

8 Ways to Make Money in Real Estate

There is a Ghana proverb that says, “you become wise when you begin to run out of money.” Well, nobody wants their money depleted and there are ways to achieve wisdom without putting yourself in dire financial straits. Those who want to prosper in real estate will be happy to know that many proven investment methods exist. It is just a matter of choosing which suits you best. Before you start working on that business plan, let us dive headfirst into the specific money-making options that are at anyone’s disposal. It’s a guarantee that by the end of this article, you’ll be more knowledgeable and that much wiser without having to waste a single penny.

The Word on Rental Properties

One of the first things to have on anybody’s real estate checklist should be rental properties. As straightforward as these are, there are still nuances that need exploring. Let’s tackle it one by one and see how these allow people to make money.

Lease and Rental Income

It’s worth noting that there are vital differences between lease and rent. For the former, it is a contract that specifies a period where an individual can occupy a particular property. Regarding the latter, it is the amount of money that an individual pays monthly during the duration of the contract. This method of acquiring passive income is prevalent due to the pragmatic role it plays in today’s housing economy. A report from the Pew Research Center reveals that 36.6 % of Americans live in rented homes.

Vacation Rentals

As much as people seem to love renting out property for long-term use, just as many look for temporary places when vacationing. Statista reported back in 2017 that the number of adults who use Airbnb in the United States alone have reached 33.9 million. If you have a spare property that you think might be an attractive choice for vacation rental purposes, then this might be right up your alley.

The Significance of a Property's Value

Even better than getting involved with specific properties is knowing--and strategically using--a property's inherent value. Better known as fair market value or FMV, that is what determines how much properties are worth on the open market. This is not only significant for those who want to buy and sell, but also for those paying taxes for their properties. Below are

Buying Low and Selling High

This is a no-brainer for many real estate professionals. It makes sense to purchase cheap properties so that you can make the necessary repairs or renovations to it. Those upgrades are an excellent way to raise its overall value, which then allows you to sell it for a much higher price. Having a high price is also necessary to cover the expenses of the renovations you just embarked upon.

Increase Property Value

Related to the previous entry, it pays to know how you can increase the value of any given property. The first thing to cover would be the costs of whatever it is you have to do to make the property more appealing. As much as possible, go for the cheaper option. Examples of this would be regular cleaning, repainting the property, changing specific fixtures, and restaging the property. A tip to keep in mind here is not to overdo the improvements. Going overboard in your efforts may lead to higher expenses on your end.

Flipping Houses

The term flipping is commonplace in the United States in describing the act of buying a property for the purpose of reselling it soon after. According to ATTOM Data Solutions, the year 2017 saw an eleven-year high for the United States real estate industry. That year, more than 200,000 homes were flipped. (TBC)

The Strategy of Proper Investing

Raising any kind of funds is like trying to raise capital for a business. It's all about knowing where to start and how to best make it grow. Smart investments require a lot of things--from extensive market analysis to reputable networks. Below are tactics you can find in any investing books, only tailored to how you can grow real estate profit for yourself.

Real Estate Investment Trusts

Also shortened to REIT, real estate investment trusts are popular alternatives for those who do not want to own or purchase direct real estate. Why is this so preferable, you ask? Many like to think of it as a pool of assets that people trade on the stock market. Such assets are already diverse, ranging from sectors like healthcare, lodging, retail, and residential, to name a few. If you decide to invest in REITs, you can reap benefits like guaranteed dividends and liquidity, with only low minimums required. On the downside, prepare to encounter disadvantages like high trading fees and limited potential for long-term growth.

Invest in Places with Future Growth

Forecasting isn't always easy, nor is it 100% accurate even when done right. Yet somehow, some people manage to put their money into the right investments and score big down the line. How do they do that? Better yet, how can you do that, too? Predicting the next housing bubble is a matter of paying attention to present trends, according to Harvard Extension School. And that extends beyond just residential--the future of office and retail asset classes are just as affected by what's going on today. With your eyes keenly set on where the highest potential of growth is at, you can invest with a moderately low financial risk to you and reap the rewards when your forecasting finally comes to pass.

Buy and Hold

This is a passive investment strategy that involves buying stocks and holding on to it for an extended period. Such actions go beyond any market fluctuations in the interim. The main benefit of this is the possibility of deferring capital gain taxes from your long-term real estate investments. If you intend to purchase common stock, there is another financial benefit to the buy and hold strategy: stakes in the profit earned by the company as it grows.

Making a profit isn't simple and it definitely isn't easy. What makes things easier, however, is having intimate knowledge of practical and viable tactics. Now that you have such knowledge, all that's left is to put it to good use. If you do everything right, not only are you guaranteed to make money, but there's also no need for you to hit rock bottom to gain the necessary knowledge. It's a win-win situation all in all.