

where our kid's going to end up. I know there's some concessions that I have to make just to be realistic with the budget and what we can afford. The prices of homes right now, especially in this area, are just so considerably high.

Even a very, very good budget doesn't buy as much as I thought it would when I started this process. Right now I'm looking at, okay, what square feet? How many rooms can we afford, because we might have to bring in family members or whatnot? But I'm waiting against, okay, maybe I can put my kid into a good middle school, or excuse me, a good elementary school. But if the middle and high school aren't that great or maybe are lower rank than other schools in this area, at least have that time to get into a second property and let it grow.

And then by the time the kid is sixth grade, then we'll reevaluate and look at what homes can we buy in better middle schools and better high schools. I know I'm thinking super far ahead, but those are all the things I'm kind of weighing now as we look at our next opportunity.

Nadeska Alexis:

I think when it comes to purchasing homes, it really pays to look that far ahead. It gives you more options in the long-term. Since you first started looking and then realized that maybe you should have gotten you said the pre-qualifications first, have you reached out to a lender? Have you been able to really assess your financials now, especially with the new job, to see what's realistic for you?

Matt Sesateta:

We have. I did a lot of homework there and just spoke with a lot of different lenders, partly because I'm a big fan of getting multiple quotes and multiple bids and identifying who I like working with, who's responsive versus who might be a little too pushy and too responsive, if I may.

Nadeska Alexis:

I mean, unlike being a first time buyer, owning a property means that you have either some equity or you have the option to sell for a profit hopefully, especially in a market like yours, or you could hold that property and potentially rent it. What are you guys considering as you're looking at a new home?

Matt Sesateta:

Considering all those. In the perfect world, own property in the Bay Area and never sell it. My goal is to hold onto the property for as long as possible. But now with prices being so high and everything being off, homes that maybe went for a million are

Nadeska Alexis:

Absolutely. You definitely have to make that big decision on your own sometimes, but with a lot of knowledge and input. That's really the point of this podcast. We have a lot of experts in this field and they're here to offer their advice to homeowners and buyers like you. I'm wondering, are there any questions that you still have lingering that I can maybe take to some of our experts to help you out?

Matt Sesateta:

Yeah, I'd love to know... I know nobody's a prophet. Nobody can look into the future and look at a crystal ball and just figure out what's going to happen. But I know with federal rates rising and that having direct impact, but definitely a correlated impact on prices and interest rates of homes, I'm hesitant now as much as I want to buy and move into our next property to help out the family, as well as find a good school for my son, I'm hesitant because I don't know if this is a good time.

I feel like anytime is not a good time because it's always going to cool, it's always going to get better, or at least there's always that hope that it'll get better. But now with interest rates rising, I can feel like, ooh, if I buy now, am I buying at the height? But I think everybody feels like, oh, if I buy now, I'm buying at the height. I felt that way in 2019 when we closed on our home, but now it's gone up considerably. It's like, oh, was that the height or is this the height? It's just a challenging situation to be in.

I'd love to hear expert thoughts on that age-old question, when is the right time to buy and how do I know it's right for me and my situation?

Nadeska Alexis:

Okay, great. And then in terms of keeping your first home as an investment property, do you have any questions specific to that?

Matt Sesateta:

I'm in California, so I know that the laws are in favor of renters. As a former renter myself and always growing up in rented apartments and condos and whatnot, I can feel good about that and feel like, oh yeah, absolutely, save the renters, support them. But then now that I'm on the flip side and it's me renting my property, we put a lot of money, time, sweat, energy. We fixed a lot of mistakes in this home that the previous flipper had done poorly just to shortcut and get it sold. I'm hesitant to rent to somebody who's just not going to take any pride in the property and just let it come to ruin.

I think that's a big concern of mine is, how do vet the right renter? What can you put in place to make sure that your property's taken care of? I know I've heard of quarterly or annual check-ins where the landlord or maybe the person who manages the property comes as a walkthrough. I don't know if that's even legal or even a good idea, but I'd love to know how do you just maintain your home even if you're no longer living in it.

Nadeska Alexis:

I'm going to take these questions to our experts and come back with some great feedback for you. Thanks so much.

Matt Sesateta:

Great. Thanks for your time.

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Nadeska Alexis:

Lots and lots to learn about buying and managing an investment property. It seems like Matt is really thinking through all of the pros and cons before making such a big decision. Now, let's dig deeper into some of those pros and cons with Alexis Hart McDowell, who you might remember from season one of Beginner to Buyer.

Alexis Hart McDowell:

Thank you for having me back again.

Nadeska Alexis:

To start from the very beginning, what are some

I am biased as a real estate attorney who looks out for clients who are real estate investors and being a real estate investor myself. An attorney is always a good idea. Why is it? Because it's the one and only person that you are paying whose job is to look out for your best legal interest. The other buyer's counsel is not, the seller's counsel is not your attorney. The title company is not your attorney. The municipality is not your attorney. You have the one person looking out for you, and their job is to help you with that due diligence.

They can look for violations on the property, liens, make sure the title is clear, make sure the deed is correct. They can help you with that renter due diligence. Make sure that you have copies of leases, estoppel letters, rental receipts, making sure security deposits are transferred correctly in accordance to the law. There are so many things that a good, experienced real estate attorney can help you with and keep you out of trouble. Not just legal trouble, but financial trouble as well.

Nadeska Alexis:

All the trouble that you want to avoid essentially. Now, Alexis, as you mentioned, I think with any good investment, you need to weigh the risk versus reward, and there's always going

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In this case, your child is relocating, not you. You can keep your primary residence and purchase an investment property. Both of those are great

of owning the property, and we'll go through those one by one. Let's start with just the potential upfront cost of owning an investment property.

Alexis Hart McDowell:

All right. The upfront cost, let's talk about the purchase price. That's absolutely a cost, right? You're going to have property taxes and you're going to have, depending upon how you financed it, you may have PMI, which is purchased mortgage insurance or some other insurance depending upon how much money you put down. Definitely those are upfront costs.

Nadeska Alexis:

Cool, the big ones. And now for our ongoing cost, these are things you're going to be expected to deal with for as long as you own that property.

Alexis Hart McDowell:

Property taxes, of course, because only death and taxes is promised. And then we have insurance. We just talked about how important insurance is. That's an ongoing cost. You also are going to have capital expenditures if you need a new roof, plumbing, electrical, new driveway, pavement. Whatever happens in that house and that rental property, that's going to be a capital expenditure.

Another ongoing cost that you may or may not have is a property manager, depending upon where your property is located. Plenty of people manage their own property, others need to outsource that. That could be an ongoing cost as well. And then you have your regular maintenance costs like water, sewer, lawn, garbage, assessments if it's a condo association, all the things that you would typically have if you owned a home.

Nadeska Alexis:

All right. Finally, the most exciting, the hidden costs of owning an investment property.

Alexis Hart McDowell:

I would say one of the hidden costs of owning an investment property is legal expense. Nobody needs a lawyer until you need the lawyer, but you want to make sure that you have something set aside for that. Because when you own a property and someone else is living there, you could be liable for something. If something happens and the roof caves in, while you have insurance for that, they may also decide to sue you.

You want to make sure that you have something set aside for legal fees. That could be a hidden cost as well. And then selling. Once you're ready to sell the property, you're going to have all of the costs associated with transferring that property to the new owner, and that clearly is state and municipality specific on what transfer taxes and fees and things are.

Nadeska Alexis:

All right, Alexis, thank you so much for giving all of this information. These are all things that people really need to seriously consider. Like we mentioned, it's not always the easiest process. But like you

Alexis Hart McDowell:

It is absolutely worth owning an investment property to not only build your own wealth, but to build generational wealth as well. Take heed of the information you receive today and don't be afraid. If you find the right investment property for you, jump on it.

Nadeska Alexis:

With that happy thought, I want to thank Alexis Hart McDowell for sharing her expert knowledge with us. We hope we've given you some things to think about over these past 10 episodes, whether you're a first time home buyer or you already own a home. Hopefully you'll use information you learned here to make better and more confident decisions.

And as always, you can learn even more by visiting beginnertobuyer.com and checking out season one of the podcast. Beginner to Buyer was created by Magnet Media and Chase Home Lending. Our executive producers are Ashlei Bobo and Akash Vaswani. Our lead producer is Pamela Lawrence and our media editor is Matthew DiPietro.

Announcer:

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