

# Table of Contents

<u>TABLE OF CONTENTS</u>	<u>I</u>
<u>INTRODUCTION</u>	<u>1</u>
<u>KNOW WHY YOU WANT TO INVEST</u>	<u>3</u>
UNDERSTANDING YOUR MOTIVATION TO INVEST	4
BUYING A HOME FOR CAPITAL APPRECIATION	4
<u>TYPES OF INVESTMENT PROPERTY</u>	<u>7</u>
THE HOME OR PRIMARY RESIDENCE	7
SECOND HOMES	8
DUAL-USE HOLIDAY HOMES	8
RENTAL HOMES	8
IMPROVEMENT PROPERTY	9
MULTI-FAMILY HOMES	10
APARTMENT COMPLEXES	11
COMMERCIAL REAL ESTATE	11
LAND	12
OTHER INVESTMENT PROPERTIES	12
<u>THE REAL ESTATE PROFESSION</u>	<u>14</u>
WORKING WITH A PRO	14
<u>PROFIT WITHOUT EMOTION</u>	<u>18</u>
NEGOTIATING WIN/WIN DEALS THAT WORK	19
FINDING MOTIVATED SELLERS	19
SETTING THE OFFER PRICE	20
DON'T BE AFRAID OF MAKING LOW OFFERS	21
WHY WOULD A SELLER ACCEPT A LOW OFFER?	21
WHEN IS A SELLER LIKELY TO ACCEPT A LOW OFFER?	21
<u>RAISING MONEY!</u>	<u>23</u>
OTHER PEOPLE'S CASH	23

HOME EQUITY LINE OF CREDIT	25
RETIREMENT ACCOUNTS	25
CREDIT CARDS	26
ASSUMABLE LOANS	26
SELLER FUNDING	26
<u>THE HOME INVESTOR TEN-STEP PROGRAM</u>	<u>28</u>
STEP ONE: REALISTIC SKILLS ASSESSMENT	28
STEP TWO: SET A PROJECT BUDGET	28
STEP THREE: LOCATE TARGET HOMES	29
STEP FOUR: MAKING AN OFFER TO BUY	31
STEP FIVE: THE INSPECTION & ADJUSTMENTS	32
STEP SIX: PLAN & BUDGET	33
STEP SEVEN: PLANS & PERMITS	33
STEP EIGHT: CONTRACTING MINI PROJECTS	34
STEP NINE: COMPLETING THE PROJECT & FINISHING TOUCHES	35
STEP TEN: SELLING THE HOME	35
<u>ARCHITECTURAL TRENDS FOR PROPERTY INVESTORS</u>	<u>36</u>
<u>SELECTING PROJECTS THAT GIVE THE GREATEST RETURNS?</u>	<u>37</u>
FACTORS THAT INFLUENCE BUYERS	37
KEY SELECTION VARIABLES (KSV)	38
KITCHENS	38
TOP KITCHEN TIPS:	38
KITCHEN UPGRADES	39
SUMMARY	41
BATHROOMS	41
TOP BATHROOM TIPS:	42
BATHROOM BASICS	42
NUMBER OF BATHROOMS	42
BATHROOM ESSENTIALS	43
A TOUCH OF LUXURY	44
AROUND THE HOUSE PRE-SALE TIPS:	45
EXTERIOR TIPS:	46
TIPS FOR HIRING A CONTRACTOR TO WORK FOR YOU!	46
<u>SELLING FOR MORE MONEY</u>	<u>48</u>
KITCHEN	48
BATHROOMS	49
LIVING ROOM	49
DINING ROOM	50

BEDROOMS	50
GENERAL INTERIOR	50
EXTERIOR	51
<u>DEADLY SECRETS THAT MAY BE HIDING IN ANY HOME!</u>	<u>52</u>
LEAD PAINT	52
ASBESTOS	53
FORMALDEHYDE	54
RADON	54
CARBON MONOXIDE	54
HEATING OIL	55
<u>WHEN NOT TO RENOVATE</u>	<u>56</u>
#1 DAMP BASEMENTS	56
#2 STRUCTURAL DAMAGE	56
#3 BAD LOCATIONS	57
#4 INSECT DAMAGE	57
HOW TO SPOT THE PROBLEM PROPERTIES	58
TAKING ON THE CHALLENGE	58
<u>BUYING REAL ESTATE: PROPERTY INSPECTIONS</u>	<u>59</u>
THE RIGHT INSPECTOR ... GOOD VS MEDIOCRE	59
HIDDEN PROBLEMS	60
BUYER BEWARE	60
WHEN A PROBLEM IS A PLUS	61
THE INSPECTION REPORT	61
<u>DETERMINING PROPERTY VALUES</u>	<u>63</u>
ESTIMATING MARKET VALUE	63
EXCEPTIONS TO THE RULE	66
FRESH HOMES SELL BETTER THAN STALE HOMES	66
HOW TO DETERMINE IF YOUR PRICE IS TOO HIGH	67
EXAMPLE OF THE IMPACT OF PRICING TOO HIGH	68
SCENARIO ONE: OFFERED AT \$539,900	68
SCENARIO TWO: OFFERED AT \$510,000	69
SCENARIO THREE: OFFERED AT \$490,000	69
PRICING PROPERTY	70
PRICED TO SELL	71
HOW TO TELL IF YOUR PROPERTY IS OVERPRICED	71
PRICED TO BUY	72
<u>UNDERSTANDING BUYERS</u>	<u>73</u>

BUYER TYPES - HOW TO RECOGNIZE THEM	73
THE OBSERVER	73
THE SHOPPER	74
THE IDEALIST	74
THE ANALYST	74
THE INVESTOR	74
COMMON FACTORS AMONG BUYER TYPES	75
BUYER MOTIVATION	76
QUALIFYING BUYERS	76
<u>BABY BOOMERS AND THE IMPACT ON REAL ESTATE</u>	<u>78</u>
INTERIOR DESIGN ELEMENTS	78
STAIRS	78
BATHROOMS	78
BEDROOMS	78
LAUNDRY	79
1 <sup>ST</sup> FLOOR IN-LAWS	79
NON-DESIGN ELEMENTS	79
LOW MAINTENANCE	79
ELECTRICS	79
SECURITY	79
GARAGE	80
YARDS	80
STRUCTURED HOUSING	80
LOCATION, LOCATION, LOCATION	80
<u>FOR SALE BY OWNER: CAN YOU AFFORD IT?</u>	<u>81</u>
WHY BROKERS SELL MORE HOMES FOR MORE MONEY	81
PRE-QUALIFYING BUYERS	82
NEGOTIATING THE DEAL	83
ASSISTING BUYERS IN SELLING	83
TIME IS MONEY	83
<u>SEVEN REAL ESTATE MYTHS</u>	<u>85</u>
THE REAL ESTATE PRO'S ADVANTAGES	85
MYTH #1: AGENTS ARE RECRUITED BY BROKERS BASED UPON THEIR SKILLS	86
MYTH #2: AGENTS GET PAID WAY TOO MUCH FOR WHAT THEY DO	86
MYTH #3: A LOWER COMMISSION PERCENTAGE IS BETTER FOR THE SELLER	89
MYTH #4: AN AGENT WITH LISTINGS MUST BE GOOD AT SELLING HOMES.	89
MYTH #5: AGENTS WITH YEARS OF EXPERIENCE ARE ALWAYS BETTER THAN NEW AGENTS.	90
MYTH # 6 – AD'S SELL HOUSES	90
MYTH # 7 – BIGGER IS BETTER	91

1031 TAX DEFERRED PROPERTY EXCHANGES 92

INTRODUCING 1031 EXCHANGES	92
WHAT QUALIFIES FOR A 1031 EXCHANGE	93
ALTERNATIVE EXCHANGES	95

FIFTEEN QUICK IMPROVEMENTS FOR ANY PROPERTY BEFORE SELLING 96

ONE - FRESH PAINT	96
TWO - NEW CARPETS	96
THREE - REFINISH HARDWOOD	97
FOUR - NEW WALL PLATES	97
FIVE - LIGHTING	97
SIX - FAUCETS/TAPS	97
SEVEN - BASEMENTS	97
EIGHT - BATHROOMS	98
NINE - APPLIANCES	98
TEN - POWER WASHING	98
ELEVEN - A NEW FRONT DOOR	98
TWELVE - DOORMAT	98
THIRTEEN - THE LAWN	98
FOURTEEN - FLOWERS	98
FIFTEEN - LET THE AIR IN	98

APPENDIX A - THE HOME BUYING PROCESS 99

STEP ONE - CONSIDER REQUIREMENTS	99
STEP TWO - FINANCING	99
STEP THREE - SELECTING PROPERTIES	99
STEP FOUR - COMPARING PROPERTIES	100
STEP FIVE - THE OFFER	100
STEP SIX - NEGOTIATING THE DEAL	100
STEP SEVEN - INSPECTIONS	101
STEP EIGHT - PURCHASE AND SALE AGREEMENT	101
STEP NINE - MORTGAGE APPLICATION	101
STEP TEN - UNDERWRITING	102
STEP ELEVEN - TITLE EXAM	102
STEP TWELVE - INSURANCE AND UTILITIES	102
STEP THIRTEEN - WALKTHROUGH	103
STEP FOURTEEN - THE CLOSING	103

APPENDIX B - CREDIT SCORING FUNDAMENTALS 105

WHAT IS A GOOD SCORE?	106
DOES APPLYING FOR A LOAN CHANGE MY SCORE?	106
HOW TO IMPROVE YOUR FICO SCORE	106