



## INVESTING IN REAL ESTATE

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This is always a fun topic to talk about. First, I must admit I watch HGTV and A&E's Flip This House. I have always wanted to be like Than Merrill, which is one of the hosts of A&E Flip This House, and have my own show in Indianapolis. That isn't working out too well yet, but I am still trying.

So, let's talk about investing in real estate. There are numerous ways to do this, but I like to talk about three different types; flipping, renting and wholesaling.

Flipping a property is when you buy a property for a certain amount of money, fix it up and then sell the property. For example, let's assume you buy a property for \$50,000. You put \$20,000 into the property to fix it up and then you sell the property for \$100,000. Your out of pocket expense so far is \$70,000 ( $\$50,000 + \$20,000$ ) and your gross profit is \$30,000 ( $\$100,000 - \$70,000$ ). You will have some expenses when you sell, I usually account for \$10,000, so your net profit is roughly \$20,000. This is considered a great deal in today's market.

Next, let's talk about renting. This is similar to flipping but you are holding on to the property for cash flow. Again, buy a property, fix it up and this time you rent the property to someone. A lot of investors rent properties for long-term cash flow. When it comes to what return on your money to look for, it's simple, what you are most comfortable with. I know one investor is only comfortable with a 10% return. One may say 8% and another 5%. There is no set number that is right or wrong. It is whatever you feel comfortable with.

The final type of investing I like talking about is wholesaling. This may not be as familiar to some people. Wholesaling is when you literally find a distressed property, put it under contract without actually closing on the property and sell it to someone else. Let's dive into this a little more. This is a little more confusing. You find a distressed seller (someone that is behind on their payments or about to go into foreclosure) and purchase their house. On the purchase agreement you put your name and the words "and/or assigns", so you can assign the property to someone else. Then go out and find an investor or rehabber to buy the property from you. Sound confusing? It is. But it does work.

The most important aspect of investing in real estate is the acquisition cost. You have to make sure you are buying the property correctly and for the right price. Look at comparables and do your due diligence because you don't want to be stuck with the property. Real estate can be a very big headache if you don't know what you are doing. Consult a real estate professional before you do anything.

If you have any other questions regarding this issue, please contact me. **Go to my website, [www.stonerealtyllc.com](http://www.stonerealtyllc.com)** and there is a page designated specifically to investing. **Or you can always call me at 317-209-4355.**