101 Tips to Make Money Buying and Selling Real Estate

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General Real Estate Investing Advice

1. **Budget your time wisely.** If your intention is to purchase a home and restore, repair or remodel it in a short period of time before re-selling the property, you need to pay attention to the time that the work on the property is taking. The problem that many first time investors run into with house-flipping is that they did not expect the work to take so long. When delays occur, and mortgage payments are accumulating in addition to the cost of materials and labor it can definitely make for a stressful situation. Be realistic with estimates, and always have cash at the ready should you encounter an unexpected expense.

2. **Research potential properties before purchasing them.** When buying a rental property, there are several key features that you should be looking for. The first is sustainability. Is the property in solid condition and is it going to stay that way with minimal upkeep? The second is the location. Yes, location is extremely important for most rental properties. You need to ensure that your tenants can get to where they need to go and that the property is near commonly used retailers and service providers. The third is the average income of the area. This is different from physical location, because you should keep in mind that a high rent area is definitely a better location than a low rent area. And, in high rent areas location is often less of a concern than in low rent areas.

3. **Consider flipping a house "as is".** When flipping or buy-repair-sell is your thing, you might want to consider the advantages of flipping a home as is. Believe it or not, this technique is particularly popular among investors who purchase properties when the market is favoring sellers. The advantage is that there are no out of pocket repair costs, and the property can be sold much faster. Areas where this technique would be the most beneficial to investors include neighborhoods that are currently in transition or where redevelopment has become a priority.

4. **Explore the option of real estate wholesaling.** If you have a significant amount of funds available to you, and you would like to make real estate investing a full-time position for yourself, then you might want to consider becoming a real estate wholesaler. Much like any other wholesaler, you would buy properties at low prices and resell the properties to other investors. This is by far the real estate investment strategy that will generate income with very little work on your end once you become established in the business.

5. **Know the market you are buying in.** Before you purchase an investment property, take the time to closely examine the real estate market in your area. Depending on the market, you may want to adjust your investment strategy. For example, if you are interested in flipping a home – you wouldn't want to do it in an area where the market is slow and sellers' are finding their homes still on the market after 12 months. On the other hand, if you are considering purchasing a

multi-unit property, you wouldn't want to make that purchase when the market was leaning toward the sellers. This would result in you paying significantly more than the value of the property. These are just a few examples of how paying attention to the market in your area can truly make a difference in the type of property that you decide to purchase and when you decide to purchase.

6. **As a new investor, your goal should be to minimize risk.** This is much more important than generating cash. One way to minimize risk is to work with someone who is familiar with the real estate market in your area in order to help you determine whether or not the property that you are considering purchasing would make a good investment and whether or not the time is right to buy.

7. **Have an exit strategy.** Before you buy any property, you must have at least one exit strategy for getting out of the property should you ever need to. This could be something as simple as placing the property on the market or it could be as complicated as selling the property with owner financing. Regardless of who you talk to, you will quickly learn that the most successful investors are those who know what they are going to do with a property in the case of a bad turn of events – before they even decide to buy that property. Take a lesson from the pros! Never buy a property that you cannot get out of quickly and with minimal cost to you.

8. **Always be learning.** Just like almost every other business, when you are starting out you do not have access to the tricks of the trade. Read everything that you can get your hands on, and more importantly you need to make contacts in the real estate business. This could include other investors, real estate agents, financing specialists and even contractors. A good way to start is to attend any real estate seminars being offered in your area. You never know how the people you meet there might be able to help you to succeed with your own investments.

9. **Start by purchasing a home of your own.** If you are not already a homeowner, it is probably a good idea to purchase a home before you purchase an investment property. There are several reasons, but perhaps the most important is that you will learn the process of purchasing a property by actually buying one. It is not unusual for investors to turn their first home into their first investment property, because the property and the market become familiar entities.

10. **Don't sell too soon.** One of the most common mistakes made by real estate investors is that they turn over properties too soon. It is completely natural to want to take advantage of a hot market. However, in an area where the market goes through fairly regular cycles, investors often generate more cash at the time of sale when they hold onto the property for a year or two in order to take advantage of tax benefits while waiting for the market to hit its true high point. This is particularly advantageous when the property was purchased with non-traditional financing that requires minimal payments for the first several years of the loans.

11. **Remember that there is not just one approach to real estate investing.** The beauty of real estate is that you can pretty much make decisions based upon your specific situation and goals. You may decide that you want to buy a property as a long term investment, or you may determine that short term investments are better suited to you. There are endless possibilities, and you are never stuck with a single option. Some investors have a mix of short term and long term investments.

12. **Location, location, location.** When looking for an investment property, you should be much more concerned about the location than you are about the amenities offered by the property. Realize from the beginning that you can add amenities, but unless you want to move a building – you cannot change the location.

13. **Do extra research before you make a long-term investment.** If you are considering a long-term investment property purchase, like an apartment building, you need to become very familiar with the rental market in the area where you plan to buy. Ask around to determine how long units are sitting vacant, the average lease length and the average rent payment for a unit equivalent to what you plan to purchase.

14. **Understand what impact the economy has on your investment.** When determining the area in which you are going to buy, consider the economy of the area carefully. For example, if you know that a major company will be relocating into or out of the area, it is probably a good idea to wait and see before purchasing a property there. Also, if you know that a shopping center is going to be built within walking distance, there is a good chance that your property will become quite popular.

15. **Don't over pay for a property.** When becoming an investor, you should always remember that when investing in real estate you make money when you buy – not sell – a property. Determine in advance how much you want to make, and be cautious not to over pay for a property. A good goal is to spend no more than five times the amount of rent you plan to collect during your first year as an owner. Be sure to factor in a 25% vacancy rate, because it is likely that this will make up for the time that you spend renting out the units.

16. **Learn the difference between a repair and an improvement on an investment property.** For example, if you patch a leaking roof, the cost is completely deductible on your taxes because it is a repair. On the other hand, if you replace that same roof the costs are not totally deductible because it is considered an improvement. Knowing the difference could save you some money in the first few years that you own a property. Remember that the longer you hold a property, the more you will need to invest in repairs and improvements.

17. **Make sure that you are working with an experienced real estate agent.** One common problem that first time investors run into is that while agents tend to be very knowledgeable about the local market, they tend to be less aware of the intricacies of financing. So, always talk to your financing company before you sign a single paper regarding the purchase of a property. This will help you to avoid unexpected pitfalls.

18. **Be on the look out for scams.** Although it is not extremely common, some first time investors have purchased properties with inflated value due to falsified or inadequate record-keeping. When purchasing an investment property, you must insist on seeing the seller's books. And, you should definitely ask the seller to verify anything that catches your attention. Otherwise, you are likely to end up paying far more than the actual value of the property at the time of purchase.

19. **Inspect for water damage.** When viewing potential investment properties, always look for any sign of dampness in the basement and around the door and window frames. If the glazing putty has mold growing on it, don't worry because it can be cleaned or replaced. However, if you notice peeling or cracked paint there is a good chance that the property has water damage. This is not to say that you shouldn't purchase the property, but you need to carefully investigate any property that shows signs of significant water damage.

20. **Always insist on a complete property inspection.** Often times, a buyer will not become aware of pre-existing problems with the investment property they are buying until after the inspection. It is a good idea to include a clause in your purchase agreement that allows you to back out should serious problems surface during the inspection.

21. **Use professionals you trust.** A seasoned investor will tell you that when you are looking to purchase an investment property, it is best to work with experienced professionals who have a proven track record of helping other first-time investors to stay on the right track. If you are uncomfortable with one of the professionals that you are working with, it is always possible to find someone else. Having a solid team behind you makes the process so much easier in the end.

22. **Consider living in your own rental property.** A good strategy to consider when you are looking to purchase an investment property is purchasing a multi-unit property and becoming an occupant. The advantages include low cost living, because the other rents coming in should cover a good portion of the mortgage payments, higher deductions at the end of the year and the ability to stay current on maintenance.

23. **Know ahead of time how much you are willing to invest in repairs and renovations.** Keep in mind that these are costs not included in your first mortgage loan. There are purchase/repair loan programs that might be available to you, depending on your lender. Also, it is important to consider whether it would

be more effective for you to purchase a property that is not in need of extensive repairs.

24. **Be prepared before you talk with a real estate agent.** Realize going in that their primary goal is to get you to buy a property through them. More than likely they will try to get you a property that they have listed. Be on the lookout for agents who do not seem to have your best interest in mind. You need to work with an agent who will show you properties that meet your criteria – even if they have to pass up their own listings.

25. **Don't pass over properties that you may be able to resell to other investors.** Sometimes it is a good idea to purchase a property that is an excellent value simply because it is a property that is attractive to other investors. Keep in mind that when you purchase a property that is not what you are looking for or one that requires extensive work, it may end up being a long term investment. However, when someone who specializes in rehabbing comes along you are likely to make a substantial commission on the sale.

26. **Try to make a contact at each of your local utility companies.** Believe it or not, the utility companies are often the first to know when a property is vacant or when it is distressed and the owner needs to sell quickly. An owner who needs to sell quickly is much more likely to negotiate a bargain deal that one who is not in a hurry to sell.

27. **Always offer at least 10% less than the asking price on a property that you are willing to walk away from.** The strategy here is that the owner may refuse your lowball offers, but if in a month or two they haven't received any other offers that are competitive they may call you back to reconsider your offer. Be prepared to negotiate, however also be prepared to walk away should the owner be unwilling to accept your offer the first time.

28. **Do your research.** Take the time necessary to learn about property valuation in the areas where you would consider purchasing an investment property. Always do your homework and get a market analysis through your real estate agent for any property in which you are interested. There are first time investors who have generated substantial income simply based upon the fact that they know how to determine true market value. They calculate the property's value and then see for a significant profit, because they have thoroughly researched property valuation.

29. **Understand how properties are valued.** It is important to know the ways that property values are estimated by agents and other real estate professionals. Any real estate agent can provide you with comparable properties and how much they are selling, or have sold for. Another method is to determine ahead of time the amount of money that a specific property can generate. Income valuation is commonly used, because many investors are looking to make sure that the monthly income covers all monthly expenditures, including the mortgage and tax

payments. The third commonly used method is determining the replacement value of a particularly property. For example, if your property burned to the ground – how much would it cost to rebuild it exactly as it stands? One or more of these methods will probably give you the ability to accurately determine the value of your investment.

30. **Return favors.** One of the things that many new investors do not realize is that if you help out those in your network with referrals, they are more likely to help you in the future. A good example would be someone who comes to you and asks you to buy their property, with you realizing that they would be better off getting a refinance loan than selling. At that point, you could them point them to your refinance contact. In the future, that same contact might send potential properties your way in return.

31. **Handle your investments like a business.** As an investor, it is never a good idea to purchase a property that you are paying for out of your own pocket. The purpose of the property is to generate money, not cost you money. Become comfortable with this philosophy if you want to be a successful investor. Certainly, you may need to cover the down payment on your first property out of pocket. However, if you are purchasing a rental property you should plan to have your monthly rents cover the expenses that you incur as a result of the purchase. This is smart investing, and it will generate a significant cash flow in the long run.

32. **Put in the time necessary to learn the industry.** The average real estate investor spends around three years learning about the ins and outs of the industry. There are many regulations that you will need to become familiar with, and there are many different types of financing to investigate. It also takes time to build a network of professionals to help you build your business. Take the time necessary to learn before you invest, so that your money is being wisely invested.

33. **Consider bird-dogging.** Bird-dogging means that you find investment properties and put them under a purchase contract before passing them off to rehab specialists who show an interest in the property for some fee. The rehab specialist will then generally renovate and sell the property, and you will be paid a fee in return for finding and holding the property. This is a common method of investing in real estate, and for first time investors it may be one of the least risky options.

34. **Learn how to flip houses quickly.** When purchasing a short-term property, your goal should be to sell the house as quickly as possible. For one thing, this will reduce your outgoing cash flow. One thing to remember is that you should quickly identify a list of necessary repairs. Invest as little cash as possible to complete those repairs, and then place the property back on the market. One rule of thumb is to make only cosmetic repairs, so that the property is more appealing to prospective buyers.

35. **Find the right type of home.** Expert investors recommend that first time investors interested in purchasing properties for rehab consider three bedroom single family homes with 2 bathrooms. The reason is that this type of home is the most commonly sought among buyers in all markets. This type of demand makes the home valuable, and it also means that it will re-sell faster than a smaller or larger property.

36. **Search for good deals.** When looking at prospective properties, it is important to look for those properties that are listed for sale at around 65% of their actual market value. This is what is meant by the phrase, buy low sell high. In just about any market conditions, you will be able to re-sell for closer to the full market value, and this approach is much less risky than buying at market value and waiting for the market to go up.

37. **Be patient and wait for the right property.** Most first time investors will make around fifty offers on different properties before ever buying one. This may sound like it would be disheartening before too long. However, if you plan to make fifty offers in your first month you will most likely purchase something in that time. And, if you then flip the purchased property you earn a profit. If you profit $25,000 on that first purchase, it adds up to you earning $500 for each offer extended.

38. **Keep it neutral.** One of the traps that first time investors run into is that they tend to renovate properties based on their likes and dislikes. This can lead to a significantly larger investment than what was initially expected. It is more important to focus on the kitchen and bathrooms and to choose fixtures that are affordable and neutral, while still adding to the cosmetic appearance of the property.

39. **Stay away from pre-construction.** First time investors are advised to stay away from pre-construction. While these properties make an excellent investment once you are established, there are generally a lot of very specific rules about how soon a property can be resold and the penalty for selling before that time is up.

40. **Form a good relationship with real estate agents.** One of the reasons that you should be forming a good working relationship with a specific agent or team of agents is that sometimes, an agent will fail to inform the property owners when offers come in that are less than the listing price. As an investor, you will be offering less than this price. Therefore, if you make an offer through an agent that you do not know there is a good chance that your offer will never actually be seen buy the seller.

41. **Learn how to do some basic repairs yourself.** A well prepared investor who plans to make a long term investment into a rental property would be very wise to consider attending some classes on basic maintenance and repair. While it may seem easier to hire a handyman at first, the costs of small repairs will add up over

time. Therefore an owner who does small repairs will save more of their earnings in the long run.

42. **If you're an experienced investor, consider "for sale by owner" properties.** For sale by owner properties often present an excellent investment opportunity for investors who are familiar with the purchase process, and who would prefer to save on agent commissions. There are many different ways to structure a FSBO deal, and it's a matter of finding the one that works best for you.

43. **Don't become attached to your properties.** Never be afraid to make an offer on a property that grabs your interest. However, be careful to leave your emotions out of the process because you could very easily end up spending more than you intended on a particular property if you allow yourself to become attached.

44. **Look for safe, crime free neighborhoods.** When you are considering areas in which to purchase investment properties, look carefully at the crime records and the turnover in other properties. A safe neighborhood will bring higher rents than a neighborhood known for its crime. And, if the neighborhood is marked with crime, consider adding a security system in the building.

45. **Hire a real estate attorney.** If you are planning to purchase several investment properties, you might want to solicit the assistance of a real estate attorney. Not only would this make completing the purchase process easier, but it would also be convenient to have an expert in real estate law on your side, should you encounter any set backs.

46. **Deal directly with the property owner when it comes to abandoned property.** If you are considering purchasing a rehab property, you are far better off dealing directly with the property owner than you are with an agent. For one thing, chances are that the owner of a boarded up property is interested in getting whatever he or she can from the property. This means that they might be open to a cash sale, without the involvement of agents.

47. **Go through the city to find out who owns an abandoned property.** If you find an abandoned property that you would like to purchase as a rehab project, you will need to find out who owns the property and whether they would consider selling it. Many locales currently list tax information online. In this case, you would probably be able to locate the owner without a problem. However, if you do not have access to this information you can consult your local tax office for information. You may need to call and send a letter to the owner, and there is a good chance that you will never get any response. Be prepared to wait, because abandoned properties are not generally the main concern of the absent owner.

48. **Have a plan.** A smart real estate investor will have a careful financial plan, indicating when properties will be purchased and when they will be paid off. Most investors do not want to pay for properties over the standard thirty years.

Instead, they try to pay the property off within a few years in order to reap a greater return on their investment. If you are considering investing in real estate, be realistic and set serious goals for each step of your plan.

49. **Start slow.** First time investors are generally discouraged from buying several properties within a short time period. Cash flow difficulties could arise, making it difficult for the owner to balance all of their new responsibilities. Rather than get discouraged, it is a better idea to purchase one property at first.

50. **Have realistic expectations.** If you are new to real estate investing, you need to be very realistic about your earning expectations. For example, it is unlikely that a profit over and above the mortgage and tax payments will remain in the owner's pocket for very long. Instead, the property will require maintenance and repairs. Therefore, do not expect to start making money over night with a rental property. With a property that the owner intends to flip, the profit will be realized as soon as the property sells.

Finances

51. **Know your financing options.** If you are considering purchasing your first investment property, take some time to carefully investigate the financing options available to you. While in some cases, using traditional mortgage programs may be a great option there are programs specifically designed for investors. First time investors need to pay particular attention to the options available, because most lenders will offer a program specially designed to help first time investors and first time buyers in general.

52. **Shop around for the best financing.** If you have determined a specific type of financing for your investment property purchase, it is imperative that you talk to multiple lenders. This is particularly true for first time investors, because it is the only way to ensure that you are getting the most competitive rates and fees. One tip to remember is that not all lenders are created equal, just like no two borrowers are exactly alike. Compare traditional lenders with private financing companies and possibly even investor groups in order to determine the right fit for you.

53. **Learn the tax benefits of owning property.** When you become the owner of an investment property, the tax benefits are wonderful. This is particularly true if you are an owner as well as an occupant. You need to carefully read the federal, state and local tax laws in order to find out what benefits are available to you. If you have never owned an investment property before, you might want to consider talking to a tax accountant in order to ensure that you have adequate recordkeeping and deductions.

54. **Keep in mind the cash you will need to have on hand.** If you want to purchase a rental property, you need to know what type of property you want to purchase, and what out-of-pocket expenses will come about as a result of your purchase. While a large apartment building may seem like a better investment than a duplex, there will most likely be a significantly higher rate of repairs with more units. Keep this in mind, and always plan for 25% vacancy. That is a good rule of thumb, because vacancy is actually equivalent to an out of pocket cost for most investors at some point.

55. **Consider more aggressive financing choices for short-term investments.** When financing an investment property that you intend to sell within five years of purchase, you should take a close look at "interest only" and "balloon" mortgage programs. The advantages with an interest only loan include no principle payments for a set term, which is generally around five years. With a balloon loan, you will make small principle payments in addition to interest payments each month. The risk faced with these programs is that the loans must be paid off in full at then end of the loan period, which is generally within five years from issue. This is a great way to lower the amount of cash coming out of your pocket, however it is important to realize the risk involved with these two loan types.

56. **Look for a financing option that allows prepayments.** When talking to a financing company or mortgage broker, be sure to ask about prepayment options. With traditional mortgage loans, you will be hard-pressed to find lenders who offer prepayment discounts. However, if you work with alternative lenders it is likely that you can prepay or make double payments that are immediately deducted from the principle, saving you a significant amount of interest. Weigh the advantage of the prepayment option against the disadvantage of a higher interest rate than you might get with traditional financing and you are almost certain to find that prepayment is a good way to go.

57. **Consider purchasing a property by assuming the original mortgage amount through refinancing.** Then, borrow a second mortgage loan for the difference between the discounted selling price and the remaining mortgage balance. The payments will be significantly lower on the refinance than they were on the first mortgage. You can then turn around and sell the property for a higher price, paying off both loans immediately and generating a substantial commission.

58. **Understand "negative cash flow".** Before you make the decision to invest in real estate, you must first understand the idea of negative cash flow. Negative cash flow is very common with investors who have little or no money to invest in their first property. What the term means is that for some length of time, you will be putting more money out than you are bringing in. While the idea of negative cash flow might seem daunting, consider this. If you are purchasing an investment property with no money down, the cash that you will need to pay out of pocket is the equivalent of the down payment that you would have normally made to the lender. It is always best to enter any investment with true knowledge of the risks

and benefits. Negative cash flow is something that you must learn about prior to making the decision to purchase an investment property.

59. **Know the limitations on financing investment property.** Financing programs that are used for the purchase of an investment property generally have different requirements than those used to purchase residential property. It is important that you realize this before you begin searching for a property. One of the differences will most likely be the downpayment percentage that is required. Lenders view it this way, a buyer is much more likely to default on an investment loan than they are on their own home. Therefore, it makes sense for them to require a larger investment on the part of the buyer in order to protect their interests.

60. **Get pre-approved for financing.** A quality lender will offer you the ability to be pre-approved for a loan amount prior to you're actually finding a property. You should take advantage of this opportunity because it will give you a bigger picture about what you need to be looking for. You will know ahead of time how much you can spend, and what your monthly payments will be. In order to successfully complete the pre-approval process, you will need to have access to banking information, tax forms and other documents. Ask you lender what you will need prior to applying for pre-approval.

61. **Get it in writing.** If you decide to purchase a property by way of assuming a loan, you will basically be writing a check to the seller for the difference between the selling price and the amount remaining on the mortgage. In this case, you must request a statement showing the current loan balance before signing an agreement. Otherwise, you may find out quickly what a difference a few thousand dollars can make – particularly when those dollars are coming out of your pocket.

62. **Consider an equity loan.** If you are a first time investor, and you have purchased a property that you intend to hold for only a short period of time, consider taking out an equity loan on that property in order to purchase a second property. When the first property is sold, you will be able to satisfy not only the original mortgage but a good portion of the equity loan as well. Within just a few months, you could buy and sell several properties in this way. Always talk with different lenders, however. This is the only way to ensure that you are getting the best rates out there.

63. **Consider leasing a property instead of buying it outright.** One technique that first time investors often find lucrative is lease option, or rent to own. The benefits are that you get a significant down payment and regular monthly payments. The tenant gets the option to purchase the property at some point in the future. There are many intricate details that will need to be included in the contract offered to the tenant/buyer.

64. **Look into a "hard money" loan.** If your intention is to purchase a property, put in a minimal amount of repair work and then to resell you might find that a hard

money loan is a good financing option for you. This is especially true if you are a first time investor, or if your credit is poor. A hard money loan has a significantly higher cost than a traditional mortgage, and it is not meant to be a long term loan. You probably will only want to consider this option as a last resort after investigating all other financing options.

65. **Work with a mortgage broker.** When you are considering financing options for the purchase of your investment property, contact a mortgage broker to see if he can help you to find financing that is the most advantageous for you. Shop around, and talk to several different brokers to get a feel for experience and access.

66. **Investigate alternative financing options.** When you are considering financing options for investment properties, look into seller financing and other methods of alternative financing that might work well with your situation. Sometimes, this type of financing is more affordable and cost-effective than traditional financing methods.

67. **Understand the tax implications for the type of financing you choose.** Be aware that if you use a home equity loan to finance the purchase of an investment property, you will not have the same tax benefits as you would if you used a traditional mortgage program. The cost-savings may make using the equity loan a better choice, but be sure to investigate carefully.

Legalities

68. **Protect your assets.** It is important to make sure that your assets are protected; particularly those assets not directly connected to your investment properties. Always carry a comprehensive insurance policy on your properties and learn about other ways to protect yourself in the event of a lawsuit. Some options might include the establishment of a trust or a family-run LLC. Keep in mind that you will need to provide justification for your actions, so always consult a professional to find out what your safest option would be.

69. **Establish a real estate investment trust.** Consider establishing a real estate investment trust if you intend to purchase more than one property and you are looking to save money on your income taxes. There are specific criteria that need to be met prior to the establishment. For one thing, you must have a minimum of 100 shareholders. Additionally, you must meet specific criteria in regards to how income is generated and how profits are distributed among shareholders. This is a great way to generate the cash needed to purchase properties, and it is also a great way to reduce the money that you pay in income taxes.

70. **Research any liens on the property.** Before you purchase a property, be sure to ask the seller whether there are any current or impending liens against the property. A current lien will most likely have already been disclosed to you. However, there is no required notification of impending liens. An impending lien could be something like the city putting in new sewer pipes and requiring you to pay the bill. As you can see, you should definitely take the time to investigate impending liens.

71. **Find a great attorney.** Before you become involved in the purchase of an investment property, you should form a relationship with a real estate attorney who is familiar with situations similar to yours. This is especially true if you are attempting to purchase a property with non-conventional financing, because an attorney will help you to ensure that you are making good decisions in terms of your investment.

72. **Understand how tax laws are structured.** There are numerous tax benefits to be realized when you invest in real estate. For one thing, an investment property is viewed by the government as a depreciating asset. This does not mean that the value of the property is actually depreciating. Instead, it means that the property's taxable value is being reduced taking into consideration necessary repairs and declining condition. Eventually, the asset will be valued at zero meaning that you will no longer be taxed on the value of the property.

73. **Work with a lawyer to ensure you're not paying unnecessary taxes.** If you currently own a single family rental unit that you would like to sell in exchange for a multi-unit rental unit, it is possible to do so without having to pay any capital gains tax. You will need to work closely with an attorney or accountant to ensure that all of the necessary paperwork is completed correctly.

How to Find Great Properties

74. **Find a great neighborhood and then investigate all potential properties.** If you find an up and coming neighborhood where property values are on the rise, investigate every property for sale and consider purchasing the lowest priced one. The advantage is this: If you find that the two lowest priced properties in a neighborhood are priced at $150,000 and $170,000 – buy the $150,000 property and you can place it immediately on the market for $165,000. This gives you an excellent short term investment that will require little to no work on your end, other than arranging the financing and finding a selling agent.

75. **Use the Multiple Listing Service (MLS).** As a first time investor, you will most likely be far better off if you purchase a property that is actually already listed for sale on the Multi-list. This is opposed to the idea of bargain-hunting. The reason is that unless you know exactly what you are looking for, and have a good idea of

the costs associated with renovations, you are going to be making a more predictable investment. Not every property on the Multi-list is occupant-ready and there may still be repair costs associated with the property, so you should still be careful about inspecting a property very closely prior to its purchase.

76. **Be cautious of real estate investment programs that offer you huge earnings on no investment.** In most cases, what you will find is that you must make a significant investment in the program in order to get access to a list of professionals in your area who work with investors and possibly a collection of information that is freely available on the internet. While there are investment strategies that require minimal investment on your end, most real estate transactions will require financing of some type.

77. **Develop a network of agents.** One technique that might help you get insider access to properties prior to their being listed on the MLS is to contact agents directly, requesting that they call you if they come across any newly listed properties that meet your needs. The advantage for the agent is that you can offer them 100% of the commission earned on the transaction. It is best to work through a few agents, rather than to use a mail campaign where you contact many different agents. Quite simply, the costs involved in the mail campaign do not make this a worthwhile strategy.

78. **Place a classified ad.** A good strategy for finding investment properties to purchase is placing an ad in the classified section of your local newspaper. Something simple, stating that you buy houses, may be enough to elicit phone calls from people who would consider selling a property, but have never actually placed a for sale sign on it. If you do not want the upfront cost of a newspaper ad, perhaps you might want to think about placing an ad in the Yellow Pages. The cost can be spread across 12 months, and in most cases is cheaper than a year of newspaper ads.

79. **Avoid "for sale by owner" properties.** First time investors are most likely better of avoiding properties that are listed as for sale by owner. The reason is that many times, other investors have purchased these properties or want to purchase additional properties in the area, and they are simply testing the market to see how much they are actually offered. The frustration of dealing with the logistics of a for sale by owner property may be complicated and the process of settling on a contract can get fairly lengthy. Therefore, you might want to consider these properties down the road, after you are a more experienced investor.

80. **Let potential home sellers know you're looking to buy.** One way to find hidden investment properties is to distribute flyers around a neighborhood in which you would like to buy. Consider having someone drop them door to door. A thousand flyers will only cost you around fifty dollars, and you never know who might give you a call to discuss or point you in the direction of a property. And, much like business cards, you never know who is going to see your contact information.

This is an excellent outreach technique when you would like to get your name out there and to find properties that meet your criteria.

81. **Read the classified ads.** A good place to look for investment properties is the classified ads of your local paper. And, not only the real estate section. You should also take notice of the legal section and look for estates that might need to liquidate a property. Often times, when an estate needs to sell a property it presents and excellent investment opportunity at below market pricing.

82. **Go to garage sales**! Believe it or not, one-fifth of the people who have garage sales are preparing to move. When you see a garage sale near a property that catches your eye, be certain to ask the owner whether they might be planning to move soon. You might also want to take notice of the surrounding properties as well, and ask if any of the neighbors might be planning to move. Often, making contact with the seller prior to the property even being listed for sale means that should you be interested in purchasing there is already a pre-existing relationship. This is great, because the seller will have some idea of who is trying to purchase their property.

83. **Keep in touch with other real estate investors.** When looking for the right investment property, don't forget to call other local real estate investors. There are always properties available, and not every property is a good match for every investor. This is a good way to find a hidden gem that other investors have not already purchased.

84. **Offer a finders fee for anyone who points you in the direction of a property that you end up purchasing.** Sometimes a little more than a simple thank you will go a long way. Be sure to spread the word that you are willing to offer a few hundred dollars for a great find. You will be amazed at how quickly and how often people start to tell you about properties that they see. Get as much help as you can, because it will take some of the work off of your shoulders and give others an incentive to be a part of your team.

85. **Be proactive when looking for an investment property.** If you've found an investment property that you would like to purchase, but is not for sale, consider calling the owner of the property directly to ask whether they might consider selling the property. Or, if you know someone who owns a rental property in which you are interested, contact them to discuss the opportunities.

86. **Monitor pre-foreclosures.** If you have a significant amount of time to invest in finding an investment property, pre-foreclosure properties might be something to consider. Pre-foreclosure properties are those with owners at risk of losing the home due to delinquency. You can obtain a list of potential pre-foreclosures from any lender, or you can advertise that you buy homes for cash. Either way, when you talk with the current owner you should find out what they owe and offer them possibly a few thousand dollars on top of that amount. You will find this to be an

excellent bargain, as most people do not owe the market value of the home. One other option is to purchase the pre-foreclosure home and allow the current owners to remain tenants, which is a bonus because they are already occupying the property and obviously they like it or they wouldn't have bought it in the first place.

87. **Approach potential sellers with an offer to buy.** A good way to find an investment property is to look for owners who put little to no effort into the maintenance of their property. This may be a sign of financial distress, estate probate, foreclosure or a corporate owner. All of these entities are going to be willing to entertain offers on the property, and in some cases you will find this to be a great cost-saver.

88. **Develop a website.** Any real estate investor will tell you that having a website is critical for attracting and educating potential sellers about your services. You should gear your site toward both motivated sellers and those who are simply considering the sale of a property. The more visible and content-rich your site, the better!

Rental Properties

89. **Consider small improvements that will allow you to increase rents.** If you are purchasing a rental property as an investment, consider making some inexpensive upgrades that will help you to increase the amount of rent that a potential tenant is willing to pay. These can include something as simple as new light switch covers and outlet colors to a new front door, a new mailbox and coordinated window shutters.

90. **Know what tenants have been promised.** When purchasing a rental property with existing tenants, always ask the seller to certify in writing that he/she has not made any agreements with the existing tenants that might have an impact on your responsibilities. For example, if the seller promised a free month's rent with a lease renewal – you need to know! If you are not aware of these agreements, you are not required to honor them. However, if you intend to keep the same tenants it is important that you honor any agreements and factor your costs into the purchase agreement.

91. **Know exactly what you're getting in to.** If you are considering purchasing a rental property with existing tenants, it is imperative that you have access to all tenant records prior to signing a purchase agreement. Otherwise, you may be inheriting another landlord's problem. Keep in mind that you will most likely not be able to increase the rent amounts after purchasing an occupied property for at least the duration of the existing lease.

92. **Understand the setup of the utilities in rental properties.** If you are considering a multiple unit rental property, it is important to pay attention to the way that the utilities and heating system have been set-up. Take note of the number of gas, water and electric meters either inside or outside of the home to determine how many services are connected to the property. If there is only one connection, be aware that you will most likely need to include utility costs in the rent payments. You might also want to make a call to the local zoning commission, so that you know if there would need to be any major changes to the utility services. There could be significant costs involved in splitting or combining services and you will want to know this in advance.

93. **Look for extra features that will allow you to charge more rent.** When looking for an investment property that you will use to generate rental income, at least for some time, consider one that has integral garages. Depending on the location of your property, a rental unit with a garage may be unheard of. Therefore, it may also result in an extra income each month! Some people are willing to pay a premium in order to have access to a private garage when they are renting. Consider this when you are looking to purchase a property.

94. **Do your homework on rental properties.** If you are considering purchasing a rental property, you should not consider buying the property until you have completely reviewed the records for at least the past two years. This is because you need to ensure that the seller is giving you complete and accurate information about the potential income generation from the property. Your lender will most likely also want to see verification of income before they will issue a purchase loan for the property.

95. **Look for rental properties in student areas.** A college or university neighborhood is a great place to look for a rental property to purchase. In most cases, the vacancy rate will be minimal and most of the time students pre-pay their rent for the semester or even the entire year. The one drawback is that some students only want 3 month leases, however if you form a relationship with the school's housing office you will most likely have no problem at all finding tenants.

96. **Learn how to attract good tenants.** If you are going to purchase rental properties, it is absolutely imperative that you carefully market your units in such a way that attracts the best tenants possible. Marketing is important, and you should pay careful attention to how other owners are marketing their properties, particularly those with low vacancy rates.

97. **Find out what you need to know to be a landlord.** If becoming a landlord is your goal, then you will want to get familiar with what is required when it comes to managing tenants. There are many different situations that you will want to prepare for, contracts that you will need to prepare and many other aspects of property management to consider.

98. **Be clear and firm with your expectations of tenants.** When you purchase a rental property, one of the most important things that you will need to do is to set, and enforce expectations with your tenants. Not only are responsible tenants important for the situations to work, but responsible and reliable landlords are also extremely important. Consider finding another landlord to act as a mentor, and pay attention to how he or she honors their commitments.

99. **Learn what the reputation of a rental property is.** If you are considering purchasing a rental property from another owner, be sure to investigate the reputation of the property. A bad reputation can mean high initial vacancy and little interest from potential tenants.

100. **Let people know a rental property is under new management.** If you are purchasing a rental property that is known for a bad reputation, consider more than just a name change. You will most likely want to open a marketing campaign that emphasizes new management, in addition to the name change.

101. **Consider hiring a property manager.** If you are purchasing a rental property with many units, you might be wise to consider hiring a property manager. Often times, you can provide board in place of a salary. Investigate the prospective manager carefully. Otherwise, you might find that your units go un-maintained and you can never recoup the lost rental income.