Thinking of Investing in Real Estate?

- NOT SURE HOW TO GET STARTED?
  There is a lot to consider before you make the leap and become an investment property owner. The first thing to determine is how much money you want to invest. Typically, you need twenty or twenty-five percent of the purchase price as your down payment. Depending on the type of property you plan to buy you may need a bit of a cash reserve. You should also consider whether or not you like real estate as it is likely you will be spending a fair bit of time at your new "baby." You might also want to consider if you enjoy DIY projects/property improvement projects as this might help you hone-in on the type of property you want to pursue.

- CAN I FINANCE AN INVESTMENT PROPERTY?
  You should consider starting to interview lenders. Yes, I said that right- *interviewing* lenders. You need a lender that is experienced in making loans on rental properties/commercial properties. Don't be shy about meeting with more than one lender and letting each one know you are meeting with others. Ultimately you want the best financing that you can get, keeping in mind that there is more to a loan than the interest rate. Other things to consider include the amortization period, the term of the loan and the costs associated with obtaining the loan. It is important to work out these details prior to beginning your hunt for your investment property. At this point you should also be thinking about what type of property interests you, commercial or residential.

- HOW SHOULD I PICK A REALTOR®?-(Your trusted advisor and consultant)
  A licensed real estate agent will be the next professional to consult in your hunt for an investment property. You will want to interview the realtors® as well. The realtor must be experienced in investment property, the type of property you are looking to invest in, and have a solid knowledge base to share. The realtor® will be your trusted advisor who should be able to help you identify the Gross Rent Multiplier (GRM), the Net Operating Income (NOI), and Cash-on-Cash return on any property under consideration. Your realtor should be able to generate a pro-forma that shows you anticipated cash flow, tax deduction and ways of segregating the asset to obtain maximum Return On Investment (ROI), for each property under consideration. A point to consider: a licensed realtor®, experienced in investment property may be able to give you a lender referral to someone with whom they have worked.

- THE HUNT!
  Once you have your professional team in place, Realtor® & Lender, the fun begins! Finding a property that will help you meet your investment goals. Once you get started looking at prospective properties you will see that within each type of property there are lots of choices. Residential investment property can take the form of a detached single-family home, a condo or a multi-unit property consisting of 2-4 units located under one roof. If there are more than 4 units or there are multiple structures this property is classified as commercial even though it is residential usage. The difference is that 1-4 units under one roof can be financed on a residential loan (assuming the buyer meets certain criteria). More than 4 units or multiple structures can not be financed on a residential loan, it will require a commercial loan. There are pluses and minuses to each loan just as there are pluses and minuses to each type of property.

So stay tuned…or rather tune in next Tuesday for a more in depth look at properties that can be used to generate cash flow and/or tax shelters.