



Real Profits™

The newsletter for success in real estate investing

CLOSEUP



Mark Kreditor says the savvy investor can avoid problems by planning for the unexpected and being aware of his own limitations.

Advice from a pro

Past president of property managers association offers words of wisdom

"BUYING REAL ESTATE IS A LOT like buying a car," says Mark Kreditor, past president of the National Property Management Association. "They all will get you where you need to go; it's just a matter of what else you want to have."

In addition to careful selection, cash flow for managing a rental is also important, says Kreditor, who is the resident broker for Get There First Realty Services and manages more than 800 rentals in the Dallas area. He cautions that it's wise to budget contingency funds when calculating income from a rental.

"The safest way for an investor to run the math is to plan for expenses other than principle, interest, taxes and insurance," Kreditor says. He calls them the "what-ifs."

Some of those what-ifs include repairs, such as roof and heating systems. You also need to budget for time empty and make-ready costs. All of these items can take a major cash investment which should be included in a property cash flow analysis.

Close margins

"Unanticipated major expenses can wipe out profits for years to come if you are working on a close margin," notes Kreditor.

Knowing federal and state laws governing your responsibilities is crucial, he adds.

The savvy investor can avoid the pitfalls by being aware of his own limitations. If you aren't confident of your abilities, Kreditor suggests factoring in the cost of management training for yourself or hiring a professional manager.

The Carleton Sheets No Down Payment and Property Management courses can help you avoid the traps. Studying property management will not only help you with hands-on management, but will help you hire the right manager when the time comes. You have to know how to manage to manage the manager.

You also can rely on the experts—for example, your real estate agent. Kreditor recommends finding an agent who works specifically with investors as opposed to agents who sell homes for owner occupation.

"Look at all the factors," Kreditor says. "Sometimes the way to make money when you buy is not to buy it." ■