

How to launch yourself into the real estate industry

Entering the real estate industry is not difficult if you prepare yourself properly. There is no magic formula for success. However, there are factors that when tackled correctly can ensure a profitable investment. Here are five important ones that you must consider when launching yourself into this industry.

1 – Funds

Fund availability is an indispensable factor in real estate investment. That is why you need to have a realistic view of how much money you have available. Be truthful and conservative in your fund availability estimation.

Funds can be obtained in different ways. For example, you can borrow money from your family or friends, or from a lending institution. The amount you have available plus the amount you borrow should match the value of the property. The equity is the portion that you own. [For example](#), if the estimated property value is \$1,000,000, and you have \$600,000 and need to borrow \$400,000, your equity is 60%. Together, the estimated value of the property and your equity will determine the interest rate and the amount that you can loan.

2 – Vision and strategy

Having a vision and a strategy is essential in real estate investment, because it is a long term endeavor. A vision is a description of your main objectives. It will help you keep your direction and motivation. As [Arnold Schwarzenegger](#), who made a fortune in real estate investment once said: “All I know is that the first step is to create a vision, because when you see the vision – the beautiful vision – that creates the want power.” Your strategy defines how to achieve your vision. It should include the amount of money available, the type of property you are interested in, the area you prefer to invest in, the laws of your country related to real estate and, very importantly, a timeframe.

3 – Research

[Donald Trump](#) plainly described the need for research when he stated: “you’re generally better off sticking with what you know”. When investing in real estate, knowledge is a must. This knowledge includes the generals of your country’s economy and the local particulars of the area where you are planning to invest.

In some countries, particularly developed ones, the economic climate is quite stable, which makes it easier to invest long-term. In other countries, this is not the case, and the prices are constantly up and down. History has shown that both scenarios present opportunities for real estate investors. However, they need different approaches.

You must also master factors related to the location and [condition of houses](#), as they are key to successful purchases. Find out aspects such as Internet availability, transport facilities and schools nearby amongst others.

4 – Two practical rules

When you are a real estate investor rookie, you can help yourself with a few practical rules that are the result of the experience of other investors. A popular rule is the “[1% rule](#)”, which states that a property rent value should be at least 1% of the purchase value, in order to produce a positive cash flow. An equivalent version of this rule is the so-called “The 100 times monthly rent rule”, which says that the price should be less than 100 times the monthly rent of the property. For example, if a property rent value is \$10,000, then the purchase value should be less than \$100,000. The advantage of this rule is that it gives you a quick check on property values.

5 – Think long term

A factor that differentiates successful investors is the way in which they think about their projects. Real estate investment is a long term endeavor, where there can be some gains or losses in the short term, but the actual profit is in the long run. This implies that the real estate investor must have patience and mustn't panic during tough economic periods. This is another reason to have a vision and a strategy, because without them, the investor can end up following a random path that leads to losses.

Final words

Like most things in life, the secret to real estate investment success is hard work and commitment. Real estate investment presents no shortcuts. A vision, a strategy, intensive research, and a long term view are all essential to profiting in this area. Whatever the size of your investment portfolio, you will need the necessary drive to continue during the difficult times. [Donald Trump](#), once more, explained it clearly when he said:

“The harder I work, the luckier I get. When you have momentum going, play the momentum”