



.... INVESTING IN

The Residential Rental Market

Rental demand is surging, interest rates are at historic lows, and recent economic activity has erased nearly a decade of housing appreciation. The demand for rentals is predicted to far exceed supply through 2015, with some 4.5 million new renters expected to enter the market in the next five years. The combination of these factors creates a remarkable opportunity for investing in the residential rental market. The long-term financial benefits can be significant, but the first step is to closely analyze the details.

QUICK TIPS *for Investing in Real Estate*

- Buy residential properties, such as single-family homes, condominiums, and town homes.
- Buy properties that appeal to most buyers and are priced at or below the average sales price.
- Do not buy with partners unless you have to; make sure they have the same goals, values, and financial stability.
- Be committed to staying in it for the long run. Real estate is cyclical, but the long-term trend is positive.
- Take care of your property and it will take care of you. If you do not want to manage the property yourself, consider hiring a property management company.
- Set clear goals and make a plan. Know when you are ready to stop accumulating property and start paying off what you have.
- Work with knowledgeable professionals that you trust.

WHY REAL ESTATE?

Real estate is an investment that most people can easily understand because shelter is one of our most basic needs. Here are six ways that investing in real estate is financially beneficial.

Cash flow: rent provides income and pays for your investment so that you can one day own the property “free and clear”.

Free and clear: investment properties that are owned “free and clear” are the ultimate investment because the house generates cash flow and there is very little risk because there is no debt.

Leverage: the short-term goal is to use leverage to acquire a portfolio of real estate. The long-term goal is to pay the loans off and own your properties free and clear.

Debt reduction: real estate is one of the few investments where someone else makes your payments. Your tenant reduces your debt through monthly rental payments.

Tax savings: you are allowed to depreciate the house and write off your expenses in order to reduce your taxes.

Appreciation: over the long term the value of single-family homes and condominiums has risen.

THINGS TO CONSIDER

- What are your financial goals?
- How soon do you want to get there?
- What do you need to get started?
- How much money do you have to invest?
- Can you borrow from other properties, sale of stock, savings, etc.?
- How much time are you willing to invest to find, buy, and manage properties?
- Does it make more sense for you to hire a property manager?
- Can you hold the property for at least three to five years?

Because housing is something that most of us can understand, investing in residential real estate can be a very smart choice—especially in today’s market. Buying a property for rental purposes poses different challenges from purchasing a primary residence, so you should start by contacting your Windermere agent to discuss how to put the framework outlined here into action.