



MAKING MONEY THROUGH REAL ESTATE BUSINESS

I don't think I have ever told you about my "bathroom" story? To a limited number of people, yes I have, but maybe not you. Well let's just say it involves a washout one bedroom house with a leaking bathtub, three university-aged tenants, three weeks of continuous use of that leaking bathtub, and my bad mistake of not employing the services of a plumber. It was a low point in my investing career but a turning point as well. I realized the type of investor I wanted to be and the type of investor I did not want to be. I no longer work on bathrooms. I am glad to say the its been ages since then, but I still think of it when I hear people say, *"I would never want to invest in real estate because I don't want to fix things like bathrooms, they cost a lot!"* well it's a valid concern. However, the truth is there are many, many ways to make money in real estate without needing to "play plumber." Today I want to talk about them.

In Tanzania alone I know a number of wealthy people that have become rich through real estate. Well some it was more of a family thing but to others it was a hustle from the very beginning. The problem for many is that investing in real estate demands a huge sum of money of which most don't have. Well the secret to making money in real estate as I have gathered from my research, talking with the key players and experience is finding the project you want and throw your body mind and soul into it. There are simple ways well not that simple but doable ways to turn real estate into a money making business.

Number one is the purchasing of land that does not yield any cash flow but if its improved can add value. Hence by doing that and subdividing it can bring profit upon sale. Also the same land can be used for farming so as to get produce from the land of which can generate profit hence adding money for further investments.

The easiest of most used investment for first time investors is building "Single Family Homes" They are easy to rent, easy to sell, and easy to finance. They may be more difficult to cash flow, and can take a significant amount of time and effort to purchase just one unit.

In Tanzania we are not accustomed to the use of Mobile Homes, Mobile Toilets yes, but not homes. However if one was to invest in these or have a yard of them or buy and sell them off it could serve a lot of housing problems and add profit. you can buy land and have mobile homes on them that are full furnished and cheaper that building a house. A used one is far decent than a "used" house.

The other way is to buy a cheap house, fix it up, re-sell it. You are guaranteed to get a profit on this one as long as you can keep your renovation expenses at a low, value for money and DO IT YOURSELF if you can. Or you could buy a house hold it for a year or 5 or ten and sold it at a market value that is higher than it was before for it is bound to rise up unless there is



a crisis. But with the demand with housing in Tanzania, a profit is 80% guaranteed.

Well to make is more interesting you could in another alternative especially for beginners do a wholesale purchase. Wholesaling involves scouting your local area, finding great deals, putting those deals under contract to buy, and then “assigning”(selling) those deals to an investor for a fee.

One of my personal favorites, this incorporates finding the good deal and remodeling the home. Simply, a single family home is purchased for a low price during a low market, remodeled to force appreciation, and held until the market improves and sold. This method seeks to maximize the rate of profit while limiting the risk.

There is also what is known as a carry on mortgage where what happens is ,if you have the cash, you can buy properties and then immediately re-sell them to buyers who may not be able to conventionally qualify for a mortgage. You can carry the mortgage for as long as you'd like, or sell the note for cash in the future. Make sure to collect a large down payment when using this method.

There is another Fun way of real estate purchase where without actually owning the property, lease-options allow a person to gain control of a property by leasing it with a legal “option” to purchase the property at a specified price within a specified time period. Often times these properties can be re-“sold” using another lease option and the investor simply makes money being the “middle man.”

A rather interesting move which often works is if a seller owns a property free-and-clear (no mortgage), they often times will be willing to finance the sale themselves. This enables you to buy a property without the hassle and costs of going through a bank or other lending institution. This is often an excellent way to acquire larger apartment complexes or commercial buildings, as the owners may want to continue receiving an income but not want the hassle of dealing with tenants.

While there are many different strategies that you can employ to make money out of property, there are really only two real ways to make a profit: the first is from rental income, the second from capital growth. The first puts money directly in your pocket. If the rental income from a property exceeds its costs, the remaining rent is the profit - these properties are known as cash flow positive. Cash flow positive properties usually have a gross rental yield of 9% or above. The second way of making money relies on properties increasing in value. Property has historically increased in value, typically faster than inflation: you'll have already noticed this if you've bought your own home and sold it for a better price, making a profit. Most people fear of losing their money if they invest in the



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property industry, if you look at the experiences of the US and UK during the Global Financial Crisis. However, the Tanzanian market is seen to be quite different from other markets, which is underpinning strong long-term growth. To keep up with the movements of the property market, you should aim to find time to log onto online property forums, sign up for electronic market updates and read magazines such as The DAR PROPERTY MAGAZINE which feature in-depth reports about real estate developments, real estate deals and comprehensive suburb listings. The most current of property data is vital in your ability to pick a good bargain in a range of property markets.

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