



# Table Of Content

- 1 **Getting Started With Six Multifamily Real Estate Investing Strategies**
- 2 **Multifamily Real Estate Investing Strategies**
- 3 **Becoming A Bird Dog**
- 4 **Doing Wholesale Deals**
- 6 **Getting Creative With Master Lease Option**
- 8 **Making Money Fixing And Flipping**
- 10 **Buy And Hold For Wealth Creation**
- 12 **Investing In Multifamily While Being A Real Estate Broker**
- 13 **Conclusion**

# Getting Started With Six Multifamily Real Estate Investing Strategies



There are 8 components of multifamily real estate investing you need to know to get started.

Investing in apartment complexes is not easy and there has been a lot of so-called "Gurus" that make you believe it is.

This guide should dispel that rumor.

The 8 components of multifamily real estate investing are:

- Multifamily Real Estate Investing Strategies
- Other People's Money and Relationships
- Multifamily Real Estate Marketing
- Underwriting Multifamily Real Estate Investments
- Negotiating Multifamily Real Estate Investments
- Multifamily Real Estate Investing Due Diligence
- Getting a Multifamily Loan
- Multifamily Property Management

Today we're going to cover:

## Multifamily Real Estate Investing Strategies

There are 6 multifamily real estate investing strategies.

The first 3 investing strategies do not require you to have any money or credit, two of the strategies will require knowledge and experience.

The sixth strategy will pay you to learn and gain experience while investing.

The other 2 multifamily real estate investing strategies will require money, knowledge, and experience.



## Becoming A Bird Dog



If you have no money, bad or no credit, and no real relationships yet, becoming a Bird Dog is the quickest and easiest way to get into multifamily real estate investing.

A Bird Dog finds experienced multifamily real estate investors that are currently looking for deals and becomes part of their acquisition team.

This allows you to get paid for finding deals that the multifamily sponsor closes.

Now there are strict rules with this strategy that you must follow, or you can be liable for selling real estate without a real estate license.

The best way to protect yourself is to ask the multifamily sponsor if you can get a 1-10% interest in the deal, on the sponsor's side of the investment, so you can get recurring income.

This will be deal size dependent of course. If you're finding 2 to 4-unit properties for someone, and they're good deals, I would ask for a 10% stake.

On the other hand, if you're awesome and can find a 1000-unit apartment complex portfolio for an institutional sponsor, then be happy with 1% of the deal.

This will pay you more than the 10% will on 2 to 4 units.

The income you receive from these deals can get quite large over time and you will have enough to go out and invest on your own.

Not to mention the experience you will gain from being in the middle of the transactions that you help close.

The next strategy you can do if you don't have any money or credit is to wholesale multifamily properties.

## Doing Wholesale Deals



This strategy requires some knowledge and experience in the market because you will be finding properties at a discount, so you can sell to an investor, before or at closing.

To wholesale a multifamily real estate investment, you must go out and find a really good deal that has enough value left in it for an investor to purchase it from you.

This will require marketing skills, both for motivated sellers and buyers that will purchase from a wholesaler.

You will need to have negotiation skills, which we will cover in a later article, so you get a great price without harming the seller or jeopardizing your opportunity with your buyers list.

Next, you will need to have a purchase agreement, don't expect help from a real estate agent or broker, they don't like to work with wholesalers, and the knowledge of how to use it.

This may require the use of a real estate attorney, and I cover that in a later article.

With a signed purchase agreement from both parties you have a contract to purchase an asset.

You can get away with not putting any earnest money down as long as the seller agrees to sell, and you agree to purchase.

There must be a quid pro quo in order to receive equitable interest in a property so you're not subject to selling real estate without a license.

Now you have to go find a buyer to assign the contract for a price.

Depending on the size of the property, and I would recommend starting at 2 to 4 units, and how low you were able to negotiate the deal without harming the seller, will depend on

There are 2 types of closings that you must become familiar with:

- Simultaneous Closing
- Dual Closing

In a simultaneous closing you give the title company, or attorney depending on the state you're in, the purchase agreement and assignment of the contract to the buyer.

The closer executes the sale, get's the money from the buyer, pays the seller their proceeds, and pays you your profit earned in the transaction.

In some states they will not allow a simultaneous closing and you will have to do a dual closing, first with the seller.

This will require transactional funding and cost you a little more, for the cost of the funds and the closing costs.

In this case you're better negotiating with the seller to pay all the closing costs, again, as long as the seller is not harmed in the price of their asset.

After you close you can then close your transaction with the new buyer, usually an hour later, depending on the state and the schedule of the closer.

There are a few states that do not allow you to wholesale properties. Please check with an attorney before using this strategy.



## Getting Creative With Master Lease Option



This is another multifamily real estate investing strategy that does not require any money or credit but will require knowledge and experience.

In this investment strategy you seek out motivated sellers that are managing their own properties because they can't find good management locally and are tired of the headache.

This will require knowledge and experience in marketing and multifamily property management. We cover both components in later articles.

First you need to know the story. Where is the pain the seller is feeling, and do you have a solution to ease their pain?

Offer to take over the property and you will pay the seller a negotiated amount every month, whether you make that much or not.

This is where you will need knowledge and experience in underwriting multifamily real estate investments.

You will also need to negotiate a price for the property the seller is willing to take, without being harmed, for the option agreement.

In a regular transaction you have a bilateral contract, meaning either party can perform or get out of the contract.

In an option agreement it's a unilateral contract meaning only one party, the buyer, has the option to perform or not. The seller is bound to the contract.

If the two of you agree to an amount each month, and a price he will take for the property, draw up a master lease agreement and a separate option agreement.



You may need to consult with an attorney to help you on the agreements.

You want the agreements separate, so you can record the option agreement with the county, which now gives you equitable interest in the property.

This will become important later. When you decide to exercise the option and purchase, instead of getting a new loan you can refinance, pay the seller and even get cash back at closing.

During the master lease period any money made in excess of the money you pay the owner, is yours.

Be careful to leave reserves in the operating account for any unforeseen maintenance issues that can creep up.

I would recommend this strategy for use on 10 or more units to be effective.



## Making Money Fixing And Flipping

In this strategy you will need money, knowledge, and experience, not necessarily credit.

If you're just getting started and have not flipped a house or another multifamily property, you may want to try and partner with someone who has.

You may be able to find a partner that will allow you to use sweat equity on first couple of flips if you have no money right now.

The best place to try and find partners is in the local real estate investor club, on meetup, in real estate forums, and in Facebook and LinkedIn groups.

This strategy can be used in small apartment buildings, mid-size, and large apartment complexes.

The larger the property, the large the team needs to be.

We're going to focus this article on small 2 to 4-unit apartment buildings.

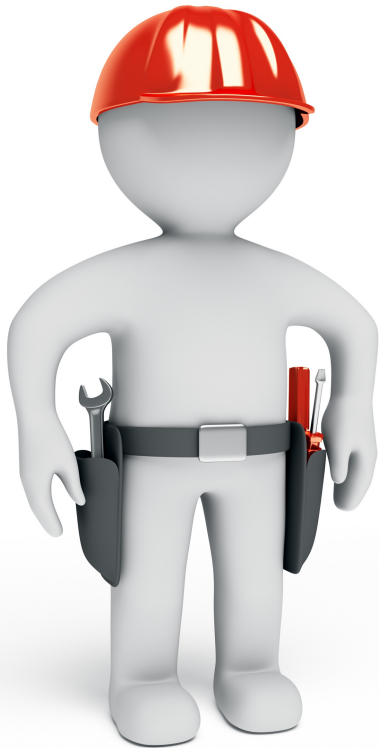
Once again, knowledge and experience in marketing, covered in a later article, will help you find distressed assets and motivated sellers.

Having a deep understanding of underwriting multifamily real estate investments and construction practices and procedures, will be necessary for the fix and flip strategy.

Knowing the market rent and sold comps for the property size and type will also be necessary to be successful.

When you find a motivated seller of a property in desperate need of repair and upgrades, negotiate a price that fits your underwriting and doesn't harm the seller.





During the due diligence portion of the contract period, covered in a later article, get all your sub-contractors to the property bid so you can get an accurate budget to make sure your underwriting wasn't off.

Make sure to walk the rent and sold comps so you can verify your underwriting.

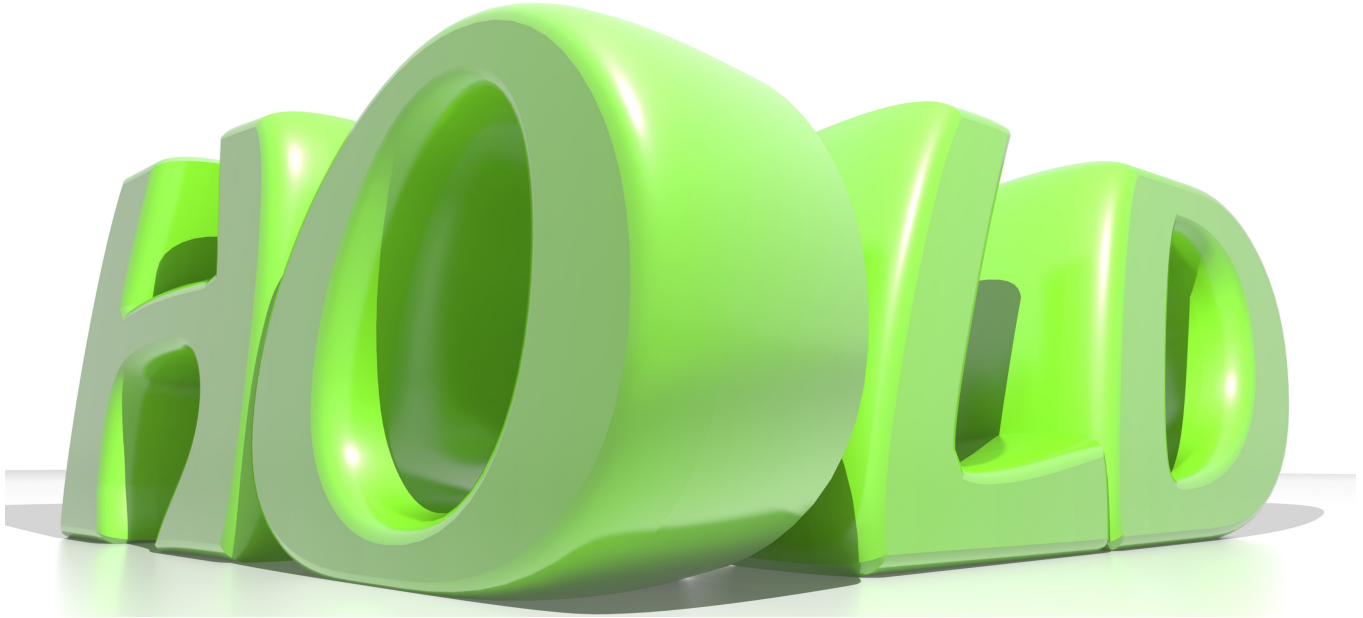
Be sure to look for the upgrades that are getting the rent bumps you're anticipating and budget for those upgrades.

You can look to hard money, private money, or bridge financing to fund this deal to get it closed, I cover getting a multifamily loan in a later article.

After closing, make all the necessary repairs and upgrades, lease up the property at the new rents projected, and market the asset for sale, hopefully for a profit if you purchased it right.



## Buy And Hold For Wealth Creation



This is the most widely used multifamily real estate investing strategy for investors and sponsors.

This investment strategy requires money, knowledge, and experience, and not necessarily credit.

There's not much difference to this strategy except you won't be selling the property after the repairs and upgrades, if there are any.

You can purchase small apartment buildings to large apartment complexes.

Your only limitation is your team, money available, and ability to locate and purchase the assets.

This will require an extensive knowledge of the market, by you or someone on your team, and experience to underwrite the deal, I cover both in later articles.

If you don't have any money or experience you will need to work hard to find a team that will allow you to work with them, although I think you would be better off being a bird dog in this case and working way up to this level.

Right now, as of this writing in January 2019, the number one multifamily real estate investment strategy for buy and hold investors is value add.

With a value add play you can find class "C" assets that are distressed, have deferred maintenance and/or bad management, or stabilized class "B" assets that have lower than market rents.

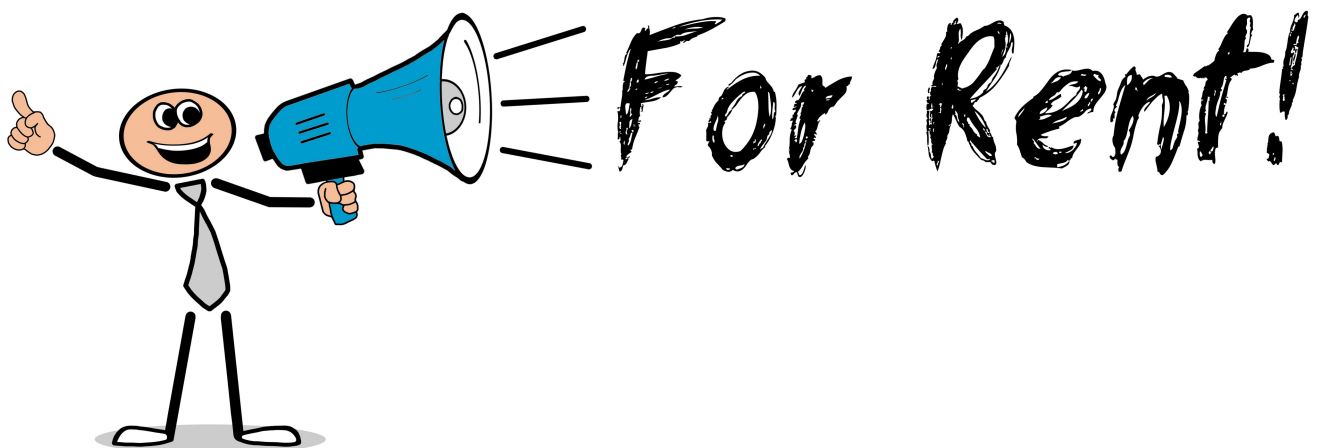
The key to success in a value-add strategy is in the underwriting.

If you screw up the underwriting it can be the difference of your investors always investing with you or suing you for their initial investment.

That's why it's incredibly important to have team that has someone to do the underwriting, someone for market analysis, someone for construction budgeting, someone for project management, someone for operations management, and an asset manager to handle the investors.

This can be few people that will do multiple tasks, or team of people where only one person handles each task.

If you're just starting out, I would recommend starting with a smaller property, mine was a 5-unit mobile home park that we still own and doing very well and working your way up to larger apartment complexes.



## Investing In Multifamily While Being A Real Estate Broker

The final strategy is to get your real estate license and learn this business by getting in the middle of the transactions.

This is how I got started. I was looking for small investments and found a real estate agent to help and show me properties, who happened to invest in real estate himself, and he talked me into getting my license, so I could get access to the MLS and not have to rely on a real estate agent to show me a property.

In this strategy, you get paid money to broker transactions, gain the knowledge and experience by doing the work, and credit is probably not issue.

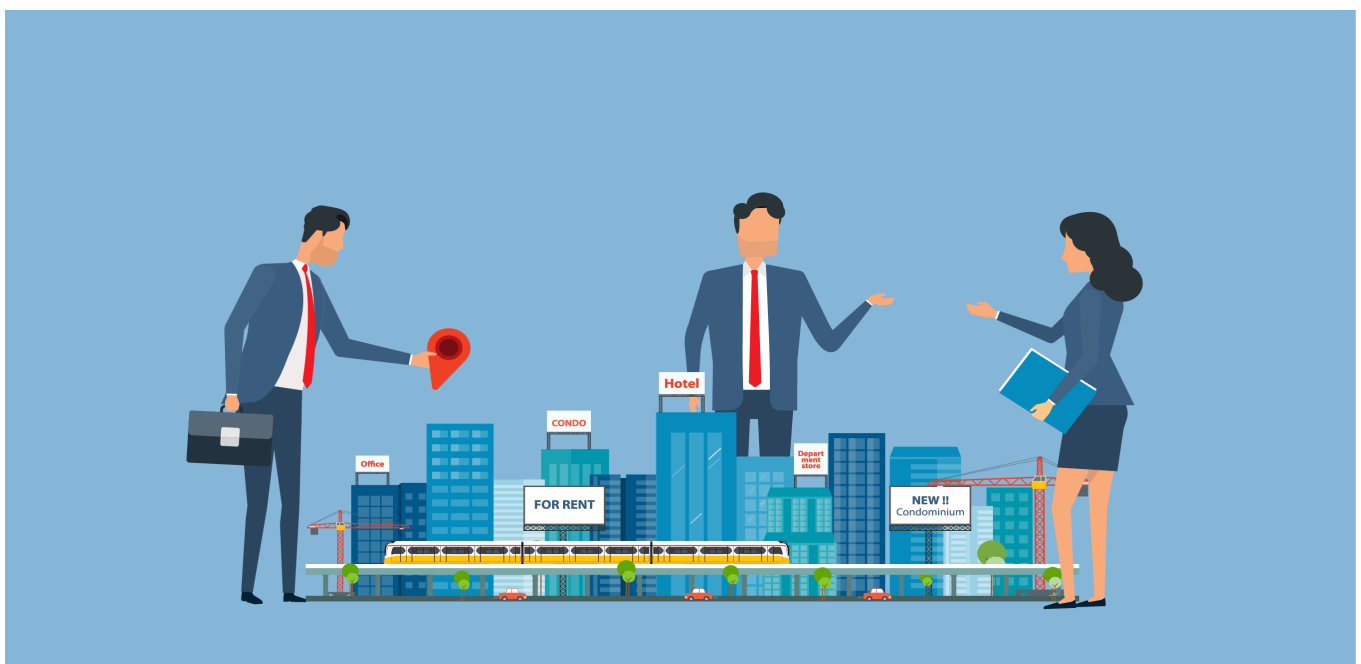
You do not have to quit your day job to be a licensed agent, you're only required to hang the license with a broker.

If you're going to go full time immediately, start off in a commercial firm that has a multifamily specialist that can put you on his team.

When you get a commission, put half or more of the commission, after your split with your broker, back into the deal as a passive investor and enjoy the recurring income that you can use to do more deals later.

I try and put half my commission in on every transaction.

Not all buyers will allow you to invest them, but if the transaction includes a buyer that's sponsoring a syndication, and the commission is at or above the minimum investment, you should no trouble.



## Conclusion



Now you know 6 multifamily real estate investing strategies that can help get you started investing in apartment buildings.

If you don't have any money, experience, or credit, start with becoming a bird dog, wholesale multifamily real estate investments, manage an apartment complex under a master lease option, or do like I did and get your real estate and learn while you invest.

If you have money and experience, or you're partnered with someone who does, then do a fix and flip for cash so you can buy and multifamily real estate investments for wealth.



If you're ready to take the next step, learn about the Multifamily Investing Framework Masterclass by going to <http://www.davidmonroeccim.com/masterclass/>

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THANK YOU