

Investing in Real Estate

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One of the best investments you can make right now is real estate. Many people might not think of real estate as a good place to put their money because real estate (and specifically foreclosures) was a huge contributing factor in the recent recession. Foreclosures are still occurring at a high rate and in some parts of the country prices are still falling. This makes investing in real estate seem counter intuitive; however, it might be the right move, especially in markets with low selling prices and high rental prices. Low interest rates make bonds less than ideal, and the stock market is risky. Gold is currently priced too high to have much of an upside. Real estate is the way to go, as long as investors avoid get rich quick thinking.

Successful investing often means sticking with your investments for the long haul, rather than a quick flip. In the case of real estate, the best strategy is usually to buy cheap properties and rent them for a steady income. The real estate market collapse has provided many opportunities for investors to acquire cheap houses, and depending on the local market the rent can pay the mortgage and provide a profit. Investors might also consider depreciating the building to help with taxes.

Residential property can be lucrative, but a bad tenant can ruin your business model. A particularly bad tenant can leave a house or apartment in need of thousands of dollars in repairs. Even worse, some tenants refuse to pay the rent. This forces the landlord to go through an eviction process, incurring expensive legal fees. Depending on state and local laws, this can be a very time consuming process as a bad tenant may use every procedural trick possible to drag out the dispute. Meanwhile, the tenant is occupying the property rent free and you lose money.

The best way to avoid that scenario is tenant screening. As part of the rental application, a landlord can run a tenant background check. This may include a tenant credit check to make sure the applicant doesn't have a history of delinquency or default. It may also include a criminal background check and a public records search for evictions (which would obviously be a huge red flag). There are no federal fair housing issues with such a background check because doing so judges the applicant as an individual. People with criminal records, bad credit or a bad rental history are not covered by the Fair Housing Act.

A basic **tenant background check report** can be completed for fewer than twenty dollars, and a more extensive one can be run for less than forty. This is a small price to pay for security when compared to the thousands of dollars that can be lost on property damage, unpaid rent and legal fees that can come with a bad tenant. A tenant background check is one of the best ways for property managers to protect their investment.