



4 Critical Rules For Buying Real Estate Investment Property

Investors and Buyers who are looking to capture a deal in this wild real estate market will be presented with more "opportunities" than they know what to do with. It is important that as a buyer you carry some critical rules with you in your tool bag as you shop through the market to help you identify which potential real estate investment properties will be the best for you in the long run, and be the easiest to manage during the ride.

Here are the 4 easy to understand rules:

1. **Selecting the right area:** The first task will be deciding which area you want to invest in. There are a number of areas that you may be interested in, and they all may very well be great investment areas, so here are some criteria to help you narrow the search. First, invest in a property that is no further than 5 miles away from you. This will make a world of difference when you are collecting late rents, trying to get in touch with the tenant, keeping an eye on the property, running over to make emergency repairs, or checking on an emergency phone call. If possible, invest in properties that are in your "normal" travel path: to work, to the kid's school, to the grocery store, to the gym. This will make all of the above trips to the property much more bearable and improve your ability to manage the property. So now, within that 5 mile circle that surrounds your home you must search for neighborhoods that are just below the average price for an area. NOT the average quality, just the average price. If the median selling price for homes in your area is \$180,000, then look for homes in the \$140,000 to \$160,000 range. These will be in the highest demand by renters. This range should also keep you out of the bad, low value areas, and this price range should fare well as prices increase. Not too high, not too low, but just right. Now that you've narrowed the search, look for neighborhoods that are well maintained. PRIDE OF OWNERSHIP IS CONTAGIOUS. You can see evidence of this as you pass from one street to the next in a neighborhood, or even as you move between clusters of homes in a subdivision. The neighborhood slob drags one street down, while the guy who never stops working on his house and yard oftentimes guilts the other neighbors into doing the same. Look for well groomed yards, no trash, and clean driveways.

2. **Look for Average Joe's Address.** Now that you have identified the neighborhoods and streets that you'd like to invest in, you need to start evaluating the individual houses. Here are the rules, as little grass as possible (go desert or low water), NO POOLS, avoid RV parking, and stay away from wood fences and wood siding. Try to find stucco or aluminum sided houses, a pitched roof, & single story. This will do volumes for you in the way of keeping the house up, avoid neighborhood scrutiny "homeowners association type phonecalls", and keep management and replacement costs down.

3. **Avoid the "Odd Couple".** Stay away from homes that have something odd about them. Did the old owner add something on without permits? Are there tacky awnings or patios? Did Michaelangelo build a rock and brick waterfall monument in the front yard? You want the house to maintain a low profile. Odd items can tell you a lot about the old owner, and possibly how they took care of the home.

4. **Keep maintenance to a minimum,** whenever you are replacing something in the home (toilets, flooring, landscape). Do not replace it with what you would like to have: for the simple reason that you are not living there. Tenants will often do damage to the home, intentionally or not. Give them as little to break as possible. Keep in mind, most of the ideas that you have add little or no resale value to the home.