



Considerations for Sound Property Investing

Investment Considerations Before Searching for Investment Properties

Begin refining what your needs, capabilities and interests are. There are always many properties available, but you need to be an informed investor, with a sound understanding of your investment needs.

(no particular order of importance, and not necessarily a complete checklist of possible requirements)

- Your time-frame to purchase? (when do you need to have the deal consummated, if there is a deadline? For example, 1031 Exchanges have a very real and pressing deadline associated.)
- Your expected holding period?
- Desired, or required funding method(s) (such as traditional mortgage, or using an existing trust account or tax-deferred account)?
- Acquisition price range?
- Desired or needed “net cash throw-off” (AKA “Net Income” paid to the Investor) per month during the holding period?
- Sources and amounts of cash reserves for ongoing expenses and shortages?
- Your level of “hands-on” management or involvement (which you desire and are capable of)?
- Geographical area:
 - Desired travel time to/from subject property for Investor?
 - Desired “type” of target community and specific neighborhoods (heavy industrial, retailing area, rising or falling economically, remote or urban, etc.)?
- “Hurdle Rate” of return needed? (Your minimum rate desired. This is often very subjective, and should be considered against your Risk Tolerance and your costs for the investment capital, such as mortgage costs.)
- Risk Tolerance, rated on a 1 to 5 scale? (1 being lowest risk, to 5 being very high tolerance for risk). (should be determined with other needs and goals in mind, such as the holding period, and the Hurdle Rate.)

Helpful Tip:

Unless your needs are for your own business use, with each property under consideration, “Sell before you Buy”. This means “How would you sell this property in the future? When? What would be the target use of the subject property? Expected price range when sold?, profile of the target Buyer, etc. If you cannot answer these simple questions for a subject property, keep looking.