

16 MISTAKES INVESTORS MAKE ON THEIR FIRST INVESTMENT PURCHASE

1. Not Determining Your Time Need

Talk to your real estate agent about cash flow, capital appreciation, tax benefits, loss of management, equity pay down, pride of ownership, sometimes these items are mutually exclusive.

2. Believing the Sellers or Sellers agents Numbers

Check everything, rents, payments, taxes, expenses deposits etc. Puffery is an epidemic in investment real estate.

3. Not Joining Your Local Apartment Association

The best local source of forms, pending laws, procedures and education on investment property.

4. Forgetting You're 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.

5. Getting Emotional

An emotional purchase is not always your best investment. Pay attention to the numbers not necessarily your heart.

6. Avoid Negative Cash Flow

Unless you expect constant appreciation, don't buy investment property that eats like an alligator, it's no fun! It may cause you pain and force a sale before the benefits of ownership can be seen.

7. Avoid Balloon Payments

Here is a stress inducer! Long term investment goals financed with short term investments, a classic investment mistake. I have always believed you should own real estate for the long term... Therefore, find the same length financing.

8. Do a thorough Inspection

Look at every inch! Hire a professional inspector and ask the tenants questions!

We sincerely hope these tips and ideas are of value to you. If there is any way we can be of service, please contact our office... we would consider it a privilege to be of service to you!

9. Make sure You Get Estoppel Letters

Get letters from the tenants confirming the status of tenancy (meaning make sure their story lines up with the sellers' interpretation)

10. Inspect, Approve, and Confirm All Documents

Get the building permits, the zoning laws, the rental applications and leases, the health license, the laundry lease, the by-laws, the easements, the title policy, the mineral leases, the inspection reports, the purchase contract, the insurance, the rules and regulations, etc., etc., you get the idea!

11. Get a Bill of Sale

There are different types of personal property (appliances, fixtures, etc.) involved in an investment sale; make sure you know who owns it.

12. Having Adequate Insurance

Get a professional insurance agent to make sure that you are covered! Tenants bring liabilities!

13. Treat Your Tenants as Customers

Vacancies and turnovers are your largest expense! Charge fair rents and attend to realistic tenant needs, immediately!

14. Select Qualified, Good Tenants from the Start

Check references of previous landlords, employers, bankers, and friends. Check credit, bank balances, judgments, Drive by where they live now. A little work up front saves problems later.

15. Rent Right

Low rents cost money but can cut turnover and decrease vacancy schedules, have rent increase, cash flow, the value of building, but increase the vacancy factory turnover.

16. Don't Spend Positive Cash Flow

Remember, all the successful investors have free and clear properties! Apply your cash flow to the payment and speed up that amortization schedule!