



# Real Estate

## *INVESTING STARTER KIT*

### for the First-Time Investor

# Real Estate Investing Starter Kit: For the First Time Investor

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# Real Estate Investing Starter Kit

## INTRODUCTION

Investing in real estate comes with many benefits and financial advantages.

At UTZ Property Management, we love working with new investors who have specific goals in place and are willing to create a business plan that helps them meet those goals.

We have spent several years providing real estate services, professional property management, and resources for new investors who are looking for a way to enter the real estate industry. This book is intended to share our expertise in making money in real estate and evaluating potential opportunities.

We also want to help you with some of the logistical concerns that go with owning investment property.

You'll need to educate yourself on a lot more than just the local market. It's important to understand the laws associated with real estate investing, as well as the tax implications.

# Real Estate Investing Starter Kit

You'll need to surround yourself with experts in lending, real estate, property management, maintenance and repairs, and risk management.

As you read this book, think about your objectives when it comes to investing in real estate.

Are you trying to supplement your income or leave your current job and dive full-time into the real estate market?

Do you just want to have some extra money for retirement? Are you planning to buy one investment home or 20?

You'll need to think about a lot of possibilities before you start looking for properties.

# Real Estate Investing Starter Kit

## CHAPTER 1

### Basic and Vital Tips for New Investors

Many investors today want to add real estate to their investment portfolios, but they don't understand the complex nuances of real estate investing or how to begin the process.

Real estate investments are substantially different from any other types of investments like stocks, bonds, and CDs.

It can seem overwhelming if you're new to this type of investing.



# Real Estate Investing Starter Kit

## Basic and Vital Tips for New Investors

Real estate investing doesn't have to be difficult or scary. You need to run it like a business. When done correctly, real estate investing is one of the safest and best long term wealth-building tools in the world.

When done wrong, it can cause you to go bankrupt and lose everything you own.

These are some tips that can help new investors establish themselves confidently and quickly.

Real estate investing is a business, and you should treat it as such.

Develop a good business plan with realistic goals over one, three, five, and 10 years. Consider where you want to be in 10 or 20 years.

### **Credit and Financing**

Check your credit report to determine your ability to finance investment property.

# Real Estate Investing Starter Kit

## Basic and Vital Tips for New Investors

Most lenders require minimum scores from borrowers who want to buy investment property. Also, make sure that your total debt-to-monthly-income ratio is low.

It may make sense to pay down outstanding credit card debt or car loans in order to improve your debt ratios.

You're entitled to one free credit report per year from the three major credit bureaus, but they'll only provide your history, and not your score.

### Property Locations

Determine the best areas to look for properties. New investors often make the mistake of limiting their search to areas close to their home. However, you may find better deals further away.

You don't need to live close to your investment property. Tenants aren't going to call you when they need maintenance help or have emergencies. As a serious investor, you'll hire a property management company that is local and can respond.

# Real Estate Investing Starter Kit

## Basic and Vital Tips for New Investors

### Look for Opportunities

Consider multiple sources for buying properties. The local Multiple Listing Service (MLS) is not your only option, and you don't have to bang on doors in run-down neighborhoods, looking for distressed sellers.

Sometimes, you can find better deals on real estate auction sites, such as Auction.com. These sites make it possible for buyers to easily make purchases in locations outside of their immediate area.

### Network with Other Investors

Talk with other investors about local real estate. Join a real estate club in your area (do a quick Google search to find them). Real estate clubs are great places to network with other investors, lenders, and repair service providers.

You can often pick up helpful advice about your local market from other club members. Some communities offer courses on real estate investing through adult education or local real estate brokerages.



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## Basic and Vital Tips for New Investors

### Partner with a Mortgage Broker

Find a good bank or mortgage broker in your area if you're financing your investments. Realtors (real estate agents who belong to the National Association of Realtors and must adhere to a code of ethics) are good sources for recommendations, or you can ask other investors for referrals.

Do this before you start searching for properties. If you're paying cash, you'll need to prove you have the funds by submitting a recent bank or brokerage statement when you make an offer.

### Educate Yourself

Spend time reading about real estate investing. A tremendous amount of free information exists online about real estate investing.

When purchasing a book, look for those that offer practical guides on buying, flipping, renting, and selling properties.

Avoid books that claim you can make huge sums of money in 30 to 60

# Real Estate Investing Starter Kit

## Basic and Vital Tips for New Investors

days or 25-year-old books detailing techniques that may no longer work. You can listen to audio books in the car and while at the gym.

### **Partner with a Realtor**

Find a good Realtor to help you locate properties. Not all Realtors are experienced or even adept at helping investors.

Understanding rental properties and this business takes a commitment to learning, and the best agent will understand many different facets of investing.

Before you hire a Realtor, ask about cash flow, appreciation, equity capture, and debt pay down.

Make sure whoever you use to help you buy your investment properties is focused on this part of the market.

You don't want someone who does investment real estate part time as a hobby.

# Real Estate Investing Starter Kit

## Basic and Vital Tips for New Investors

### Learn from Experts

Learn from the best. It's especially useful to learn from their mistakes so you don't have to make them yourself.

To achieve success, you need model to your investing decisions after what other successful real estate investors have done.

Take the time to learn as much as you can. Some investors spend more time worrying about the interest rate of their investments and earn a great return from it.

The harder you work and the more effort you put into your real estate investment business, the greater your ultimate reward will become over time.

These tips will help you get started, and before too long you'll find that you're able to make smart decisions and identify outstanding opportunities.

# Real Estate Investing Starter Kit

## CHAPTER 2

### How to Make Money in Real Estate

There are many ways to make money investing in real estate; fix and flips, long-term rentals, vacation rentals, REITs, short-term rentals, long-range investing, non-performing loans, wholesaling, and even your personal residence.

All these can be considered ways to invest in real estate. Long-term rentals are often the most attractive because they offer great returns, which continue to pay you as long as you own they property.



# Real Estate Investing Starter Kit

## How to Make Money in Real Estate

A successful real estate investment provides a great return on your money with out much effort.

Each way to invest in real estate has a different level of risk, return, and time commitment.

Some investments in real estate are more of a full-time job than an investment, like fix and flipping, while some investments like REITs take almost no work.

### Long Term Rental Properties

Long term rental properties can take a lot of initial capital, but the returns are incredible if you are patient and buy right.

When looking at long term rentals, you need to consider cash flow, equity capture, appreciation, equity pay down, and tax benefits.

Typically, your return on investment is going to be higher than any other type of real estate investment, especially if you hold the property.

# Real Estate Investing Starter Kit

## How to Make Money in Real Estate

### Fix and Flips

This is a great way to start in real estate, but it takes a lot of work. You have to find deals, manage contractors, keep track of accounting and most importantly sell the property at a profit.

It also takes a lot of money for down payments and repairs, even if you're using a hard money lender. You are still on the hook for that money.

### Wholesaling Properties

Being a wholesaler is when an investor buys a home or gets a home under contract. They immediately sell the home to another investor buyer, without making any repairs and in some cases without buying the home.

An investor can wholesale a house without buying it by getting the property under contract to another investor.

Some real estate investors wholesale full-time and make hundreds of thousands of dollars a month.

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## How to Make Money in Real Estate

The advantage to wholesaling is you don't have to make repairs on a home and it is sold very quickly. Most properties that are wholesaled are bought by buyers planning to live in the property.

### Your Own Home

Your personal residence is another way to invest in real estate. You aren't bringing in any rent or income, but there are ways to make your personal residence a great investment. Many people will buy a home in need of repairs at a discount and get a better mortgage.

Sometimes, they'll also get a better property tax rate because they are buying it as a main residence. These investors will live in the home while fixing it up and making repairs.

After the property is repaired, they can sell it or turn it into a rental. This is a great way to buy a rental property with little money down. You can buy more than one property this way and build up a portfolio of rentals with small down payments.

# Real Estate Investing Starter Kit

## How to Make Money in Real Estate

### Investing with REITs

REITs are Real Estate Investment Trusts. They can be purchased like stocks or mutual funds.

REITs are large funds that invest in real estate and then pass on dividends and profits to the shareholders. REITs will invest in large commercial projects, land, industrial buildings or even government buildings.

This is an easy way to invest in real estate since the trust decides what to invest in and handles all the management.

The returns may be great, but can also go up and down like the stock market, and you have no control over the value.

### Long Distance Investment Property

Many people would love to invest in real estate, but find home prices extremely high where they live.



# Real Estate Investing Starter Kit

## How to Make Money in Real Estate

New York, San Francisco, and many other areas have incredibly high prices for real estate, which makes investing almost unobtainable.

Not only are the homes expensive, but because of the high price, it also makes cash flow on the property almost impossible.

Many investors are starting to purchase properties that are out of state and even out of the country. There is a lot of work needed to make long-range investing work.

You need to pick a market, find a great Realtor, find a great property manager, and then find the right property or properties.

First, pick a location. Make sure that you pick an area that fits your rental business model. Then, find a great Realtor. This is key to any successful strategy.

If you want to invest in real estate long distance, you need an awesome agent. That agent will help you find deals, possibly inspect homes for you, and schedule inspections.

# Real Estate Investing Starter Kit

## How to Make Money in Real Estate

Next, find a property manager. If you want to invest in long distance rental properties, you need a property manager.

A good property manager can mean the difference between a profitable rental and a total disaster. A property manager can find you the right property, rent the home, manage the expenses, hire contractors, and take care of the house for you.

### Investing in Vacation Homes

To invest in a vacation home, buy a house in a great tourist location. Use an experienced property manager to rent it out for you and collect the rent.

The difficult part of a vacation rental is the extremely cyclical market. Peak season can bring top dollar while low season can bring almost nothing, because demand goes down.

The cash flow on vacation rentals can look amazing at first, but the

# Real Estate Investing Starter Kit

## How to Make Money in Real Estate

management fees, expenses, and vacancies will almost always be much higher on a vacation rental than on a long-term rental. Make sure you look at all variables and trends in an area when considering purchasing in this business model.

### Short-Term Rental Investments

Short-term rental properties can be planned or come about as a necessity. Many investors will invest in real estate and hope it appreciates so they can sell the property for profit.

This is a dangerous tactic when you invest in real estate. Most of the time, cash flow is not the primary goal and people end up losing money every month when they invest for appreciation. This is speculation, which is much like gambling.

It is very difficult to hold a property for years when you are losing money every month. Many times the investor will be forced to sell the home in a down market and lose even more money.

# Real Estate Investing Starter Kit

## How to Make Money in Real Estate

There are many ways to make money investing in real estate.

Long-term rentals will continue to provide cash flow month after month and year after year.

Fix and flips can provide tremendous income, but you must keep a high volume of deals going and turn them quickly to make a lot of money.

Do your research, take your time, and buy right.

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## CHAPTER 3

### Evaluating an Investment Deal

If you're a new investor and you've found a property that you think might make a good investment, it can be difficult to know whether or not it will actually make you money. You need to evaluate the deal and decide if it's really what you want.



# Real Estate Investing Starter Kit

## Evaluating an Investment Deal

### Do the Math

This is a business, so make sure your numbers follow your business plan and work with your goals. If you don't have goals and you don't have a business plan, then you shouldn't buy anything until you get that taken care of first.

Perhaps you want to have 20 properties in 10 years. That's the goal. The strategy is how you will buy the 20 properties. That could be 2 properties a year for the next 10 years.

With that goal, you'll be able to construct a business plan. You can determine how many properties you want and what kind of return you expect.

Look at equity and how much of a return you can expect on your investment. Put it in a dollar amount or look at it as a percentage.

These things must be in your business plan, and then you can decide whether you have a potentially good deal or not.

# Real Estate Investing Starter Kit

## Evaluating an Investment Deal

### Be Professional, Not Emotional

A rental property is an inanimate object. It's really just a vehicle to get you to retirement and other financial goals.

A lot of people get emotional when they like a house, but you shouldn't do that. The numbers dictate the deal.

The numbers should be what attracts you, not the house itself. If you want to know something is a good deal, you need to look at your goals and compare the numbers and see if everything matches up.

Don't fall in love with a house. Fall in love with the numbers first and make sure the numbers work. Then, you can put it under contract.

Numbers first. Make sure the numbers match your goal, and if those things align, then put it under contract and move forward. This is just like swinging a baseball or swinging a golf club. You need to swing a couple of times to know what you're doing right and what you're doing wrong.

# Real Estate Investing Starter Kit

## Evaluating an Investment Deal

Evaluating a deal starts with this. Establish your goals and consult your business plan.



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## CHAPTER 4

### Is This a Good or Bad Deal?

New investors can be uncertain about what to buy and what not to buy when they're looking for properties. There are some easy definitions of what you should and should not buy. There are five things that make a good investment. If you find a property with these five things, it's probably a good deal.



# Real Estate Investing Starter Kit

## Is This a Good or Bad Deal?

### Cash Flow

Cash flow is a good reason to consider buying a property. This is a parameter and an indicator that can be pretty reliable.

If there's a \$150,000 home that will cash flow a couple hundred dollars a month, you might immediately think it's a good deal. It probably is, but consider the other four parameters as well.

### Equity Capture

If the house is worth \$150,000 in Maryland, and you buy it for \$125,000, you are making \$25,000 in unrealized capital gain when you sign on the dotted line.

This isn't money you can take and put in your pocket, but it's there in your housing value. This is called equity capture.

You are capturing that equity by signing a contract. You earn an immediate \$25,000.

# Real Estate Investing Starter Kit

## Is This a Good or Bad Deal?

### Property Appreciation

Look at that house over the course of 30 years. Over the course of 30 years, a \$150,000 house with simple appreciation could be worth nearly \$400,000.

So, in the 30 years you could get \$400,000 from \$150,000. That's not a bad investment.

Remember that you will not put \$125,000 down when you make this purchase. You will probably put 20 percent down.

So, if the house is \$125,000, you probably put \$25,000 down, and that's your out of pocket expense. When the investment is worth \$400,000, you are highly leveraged and you earn a lot off your appreciation.

### Bringing Down the Mortgage

The tenant in your property will be paying your mortgage debt down to zero. So, when you put \$25,000 down on a 30-year note with a tenant in

# Real Estate Investing Starter Kit

## Is This a Good or Bad Deal?

there, someone will be paying your debt for you. Obviously, there will be vacancy time and money spent on maintenance.

But, essentially that house will be paid to zero with someone else's money.

### Property Depreciation

Another way to identify whether you have a good deal is to look at depreciation. Property depreciation helps you make money.

There are a number of other tax advantages for real estate investors, so make sure you talk to a tax attorney or a CPA to help determine whether your deal is a potentially good one.

Always look at the full picture when you're deciding whether a deal is good or bad. It's not just about the cash flow or the sales price.

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## CHAPTER 5

### Is This a Good or Bad Deal?

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# Real Estate Investing Starter Kit

## CHAPTER 5

### 5 Beginner Tips for Real Estate Investors

These five tips for real estate investors are useful for beginning investors, but anyone who owns and operates rental property can benefit from thinking about them. If you do these things right, you have a better chance of success.



# Real Estate Investing Starter Kit

## Is This a Good or Bad Deal?

### Know the Tax Laws

You need to know the tax laws when you're a real estate investor. Your location matters, because there are state, county, and city laws that dictate local taxes on properties.

There may be differences in how the taxes are calculated based on the type of property you own.

Additionally, you should be aware of federal and state taxes on income from rental properties.

Learn the laws, discover if there is anything you can do to reduce your responsibility, and evaluate how they will impact your financial goals for the property. It can mean the difference between a positive cash flow and a negative one.

### Property Values and Rents

Make sure that the income you receive will be worth your investment. You



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## Is This a Good or Bad Deal?

don't want to invest too much into a property just to find out that the local market won't support the rent you'd have to charge in order to make the income you expect.

Look at the prices of similar properties being sold nearby, as well as the cost of comparable rentals in the area. Try to seek out the highs and lows, as well as the averages for sales prices and typical rents.

Then use this information to help inform your property investment strategy, as well as how much to charge for rent.

### Investment Costs

The price of property and the rent you collect are just the beginning when it comes to evaluating the cost of property investment. How much are the loan payments? What's the price of insurance?

What does it cost to operate the building and maintain it? What are the typical utility expenses? How much will it cost you to have vacancies? What was the previous marketing budget to find more tenants?

# Real Estate Investing Starter Kit

## Is This a Good or Bad Deal?

There are a lot of financial aspects to property ownership. Most of these costs can be incorporated into the rent, as long as you don't set the rent too high for comparable units in the area.

But, knowing this information is vital to ensuring that you are making money instead of losing it.

### Tenant Placement

Find out if the property has tenants already, what types of leases they have signed, and how long they've lived there. If they have a short history there or even have short-term leases, they just might be sticking around long enough for you to buy the building.

Moreover, people are somewhat predictable when it comes to breaking their lease, so you might be able to guess when they'll move. In the spring and summer months, more people look for new places to live.

During fall and winter, people typically like to stay put, especially if they have school-age children.

# Real Estate Investing Starter Kit

## Is This a Good or Bad Deal?

When you increase rent, it gives your tenants a reason to consider moving. Once you feel like you know your tenants, it's best to make a marketing plan for how to advertise vacancies or create a waiting list in case your tenants move.

### Get Professional Help

If you're a first time investor, don't do it alone. There are plenty of experts available who can help you make a good decision.

You may want to talk to a financial planner, real estate agent, a lawyer, your tax expert, a building inspector, property managers, and other people who have invested in real estate.

Depending on the type of property you are considering, there may be other experts with whom to consult.

The advice and services might cost you, but if you are able to ultimately make a good investment that works well with your portfolio, the price will be well worth it.

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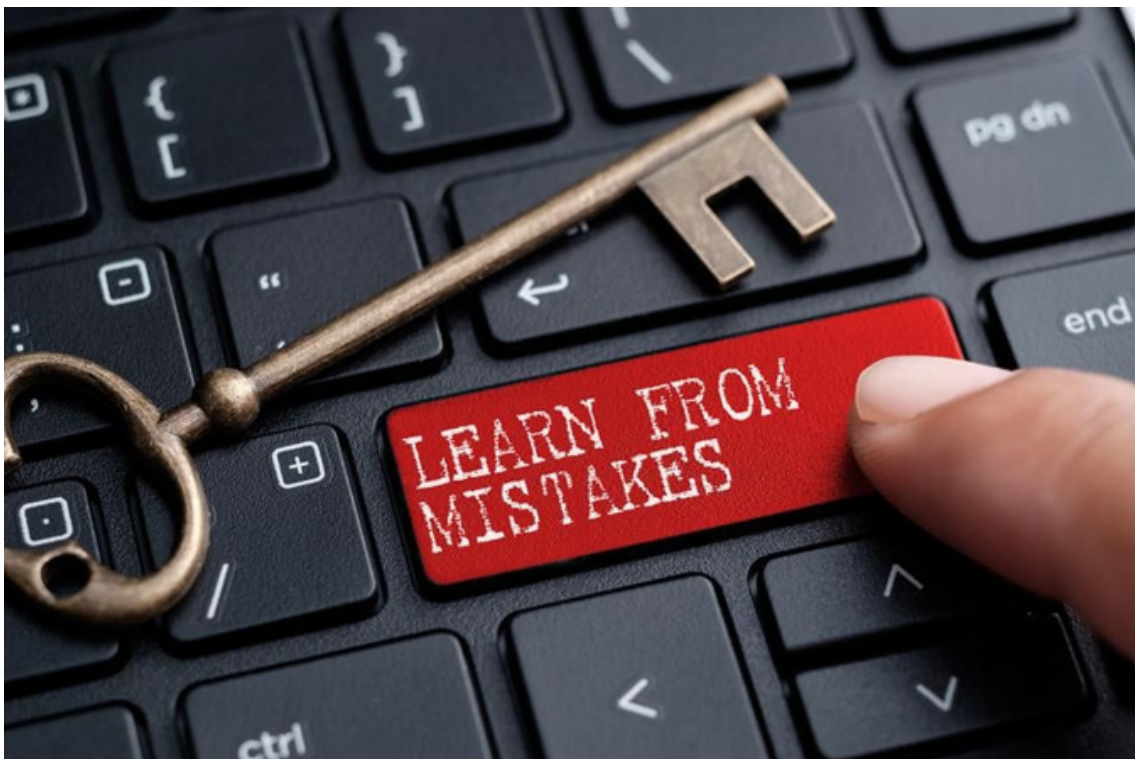
This doesn't cover everything you could possibly need to know about investing in real estate, but it's a good place to start when you're learning nuances of what could impact the success of your investment.

# Real Estate Investing Starter Kit

## CHAPTER 6

### 10 Lethal Mistakes Investors Make

Investing in real property is an appealing idea, and like any endeavor, there's a right way and a wrong way to do it. This list of lethal mistakes investors make can help you avoid costly errors. This list comes from a Bankrate article, where they spoke with established, full-time real estate investors and with professionals, such as bankers, to identify the types of traps into which real estate investors most often fall.



# Real Estate Investing Starter Kit

## Is This a Good or Bad Deal?

### Lack of Planning

Not having a plan is usually the biggest mistake a new investor can make. You don't want to buy a house and then try to figure out what you want to do with it. Instead, make a plan first.

Decide on the investment model that's going to work best for you, and then look for the property that fits that plan. You don't want to scramble for a strategy after you already closed on the deal.

Don't fall in love with a property and don't look at this as a transaction. Look at it as a strategy and an investment. The numbers and the way those numbers fit into your investment plan is more important than the property itself.

### Hopes of Getting Rich Quickly

A lot of salespeople are trying to sell you on real estate investing, and making big promises about getting rich quick. Real estate is a long-term investment, and you have to be willing to work hard and accept risk.

# Real Estate Investing Starter Kit

## Is This a Good or Bad Deal?

There are no guarantees.

### Going it Alone

To invest successfully, you need a solid team of professionals. Work with a great real estate agent, a qualified appraiser, a reputable home inspector, a closing attorney, and a lender you can trust. You'll also need a property manager to manage the investment.

Once you're preparing the property for the rental market, you'll need to establish relationships with vendors and contractors who can make repairs quickly and affordably.

You don't want to do this work yourself or it will take too long and it won't be done right. That will cost you money.

### Overpaying for Property

Paying too much is a lethal mistake and a certain way not to make money.



# Real Estate Investing Starter Kit

## Is This a Good or Bad Deal?

### Lack of Education

Do your homework. You need to be educated on the real estate industry if you're going to invest a lot of your financial security there.

Check out articles online, buy books, and join local groups and associations such as the National Real Estate Association. Talk to other investors and gain all the knowledge you can.

### Forgetting Due Diligence

Time is of the essence with real estate investments, but you don't want to make a move without doing some research. Make sure you understand market conditions and analyze all the costs.

You don't want to be surprised by the repairs that are needed or the amount of time it will take to rent it out.

### Planning Cash Flow

# Real Estate Investing Starter Kit

## Is This a Good or Bad Deal?

Cash flow is an important part of most investment strategies. You need to budget for the expenses that will hinder your cash flow.

These include your management fee, maintenance, and association dues. Be prepared for vacancies, advertising cost, and tenant turnover costs.

### Transactions vs. Business

Buying one property at a time seems like a good idea when you're just getting started as an investor. But, these are transactions and not a solid business plan.

Make sure you have access to a steady amount of deals and opportunities. You'll be able to pass on the purchases that don't make sense and focus on the good opportunities.

### Lack of Exit Strategy

You need to have several options and be flexible. If you want to buy an investment property and then sell it, have a plan for what to do if it

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# Real Estate Investing Starter Kit

## CONCLUSION

As a new investor, you probably have a lot of questions and a lot of concerns. It's an exciting time to be involved in real estate, and you have the potential to earn a lot of money.

However, there's also the potential to lose a lot of money.

Your experience as an investor will depend on your knowledge, your tolerance for risk, and your willingness to reach out to others for help.

This book has given you a good start. You'll know what to look for in a deal, and you should understand the importance of having a plan and an investment strategy before you start buying any property.

You've also been provided with a list of tips and tricks that will help you be more successful, and a list of lethal mistakes that can trip you up early if you're not careful.