

True Confessions of a Real Estate Investor



Winter 2012 | Real Estate Investment Guide

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A Few Notes

Investing in residential real estate can be complex, risky, and confusing...but it can also be **very** financially rewarding.

I made this guide for anyone who is thinking about buying a residential investment property to rent out but isn't sure whether to take the plunge.

It contains lessons learned first hand by actual real estate investors I have worked with over the years

There is a lot more to consider before investing and I can help talk you through it if you get in touch. Windermere has had several investment seminars this year, and there's a great deal of good information I'm happy to forward to you.

But if you learn only these 5 things about real estate investments this year, you're off to a good start!

~ Virginia

Confession #1: Put First Things First



Make sure you've covered your own costs before you branch out into investing!

Are your personal and family housing, food, transportation, health insurance, and other essential costs taken care of already? Don't consider investing if you aren't personally well covered.

Confession #2: Make Sure It Works With 25% Down



Make sure that the investment property will cash flow if you put 25% down. Even if you have a windfall bonus or an inheritance so you can pay 50% or more down, analyze your expenses at the 25% down level!

How do you calculate this?

You can **estimate the rental income** by using craigslist or other ads; Zillow has some ideas as well, or your own family members and friends may be able to pinpoint it. I can also put you in touch with a property manager to discuss the potential rent.

You can **calculate your costs** if you have the following items:

- ★ The loan amount (that 75% remaining balance of the purchase price)
- ★ The interest rate

- ★ Annual property tax
- ★ Hazard insurance premium (your present insurer can give you a good idea)
- ★ Estimated vacancy rate (2 weeks a year? Less? More?)
- ★ Estimated repairs and maintenance
- ★ Property management fee, if you don't want to manage it yourself

You can do this on your own, and you can probably find calculators online. You can contact me, too, and have me use the investment software I have. We can plug in different figures to quickly get an idea of how upcoming repairs will affect what you can afford to offer as a purchase price, or how depreciation will affect your income tax.

Confession #3: Stick To What You Know



When you look for an investment property, focus on the areas that you already know - your condo building, your neighborhood, or your end of town. You will be best placed to evaluate the rental potential of properties in that area.

Confession #4: Pay Off Your Loan Early



As soon as you get a positive cash flow, apply the extra cash to paying off the investment property loan early. Refinance to a 15 year loan if you can!

Confession #5: Stay In For The Long Haul



Any real estate investing should be done with a very long investment timeline in mind.

Here's a case where I've seen real estate investing work very well: If you buy a property when your child is born, you can probably pay for their full college education when they are 18! (Either by selling the property then or borrowing against your massive equity.)

About Virginia

I am a residential real estate broker with Windermere Real Estate Northwest.

A Wealth of Experience

I have represented a wide range of clients in countless transactions in the Seattle area over the years: first-time homebuyers, investors, for sale by owner purchases, move-up sales, and down-sizing to retirement home sales. My clients' purchases and sales have ranged from single family homes to condos, townhomes, and multi-family buildings.

My Commitment to You

Buying or selling a property is a serious business – and involves a lot of money! – but I aim to make the process as stress-free as possible, while interacting with all parties with honesty, open communication, respect and humor.

More Available Online!

Want more tips on Seattle real estate? Get information, inspiration, and more at www.virginiacalvin.com.

