The Top Seven Mistakes Of a New Real Estate Investor by Lazaro Dinh

*Mistakes to Avoid When Investing in Real Estate*

MIAMI (PRWEB) April 12, 2019 -- Real estate has made many millionaires. As a real estate investor who has become an avid student of wealth creation in the past two decades, recognizing and implemented financial patterns and learned to spot winning deals from miles away. In other words, creating a stable systems that gives passive income for life is achievable.

Through the years we are all exposed to many real estate deals that seemed promising but turned out to be fruitless. You find that 90% of the deals presented are just “fluff”. Investors must learn to look deep and analyze the upside. It takes a disciplined individual to recognize shifting markets and prepare to take advantage of these opportunities when they present themselves.

Here are 7 mistakes that pop up time and time again among new investors. Whether you’re a house flipper, residential home landlord, or large apartment complex owner, these same mistakes will rear their ugly heads over and over.

Below, we will point out the 7 problems always seen when speaking to real estate investors who are new and want to dive in the deep end of the pool. Most of them just read a book from a real estate guru, inherited some money they want to invest, or recently finished one of those free “get rich quick” seminars and are ready to become millionaires. The goal here is to shed some light into common mistakes and help you avoid costly mistakes before they happen.

Unfortunately, the shelf life on a new real estate investor can be short and dark if you make any of these simple mistakes.

1. Getting in at the wrong cycle
2. Not having financing set up
3. Making huge moves
4. Falling in love with a property (not a deal)
5. Staying inside one market
6. Hiring bad management
7. Not having an exit strategy

**1. GETTING IN AT THE WRONG CYCLE**

The source and timing of a deal are extremely important. You can spend countless hours searching for the right bargain but it’s a waste of time to look at the wrong deals at the wrong time of the cycle. Patience is your most important tool when you start feeling the urge to move fast and cheap to meet your goals.

Remember the 4 cycles in real estate (Buyer Market Phase 1, Buyer Market Phase 2, Seller Market Phase 1 and Seller Market Phase 2.) Recognize cycle you are in. Ultimately you should be buying at the buyer’s cycle and selling at the seller’s phase. This can be done with a little bit of research. Don’t forget to surround yourself with individuals who are more knowledgeable than you. These individuals do not give out free information to their
competition, so allow yourself to be indispensable to them and you will see the deal flow will open up.

2. NOT HAVING FINANCING SET UP

Having a letter of credit, credit line, or partner with cash is very important when making an offer. Sellers want to see the least amount of contingencies possible. It is always helpful when you submit an offer that is accompanied by proof of funds. If you’re just starting, it may be essential to have a money partner that is willing to let you do the sweat equity in exchange for a partnership deal until you can accumulate your own fund to invest yourself. Never borrow money you can’t pay back no matter how great the deal seems.

Bank financing is very difficult for investors. National banks don’t want to take on risky deals from new real estate investors with no track record. Stay on solid ground and don’t push a deal until you’re ready. If the financing for a particular deal becomes impossible, there might be a reason you can’t see. Some things deals just aren’t meant to be. Never bite more than you can chew and never borrow money you can’t repay if the deal goes bust.

3. MAKING HUGE MOVES

Every newbie investor wants to make it big. No one wants to do this work for little money. Remember, the way to succeed in real estate is to always have Plan A, B and C. Think of it this way: McDonald’s makes millions a year by selling 25 cent burgers. There is nothing wrong with starting small and stepping it up over time.

What are “bread and butter” properties? They are properties that you can buy cheap, update for less than $30,000 and rent under the 1% rule. This way if you can’t flip it for a profit, you can still rent it and cover your expenses until the right time to sell comes. Often you will find that your best buyer is your own tenant. While buying cash flowing properties and holding onto them for long periods of time will generally build your wealth, the very best investors do more than just buy and hold. They buy and improve the assets in their portfolio, adding value in additional ways.

4. FALLING IN LOVE WITH A PROPERTY (NOT A DEAL)

This one should come as no surprise. The best investors are highly focused. They know what they want and do not let anything prevent them from getting there. Obstacles are not a problem for the focused. There will be times when you fall in love with a property for all the wrong reasons--you must avoid this at all costs. This is a business and the only thing that matters is the deal. The more you separate yourself from the property, the better decisions you will make.

5. STAYING INSIDE ONE MARKET

Many years ago I micro-managed my properties to the point that I had to visit the renovation on a daily basis, which cost me money. Perfection kills profits and micromanaging your renovations are bad for business. For years, I would not buy outside my comfort zone (within 2 miles from my home so that I could visit the site every day.) Later I found that I was overpaying. It is easy to assume the market you’re comfortable with will continue to rise in value when you are caught up in the hamster wheel, but never forget that just a few miles away there could be opportunities in emerging markets that are still in the Buyer Market Phase. These can offer the same (if not more value) to your investment goals.
6. HIRING BAD MANAGEMENT

Most of the horror stories in this business come from bad management; no one wants to put in the time and effort it takes to properly manage a property while in renovation or rental stage. With the wrong management or no management at all, owning one property can keep you up at night. The best manager is you. Nobody cares as much for your property then you do. When repairs come, you can spend 200% to 400% times more for the same thing you can get done by just shopping around.

This said, there are times you will need to hire out management. Make sure they have your best interest at heart. Also, ensure they have a system in place to handle any emergency. Although I have always managed my own properties (and the learning curves that come with it) I suggest you decide management upfront, before you purchase your first property.

7. NOT HAVING AN EXIT STRATEGY

Having the vision to see what a property could be, and then pursuing that vision, is what sets apart the average investors from millionaires. In real estate, there is a term called “highest and best use.” It means finding the very best use for a property and working to help bring that to fruition. When I began my real estate journey, I never intended to have over 100 rentals. Initially, I wanted to flip and get that cash back to reinvest on the next flip. When the passive income started to roll in, I could see the end game more clearly; this is why I shifted my business plan.

There are many ways to exit a property. You can flip it for a profit, keep it as a rental or live in it until the right buyer comes along at the right time. Whatever your investment goals are, you must always analyze a potential deal knowing that you should always have multiple exit plans. Maybe that property you thought would sell right away ends up being a rental for you. Make sure you have a plan for each deal you analyze. You will find yourself being more creative and knowledgeable when making a decision on your next deal.

Good luck with your real estate investment career. If you need some advice reach me at reodocket@gmail.com.
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