

# THE INVESTOR

AN INVESTMENT GUIDE FOR PROPERTY INVESTORS BY PROPERTY INVESTORS

2011

## SEVEN INVESTMENT MISTAKES TO AVOID...

**“Seven most commonly made mistakes investors make when buying property in the USA.”**

### We've compiled a list of the 7 biggest mistakes Investors make when buying property overseas in the USA.

Prices are lower than anywhere else in the Western World. With net yields in excess of 13%, investors are building large cash flowing portfolios in target markets across the USA. Unfortunately, there are cases of newbie investors getting stuck with a very large lemon!

Learn how to avoid these 7 mistakes and make your property investments run smoothly for years to come.

#### 1 PURCHASE PRICE

I have seen properties for sale for less than 10,000 pounds! On paper these seem like amazing

**“Investors from all over the world have been investing in these key locations, snapping up bargain properties.”**

investments. Of course they do! Yields over 40%! Beware – these are not good investments. Most of these properties are in war zones. Yes, in theory you could find a tenant, chances are you would have problems getting any rent at all from them.

These housing areas have the lowest amount of unemployment and the highest crime rate.

Capital appreciation is 0% per year and most of these have experienced an historic 0% appreciation in the last 10 years! If you spent money on improvements the value would hardly increase to cover your costs.

There is almost no chance of getting a mortgage in the future. Stay away and don't get enchanted by the price tag.

#### 2 WATER BILLS

It is common in the USA that a house can be repossessed by the state if the water bill is not paid regardless of who is living in the property. The landlord is responsible and can lose

their investment if this happens.

When buying property, part of your title searches done should include any unpaid water charges. Make sure this is done and the seller pays them before closing or agrees a credit for the charges owed.



Many investors think that water charges are less significant and assume that if there are any they will be just a few dollars. Don't assume this is the case. Water charges can be high if left unpaid as late penalties will also apply. Also, it is possible that a vacant property might have a leak, and someone will have to pay for this.

Make sure your title representative gets a water statement showing the current balance.

#### 3 CITY TAXES

As property owner you are required to pay city taxes. Similar to any council tax system, the money is used to pay for rubbish removal and local emergency services amongst other things.

Each property has an assessment by a government official every 4 years. This assessment sets the taxes for the property and the market value. Often the 'assessed' value is incorrect. Sometimes it can be higher than the market value, sometimes lower. Because these taxes affect your overall profit it's always good to buy properties where the taxes are low. However, this often means buying in less desirable areas. Be careful with assessed values, use your professional property finding service that knows the areas and can research comparables for you properly.

CONTINUED OVER >>



### DETROIT RANKS IN TOP PLACES TO INVEST

A recent study on where to invest in the US shows Detroit as one of the best places to invest in the US.

The global recession has hit Detroit hard and property prices have plummeted leaving investors to pick up bargain homes. The Government is investing millions on new housing and capitalizing on the resurgence of the motor industry. It is widely predicted that Detroit will lead the US out of the recession and investors are taking full advantage.

**“In the midst of a US recession international investors are flocking in droves to snap up bargain properties across the USA”**

## SEVEN INVESTMENT MISTAKES TO AVOID...

(continued)

### 4 REALTORS (ESTATE AGENTS)

We have relationships with several property investors in the US, and they all tell me the same thing. 'Realtors are mostly women who would scratch your eyes out to make a sale.' I apologise if this sounds sexist. The point is, Realtors have a duty to the seller so every property is a good deal regardless of its condition or location. Which as we all know by now is not true.

**One of our regular investors said "I've been investing in property for 20 years; in that time I have never seen a better opportunity to buy property this cheap in the entire Western World."**

If you're looking to invest use a professional property company to source your properties. Make sure they know where to invest, and more importantly where to avoid. Only a property investor knows the true mechanics of what makes a good investment and what doesn't. Most Realtors don't own investments properties themselves.

### 5 CONDITION OF PROPERTY

A few years ago a guy from here in the UK went to Western New York to invest. He was bullish in his approach. He asked his realtors to find him any property that was under x value and he bought them all. He then found all of them needed extensive repair (he was buying through Realtors remember!)

If a property is not maintained and is perceived as being a hazard or unsightly, local government can enforce that the owner brings the property up to 'code.' In

this story this guy couldn't afford to do the repairs. His properties were seized and a warrant put out for his arrest. He left the US empty-handed.

Make sure you have a trusted Property Management company to manage your investment.

### 6 SECTION 8

'Section 8' is our equivalent of housing benefits. Your tenant has a portion of their rent paid by the state based on their personal circumstances. Buying property that is 'section 8 approved' with or without a tenant is a good sign that the property is up to 'code.'

Each year an assessment is made on the property and a section 8 approval is extended providing it is in good working order and meets the criteria as set out by the state.

If you're buying a property that is section 8 approved make sure it is up to code. In the event that it isn't then at the next annual assessment benefits to



**"A unique opportunity exists right now in the USA, specific markets like Detroit, Memphis, and areas of Florida give investors the best opportunities of a life time."**

the tenant will be held until the property is brought up to code.

### 7 RENTAL PROFITS

Like all out of town investors, you will be using a trusted Property Manager to manage your property day to day. Your agent will collect the rents and pay you your rental profits. A UK-US

dual tax treaty makes this financially advantageous for us.

However, you must obtain an ITIN (International Tax ID) number before you can receive rental profits. Your Property Manager has a duty to hold onto 30% of your rental profits until this is in place. Make sure you apply for this as soon as you can.

First off you will need a foreign notary to certify your passport. You can use any notary in your home town. This will be sent to HAGUE for approval. Only then you can apply for an ITIN. The whole process takes approximately 8 weeks.

Luckily, this is only done once.

## USAPROPERTYINVESTOR.COM

★★★ PROPERTY INVESTMENTS THAT MAKE SENSE ★★★

Our company, USA Property Investor helps clients source under market value properties in key locations across the USA, such as Detroit, Memphis, Buffalo, Florida and Arkansas.

We only source high yielding properties that offer a fantastic return to our investors. Each property is carefully selected to meet the needs of our clients.

**If you'd like to see some of our latest property deals we have then join our mailing list at [usapropertyinvestor.com/contact](http://usapropertyinvestor.com/contact)**

**You can email us [info@usapropertyinvestor.co.uk](mailto:info@usapropertyinvestor.co.uk)**

**If you'd like to talk all things property then feel free to give us a call +44 (0)845 438 0634**

Privacy policy: We don't sell or pass on your email address to anyone, we only send out high quality information, and you can unsubscribe at any time.

Privacy policy: We don't sell or pass on your email address to anyone, we only send out high quality information, and you can unsubscribe at any time.



A sign of confidence in international property

As a Member of the AIPP we have been vetted and approved, and we have voluntarily committed ourselves to industry regulation.

To verify our membership, to read the Code of Conduct, or to find out more about the AIPP, visit [www.aipp.org.uk](http://www.aipp.org.uk) or [www.aipp.ie](http://www.aipp.ie).