

Real estate investing for beginners: 2024 guide to getting started

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This article was expert reviewed by Jovan Johnson, MBA, CFP®, CPA/PFS, and founder of **Piece of Wealth Planning LLC**.

- **Investing in real estate can offer individuals both immediate income and long-term appreciation.**
- **REITs and crowdfunding are indirect ways to invest in real estate without hands-on management.**
- **Direct real estate investments include buying a home, rental, or a property to fix up and flip.**



Real estate investing may be more accessible than you think. While traditional ownership models often demand significant time and capital, innovative online platforms — like the best real estate investment apps_— make it easy for the average retail investor to participate without the burden of property management.

Passive investment strategies, such as real estate crowdfunding, limited partnerships, and REITs, are generally considered more accessible for beginners. These strategies mitigate the risk of investing in a singular real estate venture by diversifying investments across multiple properties.

With the exceptions of REITs and ETFs, real estate is generally an illiquid, long-term investment. Before investing in a property or real estate fund, ensure it aligns with your risk tolerance and time horizon.

Online platforms like Fundrise can help you build a portfolio of private assets like real estate and venture capital to help diversify.

Building a foundation: Knowledge and planning

While online platforms have made real estate investing more readily accessible for beginners, there are still substantial risks involved. So: Don't skip the knowledge and planning stage.

Learn the basics of real estate investing

Before purchasing, you should learn and understand the basics of real estate investing, including property types, market trends, and financing options.

Ensure you understand your investments' time, money, and maintenance requirements before purchasing. Direct real estate investments or those made through real estate investing platforms are less liquid (easily sold) than publicly traded securities like stocks. Your funds will usually be tied up for five to 10 years. For example, real estate investing platform Fundrise recommends investors have a time horizon of at least five years.

However, many publicly traded REITs and real estate ETFs are traded similarly to stocks, and can provide more liquidity.

If you're interested in buying physical property, there's an old saying: "The three most important factors in real estate are location, location, location." Start by getting to know the local market. Talk to real estate agents and locals; find out who lives in the area, who is moving to the area, and why; and analyze the history of property prices.

Define your real estate goals

What are you looking to gain from real estate investing, and what risks are you willing to take? As with any investment, you should have a solid understanding of your desired outcome and your limitations.

Common real estate goals include generating passive income, accumulating long-term wealth, and diversifying your portfolio.

Understanding your goals can narrow down potential strategies. You can start by asking yourself:

- How passive versus active do you want to be?
- How much time and capital can you commit?
- What level of risk are you willing to take on?

A simple strategy can go a long way in real estate investing. If your goal is to generate passive income, don't be fooled into believing you need to go big to make it happen. It's best to start small and keep your expenses low, says real estate investor Chad Carson of CoachCarson.com.

Create a real estate investing financial plan

Once you determine your goals and risk tolerance, you can incorporate real estate investments into your financial plan. A financial plan is a guideline for your current and future financial needs and limitations.

By reviewing your financial plan, you can assess your current financial situation and better determine your budget to prevent jeopardizing other financial priorities.

Beginner-friendly real-estate investment strategies

Some investment strategies are intended for experienced and accredited investors, while others are better suited for beginners. Here are the best investment strategies for beginners.

REITs (real estate investment trusts)

One of the best ways to start investing in real estate as a beginner is with a real estate investment trust (REIT). REITs own, operate, or finance properties and real estate ventures, offering market exposure without the time and cost commitment of buying singular properties.

Like mutual funds or ETFs, REITs are assets usually centered on a specific property type, like apartment complexes, hotels, malls, or hospitals. Equity REITs, the most common type of REIT, allow investors to pool their money to fund the purchase, development, and management of real estate properties.

Geared toward generating income, usually from rent and leases, REITs offer regular returns and high dividends. They also appeal to investors because they are taxed uniquely: REITs are structured as pass-through entities, meaning they don't pay corporate tax. This effectively means higher returns for their investors.

- **Publicly traded REITs:** "Publicly traded REITs are listed on major stock exchanges. Investors can buy and sell shares of these REITs through brokerage accounts, just like they would with regular stocks. They offer high liquidity and are subject to strict regulatory requirements," says Richard Ratner, senior vice president and investment advisor at Bel Air Investment Advisors.
- **Private REITs:** Private REITs, on the other hand, aren't listed on public stock exchanges and are often more limited. "Investors may have limited opportunities to redeem or sell their shares, often subject to lock-up periods or specific withdrawal

restrictions," Ratner says. "However, private REITs may provide access to a more specialized or exclusive portfolio of real estate assets, which could offer higher returns and risks."

Real estate limited partnerships

A real estate limited partnership (RELP) provides investors with a diversified portfolio of real estate investment opportunities. It allows you to merge your funds with other investors to buy, lease, develop, and sell properties that would be hard to manage or afford independently.

Like REITs, RELPs usually own a pool of properties but differ in structure and are generally more suitable for high-net-worth investors. Primarily, RELPs are a form of private equity — that is, they are not traded on public exchanges.

RELPs exist for a set term and function like small companies, forming a business plan and identifying properties to purchase, develop, manage, and sell. Profits are distributed along the way. After the holdings are all dispatched, the partnership dissolves.

Online real estate platforms

Online real estate platforms are one of the most accessible and affordable investment strategies for gaining real estate market exposure. Crowdfunding platforms, in particular, are commonly used to raise capital and provide a meeting ground for real estate developers and interested investors. In exchange for their money, investors receive debt or equity in a development project and, in successful cases, monthly or quarterly distributions.

Not all real estate crowdfunding platforms are available to everyone: Some platforms, like DLP Capital, are reserved for accredited investors — that is, high-net-worth and/or highly experienced individuals. Still, several less-exclusive platforms like Fundrise and Groundfloor allow newbies to invest in certain property funds or REITs.

Direct real estate investment: Owning property

One classic way to invest in real estate is to buy and lease a property or part of it. Owning property can take many forms.

Purchase a home

If you want to invest in real estate, look no further than your home.

Many Americans strive to achieve homeownership, and rightfully so.

Residential real estate has had its ups and downs but generally appreciates over the long term.

Most folks don't buy a home outright but take out a mortgage.

Working to pay it off and owning your home outright is a long-term investment that can protect against the volatility of the real estate market. It's often seen as the step that precedes investing in other types of real estate and has the added benefit of boosting your net worth, since you now own a major asset.

Rental properties

Another method of directly investing in real estate is owning rental properties and becoming a landlord. For example, you can generate profit by buying a single-family home and collecting payments to cover mortgage, insurance, taxes, and maintenance. Ideally, your monthly mortgage payment will be relatively fixed while rent prices rise, increasing the amount of money you pocket over time.

You can shop for rental properties online through a site like [Roofstock](#). This site allows sellers of vacant homes primed for renters to list their properties, facilitates the buying process, and assigns a property manager to the new buyer.

You may have to face tenant and management risks. "Owning and managing real estate involves responsibilities and potential liabilities, including property management challenges, legal disputes, and compliance issues," Ratner says. "For rental properties, there is a risk of unreliable or non-paying tenants, extended vacancies, or property damage caused by tenants."

House hacking

Another method of directly investing in real estate is house hacking. House hacking refers to the purchase of multi-unit buildings and living in one of the units while renting out the others. This way, you can decrease the cost of your own living expenses while simultaneously generating income that can cover mortgage payments, taxes, and insurance.

A low-commitment version of house-hacking is renting part of your home via a site like Airbnb, which would allow you some extra monthly cash without committing to taking on a long-term tenant.

On the opposite, more ambitious end, you could aim for a condo conversion, in which you buy a multifamily building, rent out the units, and then later turn them into condos and sell them off individually,

"So the idea is, you buy the building for a little bit of a discount, and then eventually, you're able to sell for top dollar," Bull says.

House flipping

Though TV shows often make it look easy, "flipping" remains one of the most time-consuming and costly ways to invest in real estate.

However, it also has the potential to produce the biggest gains. To be a successful flipper, you should always be prepared for unexpected problems like budget increases, mistakes, a longer renovation timeline, and issues selling on the market.

It's especially important to build a team of experts — contractors, interior designers, attorneys, and accountants — you can trust. And make sure you have the cash reserves to troubleshoot. Even experienced flippers find a project inevitably takes longer and costs more than they think.

Essential skills for real estate investors

- **Market analysis:** Like the stock market, the real estate market continuously evolves with emerging trends and economic shifts. What is popular now may not be popular in 10 years, and so on. Therefore, you must develop real estate market analysis skills to stay on top of potentially profitable investment opportunities.
- **Financial analysis:** To evaluate potential investment opportunities and track the progress of your investments, you must be well-versed in different financial analysis metrics, such as cap rate, cash flow, and ROI. Some real estate apps offer data analysis tools to help you keep track.
- **Negotiation:** Beginners don't typically need negotiation skills when investing in real estate through crowdfunding platforms or REITs, but there may come a time when such skill could get you a more favorable offer when purchasing or selling a home.

- **Property management:** If you directly manage a property, whether as a landlord or homeowner, you'll want to be knowledgeable in property management. Ensure you understand the processes and costs of maintaining a property, screening tenants, and lease agreements.

Resources for beginner investors

Beginners can consider the following resources to learn about real estate investing.

Real estate books

Books are some of the best ways to learn about new topics, even real estate. There are plenty of beginner-friendly books and guides on how to start investing in the real estate market. But you should do some background information on the author and readers' reactions to the text. One book to consider is "The Book on Rental Property Investing" by Brandon Turner, as it is one of Business Insider's picks for the best investing books.

Other notable real estate books worth checking out include:

- "The Real Estate Investor's Guide to Flipping Houses" By J. Scott

- "The Intelligent Investor" By Benjamin Graham

Local real estate investment clubs

Connecting with local real estate investment enthusiasts can be a great way to engage with the real estate community and expand your knowledge. However, depending on where you live, this may prove difficult. If there isn't a local real estate investment club in your area, consider starting one through your local library or community center. You also have the option of joining an online real estate investment club via social media or online forum.

Real estate agents and brokers

Often, the best way to research a topic is by going to the experts. In this case, that's real estate agents and brokers. If you already have an existing broker or financial advisor, set up a chat to talk over the basics of real estate investing and how it can fit into your financial plan.

You can also consider contacting local real estate agents to see if they want to review the basics and recommend valuable resources.

Don't know where to start? Consider a financial advisor.