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Tenderfoot Education in Real Estate Investing 101

Back in the days of the wild, Wild West, when easterners traveled across this vast country looking for opportunity in the newly opened territories, they were often referred to as a 'tenderfoot'.

This wasn't a complimentary term but it was a rather apt one. The easterners wore 'city' shoes that weren't designed to withstand the rigors of the western terrain. Their hats didn't have wide brims to protect them from the sun and their clothing wasn't made of tough material like denim.

These new westerners didn't know how to take care of themselves and because they didn't know where and what the dangers were they didn't have any idea how to avoid them. If you are just beginning to consider the idea of investing in real estate you are a tenderfoot and you do need some instruction to avoid losing your shirt...and probably your pants, hat and boots, as well.

First you will need to determine what your strategy will be in real estate investing. Do you want to buy a property, fix it up and sell it quickly or do you want to buy a property, hold it and wait for the market to increase? Do you want to deal with renters? All of these questions are ones that you need to answer before you invest in any piece of real estate.

You will need to learn how to investigate the value of properties yourself. It isn't fair to use the time of a real estate agent and have them show you property after property while you try to look for a good real estate investment.

There are several online sites that are helpful in determining the real value of real estate. DO NOT rely on tax values. They are not reliable and they are not accurate either. You can find a real estate agent that you can work with and you can find recommendations for such agents online.

After you have learned how to determine property values yourself and have chosen a real estate agent that you can work with, the next thing that you need is a good broker

that you can also work with. Ask your real estate agent for the names of three mortgage brokers.

Then you will need to find out what interest rates and closing costs each one charges. (Check out your local bank or credit union as well). Take copies of your three credit reports and choose a sample property for each broker to run hard numbers on.

Now you are ready to actually make your first investment. You want to choose the lowest price house in the best possible neighborhood to put a contract on.

Let's say the cheapest two-bedroom house in the best neighborhood in Fort Wayne costs \$100,000 and the next cheapest, comparable home is listed for \$140,000. If you buy the home that is priced at \$100,000, you can raise your price to \$130,000 the next day and make a dandy little profit.

Now let's talk about closing the deal. First show the seller your pre-qualification letter from your lender. Then get the required inspections for termites and get your appraisal. Once you have all of your 'ducks in a row' so to speak, it takes about 30 days to make the final close.

A note here about any renovations or repairs that you might want to make to the property: Before you close, you might want to think about a Purchase and Renovate loan. A Purchase and Renovate loan wraps the cost of construction up in the loan so you don't have many out-of-pocket expenses. This may require an estimate from a general contractor and plans from an architect as well.

Okay, now let's go back to the first thing that you needed to do and that was to determine your strategy. Now is the time for you to execute that strategy that you have used to invest in this real estate. If you bought it with the strategy of flipping it when the market went up then you just simply wait.

If you bought it with the strategy of renovating and then selling then it is time to start your renovations. On the other hand, if you bought it with the strategy of renting it, it is time to start looking for tenants.

You see, the point of having a strategy for profiting from the purchase of any piece of real estate must be your first decision because everything that comes after that is dependent upon it.

Why Invest in Urban Real Estate?

Most investors are not interested in investing in urban real estate. This means that there is a wide open opportunity for those who ARE interested in investing in urban real estate. You will likely hear umpteen reasons why you should NOT invest in urban real estate so let me give you a few good reasons why you SHOULD invest in urban real estate.

First let's discuss the pricing of urban real estate. If you keep your 'ear to the ground' so to speak you can find some real hidden gems in the urban real estate market. Not every low price is a good deal, of course, and just like with every real estate investment that you ever make, you should be certain that you do your homework.

Really great deals turn up in every real estate market for one reason or another. Don't miss those terrific investment opportunities simply because the property is in an urban area.

Then there are the Section 8 tenants to be considered. Here is an obvious advantage to investing in urban properties. Government subsidized housing is a 21st century reality and under Section 8 the government pays a full 80% of the monthly rent. These renters are often referred to as 'Section 8 tenants'. There is, of course, always a waiting list of potential renters and they all want to move into YOUR urban investment property.

That adds up to a very nice and sure monthly income for you. Renters don't always pay their rent but the government does send checks on time and in full thus eliminating much of the rent collection hassle.

Let's not overlook the fix and flip opportunity afforded by urban real estate investments. Okay, let's face it. Today's real estate market could be better....a lot better...but just because the over-all market doesn't seem to be all that healthy at the moment that doesn't mean that there aren't some great fix and flip opportunities out there and particularly in the urban areas. The trick to making a profit on an urban property is to sell with incentives included and, if it is a rental property, with a tenant already in residence.

Don't forget about the good old government of the United States of America. The government funds projects to rehab entire neighborhoods in urban areas and they do so on a regular basis. The local government gets funding and usually offers attractive incentives to developers and home owners investing in these urban neighborhoods.

Not only that but you can see some really astounding interest rate offers that will let you keep your money in your pocket and out of any danger at all. This creates a win/win/win situation. The government gets to spend money which they seem to do so well. The inhabitants of the neighborhood get better housing and you make a nice profit. Everybody wins!

There is the tired old real estate saying, "The only three things that matter in real estate are location, location and location." That really is NOT necessarily true. Do you remember playing the board game Monopoly when you were a kid? Remember those first little properties that were located right at the beginning of the game?

They were cheap. They were REALLY cheap. If you bought one of those right out of the gate, so to speak, you could have a hotel up on it almost immediately and every player in the game was going to have to land on it and pay you. It was a pretty good location but not an expensive one. It was one that you could afford to make improvements on quickly.

Remember? Think of investing in urban real estate like you would think of investing in Baltic Avenue or Mediterranean Avenue. You don't pay much for the property but improvements don't cost much either and you can make a profit easily and quickly. It was good strategy for Monopoly and it is a good strategy for real live urban real estate investing.

Urban property investments meet all of the criteria for sound real estate investing.

There is a good rental market in an urban area. There are lots of people who need housing and that housing is very often government subsidized. Urban property is usually low priced and can even be purchased at extremely attractive interest rates as well.

The market is stable in urban neighborhoods. There isn't a boom or bust mentality. Demand is not likely to decrease.

Investing in urban property can be a very good decision but you should always do your homework before you invest.

The Secret to Real Estate Riches Lies in Location, Location, Location

According to the old real estate saying, “*The only three things that matter in real estate are location, location and location.*” The fact is that a ten bedroom, eight bath home with cathedral ceilings and a swimming pool that is sitting next to a garbage dump is nearly worthless.

On the other hand a little one bedroom, one bath shack sitting in the middle of downtown Dallas would be worth a small fortune. So you can see that the location is of the utmost importance when you are considering a piece of real estate to invest in.

What is it that makes the location of a piece of real estate valuable? The answer is fairly simply really. The value is based on nothing more than the desirability factor. Desirability is a fluctuating intangible that is really hard to nail down.

Property that is totally undesirable to one person might be just the next person’s dream-come-true. And this phenomenon is true for real estate investors and for home buyers and for renters. It is true for all aspects of the real estate market.

The main point for any real estate investor to consider first is what their strategy will be for making a profit on a property. Buying is only half of the equation and whether the location of the property is good or bad depends upon that profit strategy.

For example: If an investor is going to invest in a property with the intention of just waiting for the market to go up, prime real estate is probably the very best choice. Locations that are near entertainment centers or developing areas would be best because the likely hood that the property will increase in value simply by waiting is a pretty good bet.

On the other hand, if an investor is going to invest in a property with the intention of renting it and making a monthly income from it, he might be better off to look into urban properties. Urban properties wouldn’t be considered ‘prime’ real estate but they are ‘prime’ rental properties.

Then there are real estate investors who are handy with their hands. They can make repairs and renovations to rundown properties themselves, sell it for a great deal more than their purchase price and make a very nice profit. The location that these kinds of real estate investors often find the best is in neighborhoods that are made up of mid priced homes in working neighborhoods.

There are many factors that real estate investors consider when they are deciding which property to invest in. One factor can be what I call the 'snob' factor.

It's strange but people will pay a lot more money for a small property in the 'right' neighborhood than they will for a larger property in a less desirable neighborhood. However...one person's definition of a 'good' neighborhood will not be anywhere close to another person's definition of a 'good neighborhood'.

Then there is the 'visibility' factor. If a neighborhood or an area has become famous or even infamous, property values rise regardless of the location. Convenience is another factor when considering the desirability of the location of a piece of property. People do like to live close to where they work and where their children attend school. Rising gas prices just might work wonders for real estate prices in inner cities.

The desirability of the location of any piece of real estate can be determined by a great many different factors for real estate investors and for home buyers and renters. If the location is desirable for the investor's purposes he will invest.

If the location is desirable for a home buyer's purposes then he will buy. If the location is desirable for a renter's purposes then he will rent. So basically, you can roll all of the various factors for determining whether a location is good or bad into one simple work; desirability.

We are a nation of individuals. We all see things from a different point of view. Look around. There are people living everywhere. They live in big cities, small towns and in urban and rural areas. Who can determine what a 'good' location really is?

There is a proverb that says, "*Beauty is in the eye of the beholder*". The modern version would be 'whatever floats your boat is good'. In real estate it would translate to 'if the location serves your purpose then it's a good location'.

How to Find Hot Markets for Buying Investment Property

Investing in real estate is not a new path to financial success. It is a well worn path and it is so well worn because it is such an effective way to make a great deal of money in a relatively short period of time. But you have to be a forward thinker to make any serious money in the buying and selling of real estate.

The objective is to buy low and sell high and that means that you have to make a guess (an EDUCATED guess) as to what is GOING to happen tomorrow or next week or next year or ten years from now and not base your decisions on what happened yesterday, or last week, or last year or ten years ago.

Think about the neighborhood that you grew up in. Your mom and dad bought the house when the subdivision was new. It isn't new anymore. It isn't on its way UP. It is on its way DOWN.

The residents and the buildings are all beginning to show their age. That is the nature of real estate. What goes up will eventually go down. You always want to buy when the area is on the rise and not when it is in decline. There are, of course, exceptions to this rule but there aren't many.

In short; you need to find the hot markets when buying investment property and in a nutshell the hot market is where the people are GOING. Determining where people are going is the trick.

Buying in an area that is already popular can be a hot market providing you can make a good deal on the property but finding out about upcoming changes in the infrastructure can lead you to where people will be going in the future.

Infrastructure changes are such things as major highway construction, marinas or entertainment facilities. Basically, you base your real estate market investments upon the cold hard facts and not what you hope will happen or what your barber tells you.

Right now isn't a great time to invest in real estate in the USA but there are hot properties overseas that you can take full advantage of while you wait for the US real estate market to recover. Costa Rica is a good example.

Costa Rica is only 3 hours from the mainland. It is a hugely popular vacation destination and beach front property has been on an upward spiral for several years but it appears that the trend is going to continue.

Real estate investing is not an exact science. You always have to weigh the risk against the potential reward and if you do decide to invest in overseas property it is wise to employ a local attorney to oversee the process.

Then there is always the 'cool' factor that shouldn't be overlooked when searching for hot investment real estate. For example: in California there is an area called 'the Venice Beach' area. There was a film made there a few years ago that was loaded with skate boarders and surfers. Suddenly, Venice Beach became a very 'cool' place to live and real estate prices soared! So don't overlook 'cool'.

Keep both eyes on large corporation expansion plans. When corporations build, expand or even relocate the real estate market will boom simply because of demand for housing and small businesses. If a Wal-Mart is going to be built in a town, can a McDonald's be far behind? And all of those people who will be coming in to run Wal-Mart and all of the small businesses that it spawns will need housing.

Yes! Business can cause real estate prices to go up and can create hot properties for investment purposes!

Remember that old song that Willie Nelson recorded, "*You have to know when to hold 'em, know when to fold 'em, know when to walk away and know when to run*". Although the song was about gambling the advice is solid for investing in real estate.

Choosing what properties to invest in should be made strictly upon solid facts. A building permit for a marina is solid proof that a marina is going to be built and that the adjacent property values are going to go up.

Your cousin telling you that he HEARD that a marina was going to be built is NOT a fact. It's hearsay and you shouldn't bet a lot on hearsay! Investing in real estate is an excellent way to get a very high return but you really do need to know what you are doing to keep from losing your shirt.