

Intro

Investing in real estate is one of the smartest financial decisions you can make. In your search for prime real estate insight, you may find investing myths which cloud potential, and can negatively impact you and your real estate investing business. This article will uncover the top real estate investing myths to help you stay ready for your next quality investment strategy.

Myth #1 - Investing In Real Estate Requires A Lot of Time

While this may be the case for building a knowledge base of real estate and your target market, investing in real estate does not too much time at all. What does take time is building the right investment team to reduce the amount of time and effort in building a profitable portfolio.

Myth #2 - Buying new real estate means prices will go up, and you can sell later.

If you want your investment in real estate to pay off, you should plan on holding an asset for a long period of time. Nobody knows what the market is going to do, but good things tend to happen when real estate is owned longer - rents tend to increase, loans paid down, and the valuation eventually goes up. Investors lose out in the long run from properties that lose money every month as they gamble on the market to rise to bail them out from a risky investment. Ensuring a positive cash flow with your earnings can give you back the flexibility on your deals. Each month will put the power for when you exit the deal back into your hands.

Myth #3 - There Are More Opportunities to Buy In A Down Market

You can find opportunity in any market. Building a highly profitable rental portfolio that originates from deals in down markets can provide a great return. Although properties may cost less in a down market, rents decrease as a result of the economic status of the market. The key is exploring investment opportunities where you can expect consistent appreciation over time and achieve a high cash flow.

Myth #3 - Own A House Before Buying A Rental Property

You can actually finance a property that can pay for itself by investing in real estate. For example, say you invest in a single family home and rent out a space for \$4,000 a month. Meanwhile, you live in a property with \$1,500 rent and pay \$1,000 for the mortgage. By living in a rental, the property you invest in pays its own mortgage and your costs. If you invest in a multi-family property like a duplex as your first property instead, the rental income you receive can make it easier to qualify for your next property.

Myth #5 - Properties Closer To Your Own Home = The Better

Although this is sometimes true, depending on the property and investment strategy, you'll want to focus your energy on only buying properties that help you achieve your goals. A big plus for living so close to your investment properties means you can monitor it constantly. But you may find more opportunity in somewhere farther than your normal scope. Some criteria to help you invest in a certain area include - population increases, prevalence of crime, price appreciation, and [price to rent ratios](#). These key factors are a good indicator of the overall quality of the market in the area you may be interested in.

Myth #5 - Choose Only Tenants With A High Credit Score

A credit score is calculated based on the following elements: payment history, amount owed in relation to credit limit, length of time, inquiries, and type of credit/number of tradelines. Low credit scores may significantly affect people with very few credit accounts and a short track record, but may have nothing to do with their ability to make payments. Tenants with the better credit scores are more likely to stay for a shorter period of time at a residential property than those with lower credit scores, eyeing mainly at owning a home themselves. In short, judging a prospective tenant on credit score alone is not enough.

Conclusion

Investors can still find opportunity in plenty of areas, but must diligently check risks at every turn. Choosing a perfect site based on these tried-and-true investing beliefs is still not an easy feat. It requires top insight and patience to purchase a quality property and increase your returns. Investments partners Primior can guide you through every step by keeping you informed of all relevant tax, market and financial information. Primior can aid in your navigation through the complex market to diversify your portfolio and deliver real value that appreciates over time.

[Discover how you can create a better investing strategy today.](#)

Links:

<https://www.marketwatch.com/story/4-million-dollar-investing-myths-you-need-to-stop-believing-2018-06-27>
<https://arcequity.com/5-major-myths-real-estate-investing/>
<https://www.mashvisor.com/blog/8-real-estate-investing-myths-debunked/>
<https://www.forbes.com/sites/ingowinzer/2019/01/22/what-you-need-to-know-if-you-are-investing-in-california-real-estate/#3b2322c79a4e>

<https://www.forbes.com/sites/davidgreene/2018/12/16/the-8-things-you-need-to-know-to-avoid-losing-money-in-real-estate/#193331286c7f>
<https://www.forbes.com/sites/ingowinzer/2019/01/22/what-you-need-to-know-if-you-are-investing-in-california-real-estate/#134e84bd9a4e>

Raising Rents Will Cause Tenants To Leave

This is a common misconception, and I've even heard it from property managers. While it is true if you raise the rents too much at once you may experience a vacancy, keeping rents too low for too long just because you're worried that the tenants may leave will cost you.

The biggest challenge is usually when you first acquire a property and the rents are low. In these types of situations I almost always run my numbers with a higher first year vacancy rate assuming that the old tenants are not going to pay the new rental rate.

I've found the best option to be in raising the rents in smaller increments so as not to make such a drastic change for our tenants, and to help offset the difference that I could be charging.

For example, I own a duplex in Arlington, WA where earlier this year the rents were \$1,000 per month. After doing some research on Zillow and [Zilpy](#), I found that fair market rents were closer to \$1,200 per month.

To keep the current tenants and avoid an expensive vacancy (which would defeat the purpose of increased rents in the first place) I decided to raise the rents from \$1,000 per month to \$1,100 per month. This would give me an extra \$200 per month in income with no capital improvements required, and the tenants would see that they were still paying less than fair market rent.

The plan worked and I received no push back.