

Real Estate Flipping: Not Gymnastics, But Lots of Investor Exercise

You have all heard the term before, I'm sure. Flipping is just real estate investment slang for the process of buying and selling a property quickly, with hopes of a healthy profit. Flipping is neither illegal nor unethical -- it is simply business. The idea that this process is illegal was born out of the media, whose reports have a tendency to become inflated in order to tell a more exciting story. And it is this: that flipping involves an attempt to deceptively inflate the market value of a property in order to turn a profit, to the extent even of falsifying documents and/or colluding with others to defraud a buyer. That is not flipping; that's fraud, which is both illegal and unethical. Now that we've covered the difference between flipping and fraud, we'll press on, to more important matters. In order to flip a property, you must first do your research. Search for the cheapest properties in the best neighborhoods. Find honest buyers who are eager to sell at a bargain price. You may need to anticipate minor repairs and/or cosmetics; it's almost always a good idea to paint the interior, which is a quick and easy (and relatively cheap) way to brighten any room. Establish as many contacts as possible: friends, relatives, bankers, real estate professionals -- anyone who might provide a lead to a great bargain. Drive around, look for sale signs, and knock on doors. Check public records, and keep your nose to local newspapers. There are many 'special circumstance' sales, for which you can walk away with a property for pennies on the dollar. Property owners who have fallen short of their mortgage payments are generally willing to sell at a reasonable price, which increases your chances of turning a profit. And they are relieved from an otherwise unsustainable debt burden. It's a mutually beneficial solution. In a rapid-growth market, an initial buyer may find a third party willing to purchase the property at a higher cost. Buyer 1 purchases the home and then signs it directly over to Buyer 2. Both deals close on the same date, the difference becoming the immediate profit of Buyer 1. This is called a 'double escrow' sale. Become very meticulous with your financial records, and be prepared to move quickly. 'Double escrow' investors make anywhere from \$500 to \$5,000 or more without the burden of financing. There are many details to be dealt with in a short span of time, and you will greatly reduce the stress of real estate investment if you are prepared. In order to be successful in this business, you will need to be in constant pursuit of knowledge and bargains. Learn as much as you can about property repair; fix as much as possible yourself. The less work you contract out, the greater your profits. You will soon learn how to spot a saleable property, and how to judge potential buyers. Deal always with direct and straightforward honesty. There is risk involved here, and it is wise to remain calm. Develop your negotiation skills, and seek always new relationships with honest lenders and contractors. You should be able to count on these people to be prompt and reliable. You may also wish to have a readily available attorney and accountant. You should also be familiar with contract and real estate law, how it applies to you specifically. Study the tax implications of property investment in order to take advantage of any breaks that may apply, and so you'll know how much to set aside for tax time. And you thought your business was a tough racket.

About the Author

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