

Introduction

Investing in Real Estate not only makes sense financially, it can also be a fun way to spend time as a family. No matter what your circumstances, there's going to be a way to get started.

No matter what your income level, the chances are your home will consistently be your biggest single investment. Some people manage to purchase one home and live in it for their entire lives. However, research studies have shown that people will move every eight years on average. This means the typical adult will be making several major investments in real estate in their lifetime.

Real estate has traditionally performed well as an investment and it has a number of major advantages over stocks and bonds:

Real estate can be lived in while it appreciates in value, i.e. it has a personal use as an investment.

Real estate rarely¹ goes to zero value as some stocks have in recent years. In other words, your investment should always be worth something.

Real estate trends can be widely predicted within any market and the value of a single investment is unlikely to stray significantly from the overall market trend. This means a single investment is less volatile. (Stocks in an individual company can change in value overnight and may have no correlation to the overall market trend).

Real estate can be a significant source of passive income when property is rented.

In the USA, the cost of investing in real estate for personal use (primary home) is still 100% tax deductible, making this the only government funded investment easily available to anyone with taxable income!

¹ Exception to this might include circumstances where the real property is damaged in such a way that it would cost more to repair than the property is worth, such as in the case of a hazardous material contamination.

INTRODUCTION

The goal of USHomeInvestor.com and this book is to share information about how to invest in real estate so that more people can take advantage of this opportunity to create wealth. Even if you are a seasoned homeowner, the information in this book and the companion website will help you increase your net worth by showing you how to look at your home as an investment.

As with any investment, real estate should be managed so as to minimize risks and maximize returns. Real estate investing is not without risk; history is littered with tales of successful property investors that overextended themselves and lost everything. Real estate prices do rise and fall on a cyclical basis; although the overall trend is upward, sharp market corrections can be devastating if you are forced to sell at a price below your initial investment.

My aim here is to offer some guidance on how to avoid these pitfalls while having fun in real estate. I purchased my first investment property as a student in 1980; it had no kitchen, no bathroom, no heat and an outside lavatory with a door that didn't shut. It cost just \$4,200. Eighteen months later, having lived in it and invested another \$4,000 it sold for \$14,250. I was the only student I knew that was not only not paying rent but also making a profit while studying. I had started to have fun investing. Believe it or not, my next project was even more challenging but just as much fun.

If I could get started investing in real estate as a student with no money and create wealth out of nothing I figured maybe it was time for me to share some of the things I have learned along the way with others.

Creating wealth means different things to different people. For some it's all about creating millions of dollars in net worth; for others it's simply about having enough money invested so that they don't have to worry about day-to-day finances as much. Whatever your goal, it's important to have fun along the way and not to let real estate rule your life.

I hope you find the information in this book valuable to you. If you do then tell your friends how to get a copy for themselves so they can benefit too.

A handwritten signature in black ink that reads "Nigel Fenwick". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Nigel Fenwick
Senior Investment Coach
USHomeInvestor.com

Know Why You Want To Invest

Just as there are many types of real estate investment, so there are many reasons why people get into real estate investing. Let's consider some of the primary property investments for people starting out:

- The principle home/residence
- A second home/vacation home
- A home to refurbish/renovate and sell
- A bargain that needs some minor polish to resell almost immediately (flip)
- A single family home for rental
- An existing rental property
- A duplex residence & rental
- A duplex rental
- Trailer rentals

More experienced investors will also consider

- A multi-family rental
- An apartment building
- Commercial office space to lease
- Retail space to lease
- Residential homes with land to sub-divide & sell or develop
- Land for speculative development
- Hotels & motels for condo / timeshare conversion
- Single family to apartment conversions
- Multi-family to single family conversions

There are many more property investment opportunities available and many sophisticated ways to invest. *(Tip: The Home Investor Coaching Program helps educate and guide clients through the wonderful world of real estate investment).*

Understanding your motivation to invest

Just like investments in equity, real estate investing can be done with either capital growth in mind or income generation, or a mixture of the two. If you are looking for capital appreciation, then buying older run-down properties and refurbishing them can yield excellent profits in a very short time. On the other hand, if it's income generation you're after, multi-family rentals and apartments are a great way to generate some passive income while keeping your assets in real estate. In addition, some rental properties also provide great capital appreciation over time.

You need to be clear on your objectives so that you can put together a buying strategy and select the right property type for your goals.

Buying a home for capital appreciation

Ask any real estate professional what is the biggest single factor in the price of a home and they will tell you "location, location, location." However, location can be defined in many ways:

- Town
- District
- Road
- Proximity to highway
- Proximity to main road
- Proximity to schools
- Proximity to shops
- Proximity to water (rivers/lakes/ponds/ocean)
- Proximity to neighbors
- Proximity to commuter transport

The single biggest factor in the price of a home is the town in which it is located. Frequently the homes in towns with good school systems will command a higher price. Likewise, towns with a high per-capita income will tend to have more large and expensive homes and thereby attract people wanting to live in an upscale neighborhood. Although you will pay more for a house in a high price neighborhood, the laws of supply and demand should continue to work in your favor, ensuring your new home will go up in value more than a better house at the same price in a less desirable neighborhood.

Town: If you can afford it, select a desirable town where homes are already selling at a premium. You are typically better off buying a mediocre house in a highly desirable town than a great house in a less desirable town.

District: Every town will have more and less desirable districts. Ask your Home Investor Specialist which areas of the town are the most desirable. If possible, avoid the less desirable parts of town, even in the best towns.

Road: Some roads command a premium because they are highly desirable neighborhoods. If this is the case in your town, you'll probably see quite a premium being asked for homes on these roads.

Proximity to highway: many people want easy access to the highway but they don't want to hear it all the time.

Proximity to main road: Homes on a busy main road are generally sold at a lower price than homes on a quiet side road. Sometimes bargains can be had if the home is on the corner of a main road and a side road; by changing the location of the drive to the side road and by adding some privacy fencing along the main road, the feel of a home can be transformed.

Proximity to schools: Most families with children want easy access to their local schools without being on top of it. Buyers without children might consider being close to a school a disadvantage. For the broadest appeal, locations that are not too close but providing easy access are ideal.

Proximity to shops: Here again, not too close and not too far is best.

Proximity to water: Any house with a water view will command a higher price. On the edge of a river or lake will be of great appeal and oceanfront property commands the highest prices. Small cottages on lakes can sometimes be purchased at a low price and converted by tearing down the old structure and building a new home from scratch or building a modular home on the site.

Proximity to neighbors: Buyers are divided on this; some people like not being too close to their neighbors; preferring their privacy. Others like to socialize with neighbors and want to have a friendly neighborhood for the children to play in.

Proximity to commuter transport: Around major cities commuting can be a problem. Frequently buyers will look for easy access to commuter rail or bus services. Find out how near local services are when looking at potential property locations but be careful your new home is not located to near the rail tracks! (That's even worse than being near the highway).

When selecting your new home, be sure to take into account the potential resale value to others. If the home appears to be a bargain, there is quite often a reason for its price based upon its location. Nothing makes a house harder to sell for a good price than being in a bad location.

HOME INVESTOR TIP

As a general real estate investment rule, for the same money, you are better off buying the worst house in the best possible neighborhood than you are buying the best house in a less desirable neighborhood.

In a rising market, prices will generally accelerate fastest in a desirable neighborhood.

Another rule for buying your own home: buy the most house you can afford with the fewest frills, rather than a smaller house with all the extras. You can always add many of the extras over time but increasing the size of the home is very expensive relative to upgrading the interior.