

Some Reasons to Invest In Real Estate



1990s was the time in which real estate industry didn't seem to have any oxygen. Riskier deals and lower profits seem to make it pretty difficult for the people related to real estate business people to earn something which they could use to enhance their businesses. Thus, it was a standstill scenario. Although the chances of earning better yields were there, they were fraught with risk. On the other hand, safer bonds didn't use to give better yields.

In the start of 21st century, the condition of real estate was not quite changing to become profitable for the investors. However, investors identified some key areas which could help them in generating better incomes. Those areas are still very profitable. As a matter of fact, working on those aspects helped real estate industry to regain its importance and profitability in general.

Rental business

This area of [investment](#) is quite stable when it is compared with the other departments of [real estate](#). The rental income is usually calculated as either gross or net. Experienced real estate investors prefer calculating net income because it includes everything, i.e. costs, taxes and other expenses. The property value is divided by total costs. Sometimes, the cash flow can turn out to be negative because these calculations normally do not include mortgage payments.

Appreciation

While above factor is still real and it may seem haunting for a moment, one must consider the fact that [rental property appreciates](#) with inflation. In other words, inflation can actually be a blessing in disguise for rental property owners because it helps them to raise their rental value according to overall market value. Addition of a few other features can help in actually making the property profitable.

Leverage

Given the fact that rental properties do not really depreciate normally, the option for leveraging can be used in this type of business. For instance, an investor may consider using an amount of \$100,000 to make down payment of 2 – 3 properties rather than making full payment of a single property. There may still be the element of risk involved in this scenario but careful evaluation and smart handling can help investor in completing payments on time. This way, the amount required for purchasing one property can help in acquiring three properties, leading to the multiple streams of income being generated.