RENTAL PROPERTY INVESTING FOR BEGINNERS: 10 BEST TIPS

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Rental property investing is one of the most lucrative [real estate investment strategies](https://www.mashvisor.com/blog/best-real-estate-investment-strategies-beginners/) for beginners. Rental properties have a number of benefits including cash flow, [tax incentives](https://www.mashvisor.com/blog/real-estate-tax-benefits/), value appreciation, and leverage. However, it doesn’t come without risks. Before you begin investing in rental properties there’s a lot you need to know. If you are looking to become a landlord in 2021, we are going to give you some key tips on [how to start investing in rental property](https://www.mashvisor.com/blog/rental-investing-tips/).

10 Tips for Investing in Rental Properties for Beginners

1. Find an Up-and-Coming Location

When looking for a profitable rental property, the first thing you should take into consideration is location. Pick a location near amenities such as restaurants, malls, hospitals, universities, movie theaters, etc.

In addition, an area with a growing job market, growing population, dropping crime rates, future development plans, and access to public transportation will tend to have a larger pool of potential renters. So you won’t need to worry about finding tenants. You don’t want to be stuck with a rental property that no one wants to stay in.

Don’t forget to look at the [vacancy rate](https://www.mashvisor.com/blog/how-to-calculate-vacancy-rate/) in the neighborhood. A high vacancy rate could signal that the neighborhood is declining.

2. Run the Numbers

[How much profit should a rental property make](https://www.mashvisor.com/blog/how-much-profit-should-you-make-on-a-rental-property/)? Before you invest in a property, you should be able to answer this question. You shouldn’t buy just any [rental property for sale](https://www.mashvisor.com/blog/how-to-find-investment-properties-for-sale/) in your neighborhood and wait to profit from it. To be successful, you have to estimate the potential returns before you lay down your money.

One of the guidelines that real estate investors use to [find profitable rental properties for sale](https://www.mashvisor.com/) is the 2% rule. The [2% rule in real estate](https://www.mashvisor.com/blog/2-rule-real-estate/#:~:text=The%202%25%20rule%20in%20real%20estate%20is%20a%20rule%20of,to%20meet%20the%202%25%20rule.) suggests that you should only buy rental properties that generate monthly rent of at least 2% of the purchase price. Such a property will almost certainly generate enough income to cover rental expenses and provide a cushion for unexpected expenses.

The 2% rule can be a good initial measure when evaluating many investment opportunities. However, to accurately differentiate between good investments and [bad investments](https://www.mashvisor.com/blog/avoid-bad-real-estate-deal-2020/), you need to do a more thorough [real estate investment analysis](https://www.mashvisor.com/blog/beginners-guide-real-estate-investment-analysis/). Some of the most crucial metrics you need to verify include cash flow, cap rate, cash on cash return, and occupancy rate.

3. Use Mashvisor’s Real Estate Investment Tools

Gone are the days when real estate investors relied on their network and other traditional property search methods like driving for dollars to [find rental property for sale](https://www.mashvisor.com/). Savvy investors also no longer use Excel spreadsheets to analyze real estate investment opportunities. In [rental property investing](https://www.mashvisor.com/), time is money and these methods tend to be time-consuming.

With the advent of AI and machine learning algorithms, you can now find and accurately analyze investment properties for sale online in a matter of minutes. You can easily [find profitable investment properties](https://www.mashvisor.com/) in the US housing market using Mashvisor’s real estate investment tools. The main tools include the Real Estate Heatmap (for neighborhood analysis), the [Property Finder](https://www.mashvisor.com/blog/rental-property-finder-tool/) (for doing your property search), and the [Rental Property Calculator](https://www.mashvisor.com/blog/mashvisors-rental-property-calculator/) (for analyzing investment properties). To start looking for and analyzing the best investment properties in your city and neighborhood of choice, click [here](https://www.mashvisor.com/explore/#!/Search).

4. Invest in Cash Flow Positive Properties

When [buying your first rental property](https://www.mashvisor.com/blog/buying-your-first-rental-property-2020/), it’s advisable that you only buy one that cash flows. By focusing on cash flow positive properties, you will limit your risk and improve your odds of success. If the property cash flows, you’ll leave a margin of error for unexpected expenses and be able to reinvest into other rental homes.

[Find Cash Flow Properties Now](https://www.mashvisor.com/explore/?utm_source=Blog%20CTAs&utm_medium=2020&utm_campaign=find_cash_flow_properties#!/Search)

5. Budget for Unexpected Costs

Another important tip for successful [rental property investing](https://www.mashvisor.com/) is having a rainy day fund. There’s always the potential for an emergency to occur. For instance, the roof may be damaged and need to be repaired quickly or it might take you longer than usual to find a good tenant. Therefore, be sure you have at least 6 months of cash reserves to cover unforeseen expenses.

6. Use Leverage

One of the key advantages of rental property investing is the ability to use leverage to buy an investment property. You leverage your rental property investment by using tenants to pay off your mortgage. Since you will be purchasing your rental property with a down payment vs the full price, your return on investment can be higher. Using leverage frees up additional cash which you can use to purchase other houses for rent or save it up for repairs. However, be sure to factor in your financing costs.

7. Perform Property Inspections Before Buying

It’s crucial that you have a professional perform an inspection before [buying rental property](https://www.mashvisor.com/). This will uncover any issues with the investment property for sale that might be costly. If the issues found aren’t serious enough for you to walk away, you can still use them to negotiate a lower purchase price.

8. Purchase a Rent-Ready Property

While it’s tempting to buy a rental property that is priced below market value, it might be a bad idea if it needs major repairs. Unless you are experienced in renovating houses and can do it cheaply, it would likely cost you a lot of money to renovate.

If you wondering what to look for when [investing in a rental property](https://www.mashvisor.com/), one of the key things is a house that needs only minor repairs. You want a rental property that will cash flow out the gate. Your first rental investment should never be a fixer-upper.

9. Do Thorough Tenant Screening

Screening potential tenants thoroughly is another key to successful [rental property investing](https://www.mashvisor.com/). It could mean the difference between a quality tenant that pays rent on time and maintains the rental property and one who damages the property or fails to pay rent. Verify the eviction history and criminal backgrounds of prospective tenants before renting to them. It will save you a lot of headaches.

10. Be Aware of Your Legal Obligations

When getting into [rental property investing](https://www.mashvisor.com/), it’s important that you understand the landlord-tenant laws in your area to avoid legal hassles. Make sure you are familiar with lease requirements, rent control regulations, eviction rules, and more.

The Bottom Line

While [rental property investing](https://www.mashvisor.com/) is an excellent way to create financial freedom, it can be very challenging for beginners. You’ll want to learn as much as possible about the real estate investing business before you jump in. Otherwise, you risk losing your money. It takes work and effort to be a successful rental property investor. Keep our tips in mind to avoid costly mistakes.