

Tips to Successful Real Estate Investing

For years I have been approached with questions about real estate investing. When it comes to investing, everybody has certain goals and aspirations. However, I have found that there are certain guidelines every aspiring real estate investor needs to know. The more you know, the more successful your endeavor.

You should compare property values and rents. Financial statistics only go so far; the best measure of a property's market value is often the sale prices of nearby properties. The same holds true for area rents. A low price can often be justified by a reasonable rent; renters who can afford a high rent can afford to buy instead, so reasonably priced rent is a necessity.

You should not base your tax investment on current tax laws. The tax code is constantly changing, and a good investment is a good investment regardless of the tax code. The right property with the right financing is what you should look for as an investor.

Start investing in a market you're familiar with. Whether it be fixer-uppers, foreclosures, starter homes, or small apartment buildings, you will benefit from your own existing knowledge or experience.

Knowing the financial statements inside and out is a must. What are the operating expenses? What are the loan payments? Vacancy costs? Taxes? What does the cash flow statement look like? These are key issues that must be addressed before making a solid investment.

Taxes are an integral part of successful real estate investing, and they often make a difference between a positive cash flow and a negative one. Know the tax situation, and see how it can be manipulated to your advantage. It may be a good idea to consult a tax advisor.

Insurance coverage and utility costs are often overlooked costs. If the present owner's insurance coverage is based on a lower replacement value, your insurance cost will more than likely increase. Utility costs can be verified by the local utility boards. This cost is essential if the utilities are included in your tenant's rent.

Last, but certainly not least, is to make sure that you always perform a thorough inspection of the property before buying it. Never, ever buy any property without at least examining the site. In some cases, hiring a professional inspector to examine the structure and mechanical systems may be a sound investment.

The tips provided above are the opinion of Deborah Burton and does not guarantee you success in real estate investing and are not necessarily the opinion of other REALTORS®. To receive a “Room to Room” home selling checklist packet contact Deborah Burton e-mail dburton@dburtonrealty.com or call 256-259-5800.