

What You Need to Know When Buying Real Estate for the First Time

If you're looking at buying a property for a residence or investment and have never been through the process before, congratulations! Buying real estate is extremely exciting, but can also throw a few surprises your way if you're a novice! Here, we'll discuss some ways to minimize your risks and surprises and still profit from your real estate investment.

First, you need to determine what market you're looking at. Perform an online search for available properties in your desired area to get an idea of housing prices there, and how much house you might be able to afford. You can also call a trusted real estate agent or broker to help you narrow down the field a little more.

You don't need to know all of the lingo and details of the fine print, but at least get familiar with the terms and workings of escrow accounts, titles, insurance, contracts and agreements, and closing procedures so you're not totally lost in the process.

Now, you need to find acceptable pre-approval from a mortgage lender. You may qualify for a special FHA home loan as a first-time buyer, so inquire about this option; this will also allow for a lower interest rate and lower down payment.

After finding some interesting properties on the Internet, take a nice leisurely drive to the area and look at the neighborhood and property in real life. Also randomly drive around or take a stroll for 'For Sale By Owner' signs if you determine the area is ideal for you. Notice how many homes in the area seem to be vacant and for rent – this may indicate if the neighborhood is headed downhill, which will only lead to lower property values in the future. That's not a good investment!

Even if the neighborhood is great, you may find that your direct neighbors have allowed their properties to slack. Remember that if this does not change, it will still directly affect your home's value in the future.

Now, go home and search for comparable sales in the area over the past few years. Are prices falling or rising? If they're on the way down, you might want to hold off for a minute to ensure they don't plummet after you buy. This will also tell you if the asking price is reasonable or too high, leaving you with plenty of room to bargain.

Once you narrow the field down to a handful of choices, call a local agent if you haven't already. Tell them you want to schedule a showing to see these properties, and ask of similar ones they may know of but you haven't found. Sometimes, agents have access to exclusive listings that are pretty difficult for individuals to access on their own.

When touring the property, take notes of every single little thing you see that you either don't like or will need to be repaired. These items are also of great negotiating value when it's time to make an offer – this saves you money and allows for a better investment in your future!