more. In most cases, it is non-residential. However, large apartment buildings used for residential purposes can also be listed or categorized as commercial real estate.

There are two primary sources of cash inflow in commercial real estate, and they are:

1. Your income: The number of clients you have will determine your income.
2. Appreciation: Real Estate appreciates, so chances are, if you get tired of leasing or renting out and you intend to sell, you could get much more than you bought it.

## **Types of Commercial Real Estate**

There are six main types of commercial estate, each serving a different purpose, for different kind of clients and businesses. The types of commercial real estate depend on the type of client the investor is targeting, and the sort of business a client wants to run.

### ***1. Office Properties***

This is focused primarily on office spaces. Office properties are generally categorized into two categories and classified into three classes. The two categories are urban and suburban buildings. Urban buildings are usually found in the city, and they always look the part, they are generally in the form of massive structures such as skyscrapers while the suburban buildings are also found in the cities, but are usually not as sophisticated as the urban buildings. They are often two-story buildings or lesser, and sometimes can be several bungalows clustered together.

In terms of classification, there is class A, B, and C.

- Class A: The class A office buildings are usually new and sophisticated. The urban category of buildings are found in this class. Their rent and lease fee is generally above average. They are located in choice areas and cater to the high and mighty. These structures are either buildings that have been renovated to fit the state of the art profile or can be new; either way, they have the best infrastructure. High-class law firms, accounting, and auditing firms are few of the clients you can find in these kinds of buildings, the administrative departments of big fashion houses can be located here too. These buildings, while they may have a good return investment, are quite expensive to purchase and maintain.



- Class B: The suburban category of buildings can be found in this class. The structures in this category are usually older than the class A buildings. Investors typically eye them because the investment returns are quite impressive. These buildings have high investment returns because it targets the middle class and the rent is quite affordable. More importantly, the cost of purchasing these buildings is not as high as the cost of buying a class A property. You can expect a throng of blue-collar workers in need of an office targeting the class B buildings. The low cost of purchase and high investment returns makes it the investors' perfect choice. They have quality management, not as high classed as the class A's management, but quality nonetheless.
- Class C: The class C properties are old office buildings in need of renovation. You can find a class C building dating as far back as twenty to thirty years old. The investment return is not good, and they are not well located. They are usually empty as clients do not see the need to open a business in an area where the market might not be progressive. The rent in a class C building is relatively low, and investors are purchasing these buildings sometimes do so for the sole purpose of development. The cost of renovation for a class C building is sometimes ridiculously so high that investors do not see the need to invest in one of these buildings.

When running an office property real estate, it is imperative to note that each of these classes come with their own investment risks and rewards, leaving you to decide which risk is worth it for you. Would you rather have a high rise property and rent out to high-end clients, or would you prefer a lower cost property and rent to the average man, or would you prefer an old building in dire need of renovation? Either of these options would reflect on your investment returns, in the long run; thus the smartest choice would be to pick the option which gives you a better investment return. The capitalization rate for class B and C buildings are usually high because the investors to an extent are paid for buying these properties which require renovations.

Another thing to consider when trying to pick the best option is the location. You are likely to make more returns if the location of your office is in an area that business owners consider profitable to their businesses. You cannot compare the profits of an accounting firm located in New York,

in general, to the profits of an accounting firm situated explicitly around Wall Street. Sure, you might not be able to decide these things as what works for one might not work for the other, but you can control a bit of the situation by getting a good location.

## ***2. Industrial Properties***

These are properties leased out for industrial use. Examples of these include warehouses, garages, and docks. Industrial properties can give the investor good investment returns and don't cost as much as class A buildings. The size ranges from smaller industrial spaces to more substantial buildings. While they are looked at as not important as the office properties, it's quite important to note that some of these administrative offices with spaces in the class A or B buildings need a warehouse, or storage facility, and these fall into the category of industrial real estate properties. You can now see that industrial properties are just as essential and generate revenue like the office properties.

Industrial properties have a few primary types:

- **Warehouses:** This doubles as a distribution center, it has a height of 40,000 feet, and a width of 50,000 feet or more. They are used to keep goods and in some cases, distribute them too.
- **Showrooms:** Usually consists of both a warehouse and a retail outlet. In some cases, these structures are divided into equal halves for both storage and sales. They are part of the industrial warehouses called "flex" because they serve two purposes.
- **Cold rooms:** A storage and distribution center for perishable foods. A significant part of it is built for storage. This storage part is turned into a big freezer to keep foods frozen and preserved, while the remaining portion is maintained as a small retail outlet for the distribution of these frozen foods.
- **Manufacturing buildings:** Most of the heavy lifting works are carried out in this type of structure. They are built for the production of goods. The size of the equipment that can be found in a manufacturing site depends on the kind of manufacturing that takes place in that site. The size of the space also depends on the sort of manufacturing done too. Heavy manufacturing deals with heavy equipment, so they usually require ample space and much electricity. Light manufacturing

requires smaller pieces of equipment, so a smaller space is needed. That said, a high amount of power is still necessary.

Heavy manufacturing sites make a poor investment risk, there is no guarantee that the client would make use of that site forever, and when the client moves, it cannot quickly be turned into something that could be used for something else in the future. So it isn't the best investment. Light manufacturing houses, on the other hand, can be easily made into something else in the future. While it's not an extremely risky bet, it's not exactly a high reward risk either.

- Data hosting center: This is usually a building created to keep computer systems. It requires a large amount of electricity to run steadily.
- Flex spaces: Spaces like the showrooms and the cold rooms that can be used as both storage and retail spaces are often called "flex" office spaces, and these are in high demand, so of all the industrial types there are, the areas that can be used as both warehouses and retail outlets. can be seen as the best bet so far.

### ***3. Multi-family Property***

While commercial real estate is seen as non-residential, the multifamily real estate begs to differ. Reason being, anything more than a four complex building, is regarded as a commercial real estate, and a multifamily real estate is usually more than four complexes. It's a large complex of flats or condominiums for the purpose of residence. There are separate housing units all built into one large building. With many tenants paying rent, this is seemingly a perfect investment bet. The cost of purchasing one of these buildings is quite high, but so are the returns. The income is steady, and this makes managing it a lot easier because a team could be hired to take care of the management of the complex. The steady income is because even when there is a vacancy in the building, the cost of maintenance is still well covered by the rest of the tenants, and it's rarely ever empty as people are always in constant need for housing. In places like Los Angeles, there is usually a high demand for housing so that an investor can expect a very steady income in an area like that. In a case whereby you want to sell off

the building, the appreciation rate of a multifamily estate is quite impressive so that you can expect a pretty high asking price for it.

#### ***4. Land Property***

Investing in land property means the investor purchased the lands solely for commercial purposes. Warehouses, manufacturing houses, shops, and a mall can be built on the land. The appreciation of this form of real estate is not stable, that is, it fluctuates greatly depending on its location, and sometimes the kind of businesses that are around the land can be a determinant. Property can be used for multiple commercial purposes including agricultural purposes, manufacturing purposes and a parking lot for heavy trucks. One of the difficulties of commercial real estate on land is the problem of zoning; your property has to be where business can be comfortably done on it without it being detrimental to the surrounding people. That is why it is essential to find out why the land was not used for commercial purposes initially. This would help in your purchase, so you do not end up running in loss. However, the tax payments for commercial real estate on land is higher than usual.

#### ***5. Retail Properties***

Retail Properties are big building with smaller stores inside; they include strip malls, restaurants, and banks. These usually don't rent out the whole building; they typically pick a space out of the entire complex. Investors like these types of investment because just like multifamily complex, they have a significant and steady income rate. It's sometimes usually a mix of many retail businesses.

There are three main types:

1. Power Centers: This is usually a large retail space with about three or four big-box retailers sharing the area for business with a shared parking space. Businesses you can find here include a restaurant, bank, gas stations, a big supermarket, a home furnishing store. Something about a power center is, there are no two alike businesses, just a few big businesses, different from each other. Each tenant offering services that the other isn't, having either different customers or a single customer wanting different things from all the different stores.

2. Strip centers: This is a large shopping mall with smaller retail shops, each selling and offering small services. They can have one anchor tenant with a big name, to draw clients to the mall, but basically, it's just that one anchor tenant and other small retail units, like KFC, a small restaurant, a boutique, a nail salon, small retail outlets offering daily services, but in small scale. The largest of these retail outlets could be a hundred thousand square feet of space for clients and business owners.
3. Community centers: These centers are usually similar to strip centers, but with more than one anchor, and small retail spaces too. They have features like dry cleaning service, gift shop, and other petty retail things in them.

Having a retail property has the same benefits as having a multifamily complex. The income is steady and can increase. There is also a great appreciation rate if you choose to sell it off to another willing investor.

## ***6. Miscellaneous Property***

Miscellaneous property covers hotel, hospitals, private parks, usually small or not so large businesses. They rent a whole space and make use of it for as long as possible. It's usually a one tenant business, so the risk reward is not so impressive. However, then again, these type of companies stay for a very long time on the property, and they are not prone to moving quickly. So chances are, you might not have to worry about the 100% loss that happens in one tenant businesses.

## **Why You Should Opt for Commercial Real Estate**

Commercial real estate is not the only niche in the real estate world. Other categories include residential real estate, lands and Industrial real estate. Choosing to invest in commercial real estate might seem like a far reach for a beginner in the real estate world, but it has some juicy benefits if done right. Some of them include:

### ***Higher and Steady Income***

You receive money annually or monthly because it's from rent. You can increase the rent eventually if you feel like it. Your income every year is sure, and there is a statistics that investing commercial real estate yields around 15% higher than investment in a different business would have yielded. That's a large amount of money when it's looked at in cash returns. It's also very steady, in that you're sure of a certain income or even more at the end of every year from your tenants which means the cash flow is quite steady. There is little or no chance of not having an income at all at the end of the year or the month. This, however, is highly dependent on your arrangement with your clients, but all the same, there is a steady cash flow and a good one at that.

More so, when you run a multifamily or retail property real estate, you have a lot of tenants, which makes the risk minimal. If you lose a tenant, you might not feel the impact so much because you will still be receiving rent from the other tenants, which usually are a lot. The need for office space and housing is generally in high demand, so there is little or no chance for a space to remain empty for an extended period. In most multifamily buildings, the tenants are usually in charge of maintenance, so you probably may not have to pay for the maintenance yourself. For every improvement made on the property, you can decide to include in the rent, as it increases, so does your income.

### ***Easy to Get Loans***

It will be easier for a bank to give credits when it's clear that you're going into commercial real estate because they are sure that there would be returns. Getting someone to loan you money to invest is easy too because they trust that there would be returns. They are not worried that you won't be able to keep up to the end of the bargain, and you are not afraid that you would not meet up your target. That makes it a win-win.

### ***Better Investment Returns***

There is a high chance that in the first few years of your investment in the commercial real estate business, you would get twice your investment returns especially if you're running a class A or B office system, or a multifamily complex. Commercial real estate gives you the chance to make a whole lot more money than was spent in getting the property which means

you have good investment returns locked in the box when you get into commercial real estate.

### ***Less Competition***

Not everyone has the strength, the courage, patience, and finance to invest in commercial real estate, so you would not find many people who are enthusiastic about investing into commercial real estate, which equals to a kind of business security for you.

#### ***Unlimited choices***

There are a lot of options in commercial real estate to choose from, there is no limit to which one you can do, and well if you have a lot of finance and the courage for it, you can decide to try more than one. More commercial real estate properties, more income generated, more revenue, more money.

### ***Security***

Unless there is a natural disaster that wipes your building off the face of the earth, you have substantial financial security. It's not stocks and bonds; it does not drop. It's either static or growing. Commercial real estate also offers both the value of the property and the land it's on. You are financially secure either way because it's stable. You can decide to improve on the land, add more structures as you deem fit, and all of it will remain yours. There would always be people in need of office spaces or condominiums, so you're significantly covered.

### ***Appreciation***

Land and properties continually appreciate you can make improvements on your property, and sell it off for much more than it costs. Moreover, most importantly if your property is yielding a good amount of income at the time you want to sell it off, you can be sure to sell it at an excellent price. The higher the income it yields, the higher the demand and the higher it appreciates.

Some of these listed benefits like the better investment returns are usually long term, so even when you have recuperated the money used in

investing, you can still be enjoying the long term benefits, which sometimes supersedes the be benefits you had in mind.



# Chapter Two: Defining Apartment Buildings

If you don't live in one, you might have passed by one or seen one in a movie. Those super tall buildings that look like they house a hundred families or a whole town are called apartment buildings. An apartment building is a building owned either individually or by a large-scale public housing company which contains different apartments or units on all its floors. It is usually designed for residence and mostly found in the busy parts of a bustling city. Sometimes, it can be known as a block of flats, apartment complex, flat complex or apartment towers, because these residential units are designed as a bunch of flats put together in one big building.

It is different from a condominium (condo) because apartments in an apartment building can only be leased. However, in condos, each unit is owned independently by either the resident or the resident's landlord. Hence, condos can be sold separately. Physically, they are not so different from one another, but in real estate, the ownership differentiates them.

Some apartment buildings are high rise buildings or can be called residential towers. Typically this is because of the height. Sometimes it is only meant for residential purposes and other times, some parts of it can be leased out to offices and businesses. They usually have a flight of stairs just for a fire escape route in addition to an elevator as the primary means of access. They are sometimes called skyscrapers once they have fifty or more floors while the low rise buildings are usually the ones with less than 15 stories.

## Primary Apartment Types

### *Penthouse*

This is a type of apartment on the uppermost floor of a high rise building. It is usually furnished lavishly, extra secure with lots of luxury features the other apartments lack. It usually has its private elevator, terrace, sometimes has an extra level to it unlike other flats with one level. Some of their

features also include luxurious ceilings and floors, well equipped and big kitchen space, multiple suites and people can only access the building unless approved by the concierge, under permissions from the resident. Most penthouses offer a lovely view of the city's skyline because of its vantage point. The noise and buzz of the city can rarely be heard from there because the glasses are usually soundproof. Because of all these extra luxuries, penthouses are usually super expensive; hence, top musicians and actors, business tycoons, oil magnates, socialites, and other super-rich families tend to be the occupants of a penthouse. It holds a sort of prestige and the residents are usually accorded certain respects for living in a penthouse.

### ***Loft apartment***

An apartment with defining features of a large and free space without internal walls except for an enclosed bathroom. They tend to be converted from industrial buildings, factories or warehouses to residential lofts. It is commonly leased to artists, hipsters, and musicians because it suits their lifestyle. It has an ample open space they can use as a workspace without having to experience the back and forth movement from the house to the studio. Lofts tend to have high ceilings, floor to ceiling length windows for proper illumination, and warmer atmosphere. It is necessary to point out that lofts have relatively cheaper rents depending on the kind of loft it is. There are commercial lofts, living and working lofts, residential lofts, and industrial lofts. Because of the higher rate of demands for loft, developers have started producing new buildings to fit this description and design. A loft can be bought and leased. Although purchasing a loft can be expensive when compared to renting a unit. Most lofts are closer to school environments because it is mostly rented by students and people wanting to avoid a city hubbub.

### ***Salon apartments***

These types of apartments are linked to multiple family apartments with a general common room that is connected to numerous salons for each family. It is not a common housing style in the US and is only found when a large extended family decides to move in together. They can also have

combined dining rooms, game rooms, pools, laundry room and other features that regular apartment building occupants have.

### ***Studio apartment***

Commonly known as bachelor's apartments, this type of apartment tends to be smaller than the average apartment units. It is characterized by a single main room that serves as a living room, a dining room, and a bedroom, then linked to a small space with kitchen facilities but like that of a loft, has a separate enclosed bathroom. They are sometimes designed as an alcove, with an extra wing attached to them. Different Countries have different names for a studio apartment. In Canada, it is called a bachelor apartment, in Brazil, it is called a quitinete, while in India, it is known as a room kitchen apartment. Jamaicans call it a quad. In Nigeria, they are generally known as room self-contain apartments. In the United Kingdom, the Brits call it a bedsit. Renting a studio apartment is cheaper than renting a one bedroom apartment. However, it is not suitable or ideal for a full family. Thanks to an increase in demand, it is rapidly gaining popularity, and more studio apartments are popping up.

### ***Garden apartment***

If you are a fan of planting and gardening, and the suburbs are not your type of environment, then this is usually the most suitable type of apartment. It is mostly located on the ground floor of an apartment building, with direct access to the building's gardens or lawn. It is the level above the basement unit. It requires no elevator or flight of stairs to access. It is very suitable for senior citizens, and gardening can be useful for them both as exercise and a means of getting unpolluted air. In the United Kingdom, it is called a garden flat. Some people also call it a walk-up apartment because of its easy accessibility. A typical apartment building with multiple garden apartments is usually built with courtyards so that each part of the square has a single garden unit. It is almost similar to the typical townhouse situated in a suburban area because they both have their building entrance outside, but unlike a suburban townhouse, it only occupies a ground level. Leasing a garden apartment is affordable and pocket-friendly.

### ***Maisonette***

A Maisonette is a type of apartment that consists of a set of rooms for residential purposes, usually on an upper level and attached to the side of an apartment building. It can be on one level or double levels, but it tends to have its own separate entrance unlike the general elevator or staircase other apartments in the building use. Unlike flats, a Maisonette can have more than one floor. It is usually built where a terrace should be attached. It is derived from the French word maisonette which translates into "little house." A Maisonette is cost effective and is suitable for family leasing. Most Maisonettes are on two floors of an apartment building; only a handful are one floor.

### ***Duplex and Decker apartment***

A decker apartment is a building comprising of more than one living unit attached, either side by sides or decked on one another. Unlike a block of flats, a decker apartment has separate doors and an external staircase as an entrance to each apartment. Each apartment has a private corridor and terrace. Apartment buildings tend to be bigger while decker apartments are usually the size of an average suburban townhouse. The number of levels in a decker building determines its name. It is called a duplex when it has only two apartments, a triplex or three-decker house when it is three apartments and a quadruplex or a four-decker house when it comprises of four flats. These buildings can be quite expensive to own and lease. However, it comes with the advantage of having gardens on the ground floor and car garages attached to the side of the building. Another similarity between decker apartments and apartment buildings is that a single person can own it, but each unit can only be leased out and cannot be sold or owned separately. Even the yards in a decker apartment are rented out to the tenants. It can ensure privacy but is more expensive to lease.

### ***Serviced apartment***

In the United Kingdom, they are usually referred to as serviced accommodations. These homes are fully and lavishly furnished apartments with amenities seen in hotels and are typically leased for people within a specified period. The services provided include room service for cleaning and food delivery, housekeeping, a recreational room, a gym, a laundry room, and a coveted kitchen style. Most business enterprises prefer to lodge

their executives or business partners in this type of apartment for the duration of their stay in that area. High-end families also occupy these apartments because it has everything a hotel has to offer with an additional offer of extra space, privacy, and comfort. Who doesn't like to be waited on? They tend to have glamorous interiors which include complete state of the art bathrooms with a Jacuzzi, spacious bedrooms, well equipped modern kitchen and very polite service staffs provided by the rental company to attend to every single need. They are always at the occupant's beck and call. Surprisingly, leasing a serviced apartment is less expensive than lodging in hotels but more expensive than an average apartment unit. It cannot be bought and can only be leased.

## **Facilities of an Apartment Building**

### ***Lobbies and concierges***

A modern apartment building has a large and open lobby with a concierge. A lobby will have seats and magazines, televisions and other forms of time passers because this is where a guest or visitor will have to stay while waiting for security clearance to go to the apartment unit they want to visit. A security concierge has been trained on how to prevent trespassers and lurkers from an apartment building. Only owners and guests will be able to gain access to the apartments. While a lobby attendant or residential concierge performs the essential functions of a hotelier, they familiarize themselves with the residents with polite greetings, provide directions for new occupants, and help arrange services like dry cleaning and calling cabs.

### ***Swimming pool***

An apartment building with a swimming pool will tend to have it situated on the ground floor as an indoor pool or on the rooftop as an outdoor pool. Usually, the rooftop pools have the most appeal, and more buildings are starting to incorporate it into their designs. Swimming can be a recreational sport or a form of exercise. It is also a life skill that is necessary to have, hence the reason apartment buildings with pools tend to hold a higher appeal. The pools are usually well maintained and hygienic, with a properly trained lifeguard on standby.

## ***Gymnasium***

Most people don't have the time to go to a gym once they consider the stress of being in traffic or driving around town. With an indoor gymnasium available for all residents, exercising is made easier and accessible. Though some apartment gyms allow outsiders to come in, this is because it is needed to raise funds to maintain and keep the gym running.

## ***Elevator***

An apartment building can have more than one elevator according to the number of occupants. Access by lift is a requirement to have in high rise apartment buildings. There is a maximum number of persons it can carry at once, and these rules will have to be followed to help in its maintenance. They are also non-smoking zones because it is confining.

## ***Car park***

In some cases parking areas, also known as garages, or car parks, tack on extra charges to the rent. The car park in an apartment building is usually situated below the ground floor at the basement level. It is often a large open space with marks to divide each parking plots. Most apartment buildings allocate parking spaces according to the number of apartment units in the building. There is usually a security operative around there to keep an eye on the vehicles and prevent theft or property damage.

## ***Laundry room***

Apartment buildings tend to have a central laundry room with a few laundry facilities like washing machines, dryers, and ironing boards. Residents take turns to go there and do their laundry. It is sometimes located at the basement or ground floor. The room usually needs proper ventilation to prevent molds and to help clothes dry quickly. It often comes with a cost, generally lower than that of commercial laundromats and sometimes added to the rent bills. Some buildings place their laundry rooms on the primary or general floor for security purposes. Sometimes, a cleaner is hired to clean the area so that tenants won't have to endure a dirty laundry room. It is an

excellent quality to have in an apartment building because it encourages socialization within the tenants.

**Pet allowed facilities:** Not all buildings allow pets, but some do. The ones that do usually provide pet-friendly amenities to help the residents' pets settle in.

## **Benefits of Leasing and Owning an Apartment Building**

### ***Safety***

The fact that a ton of people are living in one big building is enough to put off any burglar. Besides, apartment building owners are generally invested in the overall safety of their tenants. They make sure unauthorized people don't have access to your homes, hence why it is the safest form of housing for children, single parents, senior citizens, and families. Also, in cases where a resident goes missing, the absence is quickly noticed and then reported compared to individual homes.

### ***Size***

Apartment buildings are usually spacious and comfortable enough for the average occupant. It is not cramped unless the resident has too much property for the space. The rooms are partitioned to make it different from a typical bachelor home. It usually has more than one bedroom with a proper kitchen. An average apartment unit measures 861 square feet which is considered big enough for a house.

### ***Finance***

Renting an apartment building is generally cheaper and affordable than other living arrangements. Besides, paying rent is less expensive than paying a mortgage. Upkeep and utility fees are reduced because having many units in one building will bring down the individual cost. So, saving for a rainy day can be done easily in an apartment complex.

### ***Maintenance***

Many people will jump at the opportunity of not having to mow their lawns, shovel their snow, or fix a leaking roof. Once you move into an apartment building, that becomes the job of the owner. Not to mention, it reduces your expenses as well.

### ***Amenities***

Not many single townhouses can boast of the amenities or facilities of an apartment building. There are pools, gyms, rec rooms, laundry rooms, and more on the premises. Owners of buildings with these facilities have a higher income rate because more people rent these type of homes.

### ***Accessibility***

Most apartment buildings are centrally located. That means they are situated near schools, hospitals, shopping malls, and entertainment venues as well. That said, apartments provide high accessibility to just about anything a person wants or needs for living.

Listed above are the main reasons why apartment buildings are in high demand in cities, and why it is a good investment to own one. It is an invaluable source of income that will open other opportunities when done wisely.

## **Top Three Cities Where You Can Own or Lease an Apartment Building**

### ***1. New York City***

New York City is one of the largest cities in the United States of America. Every year more and more people are pouring into the Big Apple from all over the world. These people all need an affordable place to stay. That said, a significant amount of apartment concession deals clearly take place in New York City regularly. Apartment building owners keep finding themselves fully booked before the completion of the building. The City offers arrays of interests like sports, entertainment, education, work, and tourism. Leasing an apartment in New York is a bit pricey because of the



high demand. Hence, this is why owning an apartment building is considered very profitable.

## ***2. Chicago***

This is the third largest home city within the US. It is home to the tallest building in the US; The Sears Tower. Due to a high influx of both immigrants and citizens searching for greener pastures, there has been an increase in the demand for renting and constructing new apartment buildings in Chicago. Thanks to the high industrialization of Chicago and the tourist attractions, there never seems to be an end to real estate development in Chicago.

## ***3. Los Angeles***

This is the most populous city in California. It never ceases to have a high influx of celebrities because of its proximity to Hollywood. It is the cultural, financial and commercial center of the state. Moreover, the pleasant climate and sandy beaches have always been a major center of attraction. Not every beach lover can afford a beach house or high-end apartment; this is why they lease more apartment buildings, especially in the inner part of the cities.

One thing people will never stop needing is a roof over their heads, and you can be the one to provide this basic necessity for them. Investing in real estate is a very wise choice because unlike owning a car or liabilities, real estate values rarely depreciates. Since an apartment building means more tenants, more payers, it is always advisable to invest in a solid housing venture. Besides, there can be joint ownership in case it is too expensive to be owned alone.

# **Chapter Three: How to Get Started in Commercial Real Estate and Apartment Building**

There are four major types of real estate; commercial real estate, residential real estate, land, and industrial real estate. Residential real estate deals with home resales and sometimes newly constructed homes. Apartment buildings are the most significantly valuable buildings in the residential real estate market. These massive structures are usually leased by either a bank, lender, or even a government agency. Industrial real estate, on the other hand, has a focus on large structures used for industrial purposes. That said, Warehouses, storage buildings, and other large structures, that house manufacturing operations make up a the majority of the industrial real estate.

Furthermore, Land is another form of commercial real estate, including vacant land sold for building purposes. Sometimes, these vacant properties can be used for farms or ranches. Most massive buildings, such as hotels, health-care facilities, skyscrapers, and office buildings, are leased out to different firms and are significant examples of commercial real estate. In commercial real estate, most of the buildings are owned by the businesses that occupy the building, a commercial real estate company, or investor(s). That said, investors typically collect rent from the companies or individuals (in the case of apartment buildings) occupying the building they own via a signed lease agreement.

## **Commercial Real Estate Terms You Need to Know**

Investing in real estate requires a lot of research on your part so you can acquaint yourself with the basics and then make steady progress from there. One of the few things you need to know when venturing into real estate is the terminologies used. These phrases will help you communicate effectively when you are amid other real estate professionals.

Here are some of the most essential terms used in real estate:

## ***Capitalization Rate***

It is the most popular assessment tool used to measure a property's profitability rate and return potential. Also known as cap rate, it is used to describe the potential returns a commercial real estate investor can get from a particular investment. It is used to know the potential return of the property on the market. Whether you are a broker or an investor, it is important to factor in the cap rate of the property before you present it to potential investors or invest in it yourself. It is measured using the expected net income as a basis. Properties with high cap rates have less risk than those with lower cap rates.

## ***Net Operating Income***

This refers to the income generated annually from your commercial property. In other words, the Net Operating Income (NOI) of a property is the amount of income that can be generated from a property after all the expenses incurred by owning and running the property has been deducted. These expenses include; property taxes, management cost, advertising and more.

## ***Cash on Cash Returns***

CoC is the interest made on money invested into a real estate property. It is the ratio of the income made on a property annually compared to the mortgage paid on the property within that year. It is calculated pre-tax.

## ***Property Classification***

A property's classification is one of the factors that is used to determine the value of a building or commercial real estate property. This was explained in detail in chapter one.

## ***Net Lease***

For single net lease, tenants are required to pay property taxes, while for double net lease (NN) option requires the tenants to pay for both property tax and insurance. There is also Triple Net Lease which is also known as NNN. This is a type of lease whereby the tenant pays both the rent and the

operating expenses of the property. This is usually a good deal for the landlord. However, it comes with its merits and demerits for the tenant. Doing this will make the rent cheaper and relieve the owner from any burden of maintenance. It is advisable to stick to a new building if you want a NNN.

### ***Operating Expenses***

As the phrase suggests, it is the annual expenses of operating or running the property. This includes; taxes, maintenance fees, utility cost, insurance, management fees, etc.

### ***Price Per Foot***

It is very important to take the price into cognizance because it will help you decide what you should offer for the commercial property you intend to invest in. Knowing the price each business rents out an office space pay per foot of an office building, will help you, the buyer, determine your starting offer price and ascertain whether the asking price of the seller is reasonable or steep. For an apartment building, this price is known as the price per unit, because each apartment is called a unit.

### ***Tenant Rep***

Short form for Tenant Representative. This person is a realtor who represents the tenants in place of the landlord. They can help to find and identify a needed space and do a proper negotiation with the owner of the building. They earn their money by splitting percentage with the agent in charge of the lease. Tenant reps also help to resolve issues involving tenants and landlords and serve as the middle man between them. You need to choose someone you can trust when choosing a tenant rep.

### ***Landlord Rep***

This is the person in charge of the lease and is usually called the leasing agent. They put the interest of the landlord first during negotiations and help to find the best deals for the landlord. He/she has the authority to carry out negotiations about the cost of rent, security amongst other things.

## ***Usable Square Footage***

This is the exact space you can occupy in commercial property. Unrestricted spaces like toilets, hallways, waiting area, and storage rooms are not considered as part of usable square footage. Although, unrestricted spaces will be considered if you rented an entire floor. USF= total floor area - shared square footage.

## ***Rentable Square Footage***

RSF = Total Usable Footage plus the shared area in the building. To properly calculate RSF, the “common area factor” needs to be determined. This can be determined by dividing the total floor area by the USF. It should range from 10- 20 percent.

## ***Common Area Maintenance***

This is the money paid for the maintenance of the building. It is usually paid in addition to the rent. There are two types- the flat and the variable. The fees usually include renovations, utility bills, cleaning among others. It is usually calculated based on the total cost percentage. You will have to do a proper calculation, so you don't run at a loss.

## ***Tenant Improvements***

These are changes tenants are allowed to make on the property so it can better fit their need. Changes like this can involve new floorings, ceilings, putting air conditioners, new painting, additional security, etc. This is usually negotiated before a contract is signed. The landlord will outline the level of improvements the tenant is allowed to make and also state his restrictions. The landlord is also expected to shoulder some of the cost of the changes and negotiations on how much the landlord will commit to these changes is also necessary. Any amount exceeding the amount agreed on will be the responsibility of the tenant.

## ***Letter of Intent***

Also known as LOI, is a formal document that confirms the tenant is ready to rent your space. It is usually drafted before signing the agreement and

has a detailed summary of the terms involved in the lease.

### ***Sublease Clause***

You need to know whether subletting is allowed if you plan to rent an entire floor. Subletting helps to pay some of the cost of the lease. The lease agreement has to state if this is allowed or not.

### ***Escalation Clause***

This clause allows for an annual increase in the rent. It is usually included in the legal document for the agreement. They are mostly used in long-term leases. This can be negotiated before signing an agreement.

#### ***Capital Improvement***

These are renovations done to improve the quality of the property you are investing in. These may include roof replacement, renovating some common areas, changing the face of the exterior.

### ***Loan-to-Value Ratio***

This is the ratio of the loan you are requesting for the value of the property you want to invest in. This is very important when trying to seek out a loan.

### ***Loss Factor***

The loss factor is the total area of space which is lost due to stairways, restrooms, walls, elevators, and other necessary property features. It is also the difference between the rentable square footage and the usable square footage. That said, the loss factor is usually calculated as a percentage.

### ***Real Estate Investment Trust***

This is a special company that lets investors purchase individual shares in commercial real estate. They purchase the property through collective monies from investors, look for clients, lease it out, receive the income and distribute the dividend to investors at a stipulated time.

### ***Vacancy Rate***

This is the number of properties vacant in an area at a specific time. It is also the percentage of all unoccupied units in a specific building. A vacancy rate under ten percent is considered suitable for landlords.

## **Things to Consider Before Investing in Commercial Real Estate**

Unlike residential real estate, the commercial real estate market is very tricky to navigate and more volatile because you would have to consider factors that affect the market on a national or even global scale. As an investor in other types of real estate, or even as a greenhorn in real estate altogether, you can boost and diversify your income by dipping into the commercial real estate market. That said, investing in commercial real estate first requires proper research. That way you can gather enough information about what you're getting into prior to jumping in.

Here are some factors and indicators you should consider before investing in commercial real estate:

### ***Researching the Fundamentals***

You should study and fully understand the following:

- Vacancy rate and how it affects the value of properties
- How to appraise the amount of lease or rent to be paid by the tenants utilizing the property
- Understand what to expect in terms of cash flow
- What drives demand in the commercial property market
- Understand how to put together your investment strategy
- Know the stability or vulnerability of the type of investment property you intend to invest in (which is part of your investment strategy)
- Understand how financing works in the world of CRE

Another critical fundamental factor you need to wrap your head around is the legal aspect of the investment. Even though you might need an attorney who understands the type of real estate you intend to invest in to take care of legal matters, you should at least learn the legal basics. That way, you don't get blindsided along the way. Furthermore, it will also help

reduce the chances of you and your partners getting into legal complications.

## ***Location***

Location is an incredibly important aspect to consider when it comes to businesses, specifically those which operate out of physical properties. The phrase, “location, location, location!” finds meaning in commercial real estate especially because the location of your property goes a long way in determining your chances of getting either good or bad returns on your investment. Now, when you are scoping out leads on potential commercial property opportunities, there are some location-related factors that you need to consider. The demography would have to be one of the first factors because the population of the area, its growth and the social class of people living there would be an indication to the amount of down payment you would have to make and the chances of it appreciating or depreciating. Researching the demography will also help you know the risk involved in investing in properties in the area and the amount of return you can expect from your investment.

Asides demography, the level of development of the neighborhood where the property is located is sure to affect its value. For example, if it is located in the heart of a big city where it is closer to transportation facilities, retail services, and other essential amenities, then the value of the properties in that area will be high. Also, if it is located in an area that attracts attention from property developers, then it is an indication that the value of the property is bound to appreciate. Another thing you need to consider in a location is the security of the neighborhood, if it is in a secure area, then it is likely to have a longer lease, lower risk, and higher value but might have lower tenant turnover and vice versa for the less secure locations.

## ***The Risks***

Risk is another crucial factor to consider in commercial real estate because there is a considerable amount of risk that comes with investing in it. Some of the risks to consider are:

- **Vacancy:** Because commercial properties usually have higher leases and longer lease duration on them compared to residential properties,



there is a higher risk of the property owners suffering higher vacancy rates. Knowing this, commercial real estate investors would have to come up with creative ideas to make their properties more attractive to tenants.

- **Market Volatility:** Every type of real estate is affected by government policies, market sentiments, and trends, but this is peculiar to commercial real estate because of the more substantial amounts paid as initial investment and expenses incurred.
- **Property Taxes:** Taxes paid on commercial properties typically increases as the value of the property increases. Furthermore, this is the reason why most commercial properties have triple net leases (NNN) which makes the tenants responsible for paying for the property's expenses which includes an increase in tax. However, this has its downside because it could lead to low tenant turnover. Moreover, this is why most investors opt to get less lease interest and instead include the maintenance, insurance and tax expenses in the lease.
- **Market Trends:** Emerging technology, unemployment rates, interest rates, consumer demand for commodities and a whole lot of factors that affects the general economy also affects the real estate market. For example, because of the advancements in IT, many businesses can be run from the owner's residence or smaller office spaces as they are now able to hold online meetings with their employees and hold presentations to their customers. In light of this, SMEs are not opting for expensive office spaces. Also if there is an economic downturn, it means that lease rates might drop and investors will get fewer returns on their investments.
- **Time, Money and Work:** The fact that you are not going to be the landlord does not mean you will not put in work on the property. The property still requires you to get involved. Your amount of involvement will have a significant effect on the profitability of the property. You need to consider if you are ready to put in the time, money and effort involved in becoming a successful investor in commercial real estate.

## **Steps to Take When Investing**

You cannot wake up one morning and call yourself a commercial real estate investor. Investing in commercial real estate involves several steps, and if you follow the steps diligently, you are very likely to succeed in the real estate world. Here are some of the steps you need to take before investing.

### ***Know Your Financial Situation***

Understanding the state of your finance is the first step to take when you are thinking about going into any investment at all. It is vital that you do this before investing in commercial real estate because even if you intend to take loans or source for capital from other sources, you will still need a considerable amount of your own money to pay for the initial investment or down payment. You can understand your financial status by keeping important financial records like your expenses, available income and the expected returns from your other investments. When you save a record of these things, you can easily decide on the number of funds you have available to you and how much you are willing to invest. Most times the minimum amount needed for investment is \$5000, but this amount is way higher when you intend to invest in commercial property in mega cities like New York, Dallas, Las Vegas, and their likes.

### ***Draw Up Your Investment Strategy***

Before investing, most investors already have a goal or vision in mind so they can draw out a plan to achieve these set goals. Investment strategies differ from one investor to the other; this is because it depends on the investor's available capital, prior experience with real estate, credit score, and type of commercial property they want to invest in. Even as a first-time investor, you cannot just invest in any available commercial property, you have to know which of them will provide the number of returns you need to achieve your target goals.

You also have to decide if you want to invest directly or indirectly. When you are investing directly, you are purchasing the property all alone or as a private partnership. By investing directly, you have the options of being an active or passive investor (will require hiring a commercial property manager). Although, it is advised that as a beginner, you should invest indirectly, because of the substantial investment needed to purchase commercial property and the risks involved. You can invest indirectly by

investing through a Real Estate Investment Trusts (REITs); which are companies that own and operate commercial properties which allow investors to afford to invest in investment properties. Besides the responsibility of purchasing the properties, they handle the maintenance and management of the properties as well.

### ***Taking Note of the Risks***

In every aspect of life, higher amounts of risk come with the chance of greater reward. There is a lot of risk involved in investing in commercial real estate, but that doesn't mean that you should avoid investing in it. There are commercial real estate brokerage firms which will not only help with the acquisition process of the investment but also assist you in investigating the actual condition of the property before investing in it.

### ***Sourcing for Capital***

After making a final decision on the right property you will want to invest in, the next thing you have to do is make a down payment required for the property. The next question you might want to ask is "how do I come up with the money?" If you can find other interested investors, you could decide to start up a limited liability company (LLC) which will enable you, and these investors pool your resources together to purchase the property. However, do ensure you get an attorney who can draw up an airtight operating agreement, this way each investor will have their roles and know the number of returns they are entitled to. Real estate syndication is another way to leverage on a private partnership, as it also allows for a group of individuals to pool together their resources to make a down payment and even investors with resources can syndicate with an investor who has experience in commercial real estate. You can also take a loan. However, there are many things you need to consider before taking out credit. The process of securing a loan will be discussed thoroughly in the next chapter.

## **The Perks of Investing in Commercial Real Estate**

### ***High Return on Investment (RIO)***

In commercial real estate, the long lease duration, the amount paid on lease for commercial properties and the number of units is usually high, and this affects the RIO. The annual RIO in commercial real estate is at an average of 6-12 percent annually which is considerably higher than ROIs gotten on residential properties.

### ***Appreciation Value***

Most tenants of commercial property like retail spaces and office buildings are self-motivated to take care of the areas they rent and therefore keeping the value of the property at a high level. Renovating a building also helps increase the value of a property.

### ***Longer Leases***

Leases on commercial property are longer than leases on residential properties. The contracts usually are for a period of three years and above for up to 10 years. The implication of this is the value of a building with lower vacancy rates would remain high.

## **Disadvantage of Investing in Commercial Real Estate**

### ***There's a Lot of Flux***

Commercial real estate is highly responsive to changes in the economy, so the value of some commercial properties are bound to fluctuate as the economic climate changes. This can be excellent at times. That said, it can cause massive losses as well.

### ***Investment and Time***

If you like to handle financial and business-related issues on your own, then you might have a hard time with commercial real estate. This form of real estate will require you to hire an attorney, accountant, and real estate brokers to get the best deals and make the most profits in the long run. If

you like working alone, you may want to consider residential real estate instead.

### ***It's a Risky Business***

If you are not a big risk taker, then investing in commercial real estate might be good for you because it involves taking a huge risk especially with your money. There are times you can spend much money in terms of down payment or capital, and you might not get back the money in a long time.

### ***It Requires a Lot of Patience***

Considering the right factors before investing in commercial real estate will help you achieve financial security, diversify your portfolio and have you ready for retirement. However, ensure you employ the services of the right professionals to help you achieve your goal of becoming a successful commercial real estate investor.

# Chapter Four: Financing Your Investments

Getting funds for a business is one of the most crucial aspects of business ownership and running. This is because, without monetary funds, it is practically impossible for business owners to kick-start any business, or keep it running. No matter how appealing, fascinating, and attractive a business idea or plan is if there are no sufficient funds to launch, and keep the business afloat; the business idea is as good as mere writing on a paper, or any document in a device. Every business plan or idea needs money to make it work and yield a profit. As a business owner or a potential commercial real estate investor, there are different ways you can source for funds to either launch their business or invest. Some medium of funds sourcing include:

## ***Bootstrapping***

This is the act of funding your business all by yourself, basically with your money without the aid or support of external investors. Bootstrapping can also entail getting cash from family members either as contributions to the business or as a loan. Although bootstrapping has some advantages such as giving you the freedom to run your business, and reap the profits all by yourself. You don't have to take orders from anyone because you are your boss. Running a business by bootstrapping medium requires a lot of guts, courage, skill, enthusiasm, and passion. These qualities are what builds individuals to become the best in whatever field they have chosen. Irrespective of the juicy and compelling advantages attached to it, bootstrapping has its drawbacks. A business funded by bootstrapping is at the risk of being liquidated if the funds run out. Not to mention that the company might not have the right exposure and growth it deserves.

## ***Government Grants***

Government grants come through the local, state or federal government. Grants help to provide money to support business owners to launch and expand their businesses. Most government grants are not meant to be

repaid, while some are subsidized grants that are intended to be repaid with a certain percentage of interest. The downside to Government grants is that they are accompanied by too many paper works, which can make the process linger for too long. Not to mention the criteria that need to be met such as a business plan and proposal and two to five guarantors. Also, Government grants are quite competitive with too many business owners vying for limited funds. Most times, you need funds to push through most of these grants, and most business owners don't have enough money to follow up their grant application which might be a hindrance to securing the grants.

### ***Crowdfunding***

This is another way business owners garner cash for their businesses. Crowdfunding as the name implies is the act of getting different people to invest in your business. This means getting a small amount of money from lots of investors and using it to start and sustain a business. The investors in crowdfunding are not big shot investors, but a couple of average folks with little cash to spare on investment, which they hope to recoup later in the future. In crowdfunding, business owners run a pitch either in person or via the internet to a group of randomly selected audience. Interested and impressed folks will then contact the business owner to talk things further, and invest in the business. The merits of crowdfunding include having lots of people respond to you fast. Not only that, it is an avenue to measure the public's response to your business idea. The number of reactions and response you get from investors is a yardstick to measure how far your business has gone or will go, and also view people's perception of about it. In the same vein, crowdfunding can be the death of your business idea, if you don't get the required and stipulated amount of money you need for the business. Moreover, this can cause other investors to withdraw their quotas which leaves you back at square one. Another downside is that there is the possibility of other people stealing your business ideas, and at the same time not investing in your business.

### ***Angel Investors***

Angel investors are rich and wealthy persons who have the money to provide capital and invest in businesses, intending to own some shares of

the company, or as convertible debt. Some of the advantages of angel investors include:

- Angel Investors are experienced business people, who have the right knowledge about whatever business they are investing in. This means that not only are they investing their cash, they are also bringing their business acumen along.
- They invest a significant amount of money, much more than you can own as an individual. Angel Investors tend to fund a business to a tune of \$25,000 to \$100,000 at the inception.

Some of the disadvantages of Angel Investors include:

- Angel Investors might want to exert too much control over your business, which you might not be able to disagree with, due to the large hold they have on your business. They might want a seat on the board of directors and tend to control and supervise the management of the company.
- Getting an angel investor is not an easy task, because most of them don't stay in the public's eye; it is quite difficult to know them or even associate with them.
- It takes lots of time and scrutinizing to find them.

### ***Getting a Commercial Loan***

This is the last resort for most real estate investors or business owners. After running back and forth, and weighing many options without success, a commercial loan can be an option.

A commercial loan is the type of loan business owners gets from financial institutions. Commercial loans are usually for a short-term (from 30 days to one year), secured (backed by collateral) or unsecured, and are often advanced for financing equipment, machinery, or inventory.

When business owners come up with a business idea they know they can't fund through any other means, they contact the bank to apply for and secure a loan to launch their businesses. In starting the company, the cash gotten from a loan is either used in purchasing the necessary equipment or hiring the necessary workforce for the smooth running of the business. For existing businesses, the credits are sometimes used to either expand the



business, hire more employees, renovate the business, rebrand the company, or purchase new and advanced equipment for the business.

This loan is a kind of funding that requires a refund of the capital given, in addition to interest on the side within a stipulated period. The interest and duration of time given to you is mostly dependent on the bank lending, and the type of commercial investment loan you are applying for.

There are different types of commercial loans available for business owners, and they are:

- **Unsecured Loans:** These are the loans that are given to business owners who are not strangers to the financial institution. If your bank knows about your business and is convinced that you won't default in paying back, then you can be awarded a loan without collateral. Start-up businesses are not qualified for this type of loan because it requires a long-standing relationship between the company and the financial institution.
- **Secured Loans:** These are the loans tied up with collateral. This is the type of loan that might be made available to a start-up, that is trying to patronize the financial institution or businesses that have not been doing well in repaying loans in the past.
- **Line-of-credit Loans:** These are short term loans that cover little things in the business, such as payment of workers, and purchase of cheap tools used in the industry. This type of loan has the lowest interest rate and can be paid back monthly. Although you can pay the principal loan when you want, it is advisable that you pay up both before the time given elapses.
- **Traditional Term Loan:** This type of loan covers both long and middle term loans. These loans are not favorable to start-up businesses. Traditional loans start from the range of \$5000 - \$5 million and are meant to be paid back between one to five years at 6 to 30 percent interest rate.
- **Short Term Loan:** This type of loan favors start-ups and small scale businesses with little or no credit statement. This is one of the fastest loans to secure. Short term loans start from \$2,500 to \$250,000 and can be repaid within three months to a year and a half at a 10 percent interest rate.

- **Equipment Loans:** This type of loan is strictly meant for businesses who need to purchase pieces of equipment to expand their activities. It is quite easy to secure, all you have to do is contact the seller, who would in turn partner with your lender in supplying the equipment. Your lender pays on your behalf, and you get to pay your lender back. This type of loan doesn't require collateral, as the equipment itself serves as collateral with your lender. When you default in paying, the equipment will be seized by your lender and sold to recoup their money.

There are lots of things a business owner needs to consider and do before proceeding to secure the loan. Some of them are:

- **Draw out a business plan:** This is for startups. A business plan shows that you are serious with your business. A business plan helps to define your goals and aspirations for the company, it shows whomever you want to get a loan from, that you know what you are talking about.
- **Know why you need the loan:** There are some funds that you do not need to get from a bank. Funds for little investments can be handled by the business owner or with the help of family and friends. This is why you need to figure out the reason for the loan. Knowing the reason will help you figure out the impact the investment can have on the growth and advancement of your business.
- **Find a suitable bank with the best loan plan for your business:** Not all banks have profitable loan plans that can fit all business sizes. So, you need to search for the bank with the best plan. Do your homework well on which banks with the highest and lowest interest rate. After making your decision, you need to ask questions and check for the different types of loan available, then choose the one that favors your business.

After doing the necessary homework, the next point of action is securing the loan. Obtaining a loan is not an easy task; in fact, it is one of the scariest experiences any business owner has to go through. A weak business owner without a strong psychological backing and financial knowledge cannot secure a loan from the bank successfully. Before you apply for a business loan, you need to familiarize yourself with the bank

and its officials. You also have to be ready to open an account with the bank because this is one of the basic requirements for securing a loan from a financial institution. If it is your first time with the bank, you will have to credit the account with a substantial amount of money and wait for at least two to three months before applying for a loan with the bank.

Some of the significant requirements needed to secure a commercial loan are:

- **A consistent inflow of cash:** Having a steady source of incoming funds will serve as good leverage for you. Once the bank sees that you have money at your disposal, it would be effortless for them to consider you.
- **Proper documents:** A loan securing process requires you to go along with documents like a business plan, business certificates, tax records, bank statements, cash flow statements, personal details, and document of collateral.
- **Collateral:** Collateral is an essential factor in a commercial loan application. Collateral is what you provide as a guarantee that you will repay the loan obtained and if you fail to repay the loan as at when due, the collateral stands as the payment of your loan. Your collateral has to be a substantial item or property that can cover the loan you are requesting. Once you have a property that is equal to the amount of credit you are applying for, you are on your way to obtaining your loan.
- **A strong application:** When you have presented your lender with the essential documents, you go ahead to submit your application, and wait for a favorable response. An affirmative answer will come if you have put all your documents in order, and you have the right collateral to back it up.

The procedures as mentioned above apply to both start-up and existing businesses.

## **Commercial Real Estate Loans**

A commercial real estate loan is different from a commercial loan. Although you can take a commercial credit to invest in real estate the

commercial real estate loans are much better because the conditions are tailored to suit the real estate world. Commercial real estate loans are like mortgage taken on a house. You can buy or renovate the property with this loan. When it comes to commercial real estate loans, it is required that the business occupies at least 51 percent of the property. If the company does not plan to occupy the building, it is advisable that an investment property loan is taken instead.

Properties like an apartment building, malls, office buildings, restaurants, hotels or industrial properties can be financed through these loans. There are varying terms and rates on these loans depending on the property in question. For example, some commercial properties require between 10 to 50 percent down payment with the balance repaid within the space of 5 to 25 years.

### ***Types of Commercial Real Estate Loans***

There are various commercial real estate loans. We will take a look at the common loan option for the commercial real estate market.

#### **SBA 7(a) Loan**

This type of loans can be used to buy lands, buildings, build a new property or repair a building so far the owner will occupy the property. An SBA-affiliated lender can lend out up to \$5 million through this scheme. The interest rates can be fixed or flexible or can be an arrangement of both. Terms for repayment can be as long as 25 years. Repayment of these loans is usually spread out meaning a fixed amount is paid every month until the loan is paid for. The interest is mostly based on Wall Street Journal Prime rates.

#### **SBA 504 Loan**

The SBA 504 loans can extend to long term equipment purchases. 504 loans consist of two types which are composed of the one from a financial institution for up to 50 percent or more of the amount and one from a Certified Development Company (CDC) which offers up to 40 percent of the money. The borrower will be responsible for funding up to 10 percent as an initial payment. The interest rates for the CDC options are fixed and based on the U.S Treasury rate while the interest rate for the bank option is usually variable. The maximum term for the loan is 20 years provided you

are using it to buy real estate. These loans are sufficiently spread out just like the 7(a) loans.

### **Traditional Commercial Mortgage**

Commercial real estate loans are provided by lenders and most banks for properties that will be used for offices, industries, retail hubs, and multi-family divisions. Most times, the property has to be occupied by the owner. It is similar to a residential mortgage where the loan is secured by the purchase of the property. The loan terms are usually dependent on the lender. The repayment can be spread out for as long as 25 years with the loan-to-value ratios at 70-80 percent. Some other banks can have an interest-only loan with a repayment time of 10 years with a loan to value ratio at 60-65 percent. This type of loan is typically harder to get than other types of commercial real estate loans. This is because banks always want borrowers with a good credit score and a strong business. Most times, the interest rates are within percentage points of a prime rate.

### **Commercial Bridge Loans**

These type of loans are usually used to hold up the property until a long-term loan can be secured. Most times, the lender for the long-term loan can also be the one to finance the bridge loan. Bridge loans are usually for a short period, mostly between six months and two years. Furthermore, these loans are generally not amortized, and the interest rates are higher than usual as well. That said, the flexibility of the credit is dependent on the lender. Most lenders do not use a general approach but rather assess the current situation to make their decisions. One of the advantages of a bridge loan is that it requires a little down payment, most times between 10-20 percent while some other loans require as much as 20-35 percent. Another advantage is that it is usually faster to get compared to other real estate loans.

### **Soft and Hard Money Loans**

Hard money loans are very much like bridge loans. The significant differences between them are that hard money loans are made by private companies and have very high down payment terms. Other similarities between the two are short terms of requirements, interest- only payment and high-interest rates. Another advantage is that the qualification requirements are more relaxed than that of a traditional mortgage. Sometimes, they can be funded faster than a bridge loan.

Soft money loans is a combination of hard money loans and traditional loans. Soft money loans are not usually easy to secure unlike hard money loans because it focuses more on your credit score and your proposal strength. With soft money loans, you will enjoy lesser interest rates, cheaper down payment, and longer durations. They are usually quick to get and is a good deal for borrowers who want to purchase a property as fast as possible and also enjoy good rates.

### **Conduit/CMBS Loans**

Conduit loan is when commercial mortgages are put together and then retailed to investors at a secondary market. These loans are very different from more traditional-type loans. That said, they have more security. A few other differences include the prepayment options and the flexibility in negotiating the terms of the loan administration. The least amount that can be borrowed varies from \$1 million and \$3 million. The repayment options for most conduit loans can be spread out between five to thirty years, and a fixed monthly rate will be paid every month until the end of the loan term. The interest rates are usually set and lower than that of the traditional mortgage.

### ***Advice for Procuring Commercial Real Estate Loan***

- **Be hopeful:** Sometimes, loan applications can be turned down by lenders for no just reasons. You might have all the required documents and still not get the loan. Securing a commercial loan might be in your favor, and might not be in your support. Hence, you have to be confident that your application will be favorable.
- **Have a backup plan:** If your application goes out through the back door, don't give up or cower in defeat. It would help if you had a backup plan for your business. If you have tried other means of getting funds without success, and a commercial loan is your final resort, then you go back home, re-strategize, and go to another financial organization and apply. If the bank was your first point of call, good for you, as you can go through other means of getting funds for your business, if you have folks you can get funds from, this is the time to talk to them, and pitch your business to them, and ask for financial aid, either as a loan or a gift. If that doesn't work, you can move ahead to applying for government grants and funds. It is free money that doesn't

require you to pay back, neither do you have to pay interest on it. If that doesn't pull through, due to the numerous paper-works and stress, you still have the option of bringing in external investors into your business, either in the form of Crowdfunding or Angel Investors.

- **Document everything:** It is often said that “a faint pen is better than the sharpest memory.” Do not underestimate the power of record keeping. If you need to agree with a partner or a family member, do not hesitate to write it down and have both parties sign. Also, read every clause, word or phrase when you are handed a contract. If you do not understand, get someone who does. In doing this, you will avoid being blindsided in a deal.

# Chapter Five: Getting Clients

Starting up a commercial real estate firm can be a great business move, but what makes it successful is your ability to get clients to work with you which is not as easy as it seems. When you decide to start up a career as a commercial real estate agent or broker, you need to put in lots of efforts, patience, and consistency. You need to look beyond just assisting people to buy, lease and invest in commercial real estate. The truth is anyone who wants to succeed in the commercial real estate market needs to get clients who will help them up their game and make a difference in the market. Commercial real estate is a competitive business, but it has more than enough opportunity for everyone because more people want to sell their properties for commercial purpose and more people also want to invest in this commercial property daily. This is why you need, or you will end up rubbing yourself off the opportunity of building a successful career in the commercial real estate market.

Some of the things you need to do before thinking about getting clients are to understand the market, the assets that define your neighborhood, and think of ways to generate new leads to help build your client base.

Here are a few tips to help start landing clients for your commercial real estate firm:

## ***Identify Your Ideal Client***

It is a lot easier to look for clients when you know your ideal client. If you don't know the type of client that you need, then you might end up being confused about where or how to start getting clients. So, it is always better to have a clear picture of your kind of client in your head. Think about what your potential client might likely love, think about what makes them happy, sad, or scared and think of ways to make their lives a lot easier. Avoid making broad target market statements and instead focus on getting your ideal clients.

## ***Have the Right Attitude***

Having the right approach when trying to get clients is the key to success in any form of business. As a commercial real estate agent, you need to have



the right attitude- be social. You also need to network all the time, which means you need to be outgoing and open with anyone you meet especially when you attend functions. However, it would help if you were careful because too much of everything is bad, so once you notice that you're too much or you're beginning to be a nuisance you have to withdraw.

### ***Market Yourself***

People love to invest in people they can trust because buying a commercial property can be a big deal. They always try to look out for agents who possess the right qualification they can deal with. So, before you begin to search for clients to market your product to, your profile needs to look good, and you should be able to market yourself in an excellent way that will attract the potential client to you. You need to sell yourself as a person alongside your properties because every potential client is also looking to know if they can trust you first, before trusting your firm.

### ***Social Media Platform***

Social media platform is an excellent strategy that can help you reach out to your target audience. With the use of social media platforms, you don't just find your clients, it also helps your clients to see you, but you need to come up with an excellent social media strategy that will make it easy for your clients to reach out. You need to be consistent and deliberate so that your approach can pay off. You can't randomly post on your social media platform. It would help if you thought about your audience, the demographics they fall into, and the particular platform they use. Don't forget you are trying to reach out to your ideal clients, so being active on the same social media platform as them is of utmost importance because most people don't have time to read newspapers or magazines these days when they can get every information from the internet. Reaching out to potential clients on social media platform is not very difficult; you have to build a strong social media page and try to get as many followers as possible.

For the commercial real estate niche, LinkedIn is the most popular platform to get real estate clients. You get to meet top businessmen and women who also advertise their goods and services on LinkedIn. LinkedIn is a platform built specifically to enable people to build strong business

relationships. It's a freeway you can use to connect to a broader audience, and it connects people on a professional level.

Most of the things being posted on LinkedIn are always business related, and this is what makes it the perfect platform to build your business on. The LinkedIn platform works closely with twitter or Facebook, but for you to be able to reach out to potential clients on LinkedIn, you have to make sure your profile is really impressive. It has to include your educational background, skills, and relevant work experience. You can decide to create a company page where you can have your company's profile and also post a current blog post that attracts people and can eventually drive traffic back to your website. There are groups on LinkedIn that you can always join and make advert post there. However, you need to be active, persistent and be ready to share your knowledge and expertise. Instagram, twitter, and Facebook are also handy tools that you can use to get clients. You do not need to be active on all four social media platform, decide to pick one or two and be consistent in posting.

Another important thing that could attract good clients for you is your content. You might feel you don't have enough material to post all the time, but all you really have to do is post your current property listings, testimonies from deals you've closed both in the past and recently, photos from your office events, news from tbs local market, and links to your blog post. You can also share articles from other sources on your page that might be useful to your potential clients. To reach a wider audience, you can also tag other people or companies in your post that can help you share your post.

Another social media strategy is to engage your followers if any of your followers shows interest in your post or dropped a comment on your post, then you should be kind enough to reply to them. Try to follow other people, like, comment and share their post also, this way you will build a robust online community.

Do not forget to keep as professional as possible when trying to be social with your followers. You should have a strictly business account, have a professional bio and display picture. Include information like work email address, phone number, and office address so potential clients on your platform can contact you when they need to.

Recently, blogging has almost taken over the social media platform, because you could get thousands of viewers reading your blog post monthly

and following you consistently and this can turn out to be the best marketing tool for your commercial real estate firm. It is common for most people to turn to the internet when they are in search of information, product or services, and when they search on Google, they usually don't go beyond the results listed on the first page. When you have a blog, and your posts include specific relevant keywords that show up on Google's first page, the search engine optimization is likely to bring out your post when potential clients search for a commercial real estate agent online. What this means is that search engine optimization is an equally important tool for getting clients in this day and age. Updating your blog posts consistently helps you reach new leads, and that's what makes the search engine great. Creating a blog of your own is cheaper compared to adverts on magazines, newspapers, and trade publications. With a blog, all you need to pay for is your web hosting and domain annually.

When you decide to combine both social media platforms and blogging, your potential audience increases, for example, after writing a blog post about the current commercial real estate market news, you can share the post on your social media platforms, tag some of your followers who can share the post on their platforms. Your post will keep spreading until it gets to your potential clients who might finally contact you for business deals.

### ***Create Graphics, Guides, and Charts***

Creating the best commercial real estate marketing plans includes graphics. You can decide to use online resources for your designs or hire a professional graphics designer to generate attractive graphics and charts for your blog and social media platform. It should not be just any kind of graphic, you have to make sure it explains something about your commercial property to your potential clients, and it should also demonstrate the best parts of your local market.

### ***Film a Detailed Video about Your Firm***

Another good marketing strategy is to use commercial real estate explainer videos to make your business different from others. With the help of videos, you can explain the benefits of investing in commercial real estate to your audience, make them understand what they stand to gain from it and explain to them why you are the right person to help manage their investment in the

commercial real estate market. These videos go a long way in relaying your value to potential clients.

### ***Build a Website***

A website usually contains very detailed information on a company's profile. Commercial real estate websites should also provide information about your commercial property with lots of pictures to go with it. When you create a blog post and include your site in it before posting, potential clients can view the post and if they find it attractive, pick an interest and contact you through your website.

### ***Networking Is Key***

Your group of friends and colleagues matter in real estate. You have to be acquainted with people you know can afford your kind of properties. Even if they don't need one, there is every possibility they will be connected to someone who might need one. Keeping them informed about being a commercial real estate agent or broker is an excellent way to get clients.

### ***Become a Member of the Business Community***

As a commercial real estate agent or broker, you have to be a recognizable and active member of any business community around your neighborhood. This is simple logic. You don't need to talk too much; all you need to do is always go to meetings with your business cards and hand them out to other members of your business community. Eventually, someone might decide to invest in the commercial real estate market. You don't just stop there, you need to find a way to be an active member, and when you get the opportunity, talk to your group members about the benefits of investing in commercial real estate and what makes it more profitable than the residential real estate market. Once you do this often, you will get one or two persons who will show interest in investing in the commercial real estate market.

### ***Keep Tabs on Upcoming Companies***

Upcoming companies are always likely to get new properties and expand when they are making progress in their businesses. When you mingle with

the business community in your neighborhood and pay attention to the local news, you can always be informed about local companies that are expanding. You can set up Google alerts that will let you know when there's a new post from potential clients. Also, try reading the local listing of upcoming companies you can work for, and keep tab of their progress and when you feel they are ready to acquire a new property for their office, you can contact them and introduce yourself to them.

### ***Prepare Yourself for Action***

You need to be confident enough to talk to potential clients and close deals with them. You should know your company's profile well enough and ensure you get the proper documentation to back you up. This goes a long way to show your potential clients how competent you are to handle their investment when they finally decide to invest. You can also choose to look out for an experienced real estate agent who can put you through the ropes of commercial marketing properties and how to get clients. Getting clients is one thing. Convincing them to invest with your firm is another, this is why it is essential to get familiar with the process it takes to invest. Furthermore, it is essential to have every document of any commercial property you want to market, so when you eventually meet a potential client, convincing the person to invest will not be a problem.

### ***Take Advantage of Broker Leads***

Most commercial real estate agents usually work under a broker, so when you are searching for a commercial real estate firm to work with, try to search for those that offer broker leads to its agents as this is an excellent way to get free leads. The broker is likely to keep you in the office at first which allows you to meet people, talk to people on the phone and market your property to them; this will help you build a strong client base early in your career.

### ***Get a Mentor***

Most brokers are successful, good at their jobs and know what they want. They are also full of knowledge that can boost an agent's career. Get to know some top brokers, find the one that you respect and admire, try to

form an understanding relationship with them, and ask the person to mentor you. Offer your support to their team when the workload is too much on them. As time goes by, this person is likely to include you in deals, and give you access to meet potential commercial real estate clients.

Getting clients in the commercial real estate market can be slow and discouraging sometimes, but you don't need to feel discouraged. All you need to do is to persist and be resilient because once you are able to pull off one deal successfully, it becomes the beginning of many more deals to come for you.

# Chapter Six: Mistakes to Avoid When Investing

The amount of time, effort and risk involved in investing in commercial real estate investment is what makes it significantly different from investing in residential properties. Commercial properties have higher returns on investment, their leases are for more extended periods usually 3-5 years, and the tenants tend to maintain the property and pay the taxes. Your ability to maximize investment depends on the commercial investment you choose whether retail property, industrial property or office spaces. The following are mistakes to be avoided when investing in commercial real estate.

## ***Failure to Delegate***

Investing in commercial properties can be extremely time-consuming. This is because these properties are more extensive and busier than most residential homes. As an investor, the way to avoid this is to delegate to relevant professionals who would, in turn, do the daily running of the estate and make the proper returns. When this is not done, the investor is headed for a burnout. Investors should try not to shoulder it all alone because it is entirely ineffective.

## ***Purchasing Property in Your Name***

This is a common mistake that may incur liabilities in the future. When buying commercial property, it is advised you do it in the business' name or your company name, so that you will not be held personally liable for any damages incurred.

## ***Limited Space***

It is more advisable to have excess space than run out of space. When purchasing a property for a growing business, it is safer to err on the side of excess by buying a property that has room for expansion when the need arises because if it is smaller, it could pose a problem in the future. You

would suddenly need to consider moving to another location because of space constraints, and it could involve losing clients.

### ***Do Your Due diligence***

When an investor neglects to conduct proper research on the property, the vendor, the target area, the civic amenities and the environment as a whole, it can spell doom. When purchasing or investing in commercial properties, it is advisable to investigate prior uses of the property to avoid investing in properties that are not suitable for the purpose intended. Ask questions, is the area flooded? Are there prohibitions for certain kinds of businesses? Is there a market for the business? Take time out to conduct due diligence on the property so as not to invest blindly.

### ***New Businesses***

It is best to avoid buying properties for relatively new businesses. This is because the company is premature financially for that level of commitment and you might have to draw from your pocket.

### ***Licenses***

For a building to be used commercially, there are always licenses to be obtained, and this could be a clog in the wheel of progress when they are not received. Do not assume that the property complies with tax payments and licenses. Ensure this is checked to avoid incurring additional expenses. Similarly, there are areas in which individual businesses are prohibited, and this might pose a problem for the investor. This should be checked out thoroughly.

### ***Location***

When investing in commercial real estate, the area of the property is essential for the business and consequently for the return on investment. When searching out the location, take into consideration the target market for the company, parking space, access to public means of transportation, the proximity of residential quarters and the security level of the area in question. The question to ask is what kind of environment would be suitable for the business. Another reason the location is of immense importance is



the need for liquidity in the long run. Buying a property in a less desirable area reduces your chances of selling the property in the future.

### ***Buying the Wrong Property***

This is another mistake investors tend to make. Commercial properties tend to be vacant for more extended periods than residential properties; therefore make sure you buy the property that is best suited for your business.

### ***Inspection***

Before investing, have the property thoroughly and adequately inspected. The mistake here is assuming that the property is in a viable condition. When the property is checked before the investment, all repairs whether electrical or structural may be repaired by the vendor or leveraged on by the investor during negotiation.

### ***Undesirables***

Avoid buying a property that no one wants to rent. Before purchase, ensure it is a property that tenants would love, conduct a market survey, and advertise if necessary so as not to lose out on your investment.

### ***Economic Conditions***

Commercial properties are affected by economic conditions. For example, when the economy recesses, people tend to cut down on spending and this affects the market for commercial properties. It is therefore advisable to aim for tenants that are financially comfortable to avoid vacancies or excessive debts during the recession, preferably the corporate ones.

### ***Buying Too Many Units***

Commercial properties bear the risk of being vacant for long periods. It is advised therefore to avoid buying properties with endless blocks of units because there is the risk of stores lying vacant.

### ***Lack of Underwriting***

The mistake usually made here is not underwriting the vendor and the current tenants in the premises. It is necessary to gather data and to understand your liabilities further. Understand why the vendor is selling so you don't run into problems. It may be offered for sale because the market is not favorable. You need to find out if all the tenants are in one industry or different ones if they are all in the same industry what happens when there is a downturn in that industry? Does it have a significant impact on the investor? The leases of all tenants also need to be reviewed as well as the investment documents in order to understand the commitment of both parties fully.

### ***Not Consulting the Right Professionals***

As an investor, when you refuse or neglect to consult the appropriate professionals, you risk investing blindly. There are risks involved in commercial real estate and investing in its demands that the right persons are consulted. Ranging from the lawyer to the property managers to the estate surveyors, they know more and therefore should be appropriately utilized. The property should be appropriately valued to avoid selling short at liquidation.

### ***Underestimating the Competition***

Do not underestimate the nature of competition centered on the property. Find out what makes them better if they are. People tend to go for the better option when given a chance irrespective of loyalty.

### ***Failure to Have an Investment Strategy***

Do not buy a property without having plans for it. Do not invest without a plan. It is often said that he who fails to plan plans to fail. When investing, do so with a plan and understand that liquidation is inevitable. There should be a strategy in place to calculate your cash flow and determine your goals for the investment. For example, a retiree or a person advanced in age may require a steady income flow whereas a young person may want to be more adventurous and less predictable with his income. A plan will set the ball rolling for either of the choices preferable to you.

## ***Buying With Your Heart***

Do not allow your emotions to get the best of you. When purchasing a property, take into consideration surrounding factors and refrain from falling in love with the location or the property itself.

## ***Quick Fix***

Investment is not a quick fix to all your financial problems. Real estate only appreciates with time so be patient. You need to understand the local market for real estate to know the growth rate. Do not expect so much in a short period.

## ***Investing Blindly***

Do not invest without fully understanding the process. This could pose a problem long term when you cannot take decisions that have to do with the investment.

## ***Property Management***

Do not underestimate the importance of property management. This is common, but a property that is appropriately managed ensures a higher return on investment.

## ***Understanding Risks***

Failure to understand the risks involved in commercial real estate investment is another mistake. The risks differ according to the size of the properties involved. A lesser risk for smaller properties and vice versa.

## ***Partnership Agreement***

When investing with a group of individuals considered partners, ensure that a proper partnership agreement is drawn up. Yes, it is more profitable to pool resources together to invest in real estate; however, do not wing it or enter into a gentleman's agreement. Each of the partners must have clearly defined responsibilities in the contract to avoid assumptions.

## ***Aligning Goals***

In investments of this nature, it is necessary to understand that the aim is to grow the businesses of the tenants in the property; therefore, decisions must reflect the investment goals as well as be profitability for the businesses in your property. Do not make unilateral decisions.

## ***Accountability***

Do not fail to properly account for your costs and expenditures as this may eat deep into your profits. Every expenditure must be documented appropriately or recorded for reference purposes. Operating expenses which is basically the cost of running the property monthly and yearly should be calculated.

## ***Seeking Help***

Do not hesitate to seek help. When you decide to invest in commercial real estate, ask the opinions of experts so you can better understand the market and which areas you are more likely to bring more substantial returns on investment and those that will not. Moreover, when you do make a mistake, do not hesitate to ask for help from experts around you.

## ***Understanding Assets***

In commercial real estate, there are different ways of dealing with various assets. Whether it is retail, industrial or office space, each has a management procedure and should be treated differently from the other. Understanding your assets determines your level of returns.

## ***Repairs***

Where you do not make the right choices, you will end up investing in the wrong renovations. The proper repairs include minor structural and electrical repairs, but when you have to repair a faulty foundation, it is advisable to take up a different property instead.

## ***Hiring***

When hiring contractors or persons to work on the property, do not go for the cheapest option. Instead, go for the contractor with experience and the best referral. This is to avoid the use of inferior qualities that may be a problem in the future.

### ***Overleveraging***

Where money is borrowed to engage in real estate investments, it is advisable not to over-leverage on the surplus of such monies; instead, it should be left in reserves to cater to diverse situations.

### ***Exit Strategy***

For every investment, there must be an exit strategy. This includes questions like how much money will be made in estimation, when it is suitable to pull the plug, how to access the profits made and how to pull out. An investment without an exit strategy is tantamount to zero plans.

### ***Overpaying***

When trying to find the best property, desperation can set in, and at this phase, buyers have been known to overpay when they come in contact with a house that is close to what they desire. This can plunge investors into huge debts. Understand that there will always be choices in the market that best suits the business and do not be anxious.

### ***Ignoring Tax Planning***

Do not overlook the planning and payment of adequate taxes as evaluated. Bear in mind the tax commitments that come with selling a property, and this should be weighed appropriately.

### ***Generalizing***

It is pertinent to understand the difference between the commercial real estate investment and others like residential estate investments. They are not similar, and they have separate returns on investment with distinct levels of risks involved. Therefore knowledge of one does not translate to an understanding of the other.

## ***Alienate Personal Assets***

When investing in such businesses, the need to alienate personal assets from that of the investment or business cannot be overemphasized. This is so that you do not incur the expenses of the company and the business doesn't eat into your personal assets. Differentiate the two.

## ***Property Type***

A mistake to avoid is buying the wrong property type for your business. Be sure of the kind of business you intend to run to purchase the right type.

Lack of proper financial structure

Before you dive into commercial real estate investment, there should be a decent line up of the economic structures that will secure your assets where a problem arises. Do not borrow less in fear of inability to repay the loan. Seek proper advice from the experts.

## ***Budgeting***

Another mistake people make is poorly calculating their budget. This usually stems from underestimating the costs and overestimating the profits involved. The best thing to do is to make provisions for unforeseen circumstances.

## ***Taking Advantage***

Do not ignore or turn down resources or help from either your real estate agent or any other expert. Grab every offer like a lifeline because you certainly don't know what's best. It is easier and less stressful to depend on the knowledge of experts and learn from their past mistakes and experiences.

## ***Biting Too Much at Once***

Another mistake new investors encounter is engaging so much all at once. Typically they want to involve themselves over and over invest. It is advisable to tread with caution and not to put all eggs in one basket. Diversify but keep it light, there'll always be more investment opportunities.

## ***Underestimating the Work Involved***

Commercial real estate investment consists of a lot of work. It is not like buying shares and expecting the stocks to rise while you rest at home and watch television. It involves rolled up sleeves and the ability to solve problems ranging from bankrupt tenants to plumbing problems. Most times investors do not know what they signed up for.

## ***Selling Short***

Usually, in commercial real estate, investors make use of different financial structures to fund their investments. It is essential to make the best deals possible with these finance houses. They must be flexible enough to accommodate circumstances unplanned for. Therefore even when there was time fixed to liquidate and probably sell off, you wouldn't want to sell off an asset in a season that business is going smoothly all because you have prior commitments. So, find the financial structure that has the investment business' interest at heart. This is so you don't sell short.

## ***Investors***

Do not hold off on your fellow investors. It is advised that where your financial structure is a partnership, you should treat them right. Invest their monies so they can start receiving profits on them, and pay as at when due. Try as much as possible not to lose money.

## ***Rental Capacity***

When searching for the right property to invest in, be mindful of seeking out the mental capacities of the property in question. Where you want it to be for mixed-use, do a market survey to understand better what would sell and where it would sell better. Some properties are more of industrial layouts while others can be used for retail purposes.

## ***Screening Your Tenants***

It is imperative for commercial property investors to take time out and get to know their tenants. You need to understand their businesses and the potential it has in the neighborhood of the property. You need to check their

financial history and commitments to know if they can pay the rent throughout the period of the lease. It is important to screen your tenants to avoid ejecting tenants and losing out when there is an economic crisis. Do not accept just any tenant because it is perceived as income.

### ***Selling in Distress***

When the property depreciates, avoid selling in distress. There will be times when due to the economic recession, the market will experience a downturn. It is advised that despite the downward plummet of the market, do not sell your property. Unless you are in a financial dilemma, hold onto the property because it is bound to appreciate again.

### ***Treat Tenants Right***

It is advisable to treat tenants' right. There will always be better properties at better prices, therefore take the edge off and maintain your tenants. Create incentives that will make them stay so that you are not left with an empty property with many bills to pay.

### ***Don't Buy Cheap***

When searching for a property, don't readily decide on one just because it comes with a cheap price. The value of properties appreciate and depreciate depending on the market, and as such if it is low today, it can rise tomorrow. Check out properties which will bring stable growth in the long run.

### ***Understand the Market***

As an investor in commercial property, you need to understand the local market so you can use your capital efficiently. This is so you do not buy when you are to lease and lease out at the time when buying would have been the best deal. You need to take informed risks that can bring a more significant return on your investment.

### ***Pay Attention to the Contract***

A typical mistake investors in a partnership make is not reading the contract agreement. This is risky because there are clauses that are included in these



agreements that could be detrimental to the investor if not read, understood and subsequently edited. The same goes for negotiations between the investors and the finance houses. These agreements need to be read and digested fully to avoid surprises springing up in the future. Once your signature is appended on a document, it is presumed that the owner of the signature has understood it and he cannot in the future deny it.

Investing in commercial real estate can be tricky for a novice, but with the right consultations and professionals to guide the process, it can turn out very profitable. Investment takes time, and it shouldn't be seen or perceived as a fast way to make money. Once your financial structures are in place, with the right strategies, you will get returns on your investment.

# Chapter Seven: Secrets to Make It Big in Real Estate Investment

Did you know McDonald's is a global multi-billion dollar company not just because of the Big Mac but because Ray Kroc saw the massive potential in real estate investment as well? It's no news that the real estate investment sector is one of the fastest growing money-making ventures around the globe. Investing in real estate has a high potential for building wealth because your income never stops flowing as a result of your most excellent investments.

Many people view commercial real estate as a costly business to break into, where you need nine figures in your account before you could venture into it. This is the greatest misconception people have about the real estate investment. Anyone could become a realtor; it all depends on the type of solid foundation you get to build. Most billionaires we see around the world today made it through real estate investment, when you take your time to go through their success stories, you come to realize that, they all started with the little capital they could raise at the initial stage, which they invested, and the returns turned out to be something you couldn't even imagine.

Playing your cards right matters a lot in real estate investment. Your ultimate goal while venturing into this sector should be to "make it big." You need to be focused on this goal. Some relevant points on how to navigate the real estate world as a beginner or even as an expert, so in this chapter you will learn about additional secrets that can help you make it big in the real estate world.

When you discover the secrets to making it big in real estate investment, your success story will begin from that very moment.

## ***Build an In-depth Understanding of Real Estate Investing***

This cannot be overemphasized because whatever you do not know can rule over you. So, take your time to educate yourself exclusively on how the real estate investment works. You need to have a piece of in-depth information on it, understand the process, and know the different aspects of it. It is in this stage you identify the strategies of real estate investment, the one that

works. Understand and realize that it's a long term form of investment. You don't expect to get quick returns tomorrow after investing today; it's a gradual process that requires your dedication, hard work, and patience.

You can get this knowledge by reading good and educative books concerning the real estate investment, attend workshops, online seminars, always read contents online concerning this investment, listen to a podcast, read blog posts. These will build your knowledge around what you're about to start up. Like it was stated in earlier chapters, you can also acquire more knowledge by seeking advice and opinion from the highly experienced professionals in this field, you can have a one-to-one conversation with them, and they will drive you through the whole process and enlighten you about the real estate market. Make this bold step of investing in your real estate education, to acquire knowledge and understanding of the real estate investment; this is the first secret to hitting it big.

### ***Have a Clear Vision and a Distinct Mission***

Try to have a mission to pursue your vision. When you look deep into a property, you discover things you can add to it, to increase its value. When you find out those things, it needs you to go on a mission to accomplish them. Don't just sit back after acquiring the property, discover things that can spice it up and make everyone who comes across it to develop a sudden interest in it.

There is always a vision in every possession; this has been the secret key of big time investors. For example, when you purchase an apartment building, as a reasonable investor, you look deep into it, think of what you can do, to increase the value, you could decide to add more rooms to it. Having a vision in real estate investment is highly essential for your success.

### ***Have a Well-structured Plan***

Always have a structured plan; it will help maintain your track. Write it down if you have to so you won't go off the path. Do not just write a vague plan, be specific about it. Set your goals and strategies to achieve them, make them clear to yourself. Writing it will help you become conversant with it. You should always have a plan B, just in case you fall back on your track plan, you can bounce back with your plan B, do not forget that. Be

realistic while setting your goals or making plans. Examine the level you are now, and the height you want to attain within a specific period and discover ways to achieve that height in real estate investment, there should always be a plan if you're going to succeed.

### ***Do What Is Necessary***

You must carry out the diligence required of you before investing in a real estate. This is very important if you want to make it big. Careful examination is needed. There are two main aspects you should apply this due diligence. The first is in the physical element, the latter is in the legal aspect, to avoid mistakes and waste of investment.

In the physical examination, you need to be extremely keen, examine the property inside and out, if you feel you are not doing it right, hire the service of an inspection company. You need to be sure the property is in good condition for buying, in order not to face future consequences. This will determine if you are going for that property or not, do not acquire any property without a proper check-up, you need an investment that will bring good returns.

The attorney is usually in charge of the legal part. All legal documentation, consultations, and contracts should be in check. The necessary legal investigations should be carried out, to avoid any form of property issues in the future. Be extremely careful in these two; this is the top secret in securing your investment.

### ***Secure the Best Locations***

Perform deep research on locations and focus on those with the greatest potential. Do not go for places where the rate of vacancy is at the extreme; this means it's a deserted area, where people do not choose to stay or run their businesses. Go for locations with less vacancy. Commercial properties offer returns in rents and capital appreciation, people are likely to remain there, which makes your rent higher.

Location means everything in real estate investment, you could spend much in an investment, and at the end, and the whole investment appears empty because it's situated in an undesirable area. Always look out for locations with potentials to make it in your venture.

## ***Diversification***

The real estate investment pays off big time, but as i noted earlier, it's a gradual process. You can be a part-time realtor, with some other business of your choice, this makes you balanced, and you don't have to think of when your next income will flow in because it's consistent at this point.

By diversification, you don't have to focus on only one investment; you can acquire as much as you can in different locations, this is a success tip, and you don't have to spend your whole funds in purchasing one property and doing the needful. Diversification leads to success.

## ***Watch Out for Prices in the Commercial Market***

Have an in-depth understanding of how the pricing system operates. Either when buying the property or fixing the prices after acquiring the property. You need to be aware of this to avoid spending more than you should.

Know the method you are using to finance your real estate investment, if the prices are too high for you to afford, you can seek the help of local or mortgage banks for a loan, if that's the finance method you prefer. Make smart comparisons with properties sold recently around that vicinity, compare them with the ones you are about to buy, know the percentage prices, either higher or lower, evaluate and make reasonable decisions based on your available finances.

Be conversant with the market prices in commercial real estate. Understand it, if you don't have a clear view of this you can hire the service of an agent to assist you. This is a helpful tip to earn a great deal of money.

## ***Understand the Metrics***

To be a real estate investor, you need to be familiar with the full range of calculations associated with the real estate investment. Like the Net Operating Income (NOI), the cap rate and the C on C. Be conversant with these metric systems to hit it big in your investment.

## ***The Power of Negotiation***

When you possess this attribute, the art of negotiation, you will earn big. By negotiation you will buy properties at moderate prices, leaving you with

much gain. A large percentage of real estate is based on negotiation; you need to know how to go about this — master the skills and when to use them.

Before negotiating prices you need to, first of all, know how many people that specific property has been sold to before you, they all add their gain on it, and you need to beware so you don't purchase that property at a higher price. Another skillful way of negotiating prices is knowing how long the property has been up for and how many times the seller has failed to auction the property. The seller can sell it off to you at your desired price based on the power of your negotiation because he is willing to sell at any price now. This will leave you with more gain. Try to make the seller understand that you have numerous properties to choose from; this will make him sell at a reasonable price. Also, never show a seller how much interest you have in that property. These are sharp ways to use your negotiation skills, know when to make use of them. Powerful negotiation skill is critical.

### ***Be Focused***

You need to put your focus on the exact thing you want. Maintain that focus even if side attractions come up, or difficulties that will try to make you go off track. Ignore them. They won't last long, stay focused!. Never be afraid of failure. Being focused is more like commitment, devoting your time to your investment. When you are committed to what you do, your success is assured.

Focus enhances productivity. You will fight and scale through what other investors saw as an obstacle. Being focused helps you achieve a lot. After you have set your goals and a laid down plan, you need focus to smash those goals to reach the top.

### ***Networking***

This is another big secret you might have ignored. Even before you start investing in real estate, you need to build your network. This brings success on, with a wide range of opportunities. Present yourself well to people, make sure you are always on the move to meet new people to sell your business to, you have better chances of success in this area. Don't just sit back and expect your clients to fall from the sky, go out there and sell

yourself off, form a type of network with these people. Establish a good relationship with them; it's always about whom you know in the world of real estate investment. Owning assets can also be a great way to establish relationships with clients. The top investors understand this fact, and they don't see it as showing off their wealth; it's just a great way to build relationships to earn more significant profits.

Joining local networking groups with interest in real estate investment is an excellent move to the top.

### ***Be of Good Morals***

This is more like being ethical in your dealings with your potential clients. Avoid complications, be simple, make them develop that trust in you; this will make them spread the word to their friends or anyone they come across in need of your service. You are honest for your good so that you can make more money through your investment. Do not make them feel like you a fraud, always be truthful and be of good morals. They will feel at home doing business with you, this is to your advantage.

### ***Exploitation***

Top investors have attested to this success tip. It's more like leverage. This exploitation comes in different ways:

- OPM - other people's money. Along the line as you progress as a real estate investor, you begin to see opportunities, plenty of it that you couldn't even imagine, the money to secure them is what you need now. This is where you resort to other people's money and pay back later, instead of just missing out on that golden opportunity.
- Hiring the best people is another form of exploitation in your journey to the top. Employ the service of talented, skillful and hardworking individuals. With many workers, more tends to get done, allowing you to work on more secured deals and earning more within a short period.
- Opportunity is another form of exploitation to make use of. Endeavor to make judicious use of every opportunity that comes your way, when you get done with a job, ensure the satisfaction of your clients. This will give room for even more opportunity. Leverage is good, as it will allow you to earn more profits in the long run.

## ***Effective Management***

This type of investment needs proper management, to rest assured it's always in good condition. For it to remain the long term investment, you need to be efficient in your management skills, if you are not good at effective management to hire the service of good companies to assist you. The proper care of that investment should be your ultimate priority to keep getting that income. Your investment should be handled like a business

## ***Cash Flow Income and Rent***

This is how real estate investors make their money; you earn by leasing the building. You are still in full control of this property, and your income flow is regular it never ends that's why proper management shouldn't be neglected to keep the income flowing and avoid spending it on repair for damages.

## ***Property Appreciation***

The appreciation or value of a property increases as time goes on, you can choose to sell the property off at once, instead of holding it in your possession, the returns are massive, and it comes all at once. Appreciation, brings the bucks on, not only by the value it adds over time, but you can also add value to it personally by renovating it. When you renovate a real estate investment, you are free to increase the value of that property.

## ***Marketing Strength and Stamina***

In this new era, of the 21st century, the Internet form of marketing has taken the lead in the advertisement industry. Your market strength should go beyond the media, and it shouldn't be limited to just social media. Have a symbol of identification, when people see this physically they will use it always to identify you and locate more potential clients to you.

Be unique, stand out of the crowd; try to be different. You don't have to be perfect to get your clients. Try different tactics, till you discover the one that works for you the most. Try to be real in your dealing with them; don't try to prove what you are not. Have a particular marketing technique and



symbol of identification that will sell your business off quickly. Your marketing stamina is what you should uphold dearly. Remain significant!

### ***Know the Working Strategy***

When it comes to real estate investment, you generate income, either passively or actively. By passive, you buy and hold on to it, for rent purposes as the case may be. By active, you buy, renovate and sell them off. Identify which form of investment you will prefer the most because both pay off big time.

### ***The Tax Code***

An investor can use the 1031 exchange tax code to sell off investments, and then use the profit gotten from the sales to acquire new properties with higher values. When you keep repeating the process, you will feel like you are exchanging your properties for a new one. With the tax code, you can defer from paying taxes when your profit is reinvested, and this is another secret in earning more from real estate investment.

### ***Pay Down of Loans***

When you acquire properties through mortgage lenders, you pay back to your mortgage lender with interest, the majority of the money the lender collects is the principal. Automatically you save more because the occupants of that property are indirectly paying off your lender the debts you owe, while you get a percentage from it each month. This is one of the primary reasons you need to be careful of the commercial real estate loan you want to secure. Be smart about securing loans. A loan taken wrong can leave you bankrupt.

There are so many other valuable secrets to make it big in real estate investment, like the real estate investment trust (REIT), exchange-traded and mutual funds, private money lending, interest from loans. Real estate investment as stated above, is one of the moving trains. With these laid down secrets, you should rest assured this is what you want to do because you are sure of a massive return on investment. These secrets should be applied in your journey to becoming a real estate investor.

# Conclusion

Nothing comes easy in life, so it is in the commercial real estate world. Everything needed to succeed in the real estate world has been carefully explained above. However, none of these things can work if enough effort isn't put into it. Investing in commercial real estate goes beyond intuition or following your heart. Although, there is also a place for intuition in the business, conducting research and knowing the difference between what the numbers say and what your opinion is telling you is crucial to success.

Hundreds of people have become millionaires through real estate. Donald J. Trump, for example, is from a generation of successful real estate investors, which he has actively continued. The real estate world is diverse; there are different niches you can choose from. Nevertheless, whichever niche you decide to invest in, give it all you've got and strive for the best.

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