# How to Transition from Single-Family Investing to Multi-Family Investing

COVID-19, which reared its ugly head in early 2020, will have detrimental effects on both the global and domestic economy. Certainly, this can be discouraging for future investors; however, now that we’re in isolation and practicing social distancing, what better time than the present to educate yourself on making the jump from single-family investing to multi-family investing?

While it is true that you typically have to invest less when purchasing single-family homes, you can make significantly more passive income by investing in a multi-family property. Moreover, while multi-family investing may seem risky to novice investors, multifamily properties typically provide more stable income when compared with single-family homes.

Overall, investing in multi-family properties can be lucrative if you are diligent and have researched your possibilities. While the process may seem scary at first, merely taking the first step by deciding to enter this sector of real estate investing opens up a myriad of opportunities. Here, I will present some tips on how to transition from single-family investing to multi-family investing.

**Educate Yourself**

The first step to transitioning from single-family investing to multi-family investing is to get educated about the process. There are many different investment terms and ideas that multi-family real estate investors should be familiar with in order to make educated investment decisions. Specifically, when you are evaluating rental properties, you should be thinking about the numbers, specifically, the income and the expenses involved, as well as the capitalization rate ("cap rate,") NOI, cost segregation, etc. By knowing the critical numbers, you can ascertain how specific changes allow you to raise the income, and what effect it has on the value of the property A "feeling" about a property, without understanding the numbers, is bad business. Overall, to make sound decisions, you want to understand the financial comparisons when investing.

Make money in real estate investing involves diligence and hard work. So read books, peruse the internet, get the advice of some experts, and get a mentor. Do whatever you feel is necessary to get educated about the process so that you feel comfortable with transitioning from single-family investing to multi-family investing.

**Explore the Market**

Once you have reached the point where you feel like you are thoroughly educated about multi-family properties, you can begin exploring properties in your desired market. Using your experience and education, you should evaluate multiple apartment buildings, specifically their finances, the potential income, and expenses you will incur. Additionally, you should pay attention to the location of the properties you are considering purchasing. In general, the best neighborhoods have better quality yet fewer renters, because more families can afford homeownership. However, in poor communities, you may have more renters, and the properties may even be cheaper to purchase, but your income may not be as stable due to problem tenants and high turnover rates. As such, after exploring your local market thoroughly, you can evaluate which risks your willing to take and which property makes sense for you to purchase.

**Infrastructure and Management**

Arguably, the real work of real estate investing begins after you purchase the property. Specifically, when you buy your first multi-family property, you will have to maintain and

manage the property. As such, you must ensure that you have laid the proper infrastructure for your real estate company. In other words, you must be able to handle the new acquisition. For example, while you may have allowed your one tenant in your single-family home to pay the rent by depositing the funds into your business bank account, this system will not work for a multi-family property. You have the option to hire employees to help you manage your property directly, or you can outsource the management by hiring a professional managing company to do the work for you. In smaller buildings and apartment complexes, a live-in manager or superintendent may be able to perform the management duties for you. As such, if you do not plan actually to manage your properties internally, then before acquiring new properties, you must interview new property management companies who will manage your portfolio for you.

**Be Prepared to Invest**

Multi-family investors should become familiar with the concept of “forced appreciation.” Specifically, forced appreciation is the concept that the value of the property increases because of the investor’s actions and not by outside and uncontrollable market influences. For example, if you renovate the building, and install top of line kitchens in each apartment, you can rightfully raise the rent in the building. Any expenses paid to renovate your building will come back to you in no time through the increased monthly income.

**Continue to Grow Relationships**

Real estate investing is about relationships. People are your most valuable resource in real estate, and the more of them you know and have relationships with increases your chances of finding excellent properties to purchase or buyers for your properties. Ask people for their names. Know the right people, including investors, managers, and real estate agent who typically have the inside tips on new investment opportunities.

**Just Do it!**

At some point, you will reach the point where you have learned and researched information as much as you can about multi-family investing. You will have read every blog article every investment or trade magazine about the topic, and you may still not be ready to invest mentally. However, even though the process seems scary at first, you just have to take the first up on the journey to successful multi-family real estate investing.

Start small and then grow. In other words, start with maybe a duplex or three flat and build their way up to larger apartment complexes. This can mainly be achieved by using 1031 exchanges, which is a way to deferred capital gain taxes on the property. This is a smart way for investors to build up their portfolio. It can also be done by partnering with other investors through Joint Ventures (JV) or Syndications - with JVs, every investor is an active participant in the deal; with Syndications, most investors are passive, they provide the capital to acquire the asset and then receive monthly/quarterly distributions on their percentage of the investment.