



Real Estate Investment Strategies

An overview of residential real estate investment strategies.

By Scott A. Stanfield



For centuries, real estate has been a coveted investment vehicle, contributing to the wealth of numerous millionaires and offering financial security to many. Many people, myself included, consider real estate to be among the most lucrative forms of investment, if not the best. This isn't just a personal view; it's a perspective backed by compelling data. For instance, it's commonly said that 80% of the world's millionaires earned their first million through real estate investments. That's a remarkable statistic, leaving just 20% for all other investment vehicles such as stocks and small businesses. This positive outlook on real estate has roots that go back centuries, as highlighted by quotes from various eras:

"Landlords grow rich in their sleep." – John Stuart Mill

"Ninety percent of all millionaires become so through owning real estate." – Andrew Carnegie

"Real estate can't be lost or stolen, nor can it be taken away. Bought with common sense, paid in full, and managed with care, it's the safest investment one can make." – Franklin D. Roosevelt

This article delves into diverse real estate strategies, each catering to different preferences and goals. Whether you're a novice or a seasoned investor, understanding these strategies can offer you a clearer path to success in the real estate realm.



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As you review the strategies discussed in this article, keep in mind that every strategy listed has the potential to make money. Focus on the strategies you like that fits your monetary and time resources. Mastery of a strategy is by far the most important factor to how profitable you will be.

Contents

Wholesaling

Property Flipping

Live-in Flip

Rental Property Investing

Short-Term Rental Strategies

Mid-Term Rental Strategies

Corporate Housing

Long-Term Rental Strategies

Traditional Single-Family Rental Strategy

Live-in Rent

Turnkey Rental Investing

Conclusion

Wholesaling

Wholesalers are a real estate “middle man” and wholesaling is the practice of assigning a contract or selling a property to an end buyer for a profit. Wholesaling is an ACTIVE strategy that requires a fulltime effort. Overtime, you can develop good business systems that will enable outsourcing the activities but, in the beginning, expect to be very busy.

Key Tasks:

- Market for excellent real estate deals.
- Market for buyer-clients.
- Determine an estimated value of properties after they are renovated.
- Estimate the renovation expenses for properties.
- Negotiate favorable terms with home owners and potential buyers.
- Put properties under contract.
- Sell the contractual rights to an investor.

Resources:

- Marketing platforms such as Direct mail, bandit signs, and online ads.
- Real estate contracts and knowledge of local contract law.
- Real estate valuation tools or apps.
- Renovation cost estimation tools or software.
- A strong network of potential buyers, usually real estate investors.

Pros:

- Low financial risk as no property is bought.
- Quick returns, as deals can close within weeks.
- No need to deal with tenants or property management.

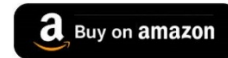
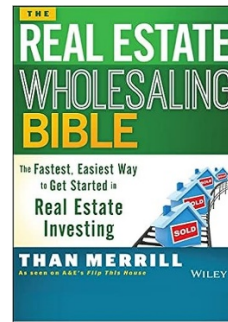
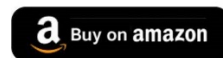
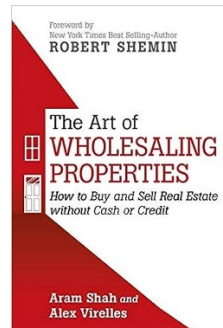
Cons:

- Requires strong marketing and negotiation skills.
- High competition in some markets.
- Profits are typically smaller compared to other real estate strategies.



Good References:

- The Art of Wholesaling Properties: How to Buy and Sell Real Estate without Cash or Credit by Aram Shah and Alex Virelles.
- The Real Estate Wholesaling Bible: The Fastest, Easiest Way to Get Started in Real Estate Investing Than Merrill.
- BiggerPockets Wholesaling Forum
- Wholesaling Inc. Podcast



Property Flipping

Property flipping involves purchasing properties, renovating them, and quickly selling them for a profit. The property flipping business plan is an ACTIVE strategy that requires a fulltime effort. The plan includes the wholesaling business plan but with the primary intent to renovate and sell the property with a secondary plan to assign the contract if their business is at their maximum capacity of renovation projects.

Key Tasks:

- Market for below market deals or find below market deals through your network of wholesalers and realtors.
- Estimate a renovation budget and build a scope of work.
- Collect bids and hire the right contractors.
- Manage contractors and the renovation.
- Market the property for sale yourself or hire a realtor.

Resources:

- Capital or access to financing for property purchase and renovation.
- Reliable and cost-efficient contractors.
- Knowledge of local real estate market trends and buyer preferences.
- Property staging services or furniture rental companies.

Pros:

- Potential for high profit in a short period.
- Tangible results as you transform a property.
- Direct control over renovation quality and budget.

Cons:

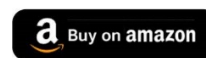
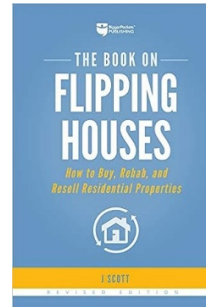
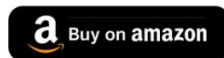
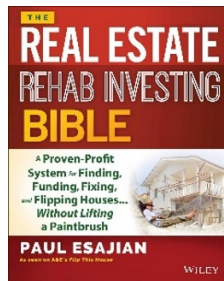
- Higher risk due to larger capital investment.



- Market volatility can impact profitability.
- Unexpected renovation costs can arise.

Good References:

- The Book on Flipping Houses: How to Buy, Rehab, and Resell Residential Properties (Fix-and-Flip, 1) by J Scott.
- The Real Estate Rehab Investing Bible: A Proven-Profit System for Finding, Funding, Fixing, and Flipping Houses...Without Lifting a Paintbrush by Paul Esajian.
- BiggerPockets Flipping Houses Forum
- Flipping Houses for Rookies Podcast



Live-in Flip

Live-in flip is a sub-strategy of property flipping where an individual purchases a property, moves into it as their primary residence, and gradually renovates or makes improvements over time. Once the renovations are complete, the homeowner sells the property at a profit. One of the major advantages of this approach is that it allows the investor to live in the property while working on it, eliminating the need for additional living expenses elsewhere. Additionally, when done correctly and strategically, the live-in flip can provide tax benefits, as the gains from the sale of a primary residence are often tax-free up to a certain amount. For those willing to live amidst ongoing renovations and invest the time and effort into the property, the live-in flip can be a lucrative strategy.

Key Tasks:

- Market evaluation and property selection.
- Estimate a renovation budget and build a scope of work that increases the property value.
- Manage living logistics during the renovation.
- Market the property for sale yourself or hire a realtor.
- Planning your move during the selling process.

Resources:

- Knowledge of cost-effective yet impactful renovations.
- Patience to live in a work-in-progress.
- Access to temporary storage solutions for personal belongings during renovation.



Pros:

- Personal living expenses can be offset by the eventual resale profit.
- Potential tax advantages on the sale profit.
- Real-life experience of the renovation process and its impacts.

Cons:

- Discomfort living in a renovation zone.
- Renovations can take longer when balancing with personal life.
- Unexpected life changes can disrupt the flip timeline.

Good References:

- BiggerPockets Forum

Rental Property Investing

Rental property investing is where you acquire properties to rent out, generating continuous rental income. Rental property investing can be broken into three categories:

- short-term rental investing,
- mid-term rental investing,
- long-term rental investing.

Short-Term Rental Strategies

Short-term rental strategies involve renting out a property for short periods, often on a nightly or weekly basis. Examples include vacation rentals, weekend getaways, or any other situation where tenants need a temporary stay. Two common short-term rental strategies are vacation rental by owner (VRBO) and Airbnb. While both platforms cater to vacation rentals, Airbnb typically targets a broader audience including solo travelers, business travelers, or short-term renters. VRBO (Vacation Rental By Owner) traditionally focused on larger properties suitable for families or groups. Airbnb charges hosts when they get a reservation, while VRBO offers an option for hosts to pay an annual subscription.

Key Tasks:

- Market evaluation, regulatory policy, and property selection.
- Financial budget.
- Furnishing and property preparation.
- Listing creation and pricing strategy.
- Customer service and guest communication.
- Vetting, hiring, and managing service providers.
- Local compliance and regulations.
- Reviews and reputation management.

Resources:

- Property management software that integrates with VRBO and Airbnb.
- Cleaning and maintenance services familiar with short-term rental expectations.
- Interior design or staging to make the property photograph well and feel welcoming.
- Local permits and licenses, and maintaining compliance.



Pros:

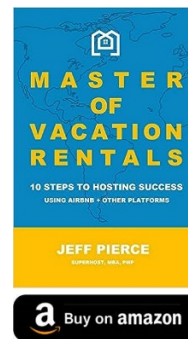
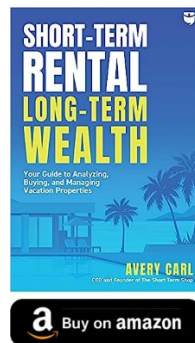
- Potentially higher revenue per day compared to long-term rentals.
- Flexibility in personal use of the property.
- Diverse clientele can lead to fascinating networking.

Cons:

- Typically, intensive property management needs.
- Seasonal or local events can drastically affect demand depending on the market you select to invest in.
- Regulatory issues in certain cities or neighborhoods.

Good References:

- “Short-Term Rental Long-Term Wealth: Your Guide to Analyzing, Buying, and Managing Vacation Properties” by Avery Carl.
- “Mastery of Vacation Rentals: 10 Steps to Hosting Success Using Airbnb + other platforms” by Jeff Pierce.
- Get Paid for your Pad. Podcast
- Hostfully. <https://www.hostfully.com/digital-guidebooks/features/>
- AirDNA. <https://www.airdna.co/>



Mid-Term Rental Strategies

Mid-term rental strategies involve renting out a property for several months but typically less than a year. It caters to tenants like traveling professionals, students in short courses, or individuals in transitional phases (like relocation). An example sub-strategy is corporate housing.

Corporate Housing

The corporate housing strategy involves offering fully furnished residential properties to corporations, businesses, or professionals on a temporary basis. These properties are primarily catering to business travelers, relocating employees, or professionals on short-term assignments. Corporate housing units come equipped with all the amenities and conveniences of a home, eliminating the need for tenants to invest in furnishings or set up utilities. The rental rates for corporate housing are higher than standard rentals due to the added conveniences and shorter lease durations. For real estate investors seeking a balance between short-term rentals, like those seen with Airbnb, and traditional long-term leasing, corporate housing offers an attractive middle ground.



Key Tasks:

- Market evaluation, regulatory policy, and property selection.
- Financial budget.
- Furnishing and property preparation.
- Listing creation and pricing strategy.
- Customer service and guest communication.
- Networking with local businesses, Human Resource (HR) departments, and relocation services.
- Vetting, hiring, and managing service providers.
- Local compliance and regulations.
- Reviews and reputation management.

Resources:

- Quality furniture and decor to meet corporate expectations.
- Utilities and services like high-speed internet, cleaning, and maintenance.
- Contacts within local corporations or relocation services.

Pros:

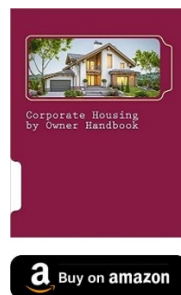
- Steady demand in cities with strong business activity.
- Higher rental rates compared to traditional rentals.
- Potential for longer-term contracts offering stability.

Cons:

- High startup costs for furnishing and setting up the property.
- Corporate clients can have specific and high standards.
- Dependency on the local corporate landscape.

Good References:

- “Corporate Housing by Owner Handbook” by Eric Smith
- CorporateHousingByOwner.com
- National Corporate Housing Association



Long-Term Rental Strategies

Long-term rental strategies involve renting out a property typically for a year or more. Some examples include the

- Tradition single-family rental,
- Live-in rent strategy,
- Turnkey rental investing.

Traditional Single-Family Rental Strategy

The single-family rental strategy uses a standard lease agreement for tenants who are seeking long-term stable housing. The business plan often includes parts of the wholesaling and property flipping business plans. Namely, marketing for below market value properties and renovating the property to increase the value. If properly executed, this approach will increase your profit but is an ACTIVE investment strategy.

Key Tasks:

- Finding a property priced below the market value through marketing or your network of wholesalers and realtors.
- Renovating the property to rental standards for the area.
- Market the property for a tenant.
- Tenant screening.
- Lease signing and move-in.
- Manage or outsource property management.

Resources:

- Down payment capital.
- Property management systems or professional management services.
- Legal documentation for tenancy.
- Legal contacts for tenant disputes.
- Maintenance contacts.
- Accounting and finance management tools.

Pros:

- Consistent income stream and property value appreciation.
- Tax benefits.
- Leverage for acquiring more properties.

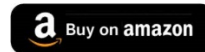
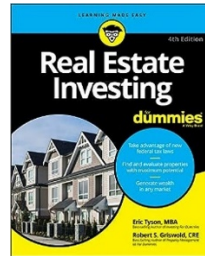
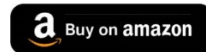
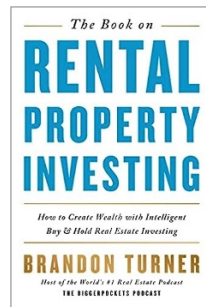
Cons:

- Legal responsibilities.
- Initial investment can be high.
- Tenant turnover and associated costs.
- Unexpected expenses.
- Property management challenges.



Good References:

- The Book on Rental Property Investing: How to Create Wealth with Intelligent Buy and Hold Real Estate Investing by Brandon Turner.
- Real Estate Investing for Dummies by Eric Tyson and Robert Griswold.
- The BiggerPockets Podcast



Live-in Rent

The live-in rent strategy, often termed "House Hacking," allows individuals to offset living expenses by renting portions of their residence. It's a clever way to dip your toes into property management and real estate investing. The live-in rent strategy can be executed as a short-term, mid-term, and long-term rental strategy.

Key Tasks:

- Finding and acquiring a property suitable to the live-in rental strategy.
- Market the property for a tenant.
- Tenant screening, lease signing, and other property management tasks.
- Financial monitoring.

Resources:

- Down payment capital.
- Property management systems or professional management services.
- Legal documentation for tenancy.
- Legal contacts for tenant disputes.
- Maintenance contacts.
- Accounting and finance management tools.

Pros:

- Reduces or eliminates personal housing expenses.
- Offers a gateway into real estate investing.
- Provides hands-on landlord experience.
- Possible tax benefits.
- Potential for high short-term rental rates.
- Potential for networking or building connections.
- Diversified income sources.

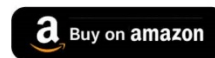
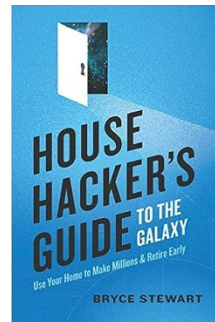
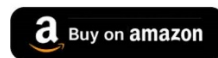
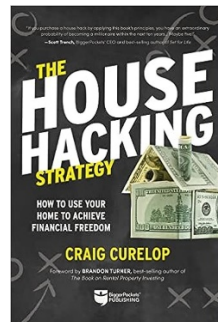


Cons:

- Living close to tenants might reduce privacy.
- Potential for tenant conflicts.
- Management tasks and responsibilities.
- Limited personal space or amenities.

Good References:

- “The House Hacking Strategy: How to Use your Home to Achieve Financial Freedom” by Craig Curelop.
- “House Hacker’s Guide to the Galaxy: Use Your Home to Make Millions and Retire Early” by Bryce Stewart and Katie Chambers.
- BiggerPockets House Hacking Forum



Turnkey Rental Investing

Turnkey rental investing is a sub-strategy of rental property investing where you are purchasing properties that are rental-ready, tenanted, and have property management in place. The primary advantage of this method is that the investor can start generating rental income almost immediately without undergoing the often-extensive process of property renovation or tenant searching. Typically, turnkey properties are sold by companies or investors who have already done the necessary renovations and have placed reliable tenants in the property. This means the new owner can "turn the key" and start the venture without major initial efforts. For those who prefer a hands-off approach, are geographically distant from desirable investment locations, or have extra funds from other investment strategies, turnkey rental properties can be an excellent strategy.

Key Tasks:

Resources:

- Capital for initial property purchase.
- Turnkey provider or company.
- Real estate attorney for contract reviews.
- Local market data.
- Reliable financing options or lenders.
- Insurance providers.
- Property inspector.



Pros:

- Streamlined process for new investors.
- Minimal time investment post-purchase.
- Lower risk by purchasing an already renovated property.
- Great for remote investing because you can invest in any major metropolitan.
- Can perform the work from anywhere.
- Low effort and time commitment.
- The time commitment does not increase by adding more properties.
- The turnkey rental business is scalable.
- Instant cash flow after purchase.
- Diversifies investment portfolio.

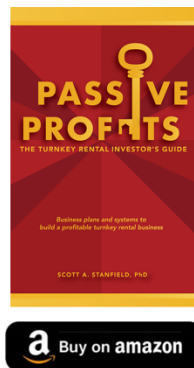
Cons:

- Upfront costs can be high.
- Reliance on the turnkey provider's competence.

Good Reference:

The turnkey rental strategy happens to be one of the strategies I have used extensively. My book provides the exact details for my turnkey rental business. I have also included some other good resources.

- “Passive Profits: The Turnkey Rental Investor’s Guide” by Scott A Stanfield. www.scottastanfield.com
- The Turnkey Rental Guide Blog (my blog). www.scottastanfield.com/blog
- BiggerPockets Forum <https://www.biggerpockets.com/forums>



Conclusion

Real estate offers a treasure trove of investment opportunities. Whether you're seeking active engagement like property flipping, passive income through turnkey rentals, or a combination a several complimentary strategies, the key is to choose a strategy aligning with your goals and resources. Success in real estate requires not just capital but a sound business plan, accurate financial projections, and efficient systems. Dive in, and may your real estate journey be fruitful!

