



5 Types Of Real Estate Investments



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1 Intro paragraph

There are many types of real estate investments that are available for people ready to jump into the market. Many feel that real estate investing is a solid way to grow wealth with prosperous returns, and the outlook for the housing market in 2022 remains positive.

Fortunately, there are several ways to invest in real estate. No longer are you limited by the traditional barriers of entry like large down payments and excellent credit scores. There are now many different kinds of real estate investments that a person can pursue.

From residential and commercial to wholesaling and REITs, there are several ways to jump into the real estate market in 2022 and beyond.

Whether it is residential, commercial, or industrial properties, these tangible assets have provided countless investors with superior returns.

Let's look at the various real estate investment strategies designed to give your portfolio a solid return.

2 Residential Investing

Residential investing is likely the most common way to invest in real estate. This is when an investor buys a single-family home, duplex, or multi-family building, and either flips it for profit or holds it as a rental property.

The purchase of this kind of real estate may be done with the use of financing or cash.

When people invest in residential real estate, they are typically purchasing a property to use it in one of four ways:

2.1 Long term rentals

In this situation, investors purchase a property such as a house, duplex, or apartment building that they rent out to tenants to live long term. This allows investors to maintain a steady cash flow and pay for expenses as the property appreciates in value.

The tenants are tied to a monthly rent payment (a lease) to live there, and the investor is the responsible landlord. The investor has the option of being the landlord themselves or hiring a property maintenance service to act on their behalf. Typically, tenants sign long-term rental agreements usually set for a year or longer.

2.2 Short term rentals

Vacation properties are ideal for this kind of real estate investment. Often, the investor will purchase a cottage, chalet, or vacation home in a highly desirable location and rent the property out on a weekly or monthly basis for guests.

This type of investment is ideal for vacation hot spots where the property will be in high demand. Again, the investor can manage the property themselves or hire a property maintenance service to take care of it for them.

When investing in rental properties, it's also important to consider the tax implications. Because these properties generate income and are not considered a "primary residence", owners should be aware of specific tax ramifications in their area. In addition, when investors sell these rentals, there will be a capital gains tax to pay on the sale.

Make sure to check your state, provincial, and federal guidelines to learn more.

2.3 House flipping

The idea of house flipping is to buy a lower-priced fixer-upper property below market value and invest the time, energy, and money into renovating the property before selling it at a premium.

Provided the property's purchase price reflects the amount of work that needs to be put into the structure (and allows for a profit), it can be a good way to invest in real estate.

This method of house flipping only works when you can sell at a profit, which would be the sale price less purchase price and renovation costs. The profit on the sale is taxable income.

2.4 New construction

Purchasing new construction is an option people consider during hot markets. Typically, the down payment on the property is required far in advance before the house is ready to inhabit.

Many investors purchase these new sales and resell them at fair market value when the home has been constructed and ready to inhabit. The idea is that the house's fair market value would have appreciated from the time the down payment was placed to the time the home was ready to inhabit.

This income would be considered taxable.

3 Commercial Investing

Investing in commercial property is another kind of real estate to consider. Typically, the investor purchases a commercial building to rent out to businesses.

Business owners also consider investing in this kind of real estate to own the building that they run their business out of. This saves the business on paying rent and, instead, they are able to put money towards building a very lucrative asset.

4 Raw Land

Raw land is completely uncultivated and untouched real estate. It doesn't have roads, houses, or any other buildings. Investors who choose to purchase raw land are taking a chance that, based on the location and projected market demand, this land will appreciate in value.

The more the price of the land increases, the higher return on investment (ROI) there is. Many investors purchase raw land expecting to sell it to developers.

If someone purchases a piece of raw land and expects to wait years before they can capitalize on that acreage, then it's important to consider that appreciation in price as opposed to immediate profit for this kind of real estate investment.

5 Third-Party (Crowdfunding, Fractional, REITs, etc.)

Third-party real estate has become an intriguing option that makes real estate investing more accessible to people who want to invest in real estate but don't have the down payment or credit rating to enter the market.

There are various types of third-party real estate investments such as fractional real estate investing and real estate investment trust (REIT).

Fractional real estate is a collaborative effort of a group of people who pool assets together to purchase smaller shares of a property. The advantage of fractional investing is that these investors don't have to know each other to get started. A platform like BuyProperly connects investors from across the country and allows them to pool their resources to invest in a property!

Being a fractional real estate owner means that you own a part of the investment, depending on your financial contribution, and you reap that reward on a fractional basis. This is passive income if you are not directly involved in the management of the property.

REITs are like mutual funds in the sense that there is a portfolio, or pool, of real estate properties that are managed by a management group. You can purchase shares in that investment and get paid out dividends on a per-share basis. The value of that share can increase over time as well.

6 Wholesaling

Wholesaling real estate can be a tricky endeavor, depending on where you live and what the rules are around this activity. A wholesaler is someone who pays cash for a property that has equity, then fix the property up and quickly resell it to another buyer at an inflated price.

The key to being successful with this type of real estate investment is that you need to be able to purchase the property quickly and recover your costs within a short period of time.

7 What is the best type of real estate investment?

The best type of real estate investment is the type that you're most comfortable with, falls within your budget, and meets your financial goals. If you want to invest in rental properties but don't have enough capital for a whole building, then purchasing condos would be the next best option as opposed to just owning raw land or commercial buildings that do not generate income.

Fractional investing is also a fantastic option for people who don't have the upfront capital or time to manage and oversee a rental property.

8 Conclusion

The bottom line is that real estate investing has earned a good reputation over the years as being a reliable way to get your money working for you. As you can see, there are many kinds of real estate investing opportunities at your disposal. It's about finding an investment vehicle that is right for you.

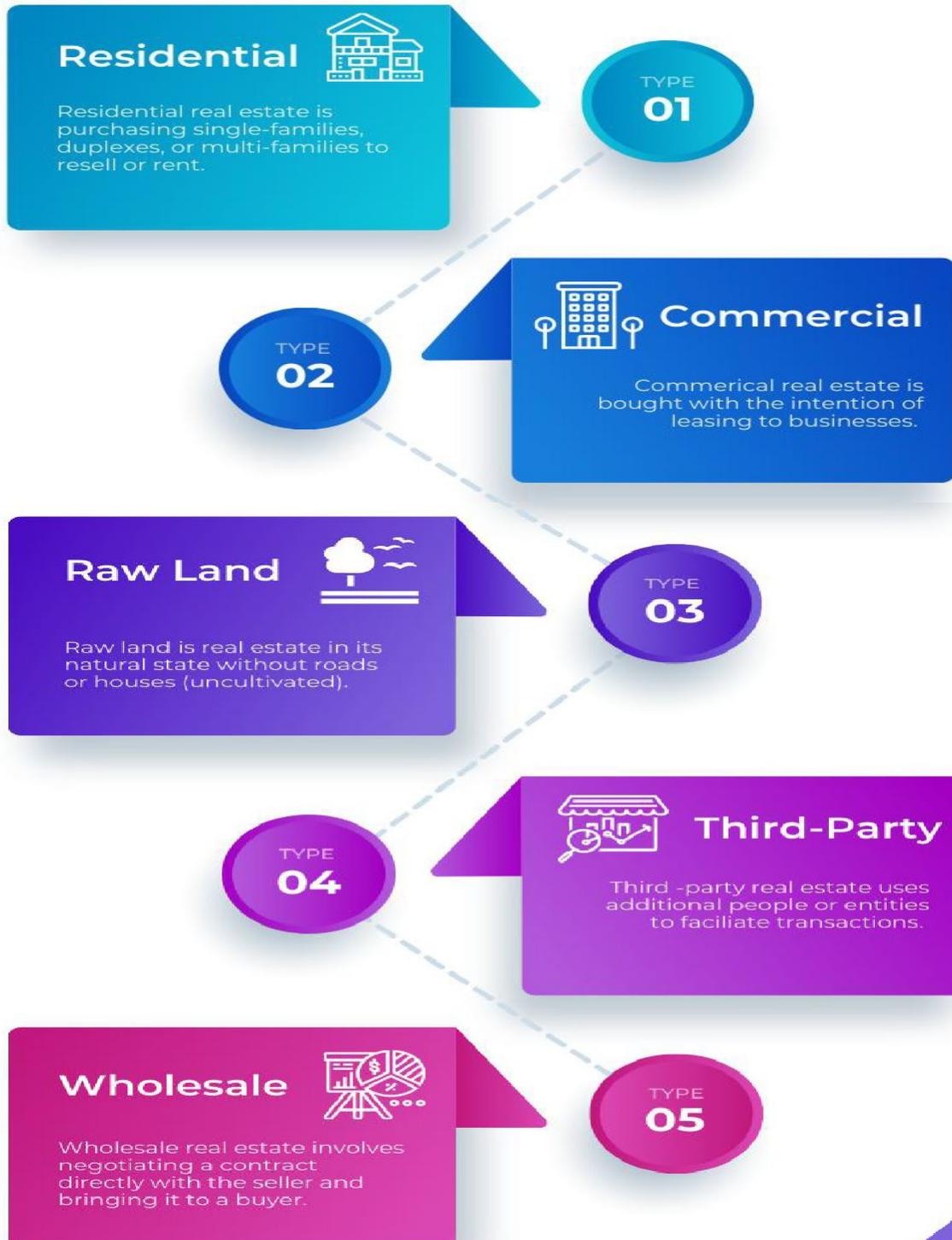
Investing in real estate can be worthwhile as it has historically offered impressive returns through cash flow potential and long-term appreciation. Real estate is a great way to diversify your investment portfolio.

Whichever way you choose to invest in real estate, be sure to do your research, educate yourself on the pros and cons of the investment, and make an informed decision before you jump in.

If you're ready to find your next investment property, we're here to help! At BuyProperly, we use a fractional ownership model to help investors get started for as little as \$2500 (plus, they can see projected annual returns of 10-40%).

[See top investment properties](#)

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