

Investment Strategies to Know

Find out how using the right "Investment Strategies" at the right time can make you rich!

Congratulations, you've worked hard, made smart financial decisions and now you own your home. Even though you may not have totally paid off your mortgage, you have paid it down and have a large amount of equity sitting in your home. Why not make it work for you and start investing in other real estate properties.

Have you ever wondered how to get started in the money-making world of investing in real estate? The secret is to do your homework and talk to the professionals before you jump in with both feet. A real estate agent can help you research the right type of investment property for you to buy, help you line up your financing and even connect you with the renovation specialist needed if you choose an older property.

Deciding what type of property to buy is as important as what you can afford to buy. Owning a residential rental property, a commercial business or retail store each have their own set of challenges. What type of property you invest in really has a lot to do with your location and your type of personality. If you have a knack for home repair, you may choose to buy a property you can renovate and resell. If you like to stay involved in your investments, you may also choose to buy and keep a property and become a landlord of a residential or retail building. If you really like the idea of investing in several properties, you can go to the next step of hiring a property management company and owning several commercial buildings. The choices are limited to your financial strengths and your imagination.

Banks love to loan money to people with a good credit history. When the equity in your home goes up, so does your lending limit. Getting a line of credit or a second mortgage are easy strategies to ensure you have access to the equity in your home. Taking the time to decide how much you want to invest and having your finances in order before you start looking can make the transaction go smoothly. You won't miss out on a great bargain if you and your banker or fellow investors are ready to jump when the opportunities present themselves.

Finding Great Investment Properties

Aside from the occasional luck of being in the right place at the right time, the true secrets to finding great investment properties are persistence and having a good working relationship with your real estate broker. Many properties never reach the MLS® as they are snatched up through the "word of mouth" market.

People talk and the astute real estate sales person is often aware of properties that will be listed for sale, before they even come on the market.

Another secret is to check the newspaper and listings daily and be prepared to act immediately. If a deal looks too good to be true, it will probably be snatched up by someone prepared to react instantly. Making sure your financing is in place before you start looking for properties is one way to ensure you won't lose the deal. Also doing your homework and determining what type of property you are looking for, either commercial or investment, will increase your chances of "being in the right place at the right time."

Power Of Sale – Problems And Opportunities

Buying a power of sale property is a common investment strategy as these properties tend to sell for below market value. Banks and other mortgage institutions often want to get rid of power of sale properties quickly as they cost them more money the longer they hold them.

If you are new to real estate investing, having the investment dollars ready to quickly purchase a power of sale property with little or no conditions is a smart investment strategy employed by many investors so the competition may be fierce. Often these properties are "as is" which can lead to their own set of problems.

A power of sale means that someone can not afford to continue to pay the mortgage so they may have walked away from the property, or as in many cases, been evicted. The intense emotional feelings from being evicted may lead the person to cause a lot of damage to the property before they leave, or they return after the eviction and continually hassle the new owners. The latter is a frequent occurrence when the property was a family home and the persons evicted may have emotional attachments to the property.

Also, a power of sale property may be a great bargain, but you won't make any money if you can't resell the property. If the home is being sold because a factory is closing and many workers have lost their jobs, holding the property for several years may cost you more you are willing to invest.

By getting a little background information on the property prior to purchase may save you a lot of frustration and will make smart financial sense.

Rental Properties

If you have a little bit of extra cash available or some equity in your home, it is easier than you think to become a landlord. Buying a single or multi-unit property with a small down payment can start earning you money immediately if you rent the property for more than your mortgage payment.

For example, let's say you buy a two-unit home and have a mortgage payment of \$2700 per month. If you are able to rent both units for \$1500 per month each, that \$3,000 monthly income earns you a \$300 profit a month once you make your \$2700 mortgage payment.

Before buying, carefully consider that owning a rental property can be a solid long-term investment or your worst headache. The first factor is the property itself. Older properties can require a lot of time, money and maintenance to ensure they stay within the safety building codes in your area. Issues such as UFFI, lead paint or other environmental issues may wind up costing you a lot of money to repair if they catch you by surprise after you purchase the property. A professional inspection prior to purchase of the property should eliminate any surprises in your investment.

Also be aware if the building you want to purchase has rent controlled units. Rent control means quite simply that laws are in place to control the amount of rent that can be charged for certain properties. Many cities have adopted rent control policies to ensure that rental properties remain affordable for the average person in certain areas. As landlord, rent controls can have their own sets of challenges. They limit the amount of income you will earn from your rental property, which in turn may cost you money when large repairs such as roofs or windows are needed on a property.

Another key factor that is the salvation or damnation of a landlord is the tenants. Good tenants make owning a rental property every landlord's dream. Problem tenants can be a landlord's worst nightmare. Constant calls for minor repairs, major damage to the property or tenants who don't pay their rent are just a few of the challenges every landlord is faced with at some point in their investment career. Being good with a screwdriver and a having a detailed lease agreement are a few safeguards to protect your investment.

Get started today by investing in your future and talk to a real estate professional about buying your own investment property.