Real Estate Investment Checklist

What Makes a Great Real Estate Investment?

1. Finding a Great Location

Neighborhood

Don't invest in cities with less than 500,000 people. Cities with a small population have low home prices because limited access to high-paying jobs.

Amenities

Amenities like parks, schools, restaurants and shops are important to the quality of living and are factors that makes a great neighborhood.

Demographics

Demographics include income, crime, occupation, education, race, gender, and marital status. Thus, major demographic shifts impact real estate trends

Access to transportation

Transit is important in building communities Thus, neighborhoods with easy access to transportation will continue to see growth in real estate price.

2. Learn About the Neighborhood Demographics

Crime Rate

Everyone wants to live in safe neighborhoods; this means when an area has increasing crime rate home prices will decline.

Income Level

As an investor you want to target areas where there is rising income levels because those homeowners will maintain their properties in prestige condition.

Age and Spending Habits

Age & spending habits affect home prices. Buyers in their 30s spend differently on things like renovations than homeowners in their 60s.

Tenants vs. Owners

If you're looking for a quick flip, it's better to buy in areas where there are more owner-occupied homes than renters living in the area.

3. Find Out What Market Cycle Are You In

Seller's Market

A seller's market happens when more buyers are chasing a limited number of properties.

- There are more buyers than homes for sale
- Buyers compete in bidding wars
- Sellers have the upper hand
- Homes sell quickly
- Home prices tend to rise sharply

Buyer's Market

A buyer's market occurs when there are more homes available for sale than buyers willing to buy.

- There are more homes for sale than buyers
- Buyers have more options to choose from
- New supply drops due to lower demand
- Homes take longer to sell
- Home prices tend to fall

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4. Analyze the Key Metrics of Your Real Estate Investment

Monthly Cash Flow

Determine how much rental income you will get and monthly costs of owning the property. The difference between the two is your monthly cash flow.

Cap Rate

The Cap rate is used to compare the value of similar properties in the market. It is calculated by dividing the property's operating income by its current market value

Home Value Appreciation

Find out how much the property has appreciated in comparison to other properties, as well as how much upward movement the property may have.

Current Price

This is the rate of return that measures how much cash return a real estate investor gets for every dollar of cash invested.

5. Understand The Risk Factors

Market Risks

Historical performance is not an indicator for what will happen in the future.

- Never buy the most expensive property
- Aim to buy the property below market value
- Negotiate the best mortgage interest rate
- Be conservative on the resale or rent value
- Be thorough when evaluating tenants

Property Risks

Whenever you buy a property there is a risk of the home having the following problems.

- Foundation and structural problems
- The roof needs to be replaced
- There is mold and mildew damage
- The property is not properly insulated
- Appliances are old or need replacing

The Planning Stage

Total Funds Available to Invest: ____________________

Target Monthly Rent Income ____________________ A

Target Monthly Costs of Owning Property ____________________ B

Monthly Net Cash Flow: ____________________ (A - B)

Which strategy will you use? (Flipping, buy-and-hold, buying below market value, fixer-upper)

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