

FREE eBook

# Buy & Hold Tips

## 5 Strategies to Improve Your Buy & Hold Real Estate Investments





# **5** Strategies to Improve Your Buy and Hold Real Estate Investment

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## Introduction

Imagine this first scenario: you own a home and decide you want to move, but rather than sell your current property, you choose to turn it into a rental unit as a means of monthly income. A second scenario is you are an investor who finds a potential piece of real estate that you feel would make a profitable investment, so you purchase it and rent it out to tenants. Although both these situations were entered into differently, they capture what it means to now be a buy and hold property investor.



There are two main elements that come with this business: the property itself and the people who will be living in it. Where fixing and flipping involves purchasing properties with the intention of renovating them and then reselling them immediately for a profit, buy and hold investing is a long-term commitment that will require you to balance the costs of owning a home and dealing with the issues of tenants. This is a popular means of earning money for both investors and those who just want to bring in additional income as a side business. Therefore, whatever type of buy and hold property investor you may be, this guide will provide you with five essential strategies that can help educate, advise, and organize your business so you can expand your portfolio and increase your overall buy and hold profits.

## Appreciation

When looking into a buy and hold property, like any other real estate purchase, you want to make sure you find a property that will yield a good return value on your investment. Buy and hold has the benefit of appreciation, which is key when it comes to a long term investment because over time you'll want to see your home increase in how much it is worth. Because of this, finding a prime piece of real estate is the first important strategy to keep in mind when looking into your next buy and hold investment. The condition of the home you are looking into and how much time you are willing or able to put into fixing it before renting it are important aspects to consider. If you are a busy investor who doesn't have the time to spend rehabbing a place, then perhaps that distressed home you just found isn't the best candidate for a buy and hold. Know what you are able to handle before deciding if it's worth the investment.

In some instances, investors will buy a home and use a concept called forced appreciation which involves "buying something that's not a good investment and making it into a good investment," according to Brett Lee of BiggerPockets.com. This can be much more of a challenge to undertake, especially if you are a first time buy and hold investor. However, by attempting this strategy, you can



increase your rental income and property value significantly. Lee goes on to explain that adding additional space to a home, converting existing rooms, and doing some overall upgrades to current features of the property are just some of the many ways you can try and increase the value of your long term investment properties faster without waiting for the market to appreciate on its own.

## Think of Your Tenants



You can't have a buy and hold property that is bringing in money without any tenants. If you are planning on turning the home you purchase into a rental, then you need to consider some of the needs of the people who will be living there because their rent is your income, and if they don't like the home or are unhappy and move out, then vacancies will ruin your profits. When searching for a home, Joshua Keen of BiggerPockets.com determines the five qualities to consider before deciding to purchase: "hidden plumbing, adequate parking, ample land, a level lot, and an easily accessible basement or crawlspace."

As a potential landlord, these five qualities all go back to who you are targeting as your future tenants. For instance, if you want to rent to families, then considering Keen's suggestion about adequate parking is necessary because families tend to have more cars, and more cars means they'll need plenty of room to park. You need to know the limitations and strengths of the properties you're going to be investing in and how they will appeal to renters, and only then should you take that next step in deciding to actually purchase the property.

## Rehab, Remodel, Redecorate

You have to spend money to make money as the saying goes, and this is very accurate when it comes to turning that property you've purchased into an appealing piece of real estate. Once you've settled on the property you wish to have as your next buy and hold long term investment, you'll want to start doing some rehabbing, remodeling, and redecorating. Depending on the condition of the home, you should first make sure you address the most important issues that could affect if the home is livable. For instance, if you purchase a home that has old pipes in the walls that could potentially cause flooding, you'll want to fix these immediately before renters move in, or you'll have to deal with an even bigger construction job when the whole basement is suddenly filled with water.



Once the major issues are taken care of, then consider the redecorating part and do some cosmetic changes that make the home more presentable. Kevin Perk of BiggerPockets.com outlines some useful ideas for transforming the home's interior and exterior without going overboard on rehab costs. In his first article, Perk provides recommendations for renovating the interior of the home by using hard surfaces for floors to eliminate the dirtiness of carpeting, adding appliances that tenants will appreciate and pay more rent for, and putting in a little extra to the kitchen and bath to really get a renters' attention. In his follow-up article, Perk offers tips on remodeling the outside of the home by choosing a color that is complementary and appealing, install necessary security features for safety, and keep landscape as minimal as possible to reduce the long term maintenance required.

## Get Your Finances in Order



When it comes to buy and hold investing, you have to consider two important pieces regarding finances: how you are going to pay for your buy and hold property, and how are you going to keep record of your money once you start your investment. Whether this is the first or fifth property you have acquired as a long term investment, you'll need the capital to finance the initial purchase and any subsequent rehab costs that may arise. In his article "The Ultimate List of Ways To Finance Buy & Hold Property," Andrew Syrios of BiggerPockets.com offers different methods from save and hold to angel investors, and partnerships to private lenders as ways to obtain the necessary money for your investment.

Private lenders are a great strategy to employ when looking into financing because they are faster and more reliable. The key is to find the right one who will meet the needs you are looking for. Take for example LendingOne, a direct private real estate lender who utilizes their own capital to finance investors and can provide specific loans that cover buy and hold rental units for single family, duplexes, triplexes and quadplexes. Their online application is user-friendly and easy to follow so you can apply and get approval quicker.

## Get Your Finances in Order

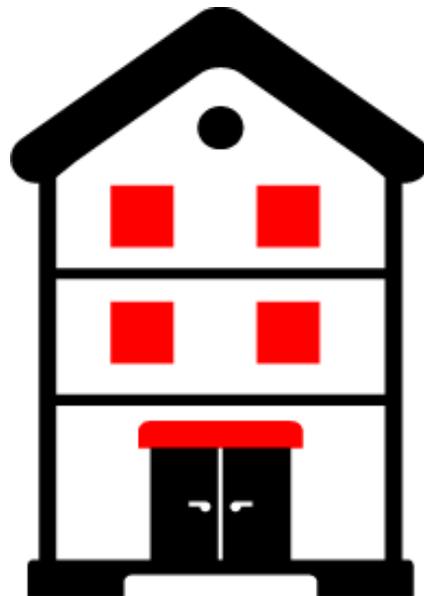
Once you have the money and the property is yours, you'll need to keep up with your yearly expenses, and the best way to do this is by implementing some plans to get you organized. Brandon Hall of BiggerPockets.com proposes setting up an accounting system that will keep track of all your receipts, transactions, bills, expenses, and taxes. The most successful way to accomplish this is to apply Hall's three pronged approach which includes the use of software to handle all your receipts so you'll save time at the end of the year, picking a specific day of the week to do your bookkeeping, and keeping all records neatly organized and easy to find. The more aware you are of how much you are spending and earning, the better chances you have of increasing your overall profits.



## Maintenance vs. Management

Now that you've reached the point where you have tenants living in your property, it is time to start figuring out who will manage it and cover maintenance. These are two important things to consider because your investment won't last very long if no one is overseeing the property and making sure everything is running smoothly. "The big choice is whether to hire a management company or do it on your own," Andrew Syrios of BiggerPockets.com states. You have to weigh if you have enough time and experience to manage the property yourself and if you choose to, make sure you are prepared for the responsibilities that will come with the job. You'll have to deal with tenants' complaints and concerns, collecting rent money, and maintaining the unit.

This leads nicely into the next part of a buy and hold that will need to be taken into account: maintenance. You can't keep tenants if the electricity is always faulty or if the air conditioner breaks during the summer. Mark Ainley of BiggerPockets.com suggests that you should set up a yearly maintenance plan which "keeps the property running smoothly through preventative maintenance and it gives you frequent access to the property to see how tenants are caring for the property." The key is to be proactive by getting prepared before something does break, and to be reactive by fixing the issue immediately to prevent any further problems.



## Conclusion

Deciding to pursue a buy and hold investment can offer great opportunity to earn extra money either on the side or as a full-time business. It's important though to keep in mind whether you are ready for the commitment that comes with owning a long term investment. Find a desirable property that is suitable for both yourself and future tenants. Determine if it's worth the investment as appreciated real estate. Decide how much time and money you want to put into rehabbing the place before it is ready to be rented. Be organized and diligent with your finances both prior to buying the property and after you start renting it. Have a plan for who is going to manage the unit and a maintenance system in place so you'll be prepared for anything that breaks on the property. These are only five of a much larger number of different strategies and ideas you should keep in mind when entering into the buy and hold business, but if you are willing to give it time and the effort, the profitable rewards have the potential to make the investment worth it.

Thank you for taking the time to read this eBook and we hope you have gained some valuable insight and knowledge into the field of buy and hold real estate investing. Please feel free to check out some of our other eBooks covering different topics in the areas of real estate investing.

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