



Real Estate Investments

A No-Lose Proposition

Real estate is one of the most powerful wealth-building engines in history; many will even argue that it is *the* best investment one can make. The benefits of investing in real estate are many but I want to draw your attention to one MAJOR benefit that I never hear anyone talk about, and that is this: if you set yourself up correctly you can find yourself in a practically No-Lose position!

If you buy right, you pay cash, and you pay your property taxes you cannot lose. In addition, if you did your homework on the purchase side and paid the right price, you will be able to wait out any market down trend and ultimately, come out ahead.

Let's run through an Example

To start, buy *residential* real estate. Why? Because people will always need shelter and therefore it makes it the most viable and simple *income producing* real estate investment. Next, find a deal: meaning, pay less than market value for the property. Keep in mind, size, configuration, location, condition etc... Then, pay *cash* for the property.

Here is what you have so far: a 3-bedroom, 2-bath, 2-car garage, and a 1600sf. single family residence in a respectable part of town. The property is worth \$145,000 after repairs. You paid 70% of that, and spent 5% to clean it up. Now you have a move-in ready property for \$108,750 or 75% of its market value, with a 25% equity position. Next, rent the property out for \$995/mo, in which case it will produce \$11,940 per year or 10.98% cash-on-cash-return.

Be realistic and factor in repairs, vacancies and other challenges. As a result, your cash-on-cash return will vary, but the point I'm making is, the income the property produces will be enough to cover any maintenance, as well as insurance and your property tax bill.

Voila, that's it!

You now own a self-sustaining investment that can practically weather any storm. Of course, if your tendency is to get yourself into all kinds of trouble, you risk losing your investment to law suits, bankruptcies, or the property tax man but that is going to take a lot of destructive effort on your part.

Now that you know how to buy real estate and set yourself up in such a way that you almost can't lose, let's look at what to do to increase your returns while staying as close as possible to this concept.

The Exciting Part

Just for fun, let's kick it up a notch. Go back to our example property but choose a different exit strategy. What if you sell the house instead and use leasing as a backup strategy? This allows you to cash in on your 25% equity immediately. Assume that the cost of sale is 8%. That means you have 17% or \$24,650 profit left over. Not a bad return is it?

The Really Exciting Part

Ladies and gentlemen, I have seen the light! Consider this: buy the house with the intention of selling it and repeat this process over and over again. Can you say "Fix n' Flip? Realistically, a house can be fixed and flipped over a period of 2 - 4 months, - three times per year. This would make for 51% cash-on-cash return at the end of the year... not too shabby!

Multiple Exit Strategies

One of the benefits of real estate is that most of the time, we have more than one option to exit our investment. In this case, our first option would be a straight sale for maximum profits. A second exit would be to sell for a discount and still make money. And a third strategy could be to sell via a short-term lease option (6 months).

In addition, if for whatever reason, the house does not sell, you are positioned to be able to rent the property long term and hold on until the market allows you to sell at a profit.

If you were to get away from the security of owning the property free and clear, another strategy would be to mortgage the property, enabling you to pull out most, if not all of the cash, and still keep the property as a rental. This introduces a payment and the risk of losing the property to foreclosure if you don't pay your bills, but it also introduces leverage and the tax benefits of owning real estate, not to mention the cash you have in hand that possibly could be used to buy another investment. Each investor can decide which strategy is best for their financial situation.

The Time is Now

Have you ever heard of the expression, "being at the right place at the right time is half the battle?" The economy is starting to show recovery from one of the largest economic recessions in recent history. The housing market is picking up; prices are starting to rise slowly in various segments of the market. This gives us a unique window of opportunity to take advantage of. Our success lies in exploiting this opportunity effectively.

Conclusion

No investment is ever 100% secure. The art and science of investing revolves around minimizing risk while maximizing returns. I believe that what I have presented in this article is one of the best, if not *the* best, risk-reward scenarios available to investors today. Real estate will never go away. It allows us to pick and choose the opportunity that positions us best, and offers multiple backup strategies, the worst of which is still profitable. And if all goes well, we will enjoy the returns of an asset-backed investment that is second to none.

Good luck!

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As an investor himself, as well as a licensed Realtor®, Dimitri has over a decade of real estate experience. Dimitri's specialties include primary residences, second homes, investment properties, commercial properties and land. He has been recognized for being a Multi-million Dollar Producer, and is an accomplished Realtor® committed to superior results for his clients.

"Strive not to be a success but rather to be of value" Albert Einstein