
Special Report from San Diego House Hunting

How to Eliminate Risk in Real Estate Investment! Avoid 12 Common Mistakes Made by Novice Investors And Guarantee High Rates of Return!

Real estate investment has provided many investors with positive cash flow, tax benefits and the 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 heartache.

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 pay-down 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 by taking the time to evaluate your needs and making sure you've got all your bases covered.

Avoid negative cash flow. Constant appreciation is extremely difficult to predict.

2. Not Checking out the Seller or Seller's Agent's 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're Buying a Business- Owning investment property carries great potential for creating wealth and... some potentially difficult decisions. Evictions, re-investment into the property and 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 creates stress, frustration and can become quite painful. Predicting constant appreciation is extremely difficult if not impossible for the unseasoned investor. A strain on your cash flow may cause 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 recurring 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 and use sound business judgment!

6. Failing to Have Adequate Insurance- Investment property brings liability. Tenants, cars, parking lots, 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, by-laws, title policies, mineral leases, 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 an 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 your 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, investigate fully. 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 Certificates- Make sure to get special documentation from each tenant, known as a "Certificate of Estoppel" (a standard form is available from the California Department of Real Estate) confirming the status of tenancy. Make sure their version of the rental or lease agreement corresponds with the seller's interpretation.

12. Don't Overspend Positive Cash Flow- Be sure to re-invest some of 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.

I hope you found these ideas valuable and if there is ever any way I can be of service to you or anyone you care about, please contact us. **We prepared to “run the numbers” on any excellent income property that you may be considering.** If you are having trouble deciding what kind of income property, where it should be located, what the expected rents should be, or how to execute an Internal Revenue Service 1031 Tax-Deferred Exchange, please call us right away! To get one step closer to your goal of owning an income property that meets your needs, all you need to do is call 619-497-1834.

Thank you!

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