10 lethal Real Estate Investing Mistakes

1. **Planning as you go.** The lack of a plan is the biggest mistake new investors make. They buy a house because they think they got a good deal and then try to figure out what to do with it. That's working backward. First, you find the plan, Then you find the house to fit the plan. Pick your investment model, and then go find property to match that. Don't find the strategy after you find the home.

The problem is that most people look at real estate as a transaction instead of as an investment strategy, People fall in love with a property, Who cares about the property? The number is the number, and you don't go above that. The best way to solve the problem is to have lots of activity and make offers on multiple properties. Then you don't care which one you get — as long as the numbers work out in your favor.

2. **Thinking you'll "get rich quick."** That kind of wrong-headed thinking is fueled by these self-appointed gurus who have infomercials and make it sound so easy to get rich in real estate, It's not easy. It's a good long-term investment, but so is putting your money in a mutual fund, which is a lot easier. These gurus don't talk about all that hard work. You have to be smart, you have to be willing to work, and you have to understand your risk tolerance.

3. **Playing Lone Ranger**. A key to success is building the right team of professionals. At the very least, you need good relationships with at least one real estate agent, an appraiser, a home inspector, a closing attorney and a lender, both for your own deals and to assist with financing for prospective buyers.
In the remodeling and maintenance segment of the business, the team includes a plumber, an electrician, a roofer, a painter, a heating and air conditioning, or HVAC, contractor, a flooring installer, a lawn maintenance service, a cleaning service and an all-around handyman. You can't build a business as an investor if you're spending all your time fixing leaky faucets and putting up ceiling fans.

4. **Paying too much.** The biggest reason investors don't make money is simple: They pay too much for the properties. The profit is locked in immediately once the investor buys the property, Due to mistakes in the analysis, the investor pays too much and then is surprised later when he doesn't make any money.

5. **Skipping homework**. You wouldn’t think you’re qualified to perform open-heart surgery without years of education and training. Yet many wannabe real estate investors don’t think twice about taking their financial lives in their hands without even cracking a book. Educate yourself before you put your family’s financial security on the line. Read articles, check out books from the library and look for a local chapter of the National Real Estate Investors Association. Speakers at monthly meetings cover everything from buying foreclosures to screening tenants.

If you can’t find a local chapter, find out who owns a lot of rental properties in the area, call him up and offer to pay for an hour or two of his time to find out whether this is a good career for you.

6. **Ducking due diligence.** Investors often have to move very quickly on their deals. That doesn’t mean they sign a contract and write a check without plenty of research, though. That’s where a lot of newbies trip up, They don’t do their due diligence about the deal, the costs or the market conditions, and they wind up draining their personal savings because the house needs extensive repairs or they can’t sell it. Sometimes, new investors are buying property just based on the idea that the property is going to appreciate. Usually, they don’t have any information to substantiate that.

7. **Misjudging cash flow.** If your strategy is to buy, hold and rent out properties, you need sufficient cash flow to cover maintenance. People think they can get a property manager, But many have never interviewed a property manager and have little idea about how they work.

Most managers, for example, are reluctant to take on one single-family home or a duplex, preferring larger complexes, and fees of 7 percent to 10 percent of the monthly rent are common. It’s a huge expense, I can put my money in a mutual fund and it costs a half-percent a year.

It’s not uncommon for a property to sit on 60 days or longer before it’s leased, he says. Meanwhile the owner has to pay the mortgage, the taxes, the insurance, the cost of advertising and homeowner or condo association dues, he says. If the owner hasn’t budgeted for that, an asset can quickly become a liability.

8. **Lowering the volume**. If you're working on one deal at a time, you're doing transactions, not running a business. You need a steady pipeline of prospective deals; sufficient volume will weed out the marginal deals and let the good ones rise to the top.

9. **Painting yourself into a corner.** Many people buy a property and get stuck with it because they only have one exit strategy. They're going to sell it or they're going to rent it out. What if it doesn't sell? What if the rental market stalls? Always have two, if not three, ways to get out of any deal. For example, if plan A is to rehab the house, put it on the market and resell it, then plan B could be to offer a lease-purchase to a buyer. Plan C might be to hold the house and rent it out. And as a plan D, there is the wholesale option, which would involve selling to another investor at a below-market price. Hopefully, you'll still make a profit, but at the very least, you'll cut the losses you're taking every month in carrying costs.

10. **Miscalculating estimates.** New rehabbers, after they've done their homework, they should double the amount of time and money they think it will take. If they can still make money then and they might be able to rent it out, it's a good deal.