



INVESTING IN REAL ESTATE

FIND OUT HOW INVESTMENT PROPERTIES
CAN GENERATE WEALTH FOR YOU

- Learn the advantages of investing in rental properties
- 20 top rental markets
- What to look for in an investor mortgage

IS REAL ESTATE INVESTMENT RIGHT FOR YOU?

WITH RENTAL rates on the rise and fewer millennials looking to buy, there's never been a better time to invest in rental property.

Real estate investors can see big returns right now. Home prices across the country have stabilized after years in freefall – and many areas are seeing rapid price appreciation. And rental return rates are heading into the double digits. That means investors are seeing profits from both capital appreciation and rental income. Home ownership, meanwhile, was just 63.4% in the second quarter – the lowest rate in 25 years. Taken together, all those factors equal a great time to take advantage of the rental market.

EASIER BORROWING

Smaller investors used to have it pretty rough; it was nearly impossible to find lenders who would allow them to borrow against their investments. Most lenders had strict income requirements, meaning would-be property investors fell into a familiar trap: practically the only ones who could qualify for a loan were those who didn't really need it.

Thankfully, that's changing now. Your mortgage professional can work with lenders who will make

a decision on funding a potential investor mortgage by focusing on the expected cashflow of the property. Simply put, these lenders are more interested in whether the property will generate a good rental income than whether you're already rolling in dough. That means today's small investors don't have to live and die by their current income.

WHY INVEST IN REAL ESTATE?

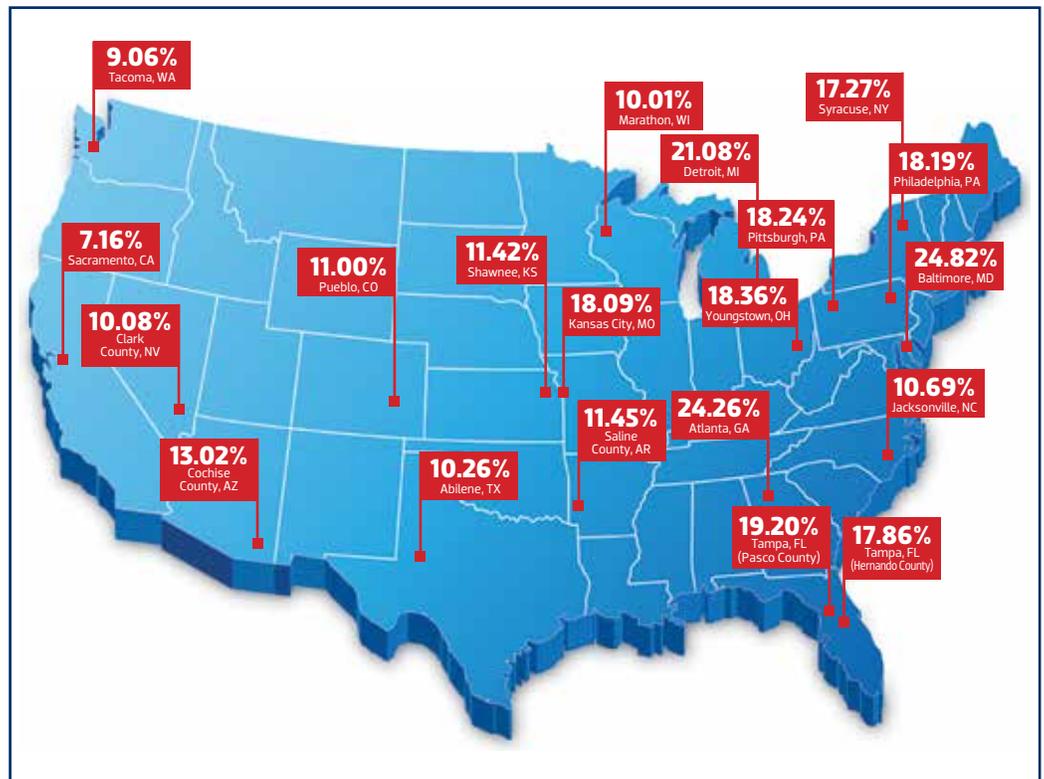
The 2008 housing market meltdown may have taken the wind out of a lot of investors' sails, but real estate is still one of the most robust investment vehicles on the planet. Here's why:

IT'S SAFE: There's a reason why "safe as houses" is a common phrase: it's true. While capital gains on U.S. property haven't historically been as high as those in the stock market, the housing market has also seen less volatility.

GETTING STARTED IS EASY: You don't need inside knowledge or a degree in economics to start investing in property. In fact, many property investors didn't start off intending to make money through investing;

TOP CITY RENTAL MARKETS FOR INVESTORS

Baltimore, MD:	24.82%
Atlanta, GA:	24.26%
Detroit, MI:	21.08%
Tampa, FL (Pasco County):	19.20%
Youngstown, OH:	18.36%
Pittsburgh, PA:	18.24%
Philadelphia, PA:	18.19%
Kansas City, MO:	18.09%
Tampa, FL (Hernando County):	17.86%
Syracuse, NY:	17.27%



SOURCE: REALTYTRAC

they just bought a house to live in. Only after seeing the value of their own homes increase – and realizing how much wealth they could generate – do many investors take the leap on other properties.

IT'S EASIER TO RESEARCH THAN STOCKS AND BONDS: Playing the stock market effectively requires a lot of specialized knowledge. You need to understand how the financial system works and the different financial instruments traded, and research brokers and fund managers – and that's just the beginning. Once you've got a handle on the market as a whole, you'll need to educate yourself on the companies in the market. That means pouring over financial news, companies' annual reports and so on – in a never-ending cycle.

Investing in property, at its core, is much simpler. You can start by simply jumping online to look at properties. And while smart investing is more than throwing a dart at a map and buying whatever property it lands on, a surprising amount of research can be done online for free, or by visiting auctions, open houses and suburbs – without having to gain an encyclopedic knowledge beforehand.

IT'S RELATIVELY EASY TO GET FINANCED: Lenders love property. Home loans are a staple of any bank's business model, and lenders are more likely to lend on residential property than any other asset class. In fact, they'll generally lend a higher proportion of the value than on any other asset class, including commercial property. That means it's easier to borrow to invest in property than any other asset class.

LEVERAGE: Borrowing to invest in property gives you greater access to one of the most powerful tools in the financial arsenal: leverage. Lenders will lend a larger percentage of the value on

A GOOD TIME TO INVEST

It's a great time to invest in property right now. Low sales inventory and rising home prices mean the rental market is heating up. Here are a few of the factors making it a great time to invest in rental property:



A GROWING MARKET:

Home prices across the country have stabilized – and many areas are seeing rapid-fire price appreciation. Rental return rates are rising into the double figures, meaning investors are seeing profits from both rental income and capital appreciation. And with home ownership at just 63.4% in the second quarter of 2015 – the lowest rate in 25 years – there's never been a better time to take advantage of the growing rental market.



INVESTOR FINANCE:

Small to mid-sized investors have had a rough time in recent years; finding lenders who would allow them to borrow against their investments was almost impossible. But now that's changing, with many lenders focusing on a rental property's expected cashflow when making their decisions. That means small investors don't have to live or die by their day job's income.



RENTALS ARE ON FIRE:

The millennial generation is a huge factor driving investor appetite for rent-to-own homes. In the last decade, home ownership among those 35 and younger has dropped from 43.6% to 35.9%. And while it's more expensive to rent than buy in most of the U.S., "factors other than affordability are keeping many renters from becoming buyers, a reality that means real estate investors buying residential properties as rentals still have the opportunity to make strong returns in many markets," according to RealtyTrac VP Darren Blomquist.

WHAT TO LOOK FOR IN AN INVESTOR MORTGAGE

- **INTEREST RATES:** As with any mortgage, you'll want to shop around for good interest rates. Your mortgage professional should be able to find a program with competitive rates based on current market conditions.
- **TERMS:** Check out the loan terms as well. A good program will usually offer up to a 30-year amortization schedule.
- **LOAN-TO-VALUE:** This is a big one. Make sure you go with a program offering a high LTV. Good ones will offer 75% or 80% LTV on loans.
- **VACANCY:** Do your homework. Some lenders don't like to lend on vacant properties, requiring a certain percentage of the property's units to be leased by closing. Others require the property to at least be in a lease-ready condition.

property, meaning you benefit from the capital growth of a larger asset.

“Imagine two people in the same job, on the same income, same assets and considered to be a similar risk by the bank,” says author, investor and university lecturer Peter Koulizos. “The person wishing to buy a house may be able to borrow \$450,000 based on their financial position, whereas their workmate may only be able to borrow \$300,000 to buy a portfolio of shares.”

Let’s assume a 10% increase for both investors over the course of a year. The property investor has seen \$45,000 in capital gains, while the shareholder has gained just \$30,000. And remember, the profit’s all yours.

FLEXIBILITY: Whatever your financial aims, you should be able to find a property investment strategy that suits them. Common strategies include:

- **LONG-TERM GROWTH:** Looking to save for retirement? Long-term increase in property value can give you a big step up.
- **POSITIVE CASH-FLOW:** Or perhaps you’re looking for cash right away. In that case, choose properties where the rents will outweigh your costs.
- **ADDING VALUE:** Unlike other asset classes, you can create value with property through renovations – even something as simple as a new coat of paint. “I can influence the value of my investment by renovating, developing or even altering the use,” says developer Troy Harris. “However, there isn’t one thing I can possibly do to change the currency or share market. I can polish my wedding ring, but the gold price still drops!”

CONTROL, CONTROL, CONTROL: When you invest in the stock market, you’ll usually need to hire a broker to handle your trades. And the value of your investment is subject to the whims of the market and the general competence – or lack thereof – of the folks running the companies in which you’ve invested.

Property, on the other hand, is a different story. Once you’ve closed, you own the asset. That means that – assuming you keep up with the mortgage payments and stay on the right side of the zoning laws – you have complete control of that asset. You can directly influence its overall worth by adding value, as well as

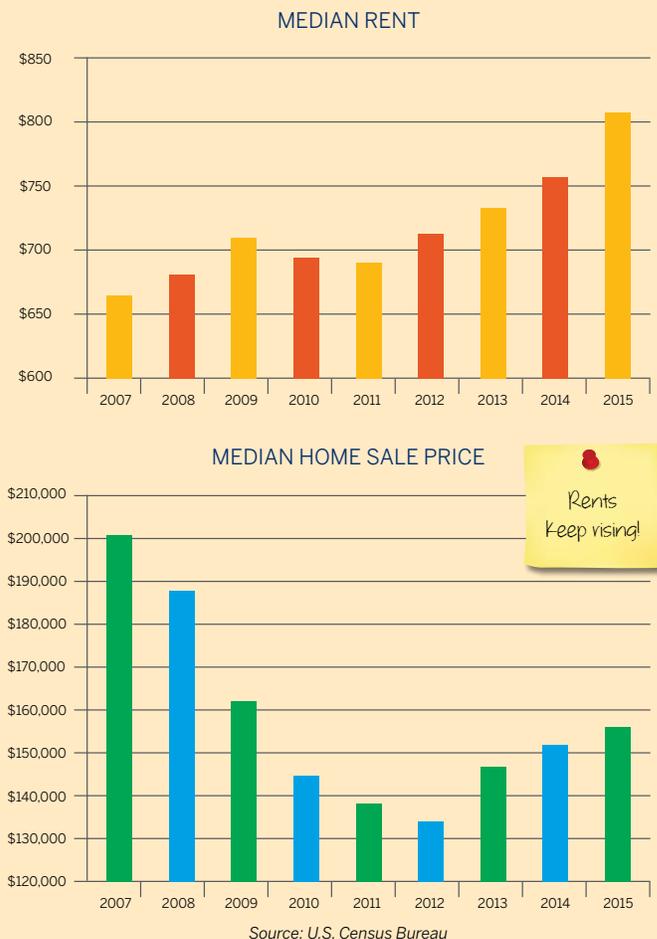
RENTAL VACANCY RATE

Rental properties aren't just a good investment – they fill a pressing need. With more and more people renting rather than buying, there's a distinct shortage of available rental properties. In fact, the rental vacancy rate has plummeted from 10.6% in 2010 to just 6.8% in the second quarter of 2015, according to the Census Bureau. And falling vacancy rates mean rising demand for rental units.



RENT VS. SALE PRICE

With demand for rental properties higher than ever, median rent in the U.S. has been rising steadily over the last few years – from \$665 in 2007 to \$803 today – while home sale prices have been in a steady decline until quite recently. The rising demand for rental properties, driven by tight home inventory and falling rental vacancy rates – means more return on your investment.



its cashflow (by raising rents, for example). That kind of direct influence is all but impossible with other types of investments.

YOU CAN HOLD ONTO IT IF THINGS GO SOUTH:

Margin calls are common features in stock trading. Here's how they work: if you've borrowed to invest in a stock, you can be asked to deposit more money when the assets in your portfolio dip below a certain amount. When's the last time you were asked to "top up" your mortgage because property values fell? As long as you're keeping up with the payments, you can hold onto the property until its value goes back up.

OTHER PEOPLE PAY FOR YOUR INVESTMENT: Not only will you be able to borrow the majority of the asset value of a real estate investment, you're getting other people – your tenants – to subsidize that investment through rent payments. That makes property one of the most affordable investments around.

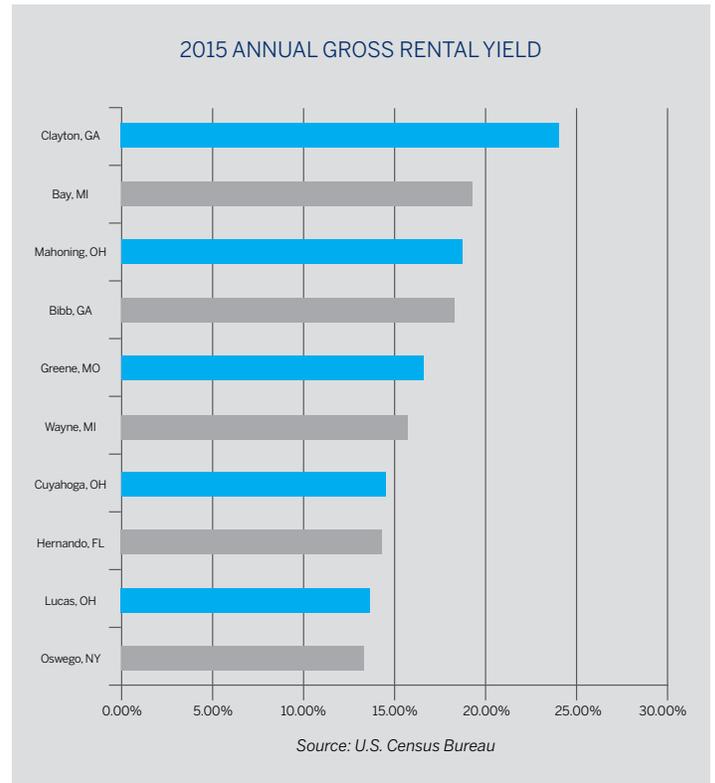
STEADY RETURNS

So property investment is flexible, profitable and relatively easy to get into. It's also a great source of predictable, steady returns.

"Buying rentals continues to be a brilliant strategy that allows investors to hedge their bets in a real estate market shifting away from home ownership and toward a sharing economy," says RealtyTrac vice president Darren Blomquist.

According to a recent RealtyTrac survey, in the first half of 2015 average rental rates on three-bedroom properties increased 3% from a year ago across 285 counties. The average potential annual gross rental yield was 8.94% for three-bedroom properties purchased in the first five months of the year.

Of course, that yield varies from county to county, with some counties showing much higher returns. Clayton County, Ga., for instance, saw a 24.05% annual gross



rental yield in the first five months of the year. Many other counties saw double-digit yields as well, including Bay County, Mich. (19.23%), Mahoning County, Ohio (19.04%), and Philadelphia County, Pa. (17.67%).

TALK TO YOUR MORTGAGE PROFESSIONAL

So it's a great time to invest in property. Demand for rental property is going up, and home prices are on the rise as well. That means you'll see revenue not only from rental income, but capital gains as well. And with loan programs that focus on the expected cashflow of the property, you don't have to be a millionaire to start investing. So talk to your mortgage professional today! Together, you can find a program that will allow you to get your foot in the door on this lucrative investment opportunity.

WANT MORE INFORMATION? CALL YOUR MORTGAGE PROFESSIONAL TODAY!

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