Avoid 12 Common Mistakes Made By Novice Investors And Ensure High Rates Of Return!

Real estate investment had provided many investors with positive cash flow, tax benefits and satisfaction of making an impact in others' lives. However like any investment, real estate has intricate nuances and market trends that when ignored can cause an investor tremendous heart ache.

Unbelievably many first time investors are willing to part with their hard earned cash without taking the time to study their investment. They rely on traditional trends and gut feelings. Before you risk your investment take the time to learn all you can about your market. By aligning yourself with the right professional you can avoid these 12 common mistakes and you'll ensure an excellent return on your investment.

1. **Failure to Determine your Time Need**: Cash flow, capital appreciation, tax benefits, loss of management, equity paydown and pride of ownership are just some of the things that need to be addressed before you make that investment. A service minded real estate professional can be a tremendous asset be taking the time to evaluate your needs and making sure you've got all your bases covered.

2. **Not Checking out the Seller or Sellers Agents Numbers:** Claims of extremely high rates of return run rampant in real estate investment. Don't get caught up in the excitement - check everything: rents, payment history, taxes, expenses, deposits, future modifications… everything. Make sure you have the right agent… it's like having a good insurance policy against overlooking all the seemingly insignificant but very important details.

3. **Forgetting You Are Buying a Business**: Owning investment property carries with it great potential for creating wealth, and some potentially difficult decisions. Evictions, re-investment into the property, time management all need careful consideration. Remember this is not a "hands off" business.

4. **Avoid Negative Cash Flow**: Property that eats cash every month can drain your working capital. This can create stress, frustration and become quite painful. Predicting constant appreciation is extremely difficult if not impossible for the unseasoned investor. A strain on your cash flow may case you to sell the investment before the benefits of ownership are ever realized.

5. **Failure to do a Thorough Inspection**: Look under every rock! Hire a professional inspector. Ask the tenants about pest problems, structural damage or reoccurring problems. Don't overlook anything! A value driven real estate professional will help you find the right inspector and can help you avoid costly mistakes. When investing your hard earned money be sure are use sounds business judgment!

6. **Failing to Have Adequate Insurance**: Investment property brings liability. Tenants, cars, parking lots, cleaning facilities, property liability — the list is quite extensive. Adequate insurance coverage is an absolute must! Be sure to consult with an insurance professional and protect your hard earned assets.

7. **Inspect, Approve, and Confirm All Documents**: The list of documents that need to be proofed can be overwhelming to the first time investor. Building permits, zoning laws, rental and lease applications, health licenses, laundry leases, underlying loan documents, CC&R's, by-laws, title policies, mineral lease, inspection reports, purchase contracts, insurance… don't attempt to do it alone. The right professional can remove most of the stress and bring the transaction to a conclusion smoothly.

8. **Get a Bill of Sale for All Property Involved**: Many types of personal property (appliances, furniture, fixtures, etc.) can be involved in investment sale. Be very detailed… know who owns what!

9. **Charge Fair Rents**: Vacancies, turnovers and lease terminators are your biggest expense. Charge fair rents, treat you tenants with respect and respond as quickly as possible to their needs. It's a lot less costly in the long run to take care of the little problems before they become big problems. Vacant property is your Achilles heel.

10. **Select Qualified, Good Tenants from the Start**: Take the time to check references. Previous landlords, employers, financial references, credit, judgments are all vitally important. If there are any questions do a thorough investigation. Drive by their previous residence. A little work up front can save tremendous problems later on down the line.

11. **Make Sure You Get Estoppel Letters**: Get letters from tenants confirming the status of tenancy. Make sure their version of the rental or lease agreement corresponds with the sellers' interpretation.

12. **Don't Spend Positive Cash Flow**: Most of the successful investors have free and clear properties. Be sure to re-invest your cash flow back into the property payment and speed up the amortization schedule. This decreases your debt load and increases your equity… which builds your net worth.

Investment property can be one of the most rewarding aspects of your financial portfolio. Be certain to have all your ducks in a row before you invest. Do your homework! Consult with a professional real estate agent and relieve yourself of the hidden troubles that can plague first time investors.

We hope the brief report has been of value to you. It is our ultimate desire to help you achieve your real estate investment goals and provide you with the most professional, efficient and effective service possible!

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