

# How To Jump Into Real Estate Investing And Not Get Burned

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It wasn't so long ago that mentioning a great buy in distressed real estate caused an investor to hang up the phone on me. Even raising capital for a simple distressed single-family house fix-and-flip met with negative reactions. The world of real estate investing stood at a standstill. Fear

paralyzed the financial world, and golden opportunities were missed. Looking back on those years, we had the best real estate deals around.

Then comes HGTV, the real estate gurus and reality shows about flippers, and suddenly everyone is buying distressed real estate. The appeal of rehabbing residential properties has even attracted Wall Street. We are in the longest bull market ever, and real estate is a great hedge against a Wall Street correction. As a result, the market is full of people buying properties to flip, driving up the demand for inventory and causing pricing to soar. As with anything that's hot, someone is bound to get burned. So, it begs the question: How do you jump into the game of real estate investing and ride the heat wave without getting caught in its flames?

Since real estate investing is my passion, I don't want anyone to get caught with their pants down when the market drops. I have put together three basic guidelines to help you get started.

**“If you think the price of education is expensive, try ignorance.”**

This doesn't mean the real estate guru who charges the most has the best mentoring program. In fact, most of them are a big waste of money. While quality education can't be stressed enough, it doesn't mean that you join any real estate guru who brags about their success, even if they are on TV. What they present doesn't come close to the true reality of a fix-and-flip.

Take the money you would pay a guru, buy a house and flip it by yourself. You'll lose less money and learn more. The best place to start is local real estate investment clubs and associations. You need local knowledge, not national programs. And even when it comes to local mentors, they aren't all good, but many do offer good, sound, reasonably priced local education. Mentors who aren't local don't know your market and don't have a local's connections and network of solid players and professionals. Local mentors also charge a lot less.

You can find local investment clubs and associations by going to [CRE Online](#) or the [National Real Estate Investors Association](#). One of my favorite podcasts is to listen to is [Bigger Pockets](#). It has real content, great education and follows the trends.

**Be a professional.**

Don't get attached to properties. You're not a frustrated interior designer. Getting emotionally involved causes you to overlook costly potential errors, and you wind up paying too much for a piece of property. People rationalize, “It's only \$3,000 more,” but you said that three times ago, so now it's \$9,000 more, and you aren't going to make much of a profit. Don't lie to yourself. Stick to the numbers; they don't lie. Don't allow yourself to increase your purchase price. Don't think the rehab is going to cost less than the quote your contractors gave you. It's always more. Don't fool yourself into thinking the property will sell for a higher price than the last house in the area because yours will be “so much nicer.” That's a recipe for financial disaster.

**Real estate investing is a team sport. Don't go it alone.**

Going it alone is one of the worst mistakes you can make. Personally, I love joint ventures. In our mentoring program, we do a “learn and earn.”

When I first started 13 years ago, you could have been a complete novice and purchased a property, waited three months and, having done nothing but cut the grass and empty the house, made \$30,000. I lost money or broke even on my first 11 properties. Ironically, it was the market crash that taught me how to be a real investor because I started using better attorneys, realtors, title companies and funders, and I networked with other investors.

Now, over 400 rehabs later, I've only lost money on one property, and it was only \$16,000, compared to the average of \$20,000 per house. Not too bad. Like I said, I love joint ventures with other investors. When done right, it's a great experience to learn and earn.

To me, real estate investing has always been exciting, scary and never, ever boring. There are plenty of dangers, but if you're educated, keep a level head, don't get emotionally involved and work with an award-winning team, you can enjoy the pleasures real estate investing can bring. Happy investing!

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