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**The Advantages & Disadvantages of Investing in Real Estate**

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Investing in real estate is not for the faint of heart. There are many variables that make real estate investing significantly profitable. On the other hand, the same variables may cost investors far more than what they bargained for. Before investing in real estate, understand the advantages and disadvantages of such a venture.

## Significant Profits

There can be a major advantage to investing in real estate if you find property at a price low enough to result in a significant profit. For example, some investors buy real estate they intend to flip. Flipping can result in huge profits for investors. The property may be in foreclosure, in danger of foreclosure or needs little or no repair. You may purchase the property for much less than its value, repair or update it, and resell or flip it at a much higher selling price. Exercise extreme caution in this kind of venture.

## Ongoing Additional Income

Another advantage to real estate investing is the rent derived from rental property. It can result in ongoing, additional income. Over time, additional income may enable you to take a dream vacation, buy a long-awaited speed boat or grow your retirement fund.

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## Access to Credit

Contingent on a variety of factors, additional income generated from real estate investments may give you access to more credit. Generally, lending institutions lend more money to people who make more money. The additional income made from real estate investments may open broader credit lending doors.

## Leave a Legacy

Real estate may be willed to family members after your death. You could leave a legacy for your children by investing in real estate.

## Finding Financing

Investing in real estate has its disadvantages. Lending institutions are very careful about whom they lend to, often requiring a 20 percent or more down payment. Sometimes finding a loan for investment property presents a formidable task. Although Fannie Mae and Freddie Mac typically offer generous loans to eligible investors, not all investors meet eligibility requirements. You may find that securing financing for an investment property is all but impossible.

## Debt

Investors often do not have the cash to pay outright for a property. Instead, they typically take out loans. That results in more debt for the investor. If you purchase a property for flipping and it does not sell, you are stuck with the debt and with paying on the debt until the property does sell. If you invest in rental property, it would also be a great detriment if the renter stopped paying his rent and you had to go through the courts to remove the renter. You would not only be stuck paying the payments on the debt, but more debt would be created by hiring an attorney to remove the renter.

## Additional Expenses

Rental property requires upkeep. Owners of rental property are responsible for timely repairs. Repairs could result in major expenses. Replacing the HVAC, roof or any other major endeavor can be quite costly, especially for large apartment complexes. If repairs are not performed in a &quot;reasonable time frame&quot; determined by the local authority, as the owner, you may be slapped with significant fines. Taxes and insurance can also be quite expensive for rental property.

## Legal Issues

Legal issues may come into play when investors become owners of property. Once you own property, you become liable for damages to others who come onto the property. For instance, if something falls off the property onto someone, or someone falls on the property and becomes injured, the property owner is liable for the medical care, and may also face a personal injury lawsuit and attorney fees.