The 4 Markets To Invest In First

And 5 Critical Things To Evaluate

The LifetimeCashFlow Academy

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ABOUT THE AUTHOR

Rod Khleif is the host of the Top-Ranked iTunes Real Estate Investing Podcast: **Lifetime Cash Flow Through Real Estate Investing.**

Rod is a passionate real estate investor who has personally owned and managed over 2000 homes and apartments. As an entrepreneur, Rod has built several successful multil million dollar businesses. Rod is most proud of his work as a community philanthropist. Over the past 14 years Rod's Tiny Hands Foundation has benefitted more than 45,000 community children in need.

Khleif has combined his passion for real estate investing with his personal philosophy of goal setting, envisioning, and manifesting success to become one of America's top real estate investment professionals.

Part #1: The Four Markets You Need to Invest In

Preface

One of the biggest decisions you'll ever make in multifamily investing is going to be the locations you decide to invest in. From your initial site visit, down until the day you decide to sell, you are likely going to spend a lot of time wherever you pick. The goal of this report is to show you where you should be investing and why. Nothing will burn you out and turn your passion into another "job" quicker than having to continuously travel to a place you don't enjoy. Additionally, if you pick the wrong market, and that causes you to make a mistake when you buy, it can put you out of business.

Why We Wrote "These 4 Markets You Need To Invest In" and How They Will Help You Achieve Success

As a new or even experienced investor it's easy to get excited and start looking for deals all over the country. Once one starts doing that it's easy to get overwhelmed and not be able to effectively manage brokers, sellers, and the systems you have in place. It's also easy to start looking at deals in places you have no knowledge about. Both of these pitfalls can lead to you getting into deals you wish you never did. Focus on what you know and are comfortable with. Use these four locations we suggest below, you wont regret you did!

Location #1 Your Backyard

This first location speaks for itself. Most likely, your local market is somewhere you and your significant other have chose to live in. Even if you didn't, and moved there for a reason such as taking care of family or a job, you are still very knowledgeable of the area. Knowing which neighborhoods are good, which are bad, and which are emerging, gives you a huge leg up over the competition.

Having the local expertise and knowledge may not seem important, but it truly is. Almost every city has that one spot where there are million dollar homes and luxury apartments on one side of the street, and then a few blocks away you're in a war zone that would be a nightmare to invest in. Knowing this before investing time and energy into a property is a huge advantage over out of state investors.

Being a resident and investing in your backyard has other perks as well that many wouldn't even think of. For example, a subscription to the city newspaper can be very useful. We subscribe to and have found great deals via our local publications in the classified section. These properties are most often posted by older "mom and pop" sellers who won't advertise online at all. Although you won't get consistent deals this way, sometimes you'll find an incredible deal.

Location #2 A Place You Know Very Well / Where You Grew Up

The second location you should invest in is a place you know like the back of your hand. For most, this tends to be the city in which they grew up. However, it can also be a place where you frequently visit family or even a place in which you have a vacation home.

The reason this location made the list is because like your backyard, you do have more knowledge of the area than most. When speaking with brokers or sellers they will often show a little more respect and commonality if you are able to "talk shop" about the area.

We obviously invest in Florida, and consistently keep tabs with brokers in Rods' home market of Denver and James' home market of Chicago. Another benefit of investing where you grew up, and very similar to location #3, is that you often have boots on the ground.

Location #3 A Place With "Boots on the Ground"

Having a trusted set of boots on the ground is worth its weight in gold, and is why it's listed as location three in which you should invest. Boots on the ground can vary from family that lives in an area, or a friend who can occasionally drive by and just check things out, to a cousin who owns a construction company there. Having someone in an area that you can lean on can be extremely helpful if you buy assets in that market.

The speed and ability to get things done more quickly is helpful with everything from having pictures taken of the property, to checking on things that you may be concerned about, or checking and verifying costly repairs. In addition to aiding in properties you actually own, your boots on the ground can also go check out potential properties you're looking to acquire.

Having boots on the ground to look at potential properties can really save you a lot of time, energy, and money. Most information can be had online, utilizing websites like Google Earth allowing you to basically view the property, but nothing beats in-person visits. Someone you know and trust can tell you the property in question has graffiti, broken windows, and people hanging around outside. They can visit the property at night and get a feel for it. I think the most important benefit is they can tell you about their knowledge of the submarkets in their area. That information is critical when you are evaluating a property. Naturally, sellers and brokers will only take pictures of the best unit and only show the good parts of the property.

Location #4 A Place You Want to Retire

Each and every one of us dreams of retirement, and more often than not we're all dreaming of early retirement. Whether you spend your retirement traveling the country or in a beach house one thing that's certain is you won't want to go somewhere you hate because you have an asset there.

Being in the buy and hold game for Life Time Cash Flow even more so proves why you want assets in locations you wouldn't mind traveling to and retiring in. Your vacations and retirement years will be a lot more pleasurable if you don't have to worry about bouncing around between cities you dislike.

As you may have read, or heard in my podcast, I previously owned 200 houses in Memphis. With respect to the people that live in Memphis, I frankly could not stand traveling there. Life is too short to spend your time in places you don't love.

One last tip for this section, and a humorous one, is to not forget to look for properties where your significant other likes to vacation. We're sure you heard the saying a hundred times, "a happy spouse is a happy life"! We'll dive deeper into the things you should look for in a market in an upcoming report, so have your notepad ready!

Part #2: The Five Most Critical Things to Evaluate When Choosing Your Four Markets

Part #1, "The Four Markets You Need to Invest In", should have given you a good idea of where you'd like to invest and start looking for properties. However, before you start looking, marketing, and setting up systems in those four markets you're going to need to verify they are solid markets that have potential. For example, take the Florida Keys or Northern Minnesota. These are two places you may have listed for "where you want to retire", however, these markets may not have the infrastructure, proper financial demographics, or other important characteristics that we outlined in this report.

Why We Wrote These Five Critical Checklist Items and How They Will Help You Achieve Success

As a multifamily investor it's important to be in strong markets. It's easy to think you've purportedly found a great deal and buy it, only to realize it's in the wrong market. This report will help you avoid making that mistake. We've seen investors buy properties in the wrong markets and get stuck with properties they can't sell. A property we recently came across is the perfect example of this. It was a 40-unit apartment complex in Eden North Carolina. It was being marketed at $13,000 per door and the seller alleged that the rents were $650 per unit. We got excited until we checked out the market and discovered how depressed it was. The main employer in town, a brewery, had just closed. Don't make a mistake buying in the wrong market! Use these five critical checklist items when evaluating any market.

Critical Checklist Item #1 Employment and Job Growth

Without jobs, people can't make money, and without money they can't pay rent. This item is number one on this list because you may often find screaming deals, but there won't be enough jobs in the area to fill your units like the Eden, North Carolina example.

One of the first things we like to check on a new market or city is that the unemployment rate is low. We like to ensure this number is below 8%. Anything below 8% shows that the majority of the people who want to work are able to get jobs. The second step is to check the job growth. You definitely don't want to see this negative, and that can be the case with many cities, especially smaller ones in depressed areas.

Bonus Tip: Median Home Price should be $80,000 or more. Anything less and people aren't going to rent because single family homes are cheap and plentiful. Also, vacant housing should be under 20%. If it's higher than 20%, the area is probably depressed and is not desirable to new residents.

- Is there job growth?
- Are new businesses and industries moving into the area?
- Where are they moving to?
- Are businesses moving out of the area?
- What are the area's major employers?
- What is the unemployment rate?
- How does the present unemployment rate compare to historical figures?

Critical Checklist Item #2 Income Growth

Job growth is key, but income growth is also very important. Incomes on the rise show that the local economy is thriving and on an upward trend. In the first quarter of 2016 personal incomes grew by 1.0% across the nation, so anything above that and your target market should be a good one. On the other hand, over one hundred urban regions in the nation have actually seen decreases in personal income over the past year. Those markets may have great deals, but be sure they at least align with the other 4 critical aspects in this report to make sure you're selecting the right markets.

- What are the income demographics for the area?
- Is the per capita income increasing?

Critical Checklist Item #3 Population Growth

A city with a declining population can mean a lot of different things, and they're almost always bad. We've passed up great deals before solely off the fact that the area's population has been negative. Declines in population typically also coincide with low income, no job growth, and a plethora of other problems.

Metro areas with population growth are what you should be looking for. These cities obviously are attracting in new residents and have jobs to offer. These "emerging markets" are what have made many investors very wealthy. These markets are all about beating the rush. Take for instance investors who bought in San Francisco before Silicon Valley, or investors who purchased in Austin, Texas before its recent explosion in growth. They're getting higher rents, lower vacancies, and in turn higher cash flow.

- What is the current population of this submarket or neighborhood?
- What is the historic population over the past 5 to 10 years?
- Is the population growing?

Critical Checklist Item #4 Multiple Large Employers

In this step we're going to make sure the markets you want to invest in aren't a "one horse" town also like our Eden, North Carolina example. This is crucial, because a lot of towns and cities rely on one main employer. While great for that company, if they ever decide to move, downsize, or go out of business, your tenants are out of work, and you are out of business. The best situation is to invest in towns with several major employers diversified across a variety of industries.

Follow the advice in step five, and visit online job sites such as Indeed.com to ensure there are jobs and plenty of commerce in the area.

Critical Checklist Item #5 Call the Economic Development Committee

All the online research in the world is great, but nobody has the knowledge and information about a local economy better than the Economic Development Committee. This is suggested as the fifth checklist item because it's good to go into this call prepared and with an agenda. If your research about the city has you concerned about the number of jobs or lack of major employers, now is the time to ask. Example questions you should ask are: I'm a real estate investor who's looking to buy some multifamily on the East side of town, is that a growing area in your opinion? I've noticed the two major employers are company xyz and company 123, did I miss any others?

By calling the Economic Development Committee and the Chamber of Commerce you should be able to get the inside scoop on anything major that may be coming to the area as well. If a new employer is bringing hundreds of new jobs and it hasn't been made public yet, you will probably be one of the first investors to know.

- What areas have been recently rezoned?
- Why have they been rezoned?
- Has there been recent multifamily construction?
- What is the town's planning and zoning department doing to encourage growth?
- Is the economic development office trying to improve the economy in that market? How are they doing that?
- What is the focus of the city? Expansion, redevelopment, or restoration? What are their policies on crime prevention?

Where to Find the Data

Finding the data that you need in order to analyze the market area is quite easy. There are plenty of online sites that provide extensive up-to-date information and localized data.

- Census.gov
- Geometrx.com
- City-Data.com
- SocialExplorer.com
- Costar.com
- Colliers.com

If you are looking for detailed crime and safety statistics, you can check out these sites:

- SpotCrime.com
- FamilyWatchDog.com
- NeighborhoodScout.com
- CrimeReports.com
- WalkScore.com

Most of these sites are free. Some, however, require payment like CoStar for example; but if you can afford it, it can be well worth the price. The data that you will find in these sites will help you to get a clear picture of your target market(s) from an investor/ developer's point of view. It will also help you to identify sub areas in your market area that have the greatest potential for income and value growth.

All of the above sites are great, but one of our favorites is Bestplaces.net. This site is one of the most comprehensive and easy to use. Whenever we evaluate a new market, submarket, or property; it's one of the first stops on our due diligence checklist.

Now that you know which four markets you should invest in, along with what to look for in them, get out there and take massive action to achieve a Lifetime of massive Cash Flow!