

Six Steps to More Profit on Your Real Estate Deals

No matter what the condition of the economy, there is always money to be made in real estate. Throughout history, most of the biggest fortunes in the world have been made in real estate. A large majority of them were made in "down" times.

To insure that your deals make the most profit possible, follow these simple steps.

Step 1 - Know the market

Knowledge is power. It is also a shield against error.

Do you know how this property compares with others in the neighborhood? How many similar houses are up for sale? What prices are their owners asking? Can it be rented? If so, how much rent can you get? What is the rental market like in this neighborhood? Do people want to rent here?

Is it in a good school district? How close is a shopping area? Do the neighbors keep their properties in good order?

These questions may seem obvious, but if you don't know the answers, you could find yourself with a white elephant on your hands.

Step 2 - Know your strengths

Do you have ready money to make the purchase? If not, do you know where to get it? Your credit may be perfect, but if the banks are not lending, you may have problems getting a loan.

You've heard the phrase, "Money talks?" A more appropriate one in today's world would be, "Cash SCREAMS!"

Do you know where to find private lenders? If you are planning to flip the deal, do you have access to transitional funding?

Are you good at finding and keeping tenants? Are you up to date on landlord/tenant law in your state? If not, do you have a good property manager?

Is rehab your forte? Does a vandalized property make you see dollar signs? Can you evaluate necessary repairs in the blink of an eye? Or do you need a contractor you can trust?

Are you a good salesman? Can you have it sold before the ink dries on the deed?

Always look for deals where you can use your best skills.

Step 3 - Understand the seller

Take the time to get to know your seller. What is the real reason he needs to sell?

Does he need cash? If so, why?

Is he looking to invest the proceeds for income? If so, would he be willing to do seller financing, knowing that his money is secured by a familiar property?

Is an immediate deal important to him? If so, why?

Is he behind on his payments and looking for a way to save his credit?

The only way to find out is to ask - then shut up and listen. You may be pleasantly surprised.

Never make an offer without knowing what the seller really wants. Once you think you know his priority, confirm it by re-wording your question and asking again. Let him know that you are here to solve his problem.

Step 4 - Make the right offer

Before you make an offer, you need to ask yourself a few important questions. Knowing your true motivation will enable you to make the best deal possible.

What do you actually want this deal to give you?

Do you want cash flow? If so, will this property provide it?

Are you looking for a tax shelter?

Do you need to make a short-term profit? If so, do you have a buyer lined up?

Do you plan to hold it long-term to increase your net worth?

The answers to these questions will tell you how to structure your offer. They will also tell you if this is the right deal for you.

Step 5 - Know when a deal isn't a deal

This may be the most difficult step of all. It takes a true grasp of the big picture.

If the seller is not flexible or the price is too high, you must be willing to walk away.

If this house would be perfect for long term appreciation, but what you need is current cash flow, you need to have the courage to turn it down.

If it does not meet your needs as you determined in Step 4, you must give it a pass.

The winner is not the one with the most deals; it is the one with the most profitable deals.

Step 6 - Never stop learning

Become a student of your successes and your mistakes. Learn how to avoid making the same mistake twice.

As economic conditions change, new ways to invest in real estate are developed. The old ways no longer work, or they don't work as well. Unless you constantly learn the new methods, you will be left behind.

Perhaps you have built a career on doing your own rehabs, but now arthritis is catching up with you.

Or maybe you have been successful at doing flips, but now you need to build passive cash-flow income for retirement.

No matter what your situation, there is always something else to learn. Take classes from the experts.

By mastering these six simple steps, you will be in a position to enjoy a long, profitable career in real estate.