

10 Ways You Can Invest in Real Estate

Warren Buffett once said, “Someone’s sitting in the shade today because someone planted a tree a long time ago.” That is a perfect analogy for the process of investing. With the many fields of business available today, it’s simply a matter of choosing where to put your time, effort, and money in. On the topic of [starting a real estate business](#), one must first take care to learn its ins and outs. After all, it doesn’t pay to get into such a high-risk venture without any prior knowledge. So before you start [drafting your business plan](#), learn as much as you can about the best ways to invest in real estate.

What are the Available Ways?

For surefire success, it’s safe to say that the following will not disappoint anybody new to real estate investing. These have varying degrees of difficulty and require a myriad of skills. So don’t waste any more of your time and read on, starting with . . .

Online Real Estate Investing Platform

If you’ve heard about Fundrise, RealtyShares, Prodigy Network, and other similar platforms, but never bothered to look into them, well, now is a great time to do so. These are options that allow real estate professionals the chance to connect with prospective investors. However, take note that some of these [real estate sites](#) are available only to accredited investors. Always do your homework on a specific platform before making a final decision.

Buy a Rental Property

For the second investment method on this list, this is an option that most people with enough [budget](#) have thought of. Who hasn’t considered looking for a property, making a purchase, and renting out it? When done right, this can be an excellent source of passive income. However, there are still pros and cons to consider. For the advantage, the property’s mortgage is set to remain fixed--even as rental prices increase yearly. Concerning the disadvantage, know that [purchasing a rental property](#) comes with phantom costs like maintenance and repairs.

Real Estate Investment Trusts

To go with Investopedia's definition, a real estate investment trust is the kind of company that owns and operates income-generating real estate. There are specialties chosen among these REITs, although some also do their best to diversify. The business model for these companies is simple: lease out space, collect the rent, then distribute the income to shareholders as dividends. If you're considering investing in this, be aware of the types, which often indicate what business it engages in. Said types are:

- Equity REIT
- Mortgage REIT
- Hybrid REIT
- Publically-traded REIT
- Public non-traded REIT
- Private REIT

Investing in a REIT involves purchasing its shares. For those who want to invest in non-traded REITs, the shares are available from brokers that participate in a specific company's offerings. One last piece of advice concerning real estate investment trusts is to look into which sectors are presently gaining momentum. Healthcare, for example, is among the United States' fastest-growing industries. The construction of medical facilities like hospitals, elder care, and outpatient care centers are worth a look.

Wholesaling Houses

Now that we're on the forth method on our little checklist of ways, let's look back to the second one. As expensive as it is to buy a rental property, you can at least rest easy knowing that you have a significant asset at your disposal. The possibilities for it are numerous: you can rent it out, live in it, or sell it if it no longer makes sense to keep it. For wholesaling, those luxuries don't exist. What you do is buy the property and then sell it as is. No renovation or changes are made. Take note of the following, however:

- You cannot advertise the house
- You sell a contract for the home, not the home itself
- You cannot represent either the buyer or the seller
- You are not allowed any form of referral or commission fee

Going against any of those will land you in hot water with the law. The reason for that is because all those listed above are for real estate agents--which wholesalers are usually not. Doing any of those without the proper license is illegal. As long as you are careful with what you do, there should be no reason for you to avoid this particular investment method.

Flipping Investment

Now we're halfway through this list. For flipping investments, there are three steps to accomplish. First, you need to purchase a house. Next, you renovate it. Lastly, you sell it for a much higher price than its original one. The reason for that is to cover the costs of the second step. As simple as that sounds on paper, putting this into practice involves a level of expense that is only justified if you have contractors that you can place absolute faith in. Pull this off correctly, and you can expect an enormous sum heading your way.

Real Estate Partnerships

[Real estate partnerships](#) are business structures formed between two entrepreneurs working together within the real estate landscape. At its most direct and simple form, it's two people teaming up to accomplish a shared goal. For a more legitimate and definitive definition, there's another variant called real estate limited partnership. Also shortened to RELP, this is when the partners form a legal entity that determines how their business operations run daily and are taxable by the government. Those interested in this as an investment method have two options. They either choose to partner with another person informally or simply invest in a RELP.

Crowdfunding

By now, most people are familiar with what crowdfunding is. Those who have no choice but to [start without money](#) can simply go to a crowdfunding site and appeal to virtual strangers for help with their endeavor. A potential side effect of this method is that it can serve as a form of marketing; this is your shot at letting people know who you are, what you have to offer, and why investing in you is a sound investment. Alternatively, you can also search for other entrepreneurs who are trying to get involved in real estate on crowdfunding websites and make a donation to them, which can serve as your investment in what they got.

Short-Term Rental

The main advantage of a short-term rental, especially if the property is furnished, is the fact that you can attach a higher than usual price to it. Examples of this are AirBnB units and other forms of vacation rental properties. These are still affordable--not to mention attractive--despite the higher expense. And compared to hotels, these are still much cheaper options.

Real Estate Mutual Funds

When you talk about real estate mutual funds, these are the pooled investments managed professionally like bonds and stocks. There's much accounting involved with this option, especially since people purchase these shares to redeem them at the fund's present net asset value. For those who aren't familiar, net asset values are based on the securities' closing prices within the portfolio of the fund. Examples of stocks typically invested in real estate mutual funds are those from REITs.

Private Equity Fund

The last entry is certainly one for the investment books. When looking into a private equity fund, investors often directly invest in companies themselves. People do this by either purchasing controlling interest in companies that are publically traded or by buying private firms. Compared to other funds, like hedge funds, private equity tends to focus on long-term potential. If you have the resources to do so, then this is certainly an attractive investment option since it also allows you the opportunity to control certain aspects of the company. That includes, but is not limited to: getting involved in streamlining operations, making expansion-related decisions, or engaging in management changes.

If there's one thing you can expect from an industry like [real estate](#), it's how much capacity it has for creative solutions. Choose one from the list above or perhaps even more than that. Whatever you decide, make sure it serves your purposes in the best way possible. And who knows, maybe one day you'll join the likes of Warren Buffett as someone successful enough in their investments for people to quote.