NATIONAL ASSOCIATION OF REALTORS®

GREATER LANSING ASSOCIATION of REALTORS

CONSUMER GUIDE: ARE YOU READY TO INVEST IN REAL ESTATE?

Owning a home is part of the American dream—a path to generational wealth—but, for some, it's just the first step in their real estate journey. If you're considering buying an investment property such as a residential rental, commercial building or land, here are questions to help determine if you're ready.

- ☐ **Do you have a secure income?** According to experts, the most important criteria in determining if you're ready to invest in real estate is income security. You need financial stability and a steady cash flow to be able to cover the mortgage (unless you're paying cash), maintenance and insurance costs, and situations where a tenant is late with the rent or there is a gap in tenancy.

- ☐ **Do you love real estate?** If you are interested in your local real estate market and love the idea of bringing out the full potential of a property, then you might be ready for real estate investing.

- ☐ **Are market conditions in your favor?** If you live in an area with a strong rental market, you see a property with minimal or manageable needed updates, and the property has the potential to appreciate in the years to come, then it might be a great time to buy.

- ☐ **Do you want to diversify your investment portfolio?** If you've maximized other investment strategies and have money that could be doing more than just sitting in a savings account, then real estate could provide an additional long-term investment vehicle that can offer tax benefits, serve as a hedge against inflation, bring in income and build wealth.

- ☐ **Are you okay with risk?** No investment is risk free. For a clear understanding of the risks involved in any investment you're considering, it's highly recommended that you consult a professional to help assess your ability to bear the risks and the potential return on investment.

- ☐ **Do you have great credit?** If you are borrowing money to pay for the investment, having a great credit score will qualify you for the best interest rates, which means lower monthly mortgage payments. That could correlate to your rental income being able to cover the monthly mortgage, any assessments and insurance costs and possibly provide a positive cash flow each month.

- ☐ **Do you have the time?** If your goal is to generate income with a rental property, buying is just the first step. Getting the property into rental shape, marketing and securing renters, and managing the property long-term require time and commitment—and there can be setbacks. Be sure you have the time and interest—and find a real estate professional who's a REALTOR® to help you identify opportunities and close the deal.

- ☐ **Do you have professionals you trust?** Consult and work with professionals who will serve your best interests. In addition to a real estate pro, connect with a mortgage broker or lender who specializes in working with investors; rehab and construction specialists who can help you with updates and repairs; an attorney who can advise on contracts, applicable laws and other legal matters; and a qualified tax accountant who's knowledgeable about your state's property and income taxes.

- ☐ **Do you have patience for the long game?** Some people like to purchase properties to fix and sell for quick profit, but that's not an easy game. Generally, buying real estate should be considered a long-term investment strategy.

Eager to take the first step? Reach out to a real estate professional experienced in investment sales. One with the REI certification is trained in working with investors. Designations such as CCIM and SIOR offer deeper expertise and experience in investment sales.

Your real estate agent will help you navigate the purchase or sale of a home. An attorney can provide guidance on the laws in the state where you're purchasing. Only real estate professionals who are members of the National Association of REALTORS® may use the term REALTOR®. Under the NAR's Code of Ethics, REALTORS® must work in their client's best interest and treat all parties fairly. Please visit facts.realtor for more information and resources.

REALTORS® are members of the National Association of REALTORS®