

**WHAT TO
KNOW
BEFORE YOU
INVEST IN
REAL ESTATE**



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WHY INVEST IN Real Estate?



Cash Flow

Real Estate can be used as a tool to receive monthly cash flow in the form of rent.



Equity Growth

The equity built up in a property over time can be leveraged into other investments.



Appreciation

Real estate historically increases in value over time.

Real estate can be an incredible tool to build long term wealth. However, investing in real estate comes with the same risks as other types of investing. It is important to consider the risk and avoid these common pitfalls when looking to invest in real estate.

1. Failing to consider the total cost of the investment.

Total costs can vary depending on the strategy of the investor, whether it is a flip or buy and hold strategy. A lot of first time investors fail to calculate the total costs for inspections, appraisal, repairs, HOA dues, vacancies, taxes and insurance. Knowing the numbers before investing is crucial to ensure positive returns in the future.

2. Going after the highest return

Like with most investing, the higher the return typically means the higher the risk. With real estate this can come in the form of higher repair costs, higher tenant turnover, and increased vacancies. It is important to consider these factors when pursuing a property that is likely to have increased risks.

3. Only investing in the areas close to you

It is important to consider a variety of areas when looking to invest in real estate. Some areas may be a little farther away, but offer an opportunity for a higher return with a lower initial investment. Exploring all of the available options allows for a more confident and informed decision.





HOW TO FUND THE DEAL

Conventional loans- This loan program typically requires a 20% downpayment for single family investment properties, however there are some options for 15% conventional loans. To purchase a multi-family property most conventional loans require 25% down.

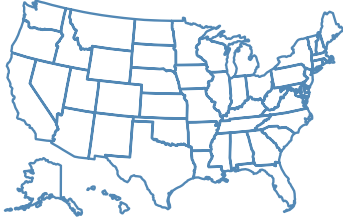
FHA loans- Most of the time it is impossible to buy an investment property with a traditional FHA loan. That being said, there are options available for specific situations. For example, if you want to buy a duplex and live in one side while renting out the other, you could put as little as 3.5% down.

Renovation loans- This is a great option for someone who is interested in a property that needs some work, but they don't have the funds to fix it up. A renovation loan allows the cost of the renovations to be wrapped up in the loan. There are some strings attached as to what scope of work this loan would cover. We work with great lenders who can get you more information on a variety of renovation loans.

Home equity line of credit- This allows the borrower to access the equity that they have built up in their current home, and use those funds to cover the downpayment on an investment property. One of the biggest hurdles to real estate investing is startup costs. This option allows you to put your equity to work for you.



HOW TO SELECT THE RIGHT PROPERTY



Select The Market

There are a number of factors that go into selecting the right market for an investment property. Some good questions to ask are,

- Is the property located in a city with a strong job market and an economy that is expected to grow?
- Is the population expected to grow in the next few years, creating a greater demand for housing in that area?
- Does the city have a track record of a stable housing market?

Select The Neighborhood

Once a market is identified, it is now time to pick the neighborhood to look in. Here are some good questions to ask when trying to narrow the search.

- What is the median household income in the neighborhood?
- Is the school district one that would be considered most desirable in the area?
- Is the neighborhood located next to amenities that people would want to live near?



Select The Property

Once the market and neighborhood have been identified, it's now time to find the right property. Below are some factors that are important to consider when looking at homes.

- Getting the property at the right price allows for solid cash flow each month.
- Finding something with minimal repair costs allows for a decreased initial investment.
- Find a property with features that would be highly desirable to renters. (Ex. Large backyard)



MANAGING YOUR INVESTMENT

Marketing

Marketing a property well is crucial to finding a quality tenant. We recommend considering the following ways to best market the property.

- Hire a professional photographer to take pictures of the property.
- Write an enticing description of the property that focuses on the how the tenant will benefit.
- Advertise on multiple sites. Maximum exposure is key to ensuring a large pool of people to choose from.

Selecting a Tenant

It is important to have a process that all potential tenants go through to narrow the search. A few things to consider might be:

- Provide an application for someone to fill out to gather personal information.
- Run a background and credit check on all applicants. (There are services that allow a landlord to do this for free!)
- Look at pay stubs to confirm that the tenant can meet their monthly obligations.

Lease Agreement

There are several different leasing options to consider. Long term leases generally require less work on the part of the landlord, but have more limited cash flow. Short term leases can be more to manage, but you're generally able to charge more than you could get on a monthly basis in a longterm agreement. Need a lease agreement? We'd be happy to connect you with some options!





HOW TO RENOVATE THE PROPERTY

Whether you are looking to flip a property or make smaller renovations before finding a tenant, it is important to stick to a budget. It is important to be strategic about what repairs to make and focus on the ones that are going to yield the best return over time.

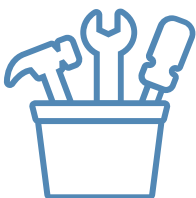
Repairs to Focus On

It is important to focus on repairs that will make the property more attractive to a potential buyer or tenant. Starting with good curb appeal is key for a good first impression. A fresh coat of paint and new flooring can quickly transform a space. Switching out the old light fixtures is a great way to update the space with a limited investment. Focus on kitchens and bathrooms as these are some of the most desirable upgrades for a buyer/tenant.



Resources for Repairs

A lot of people ask the question, will I ever see the money I invested in repairs when I go to sell the property? We found a great resource that gives cost vs value statistics for different cities around the U.S. This helps ensure that money is being spent on the right things to maximize the return. (Click the toolbox to the left to access the info)



Next Steps

Investing in real estate can seem impossible, and many people just don't know where to begin. Our goal is to help you reach your financial goals through real estate investing. We would be more than happy to sit down and craft a strategy that works for you.

Contact us for an **investing strategy session!**



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