



Path of Progress Multifamily Investing

During your real estate investing journey, have you ever come across the phrase “path to progress? If not, it’s definitely something you should become familiar with. Specifically, this phrase basically refers to the identification of emerging markets, i.e., geographical locations that have positive demographic trends favorable for multifamily investors. For example, if a new major employer is relocating to a new city (e.g., Home Depot, Amazon, etc.) or a city is building a new transportation system, new roads, and other types of public infrastructure, this may suggest a path of progress in that locality.

Why Following the Path of Progress is Important for Real Estate Investors?

Following the path of progress is essentially making an educated guess about an investment appreciation in the future. It’s important for real estate investors because it allows investors to get an edge on neighborhoods or emerging markets with properties that they will appreciate in the future.

The goal is to identify these markets before they reach their peak. Notably, as an investor, you don’t want to wait until a market is oversaturated and the prices have appreciated to the point that it is no longer a smart investment.

If done correctly, investors should let big corporations take the lead in locating these emerging markets. This is because big corporations typically conduct a large amount of due diligence before selecting a new market; as a savvy investor, you can sit back and let them do all the work and then follow their lead when making your investment decisions.

While no one can 100% predict the long-term positive fiscal performance of any geographical area, there are several positive and negative indicators of geographical areas that may be on the path of progress, some of which we will discuss below.

Job Market

Look for areas where well-known, larger retailers are either already operating or plan to operate in the future. Specifically, larger retailers such as Costco and Whole Foods conduct extensive research before moving into a new area. As such, you can piggyback off these retailer's research to help with your own investment decisions.

For example, in Lake Nona, a planned community in Orlando, Florida, the [Lake Nona Medical City](#) expansion has spearheaded growth in the area. Together with the expansion of the medical center, it has attracted the attention of a slew of medical students and professionals as well as many affluent homeowners, all of which make Lake Nona a solid emerging market in Central Florida.

When evaluating a location's job market, stay on top of employers coming in and out of the area by reviewing commercial listings on a regular basis, reading the local newspapers and business journals, and developing a relationship with their local commercial broker to discuss employers and commercial real estate in general.

Favorable Housing Market for Investors

As a multifamily apartment real estate investor, having property located in an attractive renter's market is ideal. Specifically, Orlando, as the 4th largest city in Florida, is one of the best places to purchase multifamily rental properties in 2021, based upon affordability, cash flow, growing job market, and population growth.

Despite the global Coronavirus (COVID-19) pandemic, the Orlando housing market is in high demand. However, there aren't enough homes available to meet this demand. This has caused a ripple effect on renters who are currently scrambling and looking for housing in the area. This means that investors in the Orlando housing market can enjoy a steady stream of tenants with low vacancy rates.

Additionally, Orlando is attractive in general due to no state income tax and lovely warm weather. Many businesses and individuals relocate to the area to escape the high taxes and cost of living in other states. The majority of rent charged in the Orlando market falls between \$1,000 and \$1,500 per month, with the most expensive neighborhoods being downtown Orlando, Baldwin Park, and Lawsons-Fern Creek.

Overall, areas similar to Orlando are ideal for multifamily apartment real estate investors. Additionally, areas where you see a lot of new housing developments, may be worth evaluating for your multifamily investment portfolio.

Evaluate the Local Zoning

Zoning is one of the most important factors in determining whether or not an investment is located on the path to progress. Specifically, zoning is used by the government to plan future infrastructures within communities to maximize the effect of public transportation and land value.

Zoning is especially important to consider because there is not much you can do in the short term if the zoning or does not fit your proposed use. Before you plan a development project, or invest in real estate anywhere in the country, you need the proper permits, licenses, and regulations. Regulations vary from one sector to another.

Overall, it is critical that you understand the local land regulations and zoning laws in the area where you want to develop.

Public Infrastructure

Highways and public transportation are critical to emerging markets on the path of progress. Specifically, high traffic and new roads being built or redeveloped is a good sign that you are dealing with an emerging market. As such, if the government deems a location fit for investment or reinvestment, this is a signal that investors should consider the area as well. If an area is on your radar due to the expansion and development of its public infrastructure, you should get to know the local politics and businesses located in the area. Part of being a savvy multifamily real estate investor is understanding what both the federal, state, and local government has planned for the area and the next five to 10 years.

When Should You Purchase Property?

The decision on when to purchase in your chosen market will mainly be dependent upon your risk tolerance both currently and in the future. Keep in mind that the path on progress can always change course and never fully develop into a flourishing market. However, as discussed previously, you cannot wait too long before purchasing into a market (the property must cash flow now). This is because you run the risk of the market becoming over-saturated, and the price inflating beyond its true value, particularly in a seller's market. The goal is to find the ideal time where you have enough information about the market that indicates that it is an emerging market, and the price is still low compared to its projected appreciation.

Final Thoughts

Investing in areas that are redeveloping or emerging markets can be great opportunities for real estate investors. However, it does not come without risk as the dynamics and demographics of areas are changing; there's always the possibility that the market will

not go as projected. As such, as a savvy and prudent investor, you must conduct as much due diligence as possible to ensure that you are identifying a cash flowing property in a true emerging market on the path of progress. This is obviously riskier in a development project.

Overall, developing and identifying your local path of progress is without a doubt an art. As such, if you are a novice investor, you should expect a steep learning curve before you get good at the process. Also, keep in mind that you don't actually have to purchase a property to start testing out your theories as it pertains to new emerging markets.

In any event, following and understanding the path of progress is just one strategy that real estate investors use to identify strong investment opportunities. As such, no method is bulletproof, and you have to figure out which one works best for you and the risk tolerance of your real estate portfolio. In the end, know and understand the reason why you became a real estate investor and know your greater purpose and goals, and always stick with it.

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About the Author



Ismael "Rey" Reyes has been actively investing in residential real estate since 2005 and has focused exclusively on multifamily since 2016. He has led [MI Real Estate](#) in investing in 13 multifamily properties in Alabama, Florida, Georgia, and Tennessee, totaling 599 units and valued at over \$39 million. Rey also provides independent consulting to multifamily investors and is the international bestselling author of

[BLUF: The Bottom Line Up Front about Passively Investing in Multi-family Properties.](#)