

THE 5 FUNDAMENTALS

TO IDENTIFYING PROFITABLE
INVESTMENT PROPERTIES

CREATE WEALTH THROUGH
REAL ESTATE



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Residential property investment can be financially rewarding with care, planning and preparation. If you are an investor, the fundamental question of “How do I find a property worth investing in?” has probably crossed your mind. It may even be keeping you from taking the first step. The following five tips will clarify the process and help jump-start your investment portfolio.

ONE

Look for recently built homes.

When you begin your search for an investment property, one of the top factors should be the year the home was built. Anything before 1965 could be a significant hassle. There could be structural or foundation problems, failing appliances, unsafe electrical systems, and inefficient windows, to name a few of the common challenges. An older home will have you digging deeper into your pockets for improvement expenses.

Renters look for space, so the amount of rooms and square footage matters when you begin your hunt for an investment home. Your property should have a minimum of three bedrooms - anything less than that will not be as profitable for you.

TWO

Look for garages, or build one into your budget.

Include a garage as a criteria while you search for the perfect property. A garage on the property is extremely valuable because it offers extra storage space and a shelter for vehicles in harsh weather conditions.

If the perfect property checks all the boxes for you minus the garage, consider adding it to your budget. You can choose between an attached or detached garage, but make sure to check your city's codes beforehand.

THREE

Focus on the location of the property.

Look for a property close to essential amenities. Is the home in a developed community, or will there be one built around your property soon? According to a study by Access Development, urban consumers want to travel less than 15 minutes to make everyday purchases. The more frequent the need to purchase, the less consumers are willing to travel. Your future tenants will want to be close to gas stations, grocery stores, restaurants, gyms, and auto services.

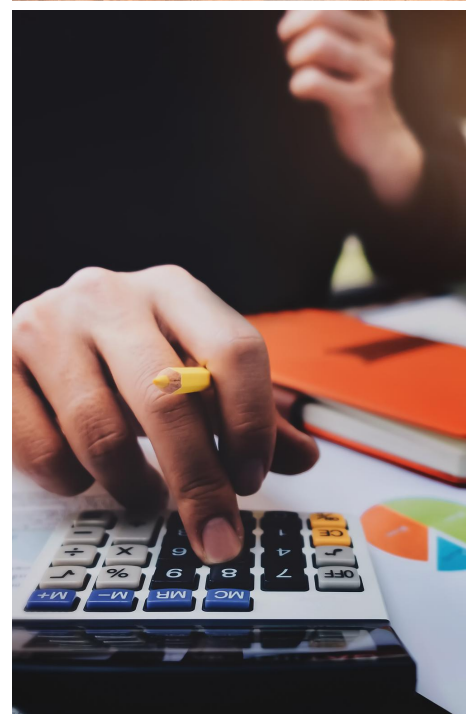


FOUR

Consider a home with a finished basement.

Finished basements have the potential to raise your property value because they add to the overall usable living space. A basement can be used as an additional bedroom or guest bedroom, recreational area, or storage space. A bathroom is not a must, but it can attract tenants and give you the opportunity to raise your rent.

If you have found what you believe to be the perfect investment property and it does not have a finished basement, consider factoring this project into your property improvement budget. You can save a significant amount of money by working on the basement yourself, but be sure to outsource the trickier improvements, such as plumbing and electrical work. Doing so will save you headaches in the future.



FIVE

Be prepared to budget.

There are multiple expenses that you will need to cover right off the bat. The budget for buying your investment house is up to you, but it helps to have ballpark estimates. We suggest spending around \$160 per square foot (PSF) for a newly constructed home. A ranch style home should be about \$185 PSF and a resale home should be close to or under \$140 PSF. Besides purchasing the home, you will also have to take into account the homeowner association fees, property taxes, landlord insurance and regular maintenance fees.

To ensure a more predictable overall budget, you'll want to be sure your rental agreement specifies tenant responsibilities, such as utilities like water, electricity, trash and sewage. Most tenants expect these charges to be their responsibility.

Keep these fundamental pointers in mind to lead you down the right path.

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