SO, YOU WANT TO GROW YOUR INVESTMENT PORTFOLIO?

(Here's How You Can Tell If It's Time.)

RentersWarehouse®
THE PROFESSIONAL LANDLORDS®

Introduction

So, you’re thinking of buying another income property?

Maybe your first one is doing well and you’ve realized that the best way to build wealth for the future is through real estate. Or maybe you’re nearing retirement age (or getting a head start!) and would like to have some passive income streams in place to supplement your income.

Whatever your reason, the fact remains that investing in rental properties is a solid way to create real, long-term wealth. And when you multiply the number of properties that you have, the well-known benefits of rental investments–cash flow and appreciation, multiply as well.

While many landlords buy one property, and rent it out as a way to generate some side income in addition to their day job, some investors recognize the potential that income properties have to drive long-term wealth creation. When done right, expanding your portfolio can offer tremendous returns, and is a strategy that often makes sense from both a long-term and immediate perspective.

Of course, not all investments are created equal. And of course, there’s more to success than simply buying up as many properties as possible, renting them out, and hoping to turn a profit. Having a solid investment strategy in place is key to securing winning investment opportunities; ones that will allow you to generate decent returns.

In this guide we’ll take a look at some sure signs that it’s time to buy your second property, as well as some tips for doing so successfully. We’ll also explore some advantages of using tools that are available today, to help make investing a far easier, and more informed process.

Thinking of Investing Again? Signs It's Time to Buy Your Second Property

> *"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..."*
> *–Andrew Carnegie, billionaire industrialist*

Investing in multiple properties is a time-tested way to increase wealth, but despite this fact, many landlords have yet to make the jump.

By and large most landlords (61%) own just one property, while 31% own 2-4 properties and 7% own five or more.

Owning multiple properties may not be for the masses, but it's something that seasoned investors consistently use to grow their wealth.

With rental properties, you benefit from appreciation, equity growth, and cash flow, as well as some pretty good tax breaks. Not to mention leverage–the concept of using other people's money, to expand your investments.

With multiple properties, these benefits extend even farther, allowing you to increase your returns at an even faster rate.

And when it comes to investing in rental properties, there are many indicators that now is a great time. Homeownership rates are in decline, having recently dropped to the lowest they've been since the 1960s, and rents continue to increase as demand for rentals goes up. In fact, the average rent rose 22.3 percent in the 50 biggest housing markets between 2006 and 2015.

The signs all point to rental property as a great investment.

Benefits of Investing in Multiple Properties

More Rental Income
First up, the most obvious benefit–the chance to earn higher returns. While the cash flow from one property can help you to pay the bills each month, with two, you'll really start to notice that additional income. Once you have a few properties in your portfolio, matching what you're earning in your day job starts to become a realistic prospect.

Benefit From Appreciation on Two Properties
Next up, appreciation. When you invest in multiple properties, you not only stand to gain multiple sources of cash flow, but you'll also benefit from appreciation on the combined value of those assets. Depending on where you invest, and the type of deal that you're able to secure for the property, you could stand to gain significantly in the long-term. Nationally, housing prices have increased 18.4 percent between 1980 and 2016, and this long-term consistency makes real estate an ideal investment–and a hedge against inflation.

The Chance to Take Advantage of Tax Benefits
Under the 2017 Tax Cuts and Jobs Act, there's a new tax deduction available for owners of pass-through businesses–including LLCs, sole proprietors, and S corporations. This deduction allows owners to deduct up to 20% of taxable income for the year, provided that total taxable income for the year is below $157,500 for singles or $315,000 for married couples filing jointly. This means that depending on your financial situation, adding an additional property could still put you well within the bracket for taking this 20% deduction–which could represent a significant savings.

Signs It's Time to Invest in Another Property

Now, onto some clear signs that now is a good time to invest in another property.

Your First Property Was a Success

If your first investment was a success, then naturally, you'll be thinking about doing it again.

Asking the following questions can help you to gauge the success of your current rental property:

- How is the rental performing?
- Does it have minimal vacancies?
- Does it produce positive cash flow after expenses each month?
- Are you able to keep up with your current tenant's needs?

If the answer to these questions is a resounding yes, then there's a good chance that you're ready for another one.

You Have a Solid Management Infrastructure in Place

When it comes to managing property, many first-time landlords opt to go it alone. But once you have two–or more properties, landlording can quickly turn into a part-time job. For out-of-town properties, it can be especially challenging.

If you're thinking of investing in another property, you may want to consider looking into professional property management–to help ease the burden of having to do everything yourself. Tasks that are typically outsourced include tenant sourcing and screening, maintenance and repairs, rent collection, lease enforcement, and when necessary evictions. Ensuring that you have first-rate property management services in place makes it far easier to scale your portfolio, and can help to free you up to invest in as many properties as you'd like–you won't be limited by the number of properties that you personally can oversee on your own.

You're Nearing Retirement

Of course, you don't need to wait until retirement to start building your wealth! But as you start to near retirement age, the importance of having enough streams of income in place becomes especially clear. If you're able to secure a few rental properties before retirement, you'll be able to use the cash flow to supplement your fixed income during retirement. Of course, as always, the earlier you start investing, the better–if you're able to pay your mortgages off before retirement, the returns will be drastically higher.

Market Conditions Are in Your Favor

Another vital question to ask when seeking to add to your portfolio: is the market in your favor? Are mortgage rates low? Is it a buyer's or a seller's market? What are housing prices like in the area that you're thinking of buying? Have they shown steady and consistent appreciation from a long-term perspective? Asking the right questions will help you to determine whether now is a good time to buy–and will help you to locate a market that's worth investing in.

You Have a Plan for the Down Payment

When it comes to your second investment property, in most cases you'll want to plan on making a higher down payment. Generally, banks will require a 20% down payment for investment properties. Keep in mind too, that in some cases, loan costs will be higher for investment properties, and the bank will also most likely want to see a breakdown of all of your assets and annual income, so make sure your finances are in order before thinking about making the purchase.

Tips for Making That Second Purchase

Once you've determined that now is a good time to buy a second property, which steps will you need to take?

Find a Local Real Estate Agent Who Knows the Area
Once you've found a market that you'd like to invest in, you'll want to try to get in touch with local real estate agents, to learn more about the area.

Ideally, you'll want to look for a Realtor who's an expert in your market–and who also specializes in working with investors. Ask them questions about the local neighborhoods, market prices, and rental demand. Inform them that you're looking for a solid investment property, and looking to buy something that's priced below market value. Properties that have sat on the market for a while may be a good place to start, as sellers may be more willing to accept offers for properties that aren't selling. A Realtor will also be able to set you up with an MLS search, which will alert you when properties that meet your criteria become available.

Of course, while having a good Realtor contact can prove to be tremendously valuable, it's still important that you conduct your own due diligence when embarking on a property search. Make sure you do your own research and run your numbers to ensure that a potential property fits your criteria.

Consider Looking for Turnkey Rental Properties
One of the hurdles when buying a new investment property is then finding a tenant.

The success of your investment is largely dependent on cash flow and even one month's vacancy can take a significant bite out of your profit. One relatively new option that's available for rental property investors is the chance to buy turnkey properties–rentals that have tenants already in place. Our Investor Marketplace, makes it easy for investors to find properties–that have tenants, are cash flowing, and are all ready to go. It's a great way to reduce downtime, maximize your cash flow, and eliminates the hassles of tenant sourcing and screening. **See investment properties that are available now.**

Beware of Fixer-Uppers
While it's true that many investors make fixer-uppers part of their investing strategy, it's important to tread carefully if you're considering going this route.

You'll want to ensure that you're prepared for the amount of work and challenge that it can be to do extensive renovations to a property. Bear in mind that the time involved with getting a property in rent-ready shape can easily take months, and often, estimates will go higher than expected as you uncover additional problems along the way. Unless you have the skills for a large-scale improvement, or know a good contractor who does quality work for reasonable prices, it may be a better idea to look for a property that's only in need of minor repairs –and priced at below-market rates.

Make Sure You Budget for Expenses
Of course, you'll want to make sure you budget for expenses for your new property, just as you would have with your first. Make sure you start a separate fund for emergencies or repairs, and set aside enough funds for emergencies and repairs for two properties. Financial experts recommend having enough set aside to cover 3-8 months of expenses. Make sure you budget for every expense, even ones that only occur every decade or so–like a new roof.

Get a Good CPA
Having an accountant that you can outsource your taxes to will help to make the transition from one property to two far easier. They'll also be able to tell you how an additional property will impact you from a tax perspective. It's especially important to get a CPA if you're planning to invest in properties that are in another state, as earning income in two states could complicate your tax situation.

Calculate Your Return
Finally, before investing in a new property–make sure you've calculated your projected return. What type of percentage will you be earning on your investment? Be sure to weigh up your expenses including:

- Mortgage
- Taxes
- Insurance
- Utilities (If you're paying them)
- Maintenance
- Repairs
- Vacancies (estimate at least one month per year)
- Advertising Costs
- Professional Services (attorney, accountant)
- Property Management Fees

What type of returns are you hoping to get? Many investors look for properties that provide yields between 12-20%; but every investor's criteria is different. You'll want to determine for yourself what you'd like your investments to yield, and resolve to only invest in property that meets that criteria.

Note: Calculate a property's gross yield by finding your property's annual projected rental income, then dividing it by the property's value, and multiplying it by 100. This figure will give you a quick way to assess the performance of a potential rental property.

To determine your property's net yield, take the annual projected rental income–***minus expenses***, then divide that by the property's value, and multiply it by 100.

To see turnkey rental properties for sale (and view their net and gross yield, visit the Renters Warehouse Investor Marketplace today!

In many ways, the transition from one property to two can be thought of as a key milestone when scaling your investments. Being able to master any challenges that come along with owning two properties can give you the skills that you need to add a third or fourth property as well.

Investing in multiple income properties may not be for everyone, but if you're able to treat your investments like a business, have a clear plan for investing, and pay close attention to the market, you'll be able to make wise investments that can offer substantial financial benefits for years to come.

If you're ready to take the next step in growing your rental property portfolio, then you'll want to look at our Investor Marketplace to see investment properties that are available today.

Already have a property in mind? Take advantage of the Renters Warehouse FREE Rental Price Analysis to see how much it could rent for.

Alternatively, take a look at 5 Tips from the Best Property Investors in the Business–and see what the experts say about investing in rental property.