

Insider Tips to Increase Your Number of Real Estate Investments

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## **Insider Tips to Increase Your Number of Real Estate Investments? ~ By Michael C. Zari**

2006 was a very busy year for us all. In the world of real estate investing, this past year showed us that there were still some good opportunities to be had. One theme that was common amongst some of the real estate investors that I have been exposed to is that even though there was additional real estate opportunities that they wanted to invest in, they decided to pass on the opportunity because they were tapped out.

While what I am going to say below is not rocket science, I thought that we would start the New Year off with a fresh start. If you want to increase the number of investments that are in your portfolio and you don't want to pass on real estate opportunities that you normally would jump on in a heart beat when you are not tapped out, then form a Partnership!

### **So what is a Partnership?**

For those of you crave the details, you can search on the internet and find lots of definitions of what a partnership is. For the context of this article, a partnership is basically a relationship of two or more entities conducting business for mutual benefit. That's it - Simple and to the point! The key that I want to point out is that a partnership is beneficial for all parties involved. As I like to say, it has to make "business sense" for all involved.

### **Applying Partnerships to Real Estate Investing**

There are plenty of real estate investors who have the time and knowledge to both find and evaluate the new opportunities. However after a while, they run out of credit and funds to act on the opportunities and continue to add to their real estate portfolios. Or, there may be investors who have the money and do not have the time or the knowledge to evaluate opportunities. Usually, it is typically a lack of one of the above (i.e. time, knowledge, or money/credit) that begs for a partnership to be formed. Or said another way, if you have one of those elements then you may be an excellent candidate for a partnership!

### **Formalizing the Relationship**

There are many ways to structure a partnership using the above definition. The exact details may vary from state to state, depending on the path you go down. Since this is a business relationship, treat it as such and go ahead and form a legal entity. Note that there are many other benefits of doing so that are not covered here and could be the subject of many articles to follow.

As an example, you may want to form a limited liability company (LLC) that would cover a particular type of investment (i.e. rental properties, land investment, etc.), or cover a particular locale (i.e. southeast, southwest, go-zone region) or states (i.e. Florida, North Carolina, etc.) for investments. An LLC is formed by

filing a set of "Articles of Organization" with the Secretary of State for the particular state in which you are forming. Note that the LLC is not a tax paying entity. Profits, losses etc. flow directly through and are reported on the individual member's tax returns. Most states require that the LLC have an "Operating Agreement" between the members of the LLC as to how the LLC will be managed, etc.

Or, you may want to form a true "Partnership" or a Limited Partnership, as opposed to an LLC. There are many different ways to structure and every one has their own opinion and reasons for one path over another. Whatever path you choose, make sure that all parties involved are kept in the loop and are in agreement with the structure, any operating agreements, etc. Also, since requirements for structuring and setting up a partnership, LLC, etc., vary from state-to-state, it is best to get some professional help in setting up your entity. As was mentioned earlier, a "correctly" structured entity has many additional benefits.

### **Increase your Potential**

With or without a formal structure in place, you can see the benefits of partnering with others to increase your real estate potential. Let's say that you are a member of a real estate investing group and are constantly getting quality opportunities placed in front of you. With endless credit, it is then your job to perform your own due diligence on the project to see if it meets your investing criteria. If it does, then all that remains from a top level is getting the financing in place to fund the project and to add it to your portfolio. One day your friendly banker and loan officer is going to come to you and say that you are tapped out; your existing finances can not support any additional projects. Other than freeing up capital through the selling of other properties, you can find a money partner to supply the missing piece.

By partnering, you have done more than just add the additional project into your portfolio (which was your initial objective). You have now introduced someone to the world of real estate investing and may have created a great sounding board for additional projects, businesses, etc.

### **Summary**

Real Estate Investing is a true team effort. In order to be successful, you need to have the elements of time, knowledge, and money working together. Limitations in one of these elements can greatly hinder your real estate investing opportunities. By partnering with others, you can increase your overall number of investments and not miss a great opportunity again.

Hopefully you have enjoyed this topic. I want to encourage you that if you are serious about your investing and really want to kick start your investing in 2007, then you definitely want to read the extra info below about [how changes at GetPreConstructionDeals.com can benefit you!](http://www.GetPreConstructionDeals.com)