5 Most Common Investor Mistakes

(and how to avoid them)

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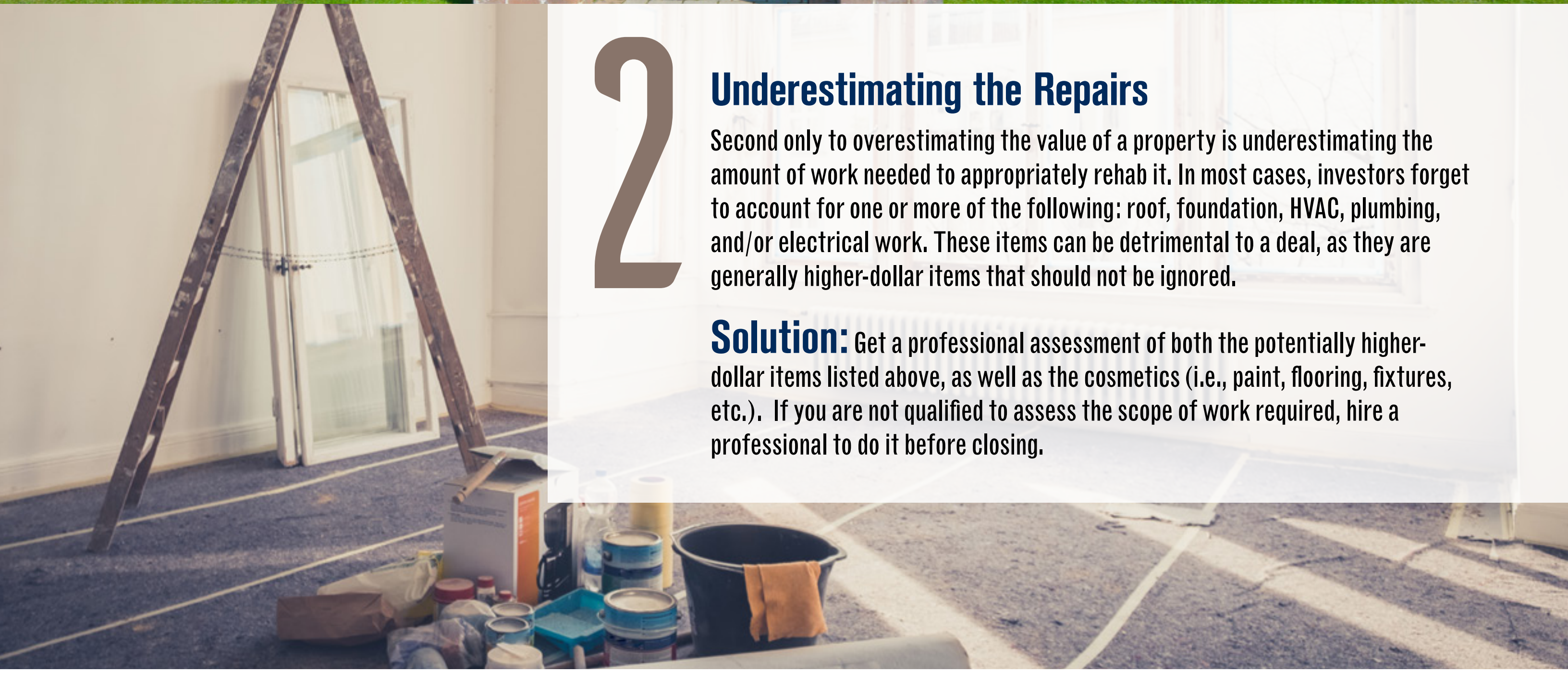
Over the past 15 years, we've seen investors make a lot of mistakes that cost them money. If you can avoid these 5 most common mistakes, your chances for success will dramatically improve.

1 Overestimating the Value

Without a doubt, this is the first and most common mistake for both new and seasoned investors. Whether it's taking a wholesaler's word for the value, picking the highest sales comp, or (worst of all) not getting an appraisal, investors can easily mistake the value and end up losing thousands of dollars.

Solution: First, get a desktop review from an appraiser who regularly analyzes investment deals. Next, perform a deal analysis to determine your return on investment. Finally, get a certified appraisal to confirm the value before closing.



2 Underestimating the Repairs

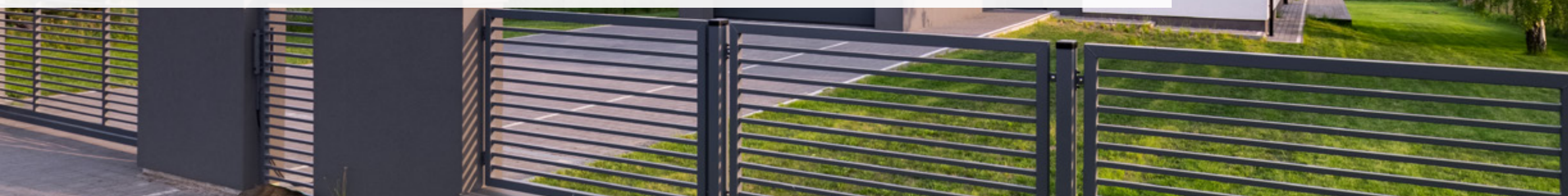
Second only to overestimating the value of a property is underestimating the amount of work needed to appropriately rehab it. In most cases, investors forget to account for one or more of the following: roof, foundation, HVAC, plumbing, and/or electrical work. These items can be detrimental to a deal, as they are generally higher-dollar items that should not be ignored.

Solution: Get a professional assessment of both the potentially higher-dollar items listed above, as well as the cosmetics (i.e., paint, flooring, fixtures, etc.). If you are not qualified to assess the scope of work required, hire a professional to do it before closing.

3 Paying Too Much for the Property

There are many formulas real estate investors use for calculating purchase price. A common one is 70% of the ARV (After Repair Value) – Repairs = Offer Price. If you have #1 and/or #2 from this list wrong (Overestimating the Value and Underestimating the Repairs), you will probably pay too much for the property, and risk losing money in your deal.

Solution: Follow the solutions listed above to get a true ARV (After Repair Value) and accurate assessment of the repairs, then use the formula and you'll arrive at a fair offer price.



4 Listing the Property Before It's Ready

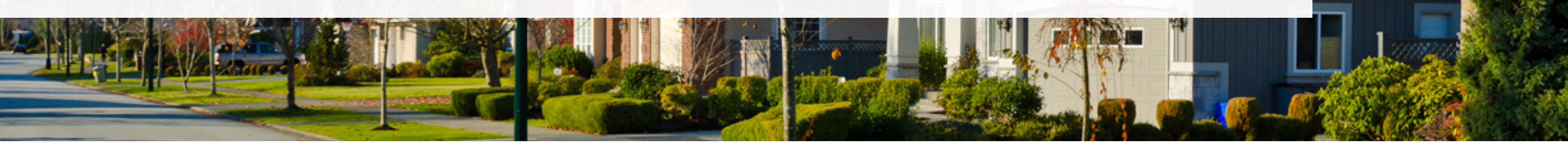
Trying to get a jump-start on marketing your property before it's 100% ready will generally cost you money, even in an upward trending market. This flawed strategy is one that confuses many new investors. Listing early limits your potential buyer pool, as most buyers are looking for a property that is move-in ready. Once you list the house, the days on market (DOM) start counting. Higher DOM, relative to other properties in your market, can stigmatize your property. Agents and buyers assume something must be wrong since your status hasn't changed, and they move on to the next property.

Solution: Maximize your potential buyer pool by listing your property once it is move-in ready.

5 Buying Too Many Properties Simultaneously

Whether your investment strategy is flipping or renting, buying too many houses at one time can be a disaster. Nothing can get you into trouble faster than being overextended and overleveraged. What is too many properties? If you are financing your deals with hard money loans and your cash reserve sinks below six months' worth of payments, you are in dangerous territory. If something goes wrong at one or more of your houses (which happens all the time in real estate) you will most likely need to have cash on hand to resolve the issue. Also, financing or refinancing multiple rental properties requires additional underwriting requirements. Most new investors do not meet these requirements and end up getting stuck in hard money until they do.

Solution: Purchase properties at a pace that does not get you overextended or overleveraged.



If you need help navigating these Five Common mistakes, Investmark Mortage is here to guide you through the process. We are investors just like you, and your success is our #1 priority. Give us a call at **214-219-0360** or at **InvestmarkMortgage.com.**

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