

The 5 Money-Making Advantages of Multi-Unit Investing

by Dave Lindahl, "the Apartment King"

Having rehabbed over 470 properties in the last seven years and collected over 600 apartment units I'm often asked, how can I become wealthier faster investing in real estate?

While most investors concentrate on some aspect of single family houses, I was always interested in multi-units (apartments) first, and then single family homes as a means of getting more multi-units.

From the very beginning of my investing in real estate, I liked the idea that a group of people (the tenants in a building) would get together and pool their money to pay down the mortgage on a property, and I liked the idea that they would also pool their money together to pay for all of the maintenance work for a building.

I especially liked the idea that they would give an owner so much money that the owner would have a bunch of money left over at the end of every month that could be used to either re-invest, save or to go out and have a good time with.

Essentially, I like the idea that other people were willing to help make me wealthy. I liked it even more when I started using management companies to manage my properties and no longer had to have contact with my tenants.

I soon came to realize that I could also wholesale, retail, pre-foreclosure, rehab, subject to and lease option apartment houses as well. I also realized that there were certain advantages that investing in multi-units buildings had over single families.

1) The first was cash flow. Cash flow on a multi-family is always greater than that of a single family. Simply because you have more rents coming in. The more units you have under one roof, the less risk you have. If you have a single family house and you lose your tenant, you've lost 100% of your income. In some instances, this could be your entire profit for the year. If you had a three family and lost a tenant, you still have two rent coming in to pay your expenses.

2) Economies of scale are in multi-unit buildings. If you have six single family houses opposed to one six family, you have six roofs to be replaced or repaired, six lawns to be maintain, six tenants spread out through out your city or town. In your six family you have one roof, one lawn and your tenants are centrally located. Economies of scale are in your favor.

3) There's a lot less competition than there are in single family houses. Why? Because no one is out there teaching how to do it and all the single family guru's make flipping single family houses sound as easy as chewing gum in the dark. The smart investors put multi-units in their portfolios along with single family houses.

4) Because of the bigger cash flows, you can afford to hire management companies to manage your tenants, thus eliminating that hassle while you go out and do what you do best (or should do best), find and finance them.

5) Your pay days are a lot bigger when you finally sell your property. This is because apartment complexes cost more than single family homes and because of this, they obtain a greater dollar amount of appreciation. For example, a \$100,000 single family house will in a market that appreciates 10% will be worth \$110,000 while a three family house worth \$300,000 in the same market (10% appreciation) will increase to \$330,000. That's \$20,000 more money in your pocket!

You've know a few people who have made a lot of money flipping single family houses, but if you think of the all the people you know who have become extremely wealthy through real estate, you'll realize that they did it through owning multi-units (apartments).

These are the five biggest advantages to investing in multi-units, there are many, many more. If you are interested in creating more wealth at a faster rate, adding multi-unit to your portfolio is the way to do it!

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