

# REAL ESTATE ESSENTIALS

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**EXPLODE YOUR PASSIVE INCOME THROUGH  
MASTERING REAL ESTATE INVESTMENTS**



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# Foreword

Explode your passive income through Mastering Real Estate investments is an eBook that aimed at helping you become successful by investing in real estate. This is research based on expert advice and firsthand experience of real estate investors.

In this eBook, different aspects of being a real estate investor will be looked. First of all, you will get to learn the basics of real estate and the investment opportunities. This will give you some background on what exactly is entailed in these investments.

You will also get to learn whether or not you have what it takes it even invest in real estate. There are many people who rush into making an investment without really thinking about what it really entails. This eBook takes a look at some of the considerations that you should make before making your investment. It also helps you realize right from the start whether or not real estate is the right investment for you.

There are a number of simple techniques that successful real estate investors have managed to use and succeed. These tips will be shared in this eBook. You will also get to learn the simple methods that you can use to get started in real estate investments.

Like in any investment opportunities, there are challenges and risks that come with investing in real estate. In this eBook, we will look at a few of these. Knowing what hurdles to expect helps one to be adequately prepared. You will also get a few tips on how to deal with these issues.

All successful real estate investors share a number of qualities or character traits. These are what make them stand out in the industry and make a name for themselves. We will look at these qualities in this eBook. This will enable you to determine whether or not you have these traits of a successful investor. Some of the qualities are developed as you grow as an investor, you will also learn about them.

You will also get some tips on how to succeed as an investor in real estate. These tips will work for the people who are just starting out and also for those who are already investors. You can learn how to fully realize your potential by simply applying a few tips.

After reading this book, you will be able to establish whether or not real estate is the right investment for you. You will also be able to learn about the industry and get some advice on how to explode your passive income by mastering real estate investments.

If you have been investing in real estate without getting the returns that you desire, this book will enable you to learn what you may be doing wrong. Maybe you just need an attitude adjustment or maybe you chose the wrong kind of property investment opportunity. All this will become clear by the time you complete the final chapter.

Investing in real estate offers a lot of good opportunities. The key is to know how to succeed as an investor. You need to learn what real estate entails, the risks involved, challenges and success tips.

## ***Real Estate Essentials***

Explode Your Passive Income Through Mastering Real Estate  
Investments

# Chapter 1:

## *The Art of Real Estate Investments*

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In this chapter you will learn what exactly it means to invest in real estate. If you are new in this industry, this will give you a great insight of how this kind of investment really works.

You will also learn the basics of real estate.

- Definition of real estate
- Real estate investing
- A real estate investor

You can't invest in an industry that you don't know about. For this reason, you have to familiarize yourself with real estate before even thinking about any investments.



## **Definition of Real Estate**

Real estate is a term used in legal circles to refer to any piece of land. It also refers to all the developments done on the land. This includes all the building and the fencing around the land. If there are any other developments on the land such as boreholes or water wells they are also included as part of the real estate.

However, if there are any developments on the land that are movable, they won't be considered as part of the real estate. This is because, when the immovable parts of the land are considered as part of it. If you sell or buy the land, you will get these parts.

However, the movable fixtures can be considered as property of the current owner. They can be sold or removed from the land at any given time.

Real estate is governed by a set of laws called Real estate laws. The laws govern all the Real estate. They govern aspects such as jurisdiction, purchasing and development of land.

Real estate is mainly categorized into two main divisions. There is commercial and residential real estate. Commercial real estate basically refers to the financial aspect or business aspect of real estate. It entails the buying and selling of real estate for a variety of purposes.

Under this division of real estate, there are a number of professionals. For instance, to establish the worth of the land, there is the appraiser. There is also a broker who assists in the price negotiation between the

buyer and the seller. In some instances, there is the agent who helps in the buying and selling. This agent helps both parties in that, he helps the buyer to find property for sell. On the other hand, he helps the sellers to find buyers. These agents are normally licensed and in most cases are paid on commission basis. In place of an agent, a marketer may be put in charge

In this division land may be constantly developed so as to increase its value in the markets .For this purpose, there are land developers. There are also property managers who are normally in charge of managing property on behalf of an owner. They have to ensure that the property is well kept at all times.

Residential real estate normally refers to property that has been set aside for occupancy. There are many types of such properties that fall under this division. These include condominiums, apartments, family homes and town houses.

The above photo shows a picture of a beautiful house which is considered as real estate. This can either be a residential or commercial property investment. Someone may decide to occupy the house or rent it out.

### **Real estate investment**

This mainly has to do with the commercial real estate. It involves the leasing, renting, buying and selling of the property. Apart from the acquisition, it also involves the ownership of the property. The main aim of this kind of investment is to make profits. For this reason, investors will develop and manage their property really well so as to ensure that they get good prices for this.



Investing in real estate is not cheap by any means. The capital to get started is normally substantial. However, there are a number of options that investors can use to enable them to invest. One of these options is the mortgage loan.

Like any type of investment, there are a number of risks involved in the investing in real estate. If one is not careful, they could easily make loses and lose their investment all together. If an investor lacks adequate cash flow, they may be forced into selling their property at a price much lesser than the actual value of the property. For this reason, to invest in real estate, you have to have adequate cash flow at all times.

Another risk involved in this investment is fraud and corrupt practices. If you are not careful, you can easily lose your money by getting duped. There are many people posing as real estate agents selling “ghost houses’ or damaged property.

The profits that come with the right real estate investments are very high. This is why business moguls such as Donald Trump have a lot of such investments.

There are a number of ways to get some real estate property. For instance, you can look for market listings in order to find the properties on sale. You can also find available property by contacting the real estate agents.

Real estate property is also sold through public auctions and private sales. However, whichever method you select, you have to ensure that you search and ensure that the acquisition process is legal.

Trump towers in Manhattan owned by Donald Trump one of the most successful real estate investors.

### **Real estate investor**

There are two types of real estate investors. There is an active investor and a passive one. An active one is fully involved in the investment. He or she participates right from the purchase up to the point of sale. On the other hand, a passive investor hires a firm or a trust to make the investment on his behalf. The company hired is also responsible for maintenance of the property and the eventual sale.

Real estate investors select different investment opportunities for varied reasons. There are some that are drawn by the leverage and tax benefits while others are interested in the cash. There are also others who are drawn by appreciation or depreciation.

There are so many investors who have managed to make fortunes simply through real estate. This industry has very good lucrative opportunities which if well utilized, can be very beneficial.



# Chapter 2:

## *What to Consider Before Investing in Real Estate*

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In chapter two, we look at the factors to consider before real estate investment. There are many benefits of this kind of investment. However, you just can't rush in and put your money in it before making a few considerations.

- Capital
- Returns on investments
- Analytic abilities
- Investing your time
- Stress Management
- Research
- Market Research
- Return rates
- Type of investment to make
- 

There are people who are well suited for real estate while others may not be able to handle the pressures and stresses that come with this kind of investment. You have to learn about what to expect in the industry so that you can gauge which category you fall in.

Remember, even if you don't have what it takes, maybe you can work on this. There are things that you can learn with time. There are also solutions to some hurdles that may be presented by real estate investments.

## **Think About This**

### **Capital**

This is one of the key considerations to make before investing in real estate. You will need to have adequate capital in order to make your investment. Even if you save a lot of money, probability is that you will require further funds such as loans. To invest in real estate is not easy because properties normally cost a lot. In addition, apart from buying the property, you may have to do some repairs or renovations. You have to ensure that it is in good condition so as to get a good quote when you decide to sell it.

Apart from the cost of buying property, there are also additional transactional costs that you will incur. For instance, there may be a brokerage fee. There are also taxes that have to be paid.

You can look for loans or other means of raising the capital well in advance. If you don't manage to do this, you should then consider alternative investments.

### **Returns on investments**

Investing in real estate doesn't guarantee overnight success. If you are looking for an investment that will give you returns in just a month or two then this isn't the right investment for you. Real estate investors know that you have to be very patient in order to get your returns. You also need to set realistic goals.

If you try to rush your investment, chances are that you will make losses. Desperation may force you to make bad decision such as selling your property for less money that you would have if you had taken your time. Real estate investment can be very profitable but it takes time.

In addition, it also takes a lot of hard work. This is not the kind of investment that you will make and just wait for returns to materialize. You will need to work hard so as to succeed.

### **Time investment**

You should be willing and able to invest both time and effort before getting into real estate investments. There are many people who have managed to invest in real estate on part-time basis. This means that they have full time jobs but still have to manage their investments. This doesn't mean that they don't have to give adequate attention to the investments though.

It is good to try and see if you can spare adequate time in advance. Just test yourself like you would if you had already made an investment. You can use sometime to consult with people in the industry and carry out some research. This will allow you to determine how much time you can invest in real estate.

If you try out this exercise and find out that you are unable to spare sometime from your job, then you are not ready to invest in real estate.

### **Analytic abilities**

Real estate investment requires one to be very analytic. You have to be rational in decision making. Every single decision that you make in this investment will have very major impacts. You will have to make a decision on which property to purchase and after this; you will be faced with more decisions until selling the property. You have to have a keen eye and analyze the markets so as to make the right decisions. If you don't know much about real estate, you have to do adequate research before making your investment. You will need to be very knowledgeable so as to make good informed decisions. It is also good

to create networks with other people who are already established in the industry. This will help in sharpening your analytic skills and enabling you to make good decisions.

### **Stress management**

Making an investment in real estate is a great financial decision. Probability of making profits is really high and that's why there are many people who have managed to make fortunes from this business. However, it is a very stressful venture. It's not the kind of investment that you make and sit back and just see profits coming in. You will be faced with so many critical decisions throughout your investment which can be stressful. Finding the right property to invest in will be stressful.

You will have to make the right decision which will mean research and consultations. You will also be faced with multiple negotiations which can also be a bit overwhelming. Dealing with other professionals such as lawyers and brokers may also be really stressful.

There will also be instances whereby things may not go as you have planned. There are so many challenges to face such as external factors that affect the industry. For instance, if the economy of the country isn't doing well, probability is that the real estate industry will also suffer.

You have to have the ability to deal with stress well. If you are the kind of person who can't handle stressful situations really well, then you should consider another type of investment instead of real estate.

Real estate investments can be really stressful. You need to be able to manage your stress effectively.

## **Research**

One thing that you will need before investing in real estate is information about the industry. You may have heard from others that this is a good investment opportunity but this isn't enough to enable you to get started in the industry. You have to know as much as possible well in advance.

Knowledge will also equip you with the information that you need to make decisions. For instance, you will need to know the real estate laws in your state. These laws will govern all your transactions.

You will also need information about different investment opportunities and how they work. There are different types of real estate properties that you have to familiarize yourself with. This is critical in helping you select the right kind of investment.

You also need to research on the contractors, lawyers, brokerage firms and other professionals that you will work with. It will not be wise to just rush and start contacting professionals off the internet or the directory.

You also have to research on issues such as the location of the property. Invest your time and energy and get as much information as possible. This will be a key aspect in determining just how successful you will be as a real estate investor.

## **Market Research**

Apart from carrying out research about the real estate investment, you also need to carry out some market research. Before making your investment, you have to find out just how the market is doing at that particular time.

For instance, there is a time when the real estate industry was really hard hit. That time, houses were being sold very cheaply. Although there was a high chance of affordability, this was still not the best time to invest in real estate.

It's better to make your investments when the markets are a bit more stable.

### **Returns Rates**

You have to establish just how much you want to make at the end of your investment. You can make consultations with people already in the industry who can offer you advice on this. Once you establish the return rates, you will be in a better position to select the right type of property investment.

### **Type of investment to make**

There are many different types of real estate investment opportunities. For instance, you can decide to invest in rental properties or even residential properties.

You have to carry out research and determine the kind of opportunity that not only appeals to you most but also meets your requirements and abilities. You should also consider other aspects such as location and taxes.

These considerations will help you in making your decisions concerning making investments in real estate. The key to being a successful real estate investor is to do your research well. Ensure that you are very competent in your areas of interest. You can do this by reading widely and consulting with established professionals in the industry.



# Chapter 3:

## *Simple Techniques of Investing in Real Estate*

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There are people who have managed to succeed as real estate investor and make millions in profits. There are others who have not succeeded and have actually lost their investments and made huge losses. The difference between these two groups of people is in the techniques that they used.

- Standing out from other real estate investors
- Research
- Rental properties
- Investment Groups
- Trading in real estate
- Investment Trusts
- Rent-to-own property investments
- Boarding houses
- Speculations
- Make wise investments

## **Techniques**

### **Standing out from other real estate investors**

Real estate investments are very popular due to their profitability. This has managed to attract so many investors to try out their hand in making a living through this kind of investment. However, to be successful, an investor has to find away to stand out from the other investors. You have to find something that will distinguish you. This is will be your selling point.

In addition, in order to find the right kind of property to invest in, you have to be really competitive. If a property presents a good investment opportunity, this means that there will be a number of investors that will be going after it. The seller will then have to evaluate what each investor has to offer so as to make a decision.

You need to ensure that you have something that will make the seller interested in your purchasing proposal. For instance, don't just send a plain application. Make an application that stands out and tells the owner why you should be the one to get the property.

Try and attract the seller's attention immediately. You can do this in presenting your buying proposal in a way that is attractive and stands out. If possible, ask the seller if you can meet and have further discussions. Most buyers normally ask the seller to call them but whenever possible; it's good that you take the initiative and show your interest.

When sending your letter try and get the seller intrigued so as to read it. You can do this by using an interesting envelope or making a good presentation that will be hard to ignore.

Remember, which ever strategy you adopt, you should never pester the seller. Make your application and wait. Don't keep calling or arriving unannounced to see the seller. This may work against you.

There are so many people who may be interested in the same investment as you. It is therefore paramount that you find a way to stand out from all of them. Distinguish yourself in a way that will appeal to the sellers.

## **Research**

One thing that you will learn from this eBook is that you can't be a successful real estate investor without being knowledgeable about the industry. You have to do your research as this will help you in every step of the way.

When approaching a seller, you need to have adequate knowledge about real estate. If a person is selling their first property, they will have confidence in a buyer who knows their way around the industry. This seller is faced with something new that presents a lot of uncertainties. If you also appear clueless, they will not have any confidence in you.

You have better chances of forming a good rapport with a seller if you can offer him or her some guidance about the whole process. Build your confidence through research. This will also make you look more credible in the eyes of the seller.

Remember, you may have to portray your knowledge through your application letter. Keep it straight to the point so as not to lose the interest of the seller. You can offer some insight to the seller by telling them the options that they have. You should also try and explain to them why the sale will be beneficial to them. Ensure that the letter isn't about you but about them.

In case the buyer contacts you looking for help, you have to be able to offer them adequate assistance. If you lie and then fall short of their expectations, you will not be able to get the property. Ensure that you research well and be ready to assist them whenever possible.

### **Rental Properties**

One technique of investing in real estate is investing in rental properties. You can find nice properties and then rent them out. You can charge a good rental fee that will help you cover all the expenses of the property.

This is one of the most popular techniques adopted by most investors. Being a landlord enables you to make a profit and have a steady cash flow. The rent can also pay for your mortgage payments thus relieving you off the burden of loan repayments.

However, you have to ensure that you get good tenants. A bad tenant may not be able to make the payments. They may also damage your property making it lose value and actually cost a lot more in repairs. This is the main risk of this investment technique.

You should also be prepared to invest time in this type of property investment. You need to touch base with your tenants and watch over your property. Some people may consider this as being tedious but nevertheless, it's a requirement.

### **Investment Groups**

Being a landlord entails a lot of hard work. It has its benefits but there are also a number of hustles involved. For people who want to avoid this hustle, there is the option of joining part of an investment group. This is whereby a company buys the real estate property and then invites investors to buy parts of the properties.

In this case, you won't have to invest as much time as the landlord in watching your investment and ensuring the property is well kept. The company does this for you. In return, you will have to give them part of the rent that you make each month.

An investment group still manages to make enough money to earn a profit and pay for the property.

## **Trading in real estate**

Another strategy that has worked for a number of investors is trading. This is whereby; you buy property and then dispose it at a profit. Most traders buy the property very cheaply. They then fix it up to make it more valuable. They will then sell it off within just a couple of months and make a profit. In real estate lingo, this is called flipping property.

There are however some investors who simply rely on their negotiating skills. They negotiate and ensure that they buy a property at a very good rate. They then use the same skills to get a higher quote when selling the property. These investors don't try to increase the value of the property. They just sell it off the same way, they bought it.

## **Investment Trusts**

This basically involves the trading of real estate the same way as stock exchange. The trust is set to get investors to put in their money to buying properties. When the prices of the properties go up, the trust will then sell the property on behalf of the investors. In addition, if an investor needs quick cash, they can easily sell their property very easily through the trust.

For this technique, investors can invest in both commercial and residential real estate.

### **Rent-to-own property investment**

This is the kind of arrangement whereby a tenant makes rental payments with the hope of owning the property after a given period. This is a strategy that is adopted by many investors because it allows them to charge higher rents. It also has higher profits.

However, the risk of this investment is having tenants bail out before completing the payments. There is also the risk of being stuck with vacancies if you don't get tenants immediately.

### **Boarding Houses**

If you live in an area where there is a college, you need to consider this option. Boarding houses normally bring in more rent than most rental properties. This is because each room of the houses brings in a given amount of money.

These houses do well even in areas that aren't near colleges like places where there is a lot of tourism.

The main risk of this investment is damages. If your tenants are college students there is a high probability of spending a lot of money in repairs. However, you can get a caretaker to help you watch the property.

### **Speculations**

In real estate investment, there is a strategy called speculations. This means that, you buy property when the prices are lower, then wait

until they are higher and sell them. You can maximize on low housing prices to get your property.

As with all speculations though, there are no guarantees. The markets may not do well like expected. This will force you to hold on to your investment much longer. You may even end up selling them at lower costs.

### **Make wise investments**

A lot of different property will come to the market from time to time. However, not all these will provide good investment opportunities. You need to know when to invest in a property and when not to do it.

You also need to stay up to date at all times. Set in place measures to help you know when new properties are available. This will help you maximize on the best opportunities.

There are many properties that you can invest in, however, not all of these present good opportunities. You need to find the best ones to invest in.





# Chapter 4:

## *Risks Involved in Real Estate Investment*

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In this chapter, we look at the risks that are faced by real estate investors.

- Unpredictability of housing markets
- Negative cash flows
- Unplanned emergencies
- Failure
- Risks involved in rental properties
- Inability to resale property at profit
- Risks involved in investing in residential real estate
- Corruption and fraudulent practices

You have to do research on the expected risks. This will prepare you for your investment. You may also get to learn about how to deal with the risks well in advance. Risk analysis will also give you a realistic approach when you start on your investment.



## **The Perils**

### **Unpredictability of housing markets**

There was a time when investing in real estate had some amount of guarantee. People used to buy property, develop it and after a while, sell it at a profit. However, in recent times this has changed. You may buy a property but fail to sell it at a profit. This is because the prices of houses keep fluctuating with the changes in economy. If the economy fails, the prices considerably go down. This forces investors to sell their property at cheaper prices. Most times, this is normally at a loss.

It is due to this risk that investors are advised against investing more than they can afford to lose. For instance, it would not be advisable to invest your kid's college savings into real estate. In case the house markets prices are affected, you may lose this investment and end up jeopardizing the future education of your children.

No matter how stable or good the economy may seem, it is always good to plan for any changes that may occur in future. As an investor, you should always leave room for such occurrences. It is also good to set realistic goals and know that your investment doesn't offer any guarantees.

In case of any changes in the market prices, be prepared to hold on to your property for a while. Sometimes, the economy may pick up again in a while so it's not good to rush and sell your property at a loss. However, if worse comes to worse, you may have to sell your property at a loss and re-invest the money.

## **Negative cash flows**

It is very easy to end up with a negative cash flow. You may invest in a property that doesn't bring you any profits. This will mean that, you will be spending money without making any money.

This is a big risk in real estate investments especially since there are no guarantees. You may get rental properties but fail to get tenants for instance.

One way to cope with this issue is to be patient. You may have negative cash flows when you are starting out but like any other business, this may change with time.

Alternatively, if you realize that you aren't making any money from the property, you should definitely consider selling it.

## **Unplanned emergencies**

It can be really difficult budgeting for your real estate investment. You may set aside enough money for purchasing property and even renovating it. However, there are other expenses that may come up that you may have not planned for.

For instance, you may repair your house and get it ready for resale. However, something happens that makes your house require new repairs. These unforeseen emergencies are always a risk to investors. There is always a high chance that things may not quite go as planned.

To deal with this risk, investors are advised to set enough money aside to cater for any emergencies that may come up. It is not good to work with an exact budget that lacks flexibility.

## **Failure**

Most people don't consider failure as a risk, however it is. Like in any business venture, investing in real estate isn't a guarantee that you will succeed. There are many investors who have managed to make fortunes from real estates. There are also some who have failed and given up all together.

Failure is a reality that every investor should plan for. It's always good to put in place measures that will help you in case you fail to make profits.

You also need to be realistic. It's not going to take three to four months for you to start getting your returns. There are investors who had to wait for over five years before finally making some profits.

If you fail the first time you try, you can learn from this and try again. The second investment may actually work out. If you fail and get overwhelmed by the stress, you will not be able to re-invest again and succeed. You have to keep working hard and trying until you succeed.

## **Risks involved in Rental Properties**

Most investors will tell you that one of the most lucrative real estate investments is investing in rental properties. By charging good monthly rental charges, you can manage to pay for your mortgage payments and meet any costs incurred in the maintenance of the property. Rental properties are also very profitable.

However, if you end up with bad tenants then this will be a definite risk. Tenants may fail to meet the rental costs and therefore fall behind in making payments. This may force you to use your own funds to pay your mortgage payments.

Other tenants may damage the property therefore forcing you to spend much more money in repairs. Some may completely ruin your property forcing you to resale it at a much lower price.

Another risk is failing to make any profits. Your rental charge may only be enough to pay your mortgage. Sometimes it may not even cover these costs. This happens especially when landlords are forced to charge less rents than they expected. For instance, if you have rental property in an area that gets termed as being insecure, your rent may have to go down.

There is also the risk of not getting tenants. You may end up with vacancies which pose probabilities for losses since you will still have to meet the costs of the property.

### **Inability to resale property at a profit**

Flipping property is a very popular type of investment in real estate. There are so many investors who look for property to buy, fix and resale at a profit. For most people, this normally works very well since fixing the property adds its value. There are some who even get to sell their prices at twice the purchasing price.

This is definitely a lucrative investment opportunity but it doesn't come free of risks. There are instances whereby an investor may fail to get buyers for the property. They may also be unable to sell the property at a profit especially if they spent a lot of money on renovations.

There are also instances where investors spend too much money purchasing a property. This means that getting a higher value for the same property during resale becomes very hard. Buyers simply refuse

to pay certain amounts that they consider being too much for the said property even after it has been repaired.

There is also the risk of underestimating the cost of renovations. An investor may end up going over budget fixing a place and then fail to get a good price during resale. In other instances, the investor may even fail to meet the costs of the renovations and therefore end up selling the property at a lower cost.

There is also the risk of investing in the wrong kind of property. An investor may select the wrong location for instance. This may force them to resale the property at a lower cost. They may also find themselves stuck with the property and unable to resale it at all.

### **The risks involved in investing in residential property**

You may decide to invest in commercial or residential real estate. Residential property is still a form investing even if it only consists of the house that you live in. This is a very valuable asset.

One of the most popular risks involved in this kind of investment is buying property without having done adequate research about it. You may end up buying property in the wrong neighborhood that poses a security risk. There are actually homeowners who have ended up renting alternative houses because of this reason.

You may also get the wrong location in terms of natural calamities. For instance, a homeowner may buy a house in an area notorious for tornados or hurricanes. In the eventuality of any of these calamities, he may end up losing the home or incurring losses due to the cost of repairing the damaged property.

There is also the risk of buying the wrong property in terms of the condition. You may get a very good price for a house without realizing that it's actually falling apart. This could be caused by ants, molding or a number of other things. Such an investment may bring about losses to the homeowners.

### **Corruption and Fraudulent practices**

There is always a risk of being conned. You need to be very careful when making your real estate investment. Don't buy anything that you haven't vetted out and seen in person. For this reason, avoid online transactions. You can't buy a house in Texas that you just have a picture of.

Be very careful; make consultations and research on each property before making an investment. Take your time and avoid regrets.

You should also be very careful with all documentations. Ensure that you work with the proper authorities and get your documentations. For instance, you can't claim to own a piece of land until you have the title deed.

Be very wary of people who may be out to con you. Research and ensure that every transaction that you make is legal. You should also ensure that you don't end up buying ghost properties. You can do this by visiting the property before making payments for it.

# Chapter 5:

## *The Main Challenges Facing Real Estate Investors*

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*“The will to win, the desire to succeed, the urge to reach your full potential? These are the keys that will unlock the door to personal excellence” Eddie Robinson*

In this chapter, we look at some of the challenges that real estate investors have to face.

- Capital
- Mortgage Payments
- Ability to meet the set requirements for acquisition of property
- Taxes
- Loans
- Price appreciations
- Profitability
- Rise and Fall of demand

There are a number of challenges that every investor has to face at some point. You have to be prepared for all this.



## **Challenges**

### **Capital**

One of the most common difficult faced by investors is raising capital. Real estate investments require a sizeable amount of money that is not very easy to raise for a number of people. Most people have turned to getting loans so as to manage to make the investments.

However, getting loans isn't very easy. For instance, people with bad credit or low credit scores normally experience a number of problems getting loans. Most financiers consider them as high risks and therefore can't lend them anything. In other instances, they may get loans but end up being charged very high interest rates.

Self employed investors may also have problems getting loans since most lenders prefer employed loan applicants.

### **Mortgage Payments**

When an investor purchases a property, they have to take up the mortgage payments. This is normally a big challenge during the initial stages. There is a slot of paperwork to be filed. There is also a lot of follow ups that have to be done.

There are few cases whereby some sellers have failed to properly disclose the terms of the mortgage payment to the buyer. A buyer may then end up with a mess, For instance, a mortgage payment plan that may be complex or stressful.

## **Ability to meet the set requirements for the property acquisition**

For different types of properties, there are a number of set acquisition requirements that have to be met by the investors.

For instance, an investor has to have experience dealing with certain property investments. If they want to invest in commercial real estate, they may have to show that they have experience or adequate knowledge about such investments.

The acquisition and exchange requirements differ in different areas. For instance, some states have an age limit for investors. You can own property if you are under the age of 18 or 21 in some areas. These requirements can pose a challenge to investors especially the ones who are just starting out.

## **Taxes**

One of the main challenges that investors have to face is payment of taxes. For instance, if your property has appreciated in value, you will have to pay a higher tax when trying to dispose it. These taxes can hinder an investor from re-investing their returns in an equally priced property.

However, there is an Internal Revenue code for deferred exchange that normally helps investors in this predicament. With this law, an investor can use all the proceeds that they get from a capital gain and re-invest in another property.

Apart from the taxes, investors should also try and avoid the depreciation recapture which normally leads to loss of investments.

## **Loans**

If an investor gets a property, he will have to take over the loan repayments for the property. This normally poses a challenge in that, the investor has to do follow ups and find out the outstanding loans. In case there is any debt relief, the investor has to find out about this or they may have to repay the debt all over again.

## **Price appreciation**

This is one of the main challenges faced by investors especially in rental property investments. For instance, in the condominium markets, these properties are increasingly becoming expensive even the smaller units.

This has become a big challenge especially for investors interested in such properties. It is increasingly becoming difficult to find reasonable affordable properties that don't pose too much risk.

## **Profitability**

There are some real estate investments that are not profitable. For instance, you may have rental property that only brings in enough money to cater for the expenses of the property. However, you may not be making any profits that can be used to re-invest in other property. You may not also be making any profits to allow you to earn a living from your investment.

There are also properties that may not sustain a person at all. This normally forces an investor to find an alternative job and invest in real estate only on part-time basis.

## **Rise and fall of demand**

One of the challenges that may affect the industry is the rise and fall of demand for real estate property. When the economy of a country suffers, there is unemployment. This indirectly leads to the fall in demand for houses.



# Chapter 6:

## *Qualities of Successful Real Estate Investors*

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If you want to explode your passive income through mastering real estate investments, there are a number of qualities that you must possess.

- Dedication
- Goal oriented
- A winning attitude
- Ability to plan effectively
- Network and learn
- Rational thinker
- Ability to do research
- Ethical
- Good people skills

If you don't already possess these qualities you can learn to master them. For instance, you can train yourself to be more focused or goal oriented. You can also research and teach yourself how to be a rational thinker.

It doesn't mean that you give up if you don't have these qualities. You just have to work hard and adapt them since they are some of the keys to success.

## **What You Need**

### **Dedication**

A successful real estate investor must be dedicated. This isn't the kind of investment that you make if you are still undecided about it. Real estate investments require hard work, time and dedication. You should be dedicated to succeeding as an investor. To be dedicated, you have to give your investment top priority. You can't expect not to put in time and effort and still succeed.

You should also be dedicated to the industry as a whole. Try as much as possible to learn as much as you can. If you are just starting out, you should strive to meet successful investors and learn from them. You may have to sacrifice something in your life so as to take care of your investment. For instance, instead of hanging out with friends so much, you can use this time to learn more about how to make your investment more profitable.

### **Goal Oriented**

Like in any kind of investment, you have to be goal oriented. Set your goals and objectives and strive to achieve them. Working with no goals is not a good strategy. You will have nothing to use to measure your successes. You will also lack focus if you have nothing to work towards.

Remember to set realistic goals though. Being unrealistic can get you very frustrated. For instance, expecting to become a millionaire within a month or two is completely unrealistic.

## **A winning attitude**

One quality that is shared by all successful real estate investors is a positive winning attitude. If you don't believe in yourself and your ability to succeed then you won't make it in real estate. Your self-doubt will also be felt by the people working with you.

This is likely to put them off. For instance, a seller may be hesitant to sell his or her property to a buyer who looks unsure about themselves and their decision.

You have to envision yourself as a winner. A positive attitude will help you succeed as an investor.

## **Ability to plan effectively**

There are people who know how to make a plan and stick with it. This is an important quality of successful real estate investors. There is no room for being hesitant or procrastinating if you want to succeed.

There are also people who are good at making plans and then do nothing about it after that. They don't follow through these plans. If you decide to buy a property this year, then do so. If three years down the line, you still haven't made your purchase then real estate isn't your cup of tea. You can't second guess yourself if at all you want to succeed.

If you want to be a successful real estate investor, get a paper and pen and write down your plan from the first step. Then ensure that you stick with this plan.

## **Network and learn**

There are many successful real estate investors who are willing to share their tricks and secrets for success. If you are just starting out, it's always good to mingle with such individuals. They will help you grow in the industry by teaching you the ropes that you need.

Networking will also help you stay in the loop. You will get to learn the new developments in the industry. You will also get vital information such as the best investment opportunities in real estate.

## **Rational thinker**

One of the differences between successful investors and those who don't succeed is the ability to think rationally. If you want to succeed in real estate you can't afford to be an emotional thinker. You can't base your decisions on emotions rather than rationality.

For instance, an emotional thinker may buy property in his or her town of birth simply because of sentimental value. However, this may not be the best location for a real estate investment. On the other hand, a rationale thinker will consider all factors before buying the property. This makes him or her more likely to make the right choices.

An emotional thinker may also hold on to property that may not bring in profits instead of getting rid of it. They may be basing their decision on issues such as an emotional attachment to the property. Such an investor ends up making losses. This isn't something that a rational thinker would do.

In real estate, you can't afford to make emotional decisions or you may end up being unsuccessful. You have to be a critical thinker.



## **Ability to do Research**

As already mentioned in this eBook, you can succeed as a real estate investor without carrying out adequate research from time to time. Education is very important in this industry. This is how you find out which are the best investments to make. It is also how you find out the laws and procedures involved in real estate.

You can find a lot of research material online or even in your local libraries. There is also a wealth of knowledge that can be found from other real estate investors.

## **Ethical**

A successful real estate investor has to remain ethical at all times during their investment. They have to find out the code of ethics that administer the industry and then follow them to the later.

High ethical standards will help build the reputation of an investor in the industry. It also helps in protecting the person's investment. There is no need of investing time and money in a property and then lose it by simply failing to adhere to the set rules and standards.

## **Good people skills**

Successful real estate investors normally have very good people skills. They know how to communicate and relate with other people with ease. If you are a landlord, you need to know how to relate to your tenants. Otherwise, you may end up with never ending vacancies.

Investors should also have to know how to relate with other professionals in the industry. This includes lawyers, brokers, agents, sellers, buyers, constructors and others. A person who can't work well with others can't expect to be successful in this industry.

A good investor should know how to relate well with clients. If you don't relate well with them, you will lose them. If word gets out, you may lack future clients.

To succeed in real estate, you need to know how to relate with other people. You have to be able to communicate effectively and have a relatable personality. Otherwise, people will not want to work with you.



# Chapter 7:

## *How to Succeed in Real Estate Investments*

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In this chapter we get some tips on how to really succeed in real estate investments. These are tips that have been passed down by professionals and other real estate investors. If you apply them, you too can be successful.

- Finances
- Always stay ahead in the industry by attending seminars and conferences
- Establish your niche
- Pricing
- Always be prepared for emergencies
- Associate with the best
- Treat your investment as a business
- Experience

However, these aren't the only success tips. You should therefore strive to read and research and get more tips. The real estate industry keeps changing with time. You have to keep up to date with all these changes by staying informed.

## **Success**

Succeeding in real estate is a possibility. You just need to learn the necessary tips to help you explode your passive income through mastering real estate investments

### **Finances**

There are so many people who are interested in real estate investments but fail to get in because of lack of finances. This is one investment that will require that you have adequate funds through out. It's not enough to have money to purchase a property only. You will also need money to maintain the property.

Most investors depend on loans from different financiers. If you want to ensure that you do get your loan, you have to be prepared. You have to Research on the different options that you have in terms of lenders. This will help you focus. You then need to find out the eligibility requirements for each type of lender.

If you have bad credit history, there are still a number of lenders that will offer you a loan. Alternatively, you can first work on improving your credit scores before applying for the loan.

Consult with professionals or other experienced investors on how to make your loan application.

For each type of real estate investment, there are specific lenders that you can find. For instance, if you want to invest in residential real estate, there are lenders who can facilitate this. It is always advisable to find at least three lenders and compare quotes and terms before making your applications.

You will not get a loan unless you have in place. Most financiers may hesitate to give a loan to someone who is not exactly sure about what they want to do. You can't go ask for a loan, if you are not sure whether to invest in residential or commercial property.

For most lenders, you definitely have to go with a plan and a tangible property in mind before you can get a loan. You should also be prepared to convince the lender to give you the loan. You will do this, by presenting yourself with confidence and also explaining your plan to the lender. They have to see it as being viable.

### **Always Stay Ahead In The Industry By Attending Seminars And Conferences**

Real estate investments have a very high probability of profitability. There are investors who have managed to explode their passive income through these investments and made fortunes. The trick is to learn as much as possible about the industry.

You have to stay ahead at all times. Every year, there are new developments in real estate. There are bigger and better opportunities. You need to stay updated on every single change that happens.

Research is a good way to stay ahead. However, you don't need to spend your hours on the internet or in the library only. Another way to keep updated is by attending seminars and conferences. These are normally held multiple times in different states. They normally don't cost too much and they are very informative.

Seminars and conferences will help you learn a lot. At the same time, you can use this opportunity to network and meet the gurus in the industry. You can even find a mentor that can help you out.

If you are just starting out, seminars and conferences will offer a great learning platform to get you started off in the industry. If you are already an investor, this will help you stay ahead and know how to make the most out of your investments.

These seminars and conferences will also help you in establishing the best kind of property to invest in. You will also get to learn how to go about making new investments and realizing your full potential as a real estate investor.

### **Establish And Develop Your Niche**

For any type of investor, the key to success is to establish what you are really good at and invest in that. It's good to try out different things when you are starting off. However, you should identify your strengths and weaknesses and establish what you excel at. Some people are great with rental property investments. For these people, all they have to do is to ensure that they stay ahead in that sector. They have to better themselves so as to succeed.

There are other investors who excel at flipping properties. These too have to ensure that they nourish their skills and excel in this area.

Before making your investment in real estate, list down your strengths and try to establish what type of investment will allow you to use these strengths. You should also invest in your area of interest. This is because, you are more likely to excel if you work in an area that you enjoy.

## **Pricing**

One thing that all investors (especially ones who own rental properties) will tell you is that pricing is very important. Never be greedy and try to overcharge your tenants. This may leave you stuck with vacancies.

You should carry out research and charge the right rent according the location of the property. If you want high rents, look for locations in good neighborhoods and ensure that your property meets the set standards of the area.

However, it is much easier to find low priced houses. This is not a smart investment though. There are risks of insecurity. You will also have to charge lower rents and you may end up spending a lot of money in repairs and maintenance.

The above image is of a ghetto area. Such houses normally don't cost a lot. This means that an investor may not have to spend so much to purchase them. However, they don't bring in many profits since the rents are low. If anything, they are more expensive due to damages and constant repairs. This is not a good property investment opportunity.

## **Always Be Prepared For Emergencies**

When preparing for your budget, you should always leave enough allowance for any emergencies that may occur. Don't just cover the basic costs, go over budget or leave some room for flexibility.

There are many things that you can't be able to plan for. You may make a budget for repairs but you may never be able to plan for accidents that may cause damage around the house.

If you aren't adequately prepared even the smallest emergencies may overwhelm. There is also a probability that you may start making losses trying to cater for the emergencies.

### **Associate With The Best**

This is an old business trick that has worked with millions. If you want to be a successful politician, you have to associate with people who have succeeded in the field. The same applies to business. If you want to succeed in real estate, you have to associate with successful investors.

By associating with successful investors, you will get to learn a lot from them.

Associating with other successful real estate investors will help you in becoming equally successful.

### **Treat Your Investment As A Business**

One thing that you will learn in the course of your investment is that you are the only person capable of fully taking care of your investment. You may hire people to work for you but they may not be as dedicated as you would be.

You have to be fully involved in your investment. Commit yourself physically, emotionally and also financially. Even if your investment is just part-time, this is still your business, you have to ensure that you give your best effort in order to succeed.



## **Experience**

Real estate is not the kind of investment that you try out for six months and then give up if you don't get to see millions of dollars in profits. You need to realize that it takes time to be successful. You will have to take learn and with years of experience, you will have mastered the tricks and success tips of the industry.

You are likely to make mistakes at the beginning but you should never give up. Learn from your mistakes and you will grow as an investor.

The above photo shows a house on sale. Investors normally grow with time. They learn the right investment techniques and properties which in help them in making the right decisions in future.



# Wrapping Up

There is a set of right strategies in life and it makes no difference when it comes to real estate investments. Now that these factors have been presented to you, you probably have the greatest assets of all in making the right investment decisions.

If anyone of you who are reading this and find that it is difficult to compete in the real estate industry, don't give up just yet. Any business on earth started off small and ended up who they are today. It takes time and if you hang in there long enough, you will be able to see results soon.

Wish you the best of luck!

