

BEGINNER'S GUIDE TO

Real Estate *Investing*



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Benefits of Investing in Real Estate

Cash Flow

You'll have that cash flow you wanted. When you're the landlord, those rent payments come to you every month -- and that's a really great feeling.

Appreciation

Your property will typically increase in value. In a few short years, you'll be able to sell your property for considerably more than you paid for it -- the average annual appreciation ranges from 3-5%.

Improvable Asset

You'll own an improvable asset. With a little elbow grease, you can improve your property, increasing curb appeal and value.

Tax Breaks and Deductions

Real estate investors can take advantage of various tax breaks and deductions.

Build Equity and Wealth

As you pay off your mortgage, you build equity which you can use as leverage to buy more properties and continue to increase your cash flow and wealth.

Things to Consider

- Unlike other investments, purchasing real estate can take months to close.
- You need money to invest in real estate and you need to consider the ongoing expenses once you own the property including vacancy and non-paying tenants.
- This will be a long term investment. You can't quickly liquidate your property for cash since it will take time to sell.
- Tenants can be problematic.

02 | HOW DO REAL ESTATE INVESTORS MAKE MONEY?

If you're thinking about adding "real estate investor" to your resume, you want to know the clearest and quickest path to a profit. So while you've got to be ready to ride the market's highs and lows, here are a few common ways investors make money month after month:



1. Long-term residential rentals: People will always need a place to live but keep in mind, location is everything when it comes to real estate. Seriously, everything!

2. Lease purchase: Lease purchase is a smart way to get involved without having to put up significant capital. Plus, if you lock in when the market is climbing, you can potentially purchase later with built-in equity.

3. Home-renovation flips: Thanks to the popularity of home renovation shows, no explanation is needed for this one (Think Fixer Upper, Flip or Flop?, and Love It or List It).

4. Short sales: A short sale is when a homeowner is behind on their mortgage but not yet in foreclosure. This can be a great opportunity for some savings but beware, short sales must be approved by the bank and can take a long time to close.

5. Vacation rentals: Investors can make some serious income from vacation rentals -- especially if the property is in a hot, in-demand tourist area.

INVESTING TIP:

Start small, stay steady, and seek advice from more seasoned investors.

So you've decided to invest in real estate! The next question you'll need to answer is the type of real estate you want to pursue. As a new investor, you've got three main options: residential, commercial, and land.

- Residential includes single-family rentals, vacation rentals, small multi-family properties, and fix-and-flip homes.
- Commercial includes retail and office space, industrial warehouses (huge right now!), and large multi-family properties.
- Land includes investing in land for commercial, residential, farming, mining or oil and gas use.





- Do aim for at least a 15% return on investment.
- Do look for homes priced in the low end of the median price range.
- Do look for 3-bedroom, 2-bath single-family homes for rentals or flipping.
- Do focus on one neighborhood or area.
- Do purchase rental properties close to your home if you plan to manage them yourself.
- Do use one real estate agent to help with all your buying and selling needs.



- Don't purchase a second property until the first is earning revenue.
- Don't buy properties that you wouldn't want to manage, even if you plan to use a property manager.
- Don't buy a home that you cannot afford to carry for several months in case of a slow market.
- Don't buy a home or condo without having inspections performed.
- Don't buy without title insurance.
- Don't buy more properties than you are able to manage.

05 | GET STARTED INVESTING IN REAL ESTATE

Here's how to get started in real estate investing. (Spoiler alert: It's not as complicated as you might think!)

1. Get face-to-face with at least 3 folks already involved in investing. As great as YouTube and blogs are, there's no substitute for getting one-on-one with investors who have been there and done that. Offer to buy their dinner and come ready to listen more than you talk.
2. While you're doing your "dinner due diligence," start setting aside funds every week that you mark for investment.
3. Choose a market and investing style. A few options -- sole ownership of a single family, joint ownership of a single-family or small multi-family, real estate investment trusts (REITs), commercial property, or land.
4. Analyze deals in your market choice. An experienced realtor who knows your area is essential here!
6. Make offers and close deals. Finally - the exciting part!
7. Build your team of experts (real estate agent, lender, inspector, insurance agent, attorney, etc.) who can help you with your next transaction.

If you're interested in investing in real estate, please don't hesitate to reach out. I am happy to share my experiences, good and bad, with my own investment properties.



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