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7 Mistakes Homebuyers Make

You will want to avoid falling into one of these common traps.

- ***Mistake 1: Confusing a cheap deal for a good deal.***

It is true that you can buy some homes for ridiculously low prices—but that doesn't mean you can rent them out. Homes in deserted subdivisions aren't any more appealing to renters than they are to buyers. The same is true for less-attractive properties or those in less-desirable school districts.

Investors from the San Francisco area often look at the Sacramento market assuming they can get Bay Area-like rents, and end up overpaying, says Robert A. Machado of HomePointe Property Management. He uses several resources, including the website FinestExpert.com, to estimate rents. Other experts suggest canvassing apartments nearby to see not just their rates, but whether they are offering special deals, like a couple of months of free rent.

- ***Mistake 2: Overlooking key costs.***

Knowing the potential rent isn't enough. Before you buy a property, you should also factor in closing costs of 3% to 6%, the costs to fix up the place and maintain it, and your holding costs. Then add the profit you expect to make (and more closing costs, if you intend to turn around and sell it). Only then can you figure out what you can afford to pay.

- ***Mistake 3: Forgetting Function is King and letting emotion rule your decision making.***

- ***Mistake 4: Assuming you will sit back and watch the rent roll in.***

"When you become a landlord, you become a rent collector," says Mark Kreditor of Get There First Realty, which manages 1,600 rentals in the Dallas-Fort Worth area.

Just like homeowners who can't pay the mortgage, tenants lose their jobs and stop paying the rent. Evicting them can take several weeks, and some steal appliances or other property. Mr.



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Kreditor says that once or twice a month, a tenant removes a home's copper tubing on the way out the door to sell the copper for its meltdown value.

You will need to screen prospective tenants carefully—or pay someone to do it for you.

• ***Mistake 5: Underestimating repair costs.***

As with all homes, you will be making lots of repairs. You may find wood rot or mold when you remove that cracked bathtub. Carpet in rental homes typically must be replaced every five years, and you may have to repaint after every tenant. Tony A. Drost, president of the National Association of Residential Property Managers, or Narp, suggests setting aside six months of expenses so that you will have funds if a major repair is needed.

• ***Mistake 6: Assuming that owning a home is just like a rental .***

You might put up with flaws in a home that a renter wouldn't tolerate. In addition, many states and communities have strict (and complex) laws for landlords, even if you own only one property. A property manager can handle most of the headaches, but you should expect to pay one up to a month of rent for finding and screening tenants—and up to 10% of the monthly rent for management fees.

Mistake 7: Forgetting to look beyond the Home and Discover the Fun

In last week's blog, we wrote about how a Better Homes and Garden survey showed how 1 out of 5 home owners either moved or planned to move because their neighborhood did not fit their lifestyle.

This obviously shows people need to pay more attention to the community where they plan to live.

What's missing? Maybe they like to go to the movies every week (this ranks high on lifestyle preferences, by the way). Or golf (also high).

What about a cool park. Or a big lake. Show how close these amenities are to a home because that's where people want to spend their time.

What are some other enjoyable commercial attractions nearby? A Barnes and Noble. A Chucky Cheese (well, for the kids at least). A bowling alley.



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If anything, it's becoming very apparent that fun lifestyle amenities are becoming big selling points for buyers.

With a lifestyle search engine like SpatialMatch embedded on your site, you can create a House Hunters International-type scenario.

Help home buyers find a house where they can have a good time, perhaps take a mini-vacation for a day from their hectic lives buried inside a cubicle or attending one of those endless school functions.

Not everybody has the opportunity to decide how close they want to live to a beach in Costa del Sol or on Maui.

But you can bring a smile to a home buyers face by pointing how they can easily escape to the wonders of a 12-plex movie theater with reclining seats, decent popcorn and a two-mile drive.

A little place to get away sometimes *goes a long, long way.*