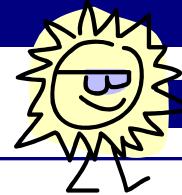


Dave Poletti & Associates Presents

# The Seattle Landlord Report

A Monthly Publication to Keep Our Clients Informed

## MISTAKES INVESTORS SHOULD AVOID



July 2010



The economy has certainly been volatile for the last few years. The stock market took a major nosedive, foreclosures have been rampant, and unemployment has risen to all time highs in many areas. However, in every market, there are opportunities and for some, now is a good time to buy investment property due to the decline in housing prices. Unfortunately, it can be easy to forget to watch for investment pitfalls even though it is a buyer's market. If you are thinking of purchasing more rental property, avoid making the following mistakes.

**Purchasing a property without educated research is a major misstep.** Consult the professionals - a knowledgeable real estate agent, your property manager, a reliable mortgage banker, and any other party that can give you

realistic values. However, you need to do your own research so you can ask intelligent questions and to know when you are receiving bad information. Consulting a real estate agent who does not know the rental market is a disaster waiting to happen. It is easy to project a positive return on paper when using inflated figures. Ask us, your property management company, to investigate rents and expenses before you purchase the property.

**Continuing to wait for the market to bottom can mean missed opportunities.** You can make intelligent investments in any market. Unless you have a crystal ball, there is rarely a way to know when the market is going to rebound. Even when market prices start moving up, you can still purchase a good investment – you just need to research any potential investment.

**Not planning on holding a rental property as a long-term investment is not realistic.** It is possible to buy a property and flip it in a short amount of time, but it often takes holding the property at least ten years or longer to realize the full benefits. One reason to think long-term is the yearly tax benefits you have while owning the property.

Remember, that unless you reinvest profits from a short-term rental, there may be heavy tax consequences.

Investing with the wrong financing can easily turn an investment into a nightmare. Beware of balloon payments or illegal financing. Consult a mortgage professional who has experience with investment financing and can counsel you on the different programs available.

**Expecting minimal or no maintenance while owning an**

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### HAS YOUR CONTACT INFORMATION CHANGED?

If your mailing address, email, phone number has changed over the past year, please take a moment to email [info@davepoletti.com](mailto:info@davepoletti.com) with your new information. *Thank you!*

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investment property is a sure path to a poor experience. Consider how much maintenance goes into your own residence and you will realize that rental property goes through the same wear. You may have the best tenant on the planet but unless you maintain the property, your investment will suffer. Remember this is normally a long-term project and many items such as roofs, fences, paint, and carpet have their own projected life. When planning an investment budget, consider how you will cover maintenance and necessary replacements.

Working without good insurance, reserves, or a financing plan for possible vacancies, maintenance, emergencies, or disasters is like walking a high wire without a net. There are landlord policies available that will assist with vandalism or an emergency/disaster. Talk with an insurance agent who knows what landlord policies will help you in times of distress. In addition, savings for unknown factors, such as a long vacancy or major repair, and contacting financial institutions in advance about emergency funding are important measures to take.

