

Learning to be a Real Estate Investor (Part 4)

This is the fourth in a series of four columns listing the fifteen things a new Real Estate Investor should know before making a written offer. If you missed any of the first three columns and would like a free copy, please email us and we'll get them to you.

11. How to estimate the rehab cost.

Underestimating the rehab cost is one of the most common mistakes new Real Estate Investors make. The rehab cost is one of the big numbers in the REI (Real Estate Investing) equation that can make or break a deal. Knowing the accurate rehab cost is critical if an Investor doesn't want to lose his shirt.

For example, let's look at how to estimate the cost of carpeting. You need to know the cost of getting the old carpet and pad removed; the cost of repairing any damaged sub-flooring (rotten wood, pet stains, etc.); the cost of new carpet and pad; and the cost to have the new carpet and pad installed.

This is how you should approach each repair that needs to be done to a potential investment property. Plus, we always add between \$2,500 and \$5,000 for "Oops". What is oops? This is a repair that you didn't know needed to be done or a repair that is more than originally estimated.

12. Have an Exit Strategy.

Simply put, know what you will do with the property before it is bought. Will you keep it as a rental, or Lease Option it, or will you quickly re-sell the property?

13. Know how to market a property.

If you think selling, renting, or Lease Optioning a property is easy, you're in for one big surprise. Fact is, houses don't sell, rent, or Lease Option themselves. It takes a lot of work on your part.

Normally we market a property ourselves for 45 days. If it doesn't sell, then we list with a real estate agent.

We're often asked if we work with real estate agents. Absolutely – on every single deal! If we are selling a property, we always build in a 3% commission so we can pay the realtor who brings us a buyer. In addition, we pay a \$500 finder's fee to anyone who brings us a buyer or renter.

If you are looking at a deal that is so tight you can't afford to pay a realtor's commission or a finder's fee, you should think twice about doing the deal.

14. Birddog, Partner, Investor and a combination of the three.

We recommend new investors begin as Birddogs. A Birddog is someone who finds and structures REI deals and then sells the deals to other investors. Beginning as a Birddog allows new investors to learn how to structure deals without having any of their own money at risk.

The next step is Partnering on deals. This is where a new investor finds and structures REI deals, but instead of selling the deal to another investor, a Partnership is formed. Usually one person puts up the money and most of the know-how while the other person does all the legwork. When the property sells, the profits are divided at a pre-determined percentage.

After several Birddog and Partnering deals, the new investor has the know-how and cash to do his own deals.

Finally comes a combination of all three – Birddogging, Partnering, and Investing. With Kim and me, we Birddog some of our deals to other Investors, some we Partner with others, and some we do by ourselves.

15. Know the key to REI success.

The key to being a successful Real Estate Investor is making a lot of written offers. This is an Investor's primary job. It's simple math, the more written offers you make, the more deals you will come across. Don't let the little things get in the way of make written offers!

OK, this column completes the fifteen things we think new Real Estate Investors need to know before they make their first written offer.

If you want to learn more about REI, please visit our new website at REIoutpost.com.