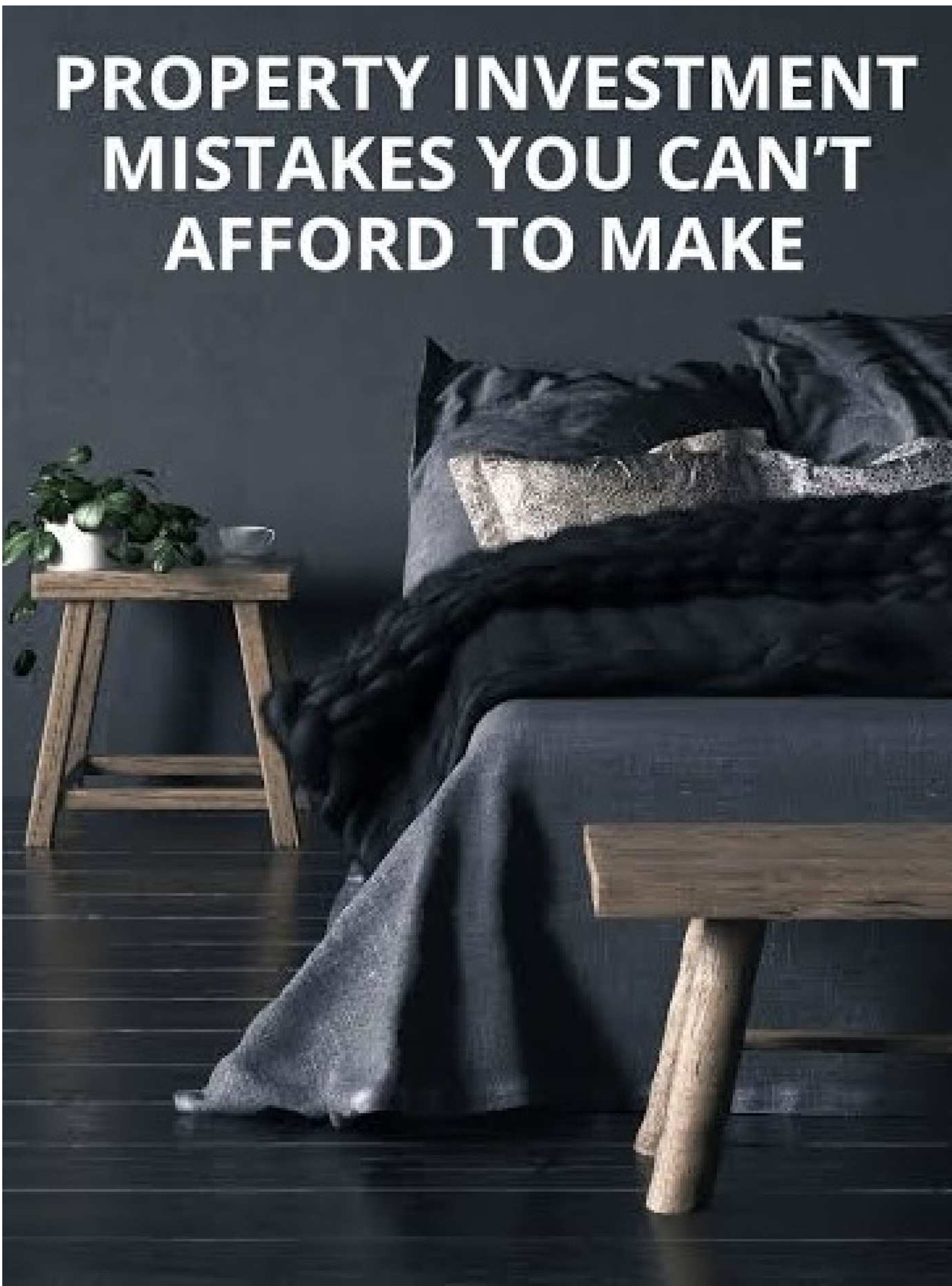
eBook

BUILDING ASSISTANCE AUSTRALIA

NO.003

PROPERTY
PULSE



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Introduction

We live in a world where economic conditions are changing rapidly, and investors are becoming very prone to mistakes in such situations. But one thing that must be remembered is that the property investment strategy is still the same. The principles need to modify with the changing environment, but the gist remains the same. Moreover, it must also be reinforced that there is nothing about property investment that can be considered a part of rocket science. All it requires is hard work, passion, and determination. But the recipe for success in this field is to have a crystal clear set of goals in front of you, and these goals can be achieved successfully by avoiding some common mistakes that many investors make. Imagine a situation where you profit from your first investment but lose it on your second investment due to some silly mistake. This needs to be avoided by learning about it from the experiences of different individuals. Following are

1: Failure to Budget

Many people want to invest in property but cannot do so because they cannot save enough money. One way to deal with this issue is by analysing your spending habits. You need to know your disposable income and how you are spending it. Rich people do not require budgeting because they have a regular cash inflow. Hence they do not think that they need to save up. But in reality, it is imperative to understand your disposable income and spending habits if you wish to do something productive with your saved money. Some common areas where you can cut expenses are phone upgrades, internet usage, and other unnecessary luxuries. Remember, the point here is not to deprive yourself of the amenities of life but to have a budget so that you are prepared for rainy days. This will also provide insights into how much you can invest in properties.

2: Lifestyle Compromises

Many people will tell you that property investment is not a good choice because you compromise your lifestyle. This is true, especially when an investor forgets to opt for a way of life in the entire investing equation. There are many different things to be taken care of when investing in a property, such as a mortgage, rental income and other expenses related to the property. If the rent does not cover the mortgage, you will have to pay the cost out of pocket. This strategy is not always bad because of the property's capital gain, but you will still have to make a lifestyle compromise in the short or medium term.

3: Expert Opinions

New or even veteran property investors commonly seek expert advice when investing in a property. This seems like a reasonable practice since the mentor's opinion should matter, and it should help out in the long term. But one common mistake some investors make is that they seek advice from the broker and the bankers and get information that hurts them. For instance, the broker would want you to buy the property because he earns a commission, and the banker would encourage you on this matter because he will give you a loan and earn interest. A smart option is to seek advice from someone who is already a property investor. This way, you will get some useful insights. Moreover, it is also good to talk with your accountant before making a big move to know how your decision will impact your position.

4: Market Movements

Some investors might have said, “I am waiting for the market to improve before I invest.” One thing that is a bit ambiguous in this statement is the kind of change the investor is waiting for, which is entirely unpredictable. Some common factors investors hope for are the interest rates to get cheaper loans and the property market so that investors can buy properties at more competitive prices. However, these two factors are very unpredictable, and there is no way of knowing when the interest rates and property prices have hit the floor.

One thing that must be remembered about investing in property is that the best time to invest in it is right now. The longer you wait, the more opportunities you are letting go of. Do some market research and historical research and better understand your financial position to have a dynamic character to make a move in the market.

5: Letting Fear Overtake You

Millions of ambitious people want to make the right move in the market and start investing in property, but most of them will not have what it takes to succeed, and the main reason is fear. Some people might have the skill set to achieve, but they fear taking a loan to invest in properties; after taking the debt, there are several things to worry about, such as rent collection, property damages, and mortgage payments. If you don’t know to manage these problems and risks, then perhaps you are not fit to be a part of this investing world. There are several ways to deal with such issues. You can always get a property manager to deal with the tenant and the property maintenance. On the other hand, you can always get insurance to address unexpected damages such as property damage. Yes, these things are costly and additional expenses, but you need to incur such expenses to protect your property, which is worth thousands of dollars!

6: Exit Strategy

Property investors know that working in this field has its ups and downs, so it is best to have an exit strategy in case you face an unexpected situation. If you have purchased a property for the long term, then one of the best exit strategies is to have some money saved up on the side to deal with issues such as property maintenance. Your tenants may mess up your place, and you must deal with the repairs. This is the time when your saved-up money will help you out. On the other hand, sometimes, when you think that the property market is not looking right or some other issues are arising, such as neighbourhood problems, then one exit strategy could be to sell the place before the prices hit rock bottom.

7: Do your Homework

Before making any purchase, whether it is the acquisition of property or some other commodity, it is best to do some research. Before buying a property, you will have to ask the seller some questions regarding the property, and there are many important issues the investors miss out on, such as:

• How far are the important places from this property, such as schools, malls, etc.?

• Does the council have any plans for this area, or are there any developments planned?

• What is the neighbourhood like, and has there been any capital growth?

• Did this property have tenants before?

Above are just some of the questions that need to be asked by the investor before making a purchase.

8: Demographics

One of the most common mistakes by investors when buying a property is not inquiring about the demographics. Factors like age, population and income are vital and must be researched before investing. By knowing what kind of people live around in the area, you will know what kind of rent can be charged and the selling prospects of the property in the future. Moreover, with demographics, you can also make future projections of the population and their lifestyle, and these are important, especially if you are making a long-term investment.

9: Portfolio

Some properties are known as “Negative Cash Flow Properties.” These properties have excellent prospects for capital growth, but in the short and medium term, you will have to take money out of your pocket to support such properties so they can mature in the long run. Building a great portfolio is all about managing the cash flow. For instance, if your portfolio only consists of negative cash flow properties, you may struggle with cash flow in the short run as you drown in expenses. In such situations, it is best to have some properties that offer security regarding rent income to support your other assets.

Your main aim here should be to build a portfolio that does not cost you money and keeps helping itself. Your target should be to break even in the short run, and once the capital growth takes effect, you will soon experience significant profits.

10: Asset Protection

Litigation has now become a bitter reality and a part of life. Even if you look at someone badly, he might end up suing you. Since litigations have become familiar, protecting your assets is paramount; this trick will help you stay productive. Several wealthy people have implemented a strategy where they invest their assets in those trusts or funds where they can control their property but do not have complete ownership over them. To form a better strategy to protect your assets, you should consult some asset protection experts because this has to be a part of your overall investing strategy.

11: Over Analysis

You overanalyse certain situations, forcing you to miss out on good opportunities. Over-analysis is considered a plague that causes a person to doubt themselves.

Many investors have missed out on profitable investment opportunities due to over-analysis, and when they look back at those they have missed, they kick themselves hard!

One of the best ways to deal with this problem is to have a mentor at your side. When you are overanalysing some opportunities and have much information to talk yourself out of a decision, you can always speak to your mentor and seek their advice. However, then again, you need to remain objective in this entire process and have a guide on your side who is experienced and intelligent. Remember that this should also help you fight your fears of making the final decisions.

12: The Numbers

Actual research is one where you have accurate numbers that help you analyse investment decisions. Some of the figures you might deal with could be interest rates, cash inflows, outflows and other alternative investment opportunities. While dealing with the numbers, you must ensure that the figures you have are accurate, not just estimates or rough guesses.

Some people are not naturally good at crunching numbers, so you have two options. You could learn the techniques, or you could only invest in property analysis software with different variables, such as the price of the building, rent, and mortgage.

13: Calculation Rules

As mentioned earlier, for an accurate analysis, you need exact figures and numbers, but more importantly, you also need to understand the entire process. For instance, some property investors cannot arrive at sound decisions just because they do not know how to calculate the yield of an investment. Some investors do such calculations half-heartedly and miss out on essential factors, such as the acquisition and purchase costs of the property. Some even forget to account for the loan costs, including mortgage registration.

When making calculations, you need to sit down calmly and think about all the costs that are or will be incurred. Some investors even add in the opportunity cost, which could be the rent you do not receive from the property when the property is vacant.

14: Relying on the Bank

One of the most common mistakes made by property investors is that they end up considering the banks as their friends. I'm afraid that's wrong because banks are businesses that have to make money from you.

Some investors have taken loans from banks and have kept properties as collateral, and this strategy has a risk of cross-collateralising the properties. So, in the end, if something wrong happens with any of the properties, the investor risks losing everything because of the bank's rights.

Discussing things with finance or experienced mortgage brokers in such situations is best. You need to be creative regarding financing decisions and think out of the box while remembering that the bank does not have the same interests as you.

15: Diversifying

The opposite of diversifying is "Putting the eggs in just one basket." This means that if all your eggs are in one basket, and somehow you drop that basket, you will lose all those eggs. This mistake is not related to diversifying your portfolio but the services you obtain from banks. If you get all the benefits from one bank, such as a loan, current and savings account, then you are at some risk because of all the information you provide to the bank.
One way to deal with this situation is by having a current or work account with one bank, and savings account with the other bank and a loan account with another different bank or financier. By diversifying, you can ensure that all your financial data is not held up by one bank for further analysis of your spending and saving habits.

16: Depreciation

If you have studied accounting, you would know that depreciation is when an asset loses its value over time. This expense is then deducted from the income statement. It is also removed from the carrying amount of the property to give an accurate picture of the property and the profit position.
You must have noticed that tax is charged on the net gain, and if you forget to account for your property's depreciation, you might end up paying a higher tax. The higher the devaluation, the lower the tax would be. To deal with this mistake, you must first remember to obtain a depreciation schedule for the property you purchase. This schedule can be obtained easily from your accountant or a surveyor and might even cost a few dollars, but it is worth it.

17: The Borrowing Threshold

Many people do not know the fact that banks only lend money to individuals based on their riskiness. A certain borrowing threshold is assigned to each customer, and once you have reached that limit, the bank will no longer lend you money. You can consider it a wall that once it hits you, you have reached your limit of borrowing, while there are certain things you can do to manage this issue.
It is necessary to avoid hitting this wall to invest in those properties that provide you with a stable cash flow. If you have taken a loan from the bank, then make sure you buy a property that brings cash inflow rather than cash outflow. If you buy a negative cash flow property at this point, you might not be able to get more loans from the bank to invest in new properties that bring more cash inflow or to manage the expenses brought upon by negative cash flow property.

18: Credit Card Limit

A high credit card limit is not necessarily a very good idea at any time, mainly because it allows you to overspend. People these days can easily shop online with credit cards and automatically pay bills with direct debits; people do not know that having a high credit card limit affects your borrowing power. So if you have a credit card with a credit card limit that you do not require, you should know that this would affect your borrowing power and limit you from borrowing more money from the bank.
To solve this issue, you need to take out your wallet and see how many credit cards you have. List down the limits you have on each card and analyse whether you require that sort of limit. If you do not, then talk to the bank and get that limit reduced. It is ideal to have a credit card limit of $5000 at most, as this should help your borrowing situation.

19: Quitting the Job

Another common mistake made by rather stupid property investors is that some investors leave their regular day jobs to dedicate themselves fully to the field of investment. This is a far-reaching problem that needs to be avoided because new career choices require some financial backing, and this support comes from your current regular job.

What makes matters worse, it must also be reinforced that banks usually lend to individuals by looking at their positions. People who do not have a regular job or a guaranteed source of income seem less likely to get loan approvals.

If you are good at investing in property, enjoy it and understand it fully, then it is true that you would want to be a full-time investor at some point in time. But those just starting in this field should plan out a strategy. This policy should define how long you will keep your current job, how long it will take your assets to bring in a stable source of income and when would be the best time to quit your job.

20: Buying Properties without Paying Upfront

Many people do not know the fact that banks only lend money to individuals based on their riskiness. A certain borrowing threshold is assigned to each customer, and once you have reached that limit, the bank will no longer lend you money. You can consider it a wall that once it hits you, you have reached your limit of borrowing, while there are certain things you can do to manage this issue.

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21: Emotions

This error can be observed in almost every field and profession. Similarly, it has been noticed that sometimes property investors get emotionally invested in particular areas. Some investors are emotionally attached to a specific area and wish to buy a property. Still, due to increasing housing costs, the prices of the properties remain at the higher end. Since the investor is emotionally attached, he wastes countless hours finding the right deal but eventually buys a property in a different area where he can make a similar rent income. In the end, it seems like the investor met his income targets, but he wasted countless hours on research, and that time could have been used to find some new opportunities. The best solution here is to learn the art of letting things go, always do your research appropriately and stick to it so that you do not end up making bad deals because of emotions.

22: Desperation

Astute investors are those who know what their limit is, and they also know when to stop bidding on a property when their limit has been reached. Many investors enter this field with the attitude of “I need to have it!” Sometimes they just hurt their positions. This attitude can also be somewhat linked to Mistake 21, which brings emotion to the business.

As a property investor, you might find yourself going to auctions several times, and if there is anything that society has taught us, it is the perception that winning is the only real thing. Smart investors do not think about what society teaches them or what the perception of others is. They place their bids strategically while knowing their limits; if they win or lose after that, they remain neutral.

The best solution to this False Step is always to control your emotions because if you let your emotions take over your business, you will end up overpaying for the properties you purchase.

23: Understanding the Buyers or Tenants

Another common Pitfall many property investors make is that they make investment decisions based on what they want. Sure, you might like a particular property and purchase it, thinking that others have the same preferences as you, but that might not work in your favour. It would help if you also thought about what is going on in the minds of prospective buyers or tenants.

For instance, if you do a demographic study in the area, conduct your research, and go out to look at an apartment on the second floor without any elevator, would you buy it if your research tells you that most retired people live in that area? Of course not, because the retired people are looking to rent a place with ease of access, and having an elevator could be the deal breaker. This does not mean that you might not be able to sell that property in the future or find a tenant in the short term, but you could be settling for a lower rent eventually, which should hurt your earning potential.

24: Looking out for Rival Buyers

Just like corporations have competitors and rivals in the market or industry. Similarly, as a property investor, you also have rivals, and they are the buyers looking forward to investing in those properties you are looking for.

Many property investors have complained that purchasing is a lengthy process. You find a property, research it, and take some time, and when finally the time is right to make an offer, you realise that someone else has already purchased it. What could be the solution in such scenarios?

The best thing to do in such situations is to trust your gut. If you have not done comprehensive research on the property but have a gut feeling that it could be a productive investment, you could immediately put up an offer upfront. This could be a risky move, especially if you find out some negative aspects of the property later in your research. You could always design a conditional contract that allows you only to purchase the property once you have done your research. Legal advice is critical in these situations, and such techniques can put the properties you are looking for off the market, which could keep rival buyers away from your radar.

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25: Clauses and Contracts

Many individuals, not only property investors, are careless and sign happily without going through the terms of the contracts. If eventually, something goes wrong, in the end, such reckless individuals end up blaming the entire world for it, but the truth is that they create problems for themselves.

The contracts regarding property investment are standardised these days by recognised institutes, and most property investors use them. Still, each buyer has a right to include special conditions only to protect their position, which is fair. But even before signing any contract, you are highly advised to seek assistance from your advocate. This is important because you often come across confusing statements containing technical jargon that only your lawyer would understand.

26: Demand and Risk

Many properties in the market do not have a very high demand. This means that these properties would only be required by a small number of people or a small segment. Since such properties are not highly requested, they have a high risk. By buying such properties, you always purchase a danger for yourself as well because there are chances that you might not be able to sell promptly later.

Another problem with such properties is that when you go to a bank for a loan to buy such properties, the bank will feel a bit hesitant to give out a loan due to the high risk. You will have to keep a large deposit with the bank.

Some examples of such high-risk properties are student or retiree apartments with small bedrooms serving specific needs. These kinds of places would not appeal to a huge segment of the market, and this is the reason why property investors should only invest in assets that have a high demand. This should also help improve your financial capacity and reduce your portfolio’s overall risk.

27: High-Rise density Apartments

Many individuals would love to live in a high-rise apartment because of its view and thrill; a general perception is that such high-rise-density apartments can easily find tenants. As a property investor, you should develop a state of mind that helps you see both sides. If high-rise apartments have benefits, then they also have some disadvantages. Some obvious disadvantages of such flats are related to rent issues. Tenants refuse to give a higher rent on them if the apartments start to increase in the building. Moreover, the values of such apartments also fall eventually when the area experiences a boom in construction, which should hurt the investment decision.

The solution here is that property investors should only purchase high-rise apartments in areas where capital growth is expected. With the help of long-term settlement and capital growth, the property investor can realise many advantages. But on the other hand, if capital growth does not occur, you might end up in a difficult situation. Due to this reason, it is best to conduct complete research when buying such apartments and always have an exit strategy in place if things do not work out as planned.

28: Size of Property and Borrowing

To be a successful property investor, you must learn how the bank thinks. The banks usually lend out money based on the risk that the building has attached to it, and one common way of calculating risk is by checking out the size of the property. If the property is small, the bank will view it as a high-risk asset and only give out a small loan to the borrower. This is because selling small apartments is tricky compared to selling big places.

To get the desired amount of loan, you can always come up with several strategies. You can always form a joint venture if you plan to buy a large property but cannot afford the entire mortgage payment. You should also seek advice from your accountant on such matters.

29: Risky Investments

Investing in risky assets takes courage because it could be a profitable investment or give you losses. Usually, risky investments prove useful if proper research is conducted and an accurate forecast is built for the future. When investing in high-risk properties, you need to list all the risks you might face and have a proper plan for each risk or an exit strategy in case something bad happens.

The purpose of this season is not to scare you away from investing in risky areas but make sure that your portfolio does not only consist of risky investments. With a good backup plan, you can invest in risky properties and even make a good amount of money over them.

30: Buying Without Seeing

Most property-buying experts would suggest to newcomers that one should never buy a property without seeing it, which is sound advice. There are instances where property investors are tempted to make the purchase just by looking at the pictures of the property provided by the broker, and the worst case scenario here is that you find a menace at your investment after purchasing it just because it was not maintained properly by the previous tenant.

One piece of advice here would be never to buy a property without a proper inspection. It would be best if you also had several parties to view the property, such as pest inspectors, building inspectors and the bank, and value inspection. By seeing the site before purchasing it, you can ensure you are buying what you expect.

31: Listening and Believing

Sales agents can be very persuasive at times, and they will tell you things that you love. The main aim of the sales agent is to sell the property to you, which is why he works in such a compelling manner. As part of your due diligence, you should always cross-check what the sales agent told you. If he is telling you that the rent in the area is good and is appreciated based on inflation and market value, then you should check this fact with people living in the area or with other property investors.

Never be afraid to ask more and more questions about the property you are willing to purchase, and whatever the sales agent tells you, check up on it by consulting with independent parties.

32: Knowing your Limits

These days it is very common to find some property investors so desperate to get into this field that they make their first investment even if the deal hurts them. As mentioned earlier, your investment decisions should be based on numbers and statistics. When making an offer to the seller, you must ensure that you provide what the market expects and that it aligns with your research. If the seller does not accept your offer, you must be prepared to walk away instead of hanging in there and making other offers.

33: Renovation

On many occasions, property investors will run into properties that are not in good shape and require some restoration. The primary strategy that property investors implement is to get the property at a lower price and use the saved-up money towards repair costs. The main Pitfall here is that most property investments do not know how to calculate repair costs accurately. Once the renovation has been completed, they realise that a higher price has been incurred than similar properties in the area. The best strategy to overcome this Pitfall is always to take opinions from individuals who are an expert on renovations and always overestimate the repair cost so that you can arrive at a fair decision initially at the time of purchase.

34: Using Equity for Loans

People who have bought several properties and have built a vast portfolio tend to live off their equity. They would start taking a loan on their property to fund their needs and wants. This strategy can work well if you expect your property to appreciate in the future and grow in value, and then you can refinance the loan again. 20

The common Pitfall in this scenario is that the real estate market does not always experience an upward swing. All of it will depend on the locations of your properties and the economy. Moreover, this strategy does not look good on paper in the long run because a bank would not lend you money regularly when you already have a mortgage lined up. Yes, the bank might give you a loan for one or a couple of years, but this would not happen in the long run when you do not have proof of income.

35: Chasing the Tax Incentives

Governments have several schemes set up for property investors where they can gain some tax incentives, but this strategy does not sound like a good one if you are buying property for the sole purpose of getting some tax reductions. As an example, think about it this way. If you are investing 100 to save up 50, you are not really on the path towards being wealthy and prosperous. Some governments also provide tax incentives if the property is rented out to certain individuals, and such schemes can last as long as ten years if you offer a rental discount. So basically, you are buying a particular property and limiting the tenants, which is a significant restriction.

The logical solution here is not to tie yourself up with some tax incentives and always look at the other side by analysing the restrictions it will bring upon you.

36: Mining Towns

Properties that are located in mining towns are indeed worth investing in. Such property deals are usually quite profitable and can complement your portfolio.
Please note: not all mining towns are the same. Due to this reason, a very steady approach should be taken towards research. Some investors have invested in mining cities and faced heavy losses because of the area's stagnant growth, and some have failed to find any tenants for their properties.
One thing you should always look out for in a mining town before investing in it is the source of income. The income should not come from just one industry and should be spread out appropriately so that the investment looks sustainable in the long run. Moreover, visiting the mining town before purchasing a property there is also suggested to understand the area better.

37: Defense Housing

If you have met with some property investors who have invested in defence housing, you will learn that they are excited about their investment. The main reason for excitement over such properties is that they can be profitable, but there are several reasons why investment in defence housing is not an ideal decision. Usually, such properties are overvalued, so you will have to pay more to purchase them. Moreover, some other drawbacks are that negotiating the price or contract is impossible because the defence force lists the cost, and the management fees are also very high.
Evaluating such properties with caution is paramount. You will pay a premium for such properties if you want to buy them.
However, some benefits are also guaranteed rent, safety, and security.

38: Following the Bandwagon

Sometimes you will hear splendid news from newspapers and magazines about these places that need to be invested. New property investors naturally welcome such tips and communication because they then do not have to do their research on properties. These areas are called hot spots, and if you want to buy a property in such regions, you will have to be quick because these tips are going out to many investors.
One common Pitfall property investors make in this scenario is that they do not carry out their research and fall into the trap. Sometimes these hotspots have inflated property prices, and just because so many people are following the bandwagon, many property investors would happily pay the high price tag.
The best suggestion in this scenario is that a property investor should figure out his hotspots rather than find hotspots through the media. Yes, it will be time-consuming and might take a couple of months, but your research will be accurate and exclusive so it will be worth it.

39: The Dream House

When a property investor first enters this new field of investing, the general idea is that a start should be taken by purchasing a personal home and then adding properties to the portfolio. But the fact is that most people cannot afford a "Dream House" that you have usually imagined, and most settle for a small home. New property investors are encouraged to keep their expectations a little bit realistic, and there is an option to buy an affordable home. If you dislike this option, you can take several other approaches. You could buy a big place with three bedrooms and eventually use just one while renting the other two. Or you could purchase a big home with a strategy in mind where you sell it for a profit in a year or two.

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40: Management

Property management is a huge aspect of being a property investor. When you have purchased some properties, you will have to make some efforts to maintain the properties for the tenants, and then you will also have to go after them for rent collection and to sort out other matters. One piece of advice in this aspect is that when you buy your first property, you should not hire a manager and try to manage it yourself. This is encouraged because once you get hands-on experience on the property, you will start learning more and gain some experience. This would not only help you in learning more, but you will also be able to avoid the management fee. Once you have learned how it all works and have a property portfolio, you should consider hiring a property manager, as it would help efficiently manage your properties. Moreover, property managers also assist investors with wealth management plans, which is always a plus point.

41: Family and Business

If there is one thing experienced businesspeople can tell you, it is a fact that was mixing Business with family is not such a good idea. Some property investors think that when they buy a property, they can keep their investment safe by renting it out to the family and preserving their assets in the family. This idea only works for those with a perfect family, and very few have this kind of household. Sometimes, your family members will play the relationship card and try to delay the rent payment.

They would do this because they do not know that you also have mortgage obligations, and such requirements can only be fulfilled if you get the rent.

One piece of advice here is to mix business with family if you are ready to deal with issues. On the other hand, if you think you can get away from such problems, make sure that you have a property manager as a mediator who deals with your family to keep the relationship in this scenario professional.

42: Selecting Property Manager

Some property investors think getting a property manager is easy to achieve. As a property investor, you must have noticed one thing most of the property managers are young. Some have a good amount of experience in this field and have a splendid attitude and approach towards solving problems, but others are very inexperienced and are just learning.

The best approach for a property investor here should be to interview the property manager, regardless of his resume. While interviewing him, you must ensure that he is not currently managing many properties. If he has over 200 properties to control, he has less time for your property. Moreover, it would help if you also determined whether he understands the needs of the tenants and has some relevant experience in the past, which should be at least three to five years.

43: Rights of Tenants

Just like all big businesses keep their customers satisfied, similarly, it is the obligation of a landlord also to treat the tenants appropriately and keep them happy. Some property investors and landlords have decent tenants who maintain the property in good shape and pay the rent promptly, but they still treat the tenants badly.

This is a classic Pitfall because it results in residents breaking up the leases, and the landlords do not realise the costs of finding a tenant. Another reason to keep the tenants happy is that they live on your property, which means that happy tenants should result in a property remaining in good shape.

44: Rent Increments

Surprisingly many property investors do not increase rent annually and allow the tenants to live on their property at a reduced price. The main reason why landlords do not do this is that they want to keep the residents happy. You will be surprised how many tenants currently live in their houses for years without paying the increased rent. The perfect solution is to increase rent intelligently. In such situations, you want to protect your position by getting a fair rent, but you also do not want to scare away the tenant. The best way to increase rent would be to raise it from the initial rent but keep it just below the rent that is going on in the market. This should maintain the tenants at your place because they will find higher rents out on the market, and you will also be allowed to charge an increment.

45: Landlord Insurance

Some recent statistics show that over 50% of landlords do not have landlord insurance, and there is a good chance that all of those landlords do not even know what landlord insurance is. Property investors are encouraged to get landlord insurance because it is cheap and necessary.

Some of the issues covered by property owner insurance include:

- Theft by tenant
- Damages by tenant
- Defaulting on rent by the tenant

Some of the topics are not covered by building insurance, and you need them covered in case your tenant hurts your position. A good property investor should have landlord, building, and contents insurance. But make sure you read the insurance policies carefully and see if they cover the risks you have taken.

46: Dealing with the Negativity

As a property investor, you will often deal with friends and family who will give you a bit of negative advice. This advice might be looking out for your interests, but you must avoid such information and focus on your thoughts. Some friends and family will even say negative things about you and gossip about you, but you must keep your approach active.

The best thing to eliminate this negativity is to build your social circle with intelligent people who have experience and have some good advice based on that experience. Also, it is always best not to talk with your friends and family about your plans of getting rich and making money unless you have already proven yourself.

48: Stick to the Plan

Many individuals had specific goals a few years ago but have achieved none because they never stuck to the plan. Do not be that kind of person. Get a piece of paper or open up your computer and type down what you want from your life. What do you want to achieve, and how do you think you will make it?

You do not guarantee that you will meet your goals by just writing down your goals. So enlarge these aims and review them every day.

An excellent way of forming goals is by being specific and listing them down in a measurable manner. Once you have listed them, you should then write down practical actions that need to be taken to achieve them while mentioning the timeframe in which they can be accomplished.

47: Being Over Smart

It is not difficult to find several property investors who think they know it all already. Do not be that kind of person. By being over-smart, you are only limiting yourself and failing to accept that other people know you are more experienced than you and have quality information to share. It is encouraged new property investors to take an open-minded approach where they are prepared to listen to others.

49: The Mindsett

As a new property investor, it might seem that gaining success in this field is all correlated to the amount of knowledge you have about the market. Still, the right mindset has a better influence on success. You need to have the right attitude to invest in property, and negative thoughts, for example, about borrowing money, might force you out of this field or restrict you from finding success.

The best way to correct this Pitfall is by making yourself aware of the realities of debt and how it can work in your favour. You can successfully develop your wealth creation strategies and implement them by knowing the key things.

50: Talking and Acting

Every individual tends to procrastinate, and this is human nature. Some property investors would only talk about doing things and taking action. Still, they would never actually act upon what they claim, which results in missing out on some great wealth-creation opportunities.

The best way to deal with this issue is to face your fear. If you think the main fear keeping you from acting is a lack of market research, then spend some time researching. It also helps to write down all the reasons that have been stopping you from taking action in the right direction and then dealing with them one by one.

51: Backing Out

One of the most common fears among property investors is making a financial loss over investment, a fear also found in many entrepreneurs. Still, we all know that those who take risks and trust their instincts are the ones who are the most successful. Making Pitfalls is a part of the learning process; you only gain more experience through them, but a bigger Pitfall is not asking questions from other experienced individuals. By talking to investors, you will realise that they also have similar fears, and you might learn how they cope with such worries and get back on the wealth-making track.

52: Getting Too Involved

Some property investors tend to get too involved with the property they are investing in and purchase a property with missing qualities in their houses. This is a classic Pitfall where emotions take over the minds of the property investors. In such situations, it is crucial to consider the tenants' perspective, which is a time to review your purchasing goals.

Always stick to your long-term plan and focus on the big picture. Your primary purpose is to create financial wealth for yourself, and this can be done by being more aware of the needs of the tenants.

53: Motivation

It is very common to find individuals who are not quite motivated about their work, and sometimes even a single no will force them to back off. One thing to remember while investing in property is that "No" does not always mean you have to back off and sit in a corner; sometimes, you must try again. The most successful investors remain dedicated to their work and work their way around to find the answer "Yes."

54: Expectations

The most important life lesson that a successful individual will give you is that success does not arrive at your doorstep overnight. If you want to be a property investor, you need to accept that this field brings long-term profits in around 7 to 10 years. This is mainly because many past studies have shown that properties usually double in price in 10 years, and having a long-term strategy is fruitful in this case. After all, with the right portfolio, you can have a lot of cash inflow in the long run.

55: Investing in Yourself

The best asset that you have in the property investment business is yourself. You might know how to invest in property, but it is always good to have some assistance or guidance to keep yourself updated and upgraded. You need a mentor with experience and achievements to send you in the right direction.

Do not invest in a property like gambling, and always take calculated risks by consulting experienced ones.

56: Selling Prematurely

Fear plays a huge role in the field of property investment. As mentioned earlier, property investment is about having a long-term strategy because you will make huge profits only in the long run, and it will be worth it. It is always great to hold on to a property when the market is going upward, but it becomes challenging when you have to hold on to a property when the market is going down. In such situations, it is best not to panic because some investors sell their properties at losses in fear, without giving their assets a chance to regain their values in the long run and bring in some profits.

57: Keeping it for too long

Property investors also need to learn the art of letting go. Some investors have a great portfolio that should allow them to retire in luxury, but some have some assets showing no signs of profit, even in the long run. This usually happens when you get too attached to your property. Property investment is indeed a game that requires patience if you want to see the best results, and even poor properties tend to regain their value.

However, if you believe that the property is not performing very well and is stopping you from investing in other great ventures, then keeping it for too long will be a wrong decision.

58: Buying Nearby

One of the worst False steps a property investor can make is purchasing a property just for convenience. Many investors prefer to buy a property near their place so they can check on it every other day. This strategy sounds rational in the human mind, but it is only a biased approach because you are looking out for your comfort.

Research plays a vital role in correcting this mistake. If you think your area has good profit potential and high rents in the long run, then, by all means, purchase one nearby. But you need to ensure you are not letting other great opportunities go by not conducting research in other areas.

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The steps include:
Step one. Relationship.
Step two. Knowing the numbers.
Step three. The choices.
Step four. Recommendations.
Step five. Plan into action.
Step six. Working together as a team.

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