

Investing In Real Estate

Many people are reluctant to invest in real estate because they don't completely understand the nuances surrounding the investment. However, once they understand the fundamentals, real estate can provide a significant return with relatively low risk. Investing in real estate is merely a matter of understanding how income streams cover the costs of maintaining the asset, and making sure that the income also provides the desired return on the investment.

In its simplest form, a real estate investment consists of purchasing a piece of property through a mortgage, renting the property at a monthly rate, and using the rent to cover the cost of the mortgage and any expenses. The amount left after the mortgage and expenses are paid is your net monthly income. It's that simple.

Fundamentally, you have three ways to make money when purchasing investment property. The first is to lease the property for an indefinite period at rents that exceed the cost of holding the asset. The second is to purchase the property with the intent of renovating it to substantially increase the value and selling it quickly. The third is to find properties that need to be liquidated quickly at a substantial sacrifice to equity. An investor can acquire these properties and immediately sell them for a substantial profit.

Essentially, these three concepts have made more millionaires than any other type of venture in human history. Having said that, why aren't you creating your wealth with real estate? For many, it is fear; for others it is lack of capital.

However, for all, it is merely a lack of understanding. People buy and sell real estate with no money down all of the time, and real estate has always been a much safer investment than the stock market.

So how do you get started?

The first step is always education. Start reading books about real estate investments. Go the book store or library and learn the fundamentals. You don't need to be an expert, but you must understand the process. Find a realtor that works with investment properties and ask questions. Do the same for mortgage brokers and banks. Sit down with a loan officer or mortgage broker and determine how you would finance an investment. Ask questions and find real estate and finance professionals that can help protect your interests as you learn.

The next step? ... Find the properties.

With the aid of the real estate professional, determine the best type of investment for your lifestyle, financial position, and risk profile. After you determined best type of property to maximize your return, begin searching for your investment. For this, the internet has become an invaluable, time saving, tool. Search for potential investments at sites like propertykenya.com or Housing Finance of Kenya. In addition, you can look through your local paper, and call on the resources of your network to find the opportunity.

Adopted from property Kenya website

http://www.propertykenya.com/articles/investing_in_real_estate.php

But how do I recognize the opportunity when I find it?

To determine if a property will provide an acceptable return on your investment, you merely have to look at comparable rents in the area, estimate how what percentage of your property will be vacant at any given time, and determine what your monthly cash flow will be. Most of the numbers are relatively reliable because comparable rents won't change significantly, and the bank will calculate your payments down to the cent. The variable such as maintenance and management vary, but can be assumed relatively accurately.

Fundamentally, investing in real estate is not difficult. The concept of using rent to cover your expenses and pay you a return is not difficult. Once it is reduced to its most basic concepts, real estate can provide a significant return on investment. As a real asset, it will provide less risk than a bond or stock, and can create a continual income stream while equity and appreciation accrue.