

10 Important Tips to Successful Real Estate Investing

When it comes to investing, everybody has certain goals and aspirations. However, we have found that there are certain guidelines every aspiring real estate investor needs to know:

1. 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 reasonable priced rent is necessary.

2. Be Careful – Tax Laws May Change

Don't 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.

3. Specialize in Something You Know

Start in a market segment you know. Whether you focus on fixer-uppers, foreclosures, starter homes, low-down payment properties, condominiums, or small apartment buildings, you'll benefit from experience by specializing in one aspect of investment real estate properties.

4. Know the Costs Going In!

Know the financial statements inside out. 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.

5. Know where Your Tenants Are Coming From

If the last rent increase was recent, your tenants may be considering a move if you are raising the rents again. If tenants come with the property and they are on short-term leases, they may be living there simply for the seller to attract a buyer, so beware. Also, it is important to collect the tenants' security deposits at closing.

6. Assess the Tax Situation

Taxes are an integral part of successful real estate investing, and they often make the 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 is a good idea to consult a tax advisor.

7. Investigate Insurance Coverage

If seller's coverage is based on lower-than-current replacement value, your insurance cost may increase when you pay a higher purchase price.

8. Confirm Utility Costs

Ask the local utilities to verify recent utility expenses, especially if any of these costs are included in your tenant's rent.

9. Consult Your Accountant

Taxation is a key element of successful real estate investing, so be sure to find an accountant who is well-versed with the constantly evolving tax code.

10. Inspect!

Make sure that you always have a thorough inspection of the property before you buy it. In many cases it is wise to have extensive inspections of the structure, plumbing, electrical and roof by specialized inspectors.