

THE ONLY RENTAL PROPERTY INVESTING BOOK YOU'LL EVER NEED:

THE ULTIMATE GUIDE TO FINDING, BUYING, &
MANAGING RENTAL PROPERTIES USING LONG &
SHORT TERM RENTAL INVESTING STRATEGIES

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INTRODUCTION: WHY I LOVE RENTAL PROPERTY INVESTING

“Don’t wait to buy real estate. Buy real estate and wait.”

— WILL ROGERS

What would you do if you had no boss? No set schedule? No clock to punch or to-do list to complete? What if you had nothing but time?

I used to sit at my desk and ponder those exact questions. What would it be like if I wasn’t working for the weekend? If the thought of layoffs and downsizing didn’t constantly hang over my head?

I like to call that guy Old Andrew because he feels like a completely different person. That guy had a job that didn’t challenge him. He made enough money to cover his bills, but not nearly enough to fund the lifestyle of his dreams. He was looking at the typical American life: 9-to-5, climbing the career ladder, retiring at 65 if everything went according to plan, and having a decade or so of freedom to actually enjoy the fruits of his labor.

Old Andrew was surviving, but he certainly wasn’t thriving. His frustration mounted every single time he sat down at his desk. And eventually, he got sick of daydreaming about the life he wanted.

So, he took control. He rented out the second story of his duplex and kickstarted a real estate investing journey that changed his life.

HOW REAL ESTATE INVESTING CHANGED MY LIFE

My shift from Old Andrew to New Andrew—aka, the guy writing this book—began when I met my wife. Her passion for real estate sparked my curiosity and pushed me to dip my toe into house hacking (renting out a room or unit of your personal residence with the goal of lowering your expenses). Before I knew it, I had tenants living in the second story of my duplex. When I cashed that first rent check—enough to cover my mortgage—it felt like the sun was peeking through the clouds.

Could real estate investing be my ticket out of my 9-to-5? It sure felt like it. I learned everything I could about the industry, developed my own blueprint for finding great deals, and adapted my strategy as I became more knowledgeable.

Life looks really, really different now. I don't punch a clock anymore. Instead, I spend my time planning and enjoying trips with my wife. I've seen new countries, indulged in some incredible new cuisines, and checked off a few items on my ever-growing bucket list. I have the house of my dreams with plenty of space to tinker with DIY projects and a kitchen that makes me feel like I'm hosting a show on the Food Network.

Real estate investing changed my life. It can change yours, too.

THE BOOK I WISH I HAD

At its core, real estate investing is very simple. It's a tried-and-true wealth-building strategy because it's straightforward: buy property. Rent it or flip it. Repeat.

Everyone can do it. Not everyone can be great at it. Being a successful real estate investor is due to tons of tiny decisions that add up to massive results. When I started house hacking, I quickly realized I had a lot to learn. My wife helped a lot, but there are

some things only experience can teach you. I went from house hacking to owning multiple properties, including commercial rentals. I went from being a hands-on landlord to employing a team to manage my properties so I could live life to the fullest. Each phase had its own set of challenges, opportunities, and benefits. I learned something new at every single turn.

This is the book I wished I had throughout that journey. It probably caught your attention because you're in the same mindset as Old Andrew. You're feeling broke and frustrated, desperate to provide for your family. You're sick of having your earning potential dictated by your boss or corporate politics. You're a go-getter, and you want to go out there and get it: wealth, assets, and most importantly, control of your time and living life on your terms.

Real estate investing can give you this freedom. This book will give you the blueprint you need to get started and scale, especially if you are:

- Overwhelmed by your real estate options and don't know where to start. There are lots of terms, jargon, and strategies you need to learn to be successful. I'll break them down for you to shorten your learning curve.
- Building your empire. Managing one property is tough. Managing multiple properties is even tougher. And managing more than five is insanely tough, especially if you don't have the systems and team.

I've been there, done that. When you're finished with this book, you'll not only feel confident purchasing and managing your first investment property, but you'll be able to manage a second, third, fourth—as many properties as you want—with ease.

In the next pages, you're going to learn:

- How to find incredible deals
- The ins and outs of creative financing, including how to fund deals with little to no money and a poor credit score
- How to build a system to manage your properties that actually works

- Ways to manage short-term, midterm, and vacation rentals
- How to scale and exit when the time is right

Listen, I'm no mogul. I'm a regular guy who put in the work to learn this business and worked the steps I'm going to lay out for you in the chapters to follow. Jumping into real estate investing was a risk, but most worthwhile things are. If you're ready to take the plunge, read on.

HOW RENTAL PROPERTY INVESTING WORKS & HOW IT CAN BUILD YOU WEALTH YOU NEVER IMAGINED

“Ninety percent of all millionaires become so through owning real estate. More money has been made in real estate than in all industrial investments combined. The wise young man or wage earner of today invests his money in real estate.”

— ANDREW CARNEGIE

“I can’t purchase property right now. Interest rates are through the roof.”

“I missed the window to invest in property. Best to keep saving and wait until prices come down again.”

“I can’t risk having a property sit vacant. If I’m not collecting rent, there’s no way to make money investing in real estate.”

Sound familiar? You’re not alone. Lots of people dream of investing in real estate. Many never take the plunge because of thoughts just like the ones above. But most of that fear comes from a lack of knowledge about the industry.

Thankfully, that’s easy to fix. In this chapter, you’ll get a crash course in real estate investing. We’ll go beyond the basics, look at each phase of the real estate cycle, examine four ways investing

can make you money, and give you a realistic picture of the pros and cons of starting today instead of in the distant future.

WHY REAL ESTATE INVESTING IS SO POWERFUL

When was the last time you paid rent? Maybe it was a few years ago when you split that four-bedroom house with your buddies from college. Perhaps it was those first few years as a newlywed, renting a tiny house in the city. Maybe it was two weeks ago when you wrote a \$1,500 check to your landlord.

Let me tell you what happened to that cash. Your landlord used it to pay the mortgage on the place you live in. While you live in that property and pay their mortgage, the value appreciates, and your landlord racks up tax benefits. They're rolling excess cash flow into new properties.

This is why real estate investing is so powerful. Your hard-earned cash is making your landlord rich. It could be making you rich instead.

THE BIG FOUR: HOW REAL ESTATE CAN MAKE YOU WEALTHY

We all want to make money while we sleep. Real estate investing makes that possible, and there's more than one way to make it happen. Your property can generate value for you in four major ways: appreciation, cash flow, tax benefits, and loan paydowns.

You need just one property to start this process. As value grows, you'll be able to snowball that into more properties and, eventually, more income.

Here's how each of The Big Four elements work:

Appreciation

Let's do a little experiment. Head to Zillow and search for the address of your childhood home. Write down the Zestimate at the top of the page. Then, scroll down to the price history and look at the sale price for the last few times the home was bought and sold. You'll likely find a pretty big difference between the current projected value and the recent sale prices. That's appreciation in action.

Appreciation refers to the increase of an asset's value over time. It is split into two categories: natural and forced.

Natural appreciation occurs when market forces outside the investor's control, like inflation, economic growth, or population changes, drive an asset's value up. Forced appreciation occurs when the investor makes decisions that increase the property's value. Investors can create forced appreciation by raising rent or making property improvements.

Natural appreciation is ideal because it doesn't require hands-on work from the owner to increase its value. Instead, the time investment is used on the front end of the purchase when you go through a thorough due diligence process to understand the external factors that can impact the property's value. Forced appreciation requires an investment of time and money after purchasing the property, in addition to the time spent researching the investment before purchasing. In an ideal scenario, an investor can find a property that is not only likely to experience natural appreciation, but also offers an opportunity for improvements that lead to forced appreciation.

Cash Flow

In real estate investing, cash flow is exactly what it sounds like: the movement of money in and out of your property. Every property you own should generate income, typically through rental income. Each property will also come with its share of expenses, like mortgage payments, taxes, and operation expenses.

The easiest way to calculate your cash flow will take you right

back to basic mathematics. Add up the expenses on the property, then subtract it from the income. The result is your cash flow.

$$\text{Income} - \text{expenses} = \text{cash flow}$$

Accurately tracking your cash flow requires diligence because there are hidden expenses to property ownership and management. Repairs, security, access systems, and property maintenance all need to be accounted for when calculating cash flow. As your real estate empire expands and your team grows, you'll have things like property management fees to account for as well.

If your expenses exceed your income, you are experiencing negative cash flow. If expenses and income are equal, you still have negative cash flow. Your goal is to have positive cash flow, which means your income exceeds your expenses. When that happens, give yourself a pat on the back and celebrate—you're making money!

Tax Benefits

As Benjamin Franklin said, the only certainty in life is death and taxes. Let's talk about taxes.

Taxes are an inevitable part of real estate investing or any income-generating activity. Thankfully, some tax benefits to property ownership and real estate investing can lighten your tax burden. When you invest in real estate, you often qualify for pass-through deductions and tax write-offs, among other advantages. Deductions will lower your taxable income. Some deductions, like taxes and mortgage interest, are fairly obvious. Others, like business equipment or travel expenses, are less obvious but can add up to big savings. Some common tax benefits include:

- Subtracting a decrease in property value from your taxable income
- Using a 1031 exchange to defer taxes after selling an investment property and investing in a new property
- Writing off the value of replacing your investment property's HVAC system

These are just a few examples of the tax benefits of real estate investing. A great accountant or tax strategist can help you make the most of your benefits. They'll prove their value over and over again and quickly become crucial players on your team. We'll talk more about how to find these teammates in the next chapter.

Loan Paydown

You will likely take out a loan to finance property purchases. When you have tenants, their rent payments can go directly toward paying down your loan. As you pay down the principal, you grow the equity on your property. Paying off your loan early can save you money on interest and give you more capital to invest in new properties.

UNDERSTANDING RENTAL PROPERTY INVESTING

Real estate investing is a big umbrella. In the broadest sense, it is the act of purchasing a property with the ultimate goal to generate a return. You can do this through residential or commercial properties. We will focus on rental properties throughout this book, but the principles are the same for commercial investing.

There is a big difference between simply buying a house and investing in a rental property. The devil, of course, is in the details.

When you invest in a rental property, you are investing with the ultimate goal of getting a return on your investment, typically through income or appreciation. You might never cook a meal in this residence's kitchen or have a drink on its back porch. Heck, you might not even live in the same city as this residence.

When you purchase a home as your primary residence, you often consider factors unique to your family, like the number of bedrooms or the length of the commute to work. When you invest in rental properties, you become the landlord, and your considerations change. In addition to the property's features like location or size, you also need to consider other factors, like:

- **Maintenance costs:** You are the landlord, which means getting the property move-in ready—and keeping it in that

condition—is your responsibility. It’s crucial to be honest about whether you can complete the maintenance work yourself or if you have the financial bandwidth to hire someone else to do the work.

- **The desirability for tenants:** It’s important to have a clear picture of the potential tenants for the property. Are you offering a long-term rental for families? Mid-term rentals for traveling nurses or other similar professionals? How much work will you have to do to keep the property occupied, and can you handle having the property vacant for a few months between tenants?
- **State and local ordinances:** There are laws and regulations for rental properties, and they often vary by state and location. You’ll need to comply with these ordinances and regulations as well as keep up-to-date on changes after you purchase the property.
- **Your own personal finances:** Can this property generate enough income to make the work worthwhile? What is the average rent for similar properties in the area? How much will it cost to insure the property? Have a clear understanding of your personal financial health before you add another property into the mix.

Remember, your goal is not to build a home for yourself. Your goal is to find the right property, fill it with the right tenants, charge them the right price, and use that income to generate more wealth for yourself. To do this successfully, you need a strategy and a plan. Most of all, you need knowledge of how rental property investing works and how to make decisions based on the phase of the real estate cycle you’re in.

OTHER PROS OF REAL ESTATE INVESTING

For most of us, myself included, real estate investment is an attractive option because it gives us more control over our income and no cap on our earning potential. There are other benefits to jumping in, as I’ve discovered since taking the plunge.

Unlock the Power of Leverage

You can start investing in real estate without a ton of capital. When you use leverage, you are using borrowed money or debt to set yourself up for a return on your investment. Through mortgages and other purchasing incentives, you can purchase your first property with very little upfront capital and begin your journey. As your cash flow increases, you'll be able to invest in more properties. Leverage makes real estate an accessible way to grow your wealth and scale your business.

Success Is Dependent on the Person

I won't lie to you: making money through real estate investing takes work, especially in the beginning. The great news is that your success is entirely dependent on you. You have the power to improve your skills and expand your real estate knowledge. You have the power to use your personal time to hunt for deals and vet tenants. You have the power to set big dreams for your business and take action to make them happen. Your ability to succeed is entirely in your hands. Yes, it's hard. Is it rewarding? Absolutely.

Everyone Always Needs Somewhere to Live

Though the real estate market moves in cycles, one universal truth remains: everyone needs somewhere to live. People move for jobs, downsize due to retirement, or upgrade their homes to accommodate a growing family. Even when times are tough, a place to live is always a priority, no matter who you are or where you're located.

A Time-Tested Investment and Wealth-Building Strategy

Get-rich-quick schemes come and go. The stock market rises and falls. Real estate is forever. Property has been a wealth builder for generations, and that won't change any time soon. If you want to increase your wealth, investing in real estate is a great way to own a tangible asset that will stand the test of time.

Mostly Stable

Sure, the real estate market fluctuates. But overall, real estate is fairly predictable. If you hold on to a property long enough, its value will most likely appreciate. Rental properties generate

consistent revenue. Tax benefits are available year after year. The train will keep moving, even if the journey includes peaks and valleys.

A Variety of Investment Options and Flexibility

Real estate investing is not one-size-fits-all. There are multiple options for investments, from residential to commercial and short-term to long-term. You can buy properties individually or through crowdsourced funding. You get to find the approach that works best for you, your family, and your wallet. When the time comes to change your approach, you also have the flexibility to make changes that suit you.

A Simple Business Model

The business model for real estate investing is pretty straightforward. Buy a property. Find a tenant. Collect payment. Use the cash flow to scale. You do not need to employ a complicated strategy to be successful. You simply start small, learn the business, execute, and scale. It's really that easy.

Buy Low and Negotiate

When you're buying a property, you have the power to negotiate. Your negotiation skills can help you acquire a property below the asking price or place the burden of some of the repairs on the seller. You also don't have to be a superstar negotiator to get started in real estate. It's a skill you can learn and use for life. As you hone your skills, you'll get even more bang for your buck as your business expands.

Many Ways to Profit

Collecting rent is not the only way to profit as a real estate investor. Tax benefits will put money in your pocket. Loan paydowns will, too, as will buying and holding properties to sell down the line. From vacation rentals to purchasing land for future development, real estate investing offers endless opportunities to turn a profit.

Pile Up Passive Income

Trust me, there is nothing better than making money while you sleep. Real estate investing is an incredible way to generate passive income, especially if you have the right systems and team in place to manage your properties. You can collect the cash while someone else deals with the details.

CONS OF REAL ESTATE INVESTING

Real estate investing can be a great way to generate income, grow your wealth, and take back your time, but it's not all fancy vacations and big checks. Like any business, it takes work to build a sustainable real estate company. It's important to know the truth about what you're getting into—cons included.

It Takes Time to Build Real Wealth

Real estate is a long game. It takes patience, persistence, and strategy to be successful. From making property improvements to finding quality tenants, it takes time to get things up and running. Once you do, though, the options are endless.

You Have to Be a Landlord and Manage Properties

Your properties are occupied by actual people, and people can be hard to predict. As a landlord, you'll have to deal with late payments and less-than-ideal tenants. You'll be responsible for handling maintenance and repairs. You will also have to ensure your properties are consistently filled so the money keeps coming in. Although you might be able to hand off these tasks to a property manager down the road, when you're first starting, these tasks will fall squarely on your shoulders.

You Have to Manage Paperwork and Bookkeeping

As a real estate investor, you won't just be touring properties, brokering deals, and doing DIY projects like you're on HGTV. Real estate requires a lot of paperwork, from contracts to logging expenses. Staying organized with your bookkeeping is essential. You won't be chained to your desk, but you will have to spend some time managing your business.

You Can Lose Your Money and Investment

Nothing is guaranteed in life. Real estate is no different. There's always a chance your investment won't produce the returns you anticipated. You can lose money, and it's important to understand that risk exists before diving into real estate.

TAKEAWAYS

Hyper-supply. Forced appreciation. Real estate cycles. The Big Four. We packed a lot into this chapter, but every piece of information is absolutely crucial to building your real estate knowledge.

At the end of each chapter in this book, I'll share a few key takeaways. These are things you'll want to remember as we move forward through the book.

Takeaway #1: The Real Estate Market Is Cyclical

After reading media coverage and talking with friends who recently made property purchases, you might be thinking you missed the boat to invest in real estate. You didn't. Every real estate market works through four cycles: recovery, expansion, hyper-supply, and recession. There are indicators to help you determine which phase of the cycle we're currently in and specific strategies to help you thrive during each phase.

Takeaway #2: Look at the Whole Picture When It Comes to Value

Savvy investors consider each element of the Big Four when it comes to real estate investing. Your property can generate value through natural and forced appreciation, cash flow, tax benefits, and loan paydowns. Use each of the Big Four components to your advantage to maximize the value of each investment.

Takeaway #3: Push Past Fear

The more you know about real estate investing, the braver you'll feel. When you understand the real estate cycle, you can adapt your strategy and hold strong when times seem tough. Under-

standing the Big Four will help you assess a property's potential in its entirety and make investment decisions confidently. And hopefully, knowing the pros and cons of real estate investment will help you dive in without hesitation.

Takeaway #4: Be Patient

Unless you're exceptionally lucky, plan on real estate investing to be a long game. As long as you do it right and know the risks, real estate investing can build significant generational wealth.

WHAT'S NEXT

You've got the basics of real estate down. Now it's time to lay the groundwork for purchasing your first property. In the next chapter, I'll help you pick a strategy, choose a property type and location, build your dream team, and prepare to finance your first deal.