

Six Real Estate Investing Tips

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A few good real estate investing tips can make or save you thousands of dollars. Don't miss out on these...

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The following collection of real estate investing tips will probably have a few things that you already know it it. That's okay. There will be a few you haven't heard before as well, and in any case, we sometimes need to be reminded of what we know.

{bot_wrgoogle}1. Find an agent with the right experience. When selling real estate, drive around and see what else is for sale in the same area. Look particularly at the name of the agents on the signs. The agent whose name shows up the most in your neighborhood will likely know best how to price and market your property. You can also do this by looking through real estate guides to find those agents who are either active in your area, or with your type of property.

2. Make low offers correctly. When making a low offer that may offend a seller, let him know that it isn't personal, that this is just what you need to make the deal work for you. You can include a list of concerns or of things that you will have to repair, to justify the lower price. If you have a choice in a situation like this, it may be better to let the agent present the offer without you. It can be tough for a seller to hear you say anything bad about his property in person. A list of concerns is less personal, and less likely to offend him - which makes it more likely that he'll seriously consider your offer.

3. Look for "extra" opportunities. When flipping a house, you might normally look for fixer uppers that can simply be "put into good shape" and sold for a decent profit. But if there are "extra" opportunities that other investors aren't seeing, you can make even more. These are things like a full basement that can be converted into living space, or attic space that can be made into a bedroom or office, or an extra lot that can be split off and sold without reducing the value of the home much.

4. What to do when rentals won't produce cash flow. People often buy rental houses, duplexes, and even four-plexes for homes, thinking they are "investing" as well. They pay according to personal values, so these properties can be priced well beyond where they would produce cash flow. Apartment buildings, on the other hand, are priced according to one thing more than anything else: net income. The lesson? When you can't make cash flow with small rental properties, think bigger.

5. How to find motivated sellers. Real estate investors will often talk about the importance of "motivated sellers," but how do you find them? When searching newspaper classified advertising, pay attention to the wording. "Need to sell," "Must sell," and "Will look at all offers," are the usual indicators, but you can look at the rental ads too. "Must have a good job," may indicate a landlord who is tired of tenants and ready to sell. Searching county records for out-of-state owners is another way.

6. Don't rely on appreciation. If you are planning on rising real estate values as your primary way to profit, you're speculating, not investing. Recent drops in values in many areas show the flaw in this strategy, but also keep in mind that transaction costs can be up to 10% of the sales price, so you have to have a big increase in value just to break even. Enjoy any appreciation as a bonus, but buy based on the cash flow, a plan to increase the value (fix and flip), or some other well-thought-out plan for profit. This may be the most important of these real estate investing tips.

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