# Smart Real Estate Investing Tips from Successful Investors

## **1. Find rental properties in emerging neighborhoods**

“Rental properties represent a great way to get involved with real estate investments. Emerging neighborhoods offer growth potential and tax incentives for buyers. Buyers that purchase properties in emerging neighborhoods maximize profits and ensure that their income covers their costs.”

-Ralph DiBugnara, President of [Home Qualified](http://homequalified.com/)

## **2. Diversify your investments**

“It's commonly preached that the best real estate investment is the one in your backyard. While there is merit to understanding the area in which you're investing, I believe that you're truly limiting your profitability potential by only considering a small geographic area.

By [considering investments in other states and cities](https://learn.roofstock.com/blog/how-to-choose-an-investment-property-location) you'll have a large pool of available investments and ultimately better opportunities. Investing across a large geographical area also further diversifies your investments and protects your portfolio against the volatility of local markets."

-Jeff Miller, real estate investor and co-founder of [AE Home Group](https://www.aehomegroup.com/) in Maryland

**>>Related:** [The Best Cities to Consider Investing in Real Estate](https://learn.roofstock.com/blog/best-cities-to-invest-in-real-estate)

## **3. Don’t over-rehab**

Corey Chappell, a Closing Options Analyst at [181 Close Now](http://181closenow.com/) offers some great property investment tips (which we’ve included in the next several points). He starts by explaining that investment properties don't need to be on par with Pottery Barn when it comes to accents and fixtures.

“Some high-end houses have to have the nicest countertops and fixtures. Lower-end houses need to look nice and modern but don’t need the most expensive everything. It’s OK to budget. It’s OK to go with the middle-of-the road fixtures.”

-Corey Chappell, Closing Options Analyst at [181 Close Now](http://181closenow.com/)

**>>Related:** [How to calculate investment property ROI](https://learn.roofstock.com/blog/calculate-roi-on-rental-property)

## **4. Don’t over-leverage yourself**

“You can be very successful for a long time and still go broke if every rental is mortgages to the hilt. If you keep some of your rentals free and clear and some of them financed then you’ll have a good mix of safety and still stretching your resources.

Do it right, and a few longer-than-expected vacancies or dips in your cash flow doesn’t have to be the end of your career.”

-Corey Chappell, Closing Options Analyst at [181 Close Now](http://181closenow.com/)

## **5. Look into single-family rentals**

“[Single family homes](https://www.roofstock.com/investment-property-marketplace) are your safest bet for attracting the correct tenant. Everyone would love to live in a house. Some people just cannot afford to, or do not want to own. The single family home historically has over the last hundred plus years always appreciated.”

-Don Wede, President of [Heartland Funding Inc](http://www.heartlandbuyshouses.com/).

**>>Related:** [The rise of single-family rentals](https://learn.roofstock.com/blog/new-study-rise-of-single-family-rentals)

## **6. Do your homework before listening to paid advisors**

“In many cases, your trusted and paid advisors (broker, wealth manager, tax accountant, etc.) may suggest you avoid real estate in your portfolio altogether. They generally give the same tired reasons that it’s ‘illiquid’ or ‘too management-intensive.’ Those can be valid arguments based on your specific situation, but that’s not the real reason they want you to avoid real estate.

Stockbrokers don’t get paid for you to invest in real estate. There’s nothing in it for them, no commissions and nothing to do. That is, unless they want you to purchase a high-cost, non-traded REIT, but now you’ll know their true motivation. You need to do your own homework to decide if the potential cash flow from real estate is right for you.”

-David B. Saxe, [Calvera Partners, LLC](http://calverapartners.com/)

## **7. Nip maintenance issues in the bud before they get bigger**

"One thing that's helped me quite a bit is writing a bi-annual walkthrough into the lease agreements. This is mainly to ask the renter if there's anything they're noticing that needs to get fixed.

We'd also inspect under all the sinks and around the toilets, etc. for water damage. Finding small water leaks before they become big problems has saved me a lot of money."

-Suresh Srinivasan, Chief Marketing Officer, [Roofstock](https://www.roofstock.com/)

## **8. Join a local networking group**

“There are literally thousands of REI (real estate investing) groups all across the country. Join one or two. Participate in a few. Find the ones that have the people and topics that you are interested in. Try to find groups that don't ‘pitch’ products but really educate and mentor you in the areas that pique your interest.”

-Keith Jenkins, [Nationwide Real Estate Investment Clubs](http://www.teamcowboykeith.com/)

## **9. Leverage the experts**

“Investing in real estate has a lot of moving pieces. When you're first starting off it is critical that you leverage experts in each area of the project to ensure success and minimize mistakes.

Services like [Roofstock](https://www.roofstock.com/) are a great option for investors since they're a team of experts who have already conducted the due diligence on your behalf. I find that by keeping things simple, less mistakes are made and you become more profitable in the long run. There's no point in reinventing the wheel when there is already a proven process available to you.”

-Evan Roberts, real estate agent and investor with [Dependable Homebuyers](https://www.dependablehomebuyers.com/) in Baltimore, MD

## **10. Get to know your market**

“When investing in real estate, it is important to learn about and become an expert in your selected [market](https://www.roofstock.com/investment-property/roofstock-coverage). Being well informed on the current trends, including any decreases or increases in the average rent, income, interest rates, and even unemployment/crime rates will allow you to recognize the current market status and plan for the future.

Being able to constantly forecast and stay a step ahead of the market can help lead you to become a more effective real estate investor.”

-Sacha Ferrandi, Founder & Head Principal, [Source Capital Funding, Inc.](https://www.hardmoneyfirst.com/) and [Texas Hard Money](https://texashardmoneyfirst.com/)

**>>Related:** [Top rental markets millennials are moving to faster than anywhere else](https://learn.roofstock.com/blog/millennials-are-moving-to-these-markets-faster-than-anywhere-else)

## **11. Understand crime rates**

“Research the area's crime rates. We failed to do this when we bought our first property. We had the hardest time finding new tenants when the first set of tenants moved out three years ago.

Out of desperation, I advertised a move-in bonus after six months of vacancy. I even reached out to numerous affordable housing programs and nonprofits in the area to see if they had interested clients. After speaking with some people and doing online research about the area, I learned that it had the highest homicide rate in Los Angeles County... no wonder no one wanted to live there!”

-[Ky Trang Ho](https://kytrangho.com/), Key Financial Media LLC

## **12. Set a budget and timeline (and expect to go over both)**

“My rule of thumb is that you should set aside 50% more of your budget as reserves, especially as a new investor. Your budget almost always goes higher than anticipated and when you're rehabbing houses, one issue can detect another one, etc.

For example, fixing a leaky pipe may turn into replacing the pipe and removing mold damage and replacing the drywall. In terms of timeline, I would say that the same thing goes: If your timeline is 60 days, prepare for the project to take 90 days. With added expenses, comes added time.”

-Allison Bethell, [Fit Small Business](http://fitsmallbusiness.com/)

## **13. Have a rainy day fund**

“When buying rental houses for cash flow, make sure you account for all of the expenses and have rainy day funds set aside for future expenses. For the last decade of owning rental properties, our annual expenses (excluding debt servicing costs) have averaged between 45-55% (depending on the year) of the gross rent. These are for properties that rent between $800-1,000 per month.

If you are renting out higher-end properties, your ratios may be different, but for most markets, your ratios will be very similar to these. Make sure you keep a reserve in place to cover unforeseen expenses, because you never know when they will hit.”

-Brady Hanna, President of [Mill Creek Home Buyers](https://www.millcreekhomebuyers.com/)

## **14. Treat your investments like a business**

"Real estate investing is a business and like every other business it requires purposeful planning, execution, and management. The most successful businesses are run by high quality people at every level of the organization.

Those that ignore this fact are destined to struggle or even fail. Regardless of how big or small you want your to grow your real estate investing business, if you want to succeed then you must run it like a business."

-Chris Counds, [Texas Ideal Properties](https://www.chrisandjamiebuyhouses.com/)

## **15. If you can’t beat the price, beat the terms**

“Although offer price is the first thing sellers look at, it is not the only thing. Terms are important. Often, someone else will offer more than you. If that’s the case, consider giving the seller favorable terms.

You can improve terms by using the seller’s escrow agent, reducing the inspection period, increasing the earnest money deposit, having a sooner closing date, and limiting appraisal and financing contingencies.”

-Lucas Machado, President, [House Heroes LLC](http://www.househeroes.com/)

## **16. Count on vacancies**

“Unless you have deep pockets, you want to avoid the hole a vacancy creates in your cash flow. The only way to do this is to factor it into the cost of carrying the property. For most landlords, this means assuming that not all months in a year will produce an income.

For some that means 2% less in revenue, for others, it's as high as a 10% loss in revenue. The key is to assess the property, the type of tenant and then to factor in how much revenue loss you should expect on an annual basis.”

-Michael Jakobczak, Sales Representative, [Zolo](https://www.zolo.ca/michael-jakobczak-realtor)

## **17. As your portfolio grows, stop being a jack-of-all-trades**

“Most of the time, new real estate investors convince themselves that they'll manage the property themselves. That's fine, as long as you have the time, energy and know-how. But as the number of rental units you own grows, you will probably need to outsource this task and this outsourcing comes at a cost.

To avoid any nasty surprises when buying a property, consider crunching the numbers to factor this cost in before you actually take on the cost. That way when you decide to [hire a property manager](https://learn.roofstock.com/blog/when-should-you-hire-a-property-manager) the fee is already factored into your profit-and-loss calculations. In the meantime, remember that acting as your own property manager is an expense—so pay yourself.

This will help lower the tax owed on the revenue you earn, and it helps to remind you that your time is worth more than a freebie.”

-Michael Jakobczak, Sales Representative, [Zolo](https://www.zolo.ca/michael-jakobczak-realtor)

**>>Related:** [How much do property managers charge? Fees and what to expect](https://learn.roofstock.com/blog/how-much-do-property-managers-charge)

## **18. Know your tax laws**

“Now more than ever, it’s crucial for real estate investors to be up-to-date with the new emerging tax laws. This means more than simply knowing what a Schedule E (Form 1040) is—it’s knowing how to file for the right deductions and taxes based on your state, county, and city.

For example, the new tax code allows residential property owners to deduct personal property costs (including furniture) and benefit from the reconfigured bonus depreciation rules.”

-Nate Masterson, Marketing Manager for [Maple Holistics](http://mapleholistics.com/)

## **19. Make your money when you buy**

“It's easy to overpay for real estate, especially in this market where things are selling quickly. In general, if you're keeping the property, don't count on appreciation as a way to make money. It can work but it's still a higher risk than buying right.

If you're buying a rental, look for homes that need a bit of work and have cash flow from day one. Don't forget to add in budgets for capital expenditures and routine maintenance.”

-Joe Horan, Owner of [Wrightwood Homes](http://www.wrightwoodindy.com/)

**>>Tip:** It's easy to evaluate and purchase cash-flowing rental properties on Roofstock.

[Browse Investment Properties](https://learn.roofstock.com/cs/c/?cta_guid=5400148f-68fd-4100-aed1-6561b2237c43&signature=AAH58kGi4U3YOb9ffkpdYQxHpwATbXA_lA&pageId=5764185321&placement_guid=1799fce2-aff3-4e95-9dcc-7c783b354abf&click=85cb83a2-5820-4821-b1ed-765b6ec81765&hsutk=4ae4fe74842b9105a33f3fde83d7c1f9&canon=https%3A%2F%2Flearn.roofstock.com%2Fblog%2Freal-estate-investing-tips-from-successful-investors&portal_id=2608901&redirect_url=APefjpEuKNlfcYE98aR-6TS5pq3uFKGXHA4qyu5a56gLICpHIa-JbLiyjqKkmggqny1_8-UrkOARPq407FmqPQNi4udolZSCUBgSGkZJYWIepKtoSIQoCzOjBYi1LZM_BEqGY-hmMoScvK50K5rIBHUeLLDmJotKrQ&__hstc=219958918.4ae4fe74842b9105a33f3fde83d7c1f9.1652698382606.1652698382606.1652698382606.1&__hssc=219958918.1.1652698382606&__hsfp=2860654805&contentType=blog-post)

## **20. Maintain contact during escrow to secure your deal**

“The deal is not closed once you open escrow. If you are buying off market, the seller will likely have some level of anxiety over the deal and whether everything and everyone is legitimate without a real estate agent.

Have the escrow/title company reach out as soon as possible to introduce themselves and to let them know that they will be preparing the paperwork. This will provide 3rd party validation to the seller and put them at ease.

Also, set the expectation up front that you will be touching base periodically throughout the escrow period and be sure to do so."

-Jack Tangy, [Redbridge Properties](https://www.redbridgeproperties.com/)

## **21. Have multiple exit strategies**

“One should never buy a property without having multiple exit strategies. Take flipping for example. If you're just starting out or don't have a ton of extra capital, you want to mitigate your risk factors by buying properties that have good enough numbers to be a rental as well.

If you're buying flips and the market tanks, but the property would be even or negative cash flow when rented out then you're most likely going to lose tens of thousands of dollars.

Flipping starter homes that are in the price ranges that can be rented out for solid cash flow every month allows you to either build wealth by keeping them as rentals or mitigate your risks when things go sideways.”

-Shawn Breyer, [Breyer Home Buyers](http://www.eastatlhomebuyers.com/)

## **22. Learn about market cycle theory**

“Try to invest in the right phase of the cycle. This is not speculating, but trying to generally understand what will happen with the real estate prices in the following five years.

I've always purchased my investments during recession and early stages of recovery phases. This has enabled me to earn significant capital gains in addition to rent income.”

-Paul Koger, Head Trader and Founder, [Foxy Trades LLC](https://foxytrades.com/)

## **23. Find wholesalers and negotiate**

“I flip $10M worth of real estate annually and have for over a decade now. My go-to move is to reach out to my network of wholesalers every time I need a new home. You can leverage social media to find groups of wholesalers to connect with.

Never accept the first offer from a wholesaler. Always ask for a lower price. They need to move homes fast, so offer to close quick for a discounted price.”

-Ryan Stewman, [Hardcore Closer, LLC](https://clyxo.com/closer)