**HOW TO INVEST IN REAL ESTATE IN 2022: THE COMPLETE GUIDE FOR BEGINNERS**

by [Michael Jones](https://www.mashvisor.com/blog/author/michael-j/) , Mashvisor.com

To be successful when[investing in real estate](https://www.mashvisor.com/blog/investing-in-real-estate-5-ways-money-wealth/), there are some basic things you need to know. This comprehensive guide will give you an overview of how to invest in real estate, when first getting started in the business, as well as some tips on how to make the most of your investment.

Whether you’re a seasoned pro or a new investor, read on for advice on how to invest in real estate and most importantly, turn a profit!

**1. How to Invest in Real Estate- The Basics**

Real estate investing is the process of buying and [selling property](https://www.mashvisor.com/blog/selling-a-rental-property-online-guide/) to make a profit. This process is often done by either buying real estate and then selling it at a higher price than it was purchased for or renting it to tenants for a monthly fee. While buying and selling rely on inflation and possible rehab work to increase the sale value, renting can generate steady income that can be used to live off of or further grow a real estate business.

**2. Why Choose Real Estate Over Other Kinds of Investments?**

There are many reasons why investing in real estate is an excellent option compared to other popular investment types.

**It Is a Safe Investment**

Real estate remains one of the most reliable options for those looking to grow their wealth in a world where stocks, bonds, and other traditional investments can seem like a gamble.

It’s not just the visible value of the property that helps you get a return on your investment, but also the invisible portion called equity (the value added to your property).

All investments have risks. There is no guarantee of immediate positive returns or full appreciation in value; however – when done right – the rewards can be substantial over time. One of the most significant advantages of investing in real estate is that it provides liquidity for your assets and a [hedge against inflation](https://www.mashvisor.com/blog/real-estate-inflation-affect/).

**It Is a Physical Asset**

Real estate is an attractive investment type because it gives people something to touch and see: tangible assets rather than a series of numbers with little to hold onto. A piece of paper may record your ownership in stocks or bonds, but at the end of the day, it might as well be a piece of paper.

Unlike other forms of investments, real estate will always exist. This not only gives a sense of safety and security to your investment but also makes it more likely that you’ll get your money back if needed.

**Larger Potential Return Compared to Other Investments**

You may have heard that investing in stocks outperforms real estate—but this isn’t always true. Historically, the return on investment (ROI) for housing is 9%, compared to 5% – 8% for the[S&P 500 Index](https://en.wikipedia.org/wiki/S%26P_500) over long-term periods.

Other factors to consider when comparing the stock market investments vs. real estate is that investing in the stock market independently can be unpredictable and the return on investment (ROI) is often lower than expected. While they make sense when paired with benefits that boost returns, such as company matching in a 401(k), those perks are not always available and come with limitations on how one benefits from them.

**3. What Are the Pros and Cons of Real Estate Investment?**

There are pros and cons to every investment, and real estate is no exception. Here we’ll take a look at some of the pros and cons of investing in real estate to further aid you in deciding if [real estate investment](https://www.mashvisor.com/blog/direct-real-estate-investment-vs-reits/) is for you!

**Pros of Real Estate Investment**

* **Tax benefits**: You can deduct real estate-related expenses from your taxable income in most cases. This is an excellent perk as it allows an owner to reallocate the money saved, to cover building costs.
* **Appreciation:**The value of real estate is constantly increasing, which means that you can sell your property at a higher price than you initially purchased it for.
* **Cash flow:**As a landlord, you can collect rent from your tenants and use that money to cover your mortgage. You can also collect passive income from other sources like your property’s services to tenants (ex., charge per use of laundry facilities).
* **Can Diversify**: You can use real estate to diversify your already existing[investment portfolio](https://www.mashvisor.com/blog/buy-real-estate-portfolio-for-sale/).
* **Less Risk:** Real estate investments are generally less risky than other types of assets, such as stocks or mutual funds
* **Can be held as long as you’d like:** You can hold a real estate investment as a long-term or short-term investment.

**Cons of Real Estate Investment**

* **Maintenance & repairs:**You may have to cover the cost of maintaining and repairing your property. This can be expensive, especially if you’re not the best handyman around!
* **Unexpected expenses**: Real estate tenants and building wear and tear go hand in hand, as tenants can often cause use related damage to your property. If you don’t have enough money set aside to cover the cost of repairs and other expenses, you may be in trouble.
* **Financing**: You may need to obtain funding to purchase a house or property. This can make your down payment higher than what you expected.
* **Title insurance:**If you are a real estate owner, it is essential to purchase title insurance. This will protect you from unexpected financial liability when you sell the property.
* **It seems daunting:**To a beginner real estate investor, the business seems intimidating!
* **Tough finding property:** It can be challenging to find a suitable property worth investing in.
* **Time Spent:**Real estate investments can be time-consuming and require a lot of work.
* **No Guarantee**: There is always the risk of losing money on an investment, no matter what type of investment you choose.

**4. Best Types of Investments**

**Airbnbs/Short Term Rental Homes**

A short term rental or the brand name is known as, an Airbnb, is an apartment, condo, or rental home that hosts can lease out on a brief basis. These accommodations differ from hotels because they’re generally smaller and more intimate. They also tend to be less expensive than traditional hotel rooms.

**A Bright Future**

As Airbnb as a company continues to grow, experts are seeing a steady increase in temporary housing begin to emerge. The supply of short-term rental units is growing faster than that of traditional real estate–and for a good reason.

These rental properties are generally easier to maintain, more reasonable to come by, and require a smaller initial investment to become a landlord or property owner. With a steady stream of customers coming in and out, short-term leasing services will be an integral part of the future of[real estate investing](https://www.mashvisor.com/blog/private-real-estate-investing/).

**Traditional Investments (Single-Family, Multifamily, Apartment Buildings)**

Traditional investments are single-family, multifamily, and apartment buildings purchased to rent out to long-term tenants. These kinds of properties are what many associate with real estate investment and create the landlord/tenant dynamic. Buying an investment property of this kind is thought to be steady, reliable, and proven, with a higher return than other kinds of investments.

**Millennials Prefer to Rent**

Millennials have been pegged as “the renter generation,” with 77% of 18- to 24-year olds and 65% of 25- to 34-year olds saying they intend to rent their homes. They are also half as likely as homebuyers from previous generations to get a mortgage loan when purchasing a house, which means they may become the driving force in the rental housing market for years – and decades – to come. For a real estate investor, this is great news!

**5. How to Get Into Real Estate; A Strategy**

Many different strategies can be used when investing in real estate. Regardless of the property type desired, however, the method of researching, negotiating well, and acquiring a property always stays the same.

When learning how to invest in real estate, here is a popular strategy broken down for analysis.

**1. Assess Your Financial Situation**

Before investing in real estate, it’s essential to know how much money you have to invest. Will you be utilizing financing to buy your property, or will you be able to pay with cash only?

It is best to sort such matters out first in the real estate acquisition process, as your budget will guide the direction your purchase will go. While it is possible to invest in real estate with no money, such ideas require refined strategy and are discussed elsewhere on this site.

**2. Research How Others Are Making Money and Decide on a Property Type**

One of the most important things you can do when buying an investment property is learn how others are profiting from their investments. This will help put you in the real estate investment business mindset to decide what type of properties you would like to attain.

Ask successful property owners how to invest money in real estate, read books, watch videos, you can even visit real estate forums, or attend seminars to learn what you can before buying!

**3. Start Looking for a Potential Real Estate Investment**

The more time and effort you put into researching different properties and how capital growth could potentially benefit your investments, the better able you’ll be to pinpoint promising areas for buying real estate.

Work with a licensed real estate professional, ask questions, and allow them to guide you through the choppy waters of real estate investment. They will be able to guide you on how much to invest in real estate, and how much return you can expect for that money.

**4. Get Ready to Negotiate the Price of Your Real Estate Investment**

As with any investment, you’ll need to get ready to hire an agent and negotiate how much your real estate investment will cost you. Keep in mind a property’s price is a compilation of many factors, so when putting in an offer, be sure to consider location, tenants, amenities, and more!

**5. Rehab and Rent Out Your Real Estate Investment**

After you’ve closed the deal on your real estate purchase, you’ll need to follow through with how to start rehabbing the property so that it will be ready for renters. This may require anything from changing out appliances to making aesthetic changes like new flooring, painting, and more. Some costs might not be necessary but are good expenditures if they result in higher rental yields over time.

Once your real estate investment is ready to go, it’ll be time to start looking for renters.

**6. Tips for Getting the Best Real Estate Deal Possible**

Undervalued properties are also a good investment, as they offer the potential for greater profits when reselling. Look for properties that will give you a return on investment (ROI) of at least 12%, as anything less may not be worth your time.

1. **Look for undervalued properties**: Some homes and condos come on the market and simply stay there, price unchanged or reduced. These can be great opportunities if you’re willing to wait it out. Others may need a little more of a push. Take a look at recent sales of nearby homes and see if there’s been an increase in price since then. If so, you’ve got yourself a deal!

2. **Tread carefully with for-sale-by-owner properties**: There are a lot of advantages to buying a home without a real estate agent being involved, but there can be drawbacks as well. You could find yourself in a bidding war or discover that the property isn’t what you expected it to be. Make sure you know what you’re getting into before entering negotiations with an FSBO.

3. **Ask your real estate agent or attorney**: If you feel unsure about a deal or have a gut feeling something in the proposed terms aren’t square, bring it to the attention of your attorney or [real estate agent](https://www.mashvisor.com/blog/benefits-of-hiring-a-real-estate-agent/). They are there to aid, guide, and protect you!

 Remember, it is perfectly acceptable to use this time to learn how to invest in real estate. Everyone starts somewhere, and your team will help you!

4. **Use comps to make sure your price is right**: This one may seem a little counter-intuitive, but think about it. Comparing prices of nearby homes will give you a range in which the property should be priced, and it doesn’t hurt to offer a little less, especially if it’s been on the market for a while.

5. **Don’t sign anything you don’t understand**: With all the legalese in some contracts, it can be easy to miss something important. While you should always read through your real estate agreement carefully before signing anything (and get help if you need it!), you shouldn’t sign until you’re absolutely sure that the terms are to your liking.

6. **Run the numbers twice before buying an investment property**: We at Mashvisor believe real estate investing is for everyone! Just make sure the math works out on your investment before buying it!

7. **Trust your instincts!** When it comes down to it, there’s a lot of money involved in buying real estate. If something seems too good to be true, it probably is! Be safe and make sure you know what you’re getting into before taking the plunge.

**6. What Are the Bes**