

# Should I Invest in Rental Property?



## **Whether investing in real estate or renting your house, consider these factors before becoming a landlord.**

Real estate market forces have many wanting to take advantage of property investment opportunities. However, investors who are acquiring and homeowners wanting to convert their primary residence should proceed prudently when considering the rental market.

Well-advised and diligent investors lean on veteran professionals with acumen of real estate cycles. Those cycles, among other factors, weigh heavily on the decision to buy or sell. Investors and real estate professionals who recognize key indicators in a real estate cycle will sell at the first signs of a market that is tanking, poisoning them to take advantage of an impending downturn.

To invest in real estate prudently, you must consider many facets. As more rental homes become available, landlords need to lower their rates to be competitive. Too many investors get in at the wrong time for the wrong reasons.

### **How to find rental properties**

1. Get yourself a good realtor that knows about the rentals market, preferably a realtor who has rental income properties so they know the ins and outs.
2. Purchase a property that has good bones, there should be no structural defects. Anything else can be renovated and improved.
3. Have the home in a good rental area. The home should have good sized bedrooms and this is a good time to have the advice from your property manager if you are not managing the properties yourself or do not live in this area.



Buying a house is an emotional journey — from finding the perfect property to securing the ideal price. The last thing anyone wants to endure is a real estate closing that resembles a roller coaster ride.

### **Buy low, rent high**

As with any investment, rental properties prove more profitable if the initial investment stays as low as possible. Like owner-occupants, investment buyers should consider properties that yield a return.

Too many investors and real estate agents use cost per square foot as a deciding factor. You should use the price per square foot to drill down but certainly not as a deciding factor. Location, location, location and deferred maintenance are more important factors. If your debt service is low and the property is well maintained, you'll always be able to rent the property. Having a well maintained property is the key as it's more rentable.

There are no real secrets to finding a low purchase price. Foreclosure auctions are a great resource for finding low priced homes, but the competition is fierce, and you rarely have time to

do extensive due diligence. This where your realtor comes in. Most importantly, a prudent investor makes unemotional decisions and walks away without regret.

## **Buried in rental property maintenance**

One of the hidden costs to rental properties is what many property managers call deferred maintenance. Manufacturers know that postponing equipment maintenance to reduce immediate costs often leads to much higher costs down the road. Investors should look at their properties the same way.

A professional home inspection report is a very useful arrow in your quiver. Property managers use tools and systems to document the condition of a property before move-in. These systems, reports and pictures are invaluable during a lease and when a tenant moves out.



Can I Make Money Flipping Houses?

Fewer people bought homes in 2020 to fix up and sell, or rent, but flipping houses remains profitable in certain markets.

## **The lease and renters**

Choosing good tenants is a skill usually acquired via the school of hard knocks. But if you want to minimize heartache, ask around and get ideas from real estate professionals, including property managers and acquaintances who are landlords, online search and read the reviews. The lease can be as specific or vague as you like, but remember, you and your tenants should sign the document fully intending to honor the agreement.

## **Hiring property management companies**

Many property owners who make lousy landlords but remain committed to investment properties will hire a property manager. Ask questions and look for a seasoned, well-organized property management company or agent. There is usually a new tenant fee, and they keep 10 percent of the monthly rent they collect. Never sign a long-term contract until you decide the “dating” phase is over. Normally it’s a 1-year contract and read the online reviews to find out what tenants have to say as well as other investors. Reviewing what is included in the management fees, whereas often delivery of legal notices for late rent or inspections will set you back \$25 to \$45 monthly but if this is included in the management fee for an extra small % then it will pay for itself.

### **Real estate investments over the long run**

Turning your home into a rental property may be a viable option to selling. However, if you become a landlord with the intention of making a large profit or preserving your retirement savings and income outlook, you need to commit many years to your new investment. There are many different strategies which a seasoned property manager who also has investment will guide you through each stage and work with you to reach your goals.