Residential property investing

Residential Property Investing :-

Information on Investing in Residential Property

When you think of investing, residential property is one of the most lucrative options that you may consider. To make the most of your investment, you must follow the rule of strategic planning and look forward to enjoy the long-term gains.

Like all other investments, you must do enough research and take time to choose the right property. It is equally important to keep an eye on the housing market to identify the fluctuations in the value.

1]Choose the Right Source

The two basic sources of income that you may enjoy from a residential property investment are yield and capital gain. As a percentage of the purchase price, the rental income or yield is actually the estimated yearly annual return. However, if you decide to sell the property, you earn profits in the form of a capital gain.

You may choose to either rent out or sell the property as per your preference but it is vital to consider the present market conditions.

2]Create Long-term Strategies

Be prepared to face the ups and downs of the housing market. In its 7-10 year cycle, the residential property market may go through different phases. As such, you strategies and expectations must be based on long-term financial goals.

If you are renting the house, either find a long-term tenant or else go for the option of changing tenants after the expiry of a specific term. Whatever you choose, make sure that you follow a well thought-out plan that leads towards the maximization of profits.

3]Opt for a Suitable Loan

Choose the home loan option that can go with your current needs while being flexible. You may choose to go for a fixed or a variable rate of interest, depending on your requirements and resources.

You may refinance the loan or alter the features to match the changing lifestyle and circumstances.

4]Consider Tax Deduction

Whether we like it not, we have to bear tax deductions. You will have to pay taxes on your annual rental income or capital gains. Nonetheless, if your annual expenses (loan repayment and maintenance cost) exceed the income, the amount of tax payable will be reduced.

It is better to consult a taxation advisor for managing the taxes in a proper and professional way.

5]Stay Informed

As an investor, you cannot afford to stay ignorant. Be aware of the ever changing trends in the housing market and research the areas of your interest. Update your knowledge by reading related articles and browsing the Internet.

Stay in touch with the industry experts and try to develop an understanding of the market. Such efforts will definitely form a base for the future investment returns.

If your knowledge about the residential property is too low to make a right move, seek assistance from a property agent/finder. You may also visit a financial advisor to discuss the various options for diversifying your investment.

Remember that a carefully designed plan and insight knowledge of the residential property market will let you achieve your target of earning high revenues.

6]Buying a Property below Market Value

Information on how to buy a property under market value

The only way to make quick money is to buy cheap. And in today's world where everybody is just interested in making a quick buck, the arena of property investing holds a lot of attraction. Property Investment is a numbers game. The competition is becoming intense by the day whether it is ' buy to sell' or ' buy to let' investment. The best undisclosed truth of many property dealers comes in three simple words: below market value. Most popularly known as BMV, below market value properties are those, which are priced below their current true market worth. When you buy a property below market value, you lock in almost guaranteed profits from day one. That's the true power of below market value BMV investments.

A few more terms and understanding residential property investment :-

What is market value?

In most generic terms market value of any product or thing can be determined by the supply and demand. In other words, market value can be described as the price at which the seller is ready to sell his property to the willing and the genuine buyers based on an open and free method. It would be quite simple to apply the same logic to the property investment. The market value of a second hand property would be the price that the seller expects marketing through any local estate agent.

7]Major Strategies of Buying Property below Market Value:-

There are various routes that can lead you to the path of purchasing property that can give you value for your money. Here are some of the best ways to buy property below market value:

a)Repossessions: This is one of the latest though strangest and one of the most controversial sourcing techniques. Here you can directly contact the owner of the house and ask if you could help in stopping the repossession and as a result gain some profit in the entire process. This is undoubtedly a time consuming and tedious process.

b)Auctions: The properties bought in auctions can be described as treasure troves of below market value properties. In auctions it has been mostly observed that properties are generally sold 10 to 30% below the market value. This fast paced process can be quite confusing as well. Before you actually invest into any property in the auction, it is always advisable to do your homework well beforehand finding all the relevant details about that particular property.

c)Classified Ads: Buying is a numbers game. It is best to scan at least 100 properties from your local news paper, shortlist the top thirty views and finally get serious to making offers to five. Offer price, which is 15 to 20% below market value to top property first and gradually move down the order on rejection. Once the offer has been rejected by the last one also in your list again repeat the cycle but this time with 12% below market value price. Following this process, someone would eventually accept your offer.

d)Internet: Another way of buying property at lower rates would be through Internet sites. There are many companies, which advertise the vendor's properties and certain sites also try to fix up appointments with the vendors. These sites charge commission to the vendor, which is as low as 0. 5% of the sale price or may be some fixed fees. As a purchaser you would definitely be expecting this margin coming to you in the form of profit. But that is not really possible as this is relatively quite a small amount of money.

e)Estate Agents: Estate agents add a lot of value to the deals by holding them together, chasing up and negotiating on tricky issues with the vendors. The best plan is to get to know one or two estate agents in an area very well and make sure they know what you want in terms of your budget, type of property requirement – be very open with them. You will be surprised with the good deals that they come up with.

f)Personal Contacts: If you know some one who wants to sell the property you like, the best way would be to approach them. You might be able to crack a good deal particularly if you persuade them they will be saving 2% on the estate agent fees. It is even better if you know them as a friend, since the value of trust you have built up will also be worth a price reduction.

Therefore, if your dream business is property investment, you need to find every possible method of sourcing and give it a try. Maximising your sources will only improve your chances of success.