INVESTOR'S GUIDE

A guide to the financial markets, investments and the economy

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NICO Asset Managers

"INVEST today for tomorrow "

Topic 310: Why Invest in the Property Market

Last week we looked at the risks associated with investing in property. This week we conclude the topic by looking at ways of reducing the risks. Some of these ways are discussed below:

Title Searches

Buying a property without a title search is just as good as gambling. Without a thorough title search and knowing what is in it, investors really have no idea what they are buying. A title search will reveal the true ownership of the property and if there is any debt, mortgage and tax liens due on the property. Doing the search reduces the risk of losing the property to banks for example, who might be holding the property as collateral for unpaid mortgages.

Property Inspections

As with title searches, you don't really know what you are buying or how much it is really worth unless if you get the property inspected. It doesn't matter if it's an old home or a brand-new house, you don't really know what issues could be lurking. Sometimes repairs may cost several times what the property is selling for. Knowing the condition of the property and its potential costs can help you to negotiate for a better deal and save you from purchasing an overvalued property.

Try REITs

Some people would like to avoid the day to day operations involved in managing property, even though they want to invest in it. Real estate investment trusts (REITs), are good long-term investments that typically provide healthy dividends plus the potential for capital appreciation over many years. With a REIT, you pool your money with a bunch of other investors and gain an ownership stake in different pieces of real estate and developments. While the return isn't quite as good as if you owned it all yourself, it has the benefit of being hands-off and the risk is spread.

Invest in Different Types of Property

There are plenty of different ways to diversify, but the first and most obvious is to add a number of different types of real estate to your portfolio. For example, instead of just investing in single-family residential properties, you might also consider investing in apartment complexes and commercial properties. The more you invest in different types of real estate, the less likely that a single factor will impact your portfolio. It could potentially safeguard you against something like a new piece of tax law or a turn in the market.

Hire a Property Manager

One of the risks of investing in real estate is struggling to find tenants. This causes a negative cash flow instead of a positive cash flow considering the fact that a property is a liability unless you manage to make it work for you. Property managers are real estate experts and know how to deal with rental properties and make them more appealing to tenants. They are responsible for marketing the properties, screening tenants and refurbishments of the property. If an investor would like to invest in property but does not want to be involved in the day to day operations, hiring a property manager would be a very good idea.

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