

The Basics of Investing In Real Estate



Are you wondering about the basics of investing in real estate? This article intends to provide a comprehensive introduction to real estate investing, starting with answering questions that experienced real estate investors cannot fully explain, such as what “real estate” is and how it works.

Real estate investments deserve consideration for individuals and companies who wish to invest part of their capital in this asset class. While many types of real estate can be profitable, you need to understand their basics so that you can identify the best investment options for the portion of your capital invested in them.

Today, I'll share my thoughts on how you can add real estate investments to your portfolio to accelerate your savings and increase your wealth. Without delving too deeply into the specifics of real estate investment, allow me to give you the basics of how people are investing in real estate. Investing in real estate is one of the smartest investments you can make. How can you retire with a significant investment portfolio, and what are the benefits of investing in it?

Let's start by talking about what real estate investments are, below we'll break them down. Simply put, real estate investing is the process of making money from rental income, buying & selling real estate, and managing the assets and liabilities of the property.

Residential real estate includes houses, apartments, condominiums, townhouses, and anywhere else where people live. There are many different types of real estate such as commercial, industrial, and commercial real estate.

The Basics Of Your First Real Estate Investment

When you hear the term “real estate,” many people think of a single property, such as a house, an office building, or perhaps even a hotel. Indeed, I’m a fan of long-term “real estate” investments because, for the right individual, Real Estate investments can provide long-term wealth generation.

For many investors, the family home is the single largest investment & liability they have. To be sure, new investors tend to invest in single-family homes because it’s familiar and somewhat easy. If an investor saves enough for the down payment, has enough income to support the mortgage, and has little debt, the investor can obtain a mortgage to purchase the home. And, eventually, the home could appreciate and offer a significant windfall in the future.

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Rental Properties

Owning a rental property can be a great way to generate extra income. And, it could easily add thousands of dollars to your annual income. Sure, it depends on the type of property you are buying. Also, the price of the property, and how you manage to buy it is important. Last, other factors such as property taxes and insurance are equally important. The key is to do your due diligence and understand your costs. For example, the investor, among other things, needs to accurately forecast the costs, maintenance, and taxes.

One of my favorite rental property types is a 4-plex. A 4-plex is a 4 family home that most banks will finance to anyone. And, if the owner lives there, they could potentially have the other 3 renters cover most, if not all the investor’s expenses.

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REITs

What if you want to invest in real property, without owning the real property? If so, REITs (real estate investment trusts) might be for you! REITs are passive investments that can be an excellent choice for those who want to invest in real estate but don’t want to bother buying & maintaining properties.

With passive real estate investments, you can invest in real estate without physically doing anything. Passive property investing offers the opportunity to invest in real estate without physically doing anything. Indeed, it’s investing with low fees and low risk.

A REIT is a publicly-traded company that owns properties, and generally, distributes the profit to the shareholders. These are properties run by REITs (also known as real estate investment trusts). Additionally, the REITs can use some of their funds to buy and develop future properties. In the end, all the profits flow to the investors.

The main benefit of a REIT is that the investor only needs to be concerned about the dividend. By contract, the investor doesn’t need to concern themselves with renters, maintenance, interest expenses, etc. Rather, the investor collects a monthly or quarterly dividend. To be sure, the dividend might be a little less than if

the investor could get on their own. However, a REIT can be far more convenient.

Apartment Buildings, Commercial & Industrial Properties

Once you understand the principles of investing, you can apply that knowledge to larger, more expensive deals.

Generally, apartments and commercial properties are a little more difficult to obtain financing on. For example, bankers take a closer look at both the historical revenue and expenses. Then, they come up with a reasonable amount to finance. As a result, apartment buildings and commercial properties are rarely purchased as real estate investments by beginners. Having said that, if you are more experienced and understand the costs associated with owning an apartment building or commercial property, it can offer you magnified gains over the long term.

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Final Thoughts on the Basics of Real Estate Investing

These are the basics of real estate investing. We will take a look at each different class (residential, commercial, or REIT) in future articles. Additionally, we will take a look at each of these types of investments by examining the advantages and disadvantages of each type of property. **TheFinanciallyIndependentMillennial posted on SouthFloridaReporter.com, May 10, 2021**

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