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ESSENTIAL STEPS FOR OUT-OF-STATE INVESTING

Remote real estate investing can be one of the best things you'll ever do as an investor. From unprecedented market access to key portfolio diversification, the benefits – and the options – are endless. With that said, out-of-state investing can be risky. Don't ignore these essential steps to safely (and successfully) investing outside of your local market.

EVALUATE TARGET MARKETS

You've decided to take the plunge and invest in out-of-state markets. The first thing you need to do is identify viable real estate markets that fit your unique investment strategy. Overall – and especially for a buy-and-hold strategy – you want to target markets that have a long history of stability and growth. Population growth, economic growth, and the volume of new construction all point to an up-and-coming market.

Compare market prices and ongoing expenses (insurance, taxes, materials, maintenance costs) with your local market. It would be burdensome to invest in a market more expensive than where you earn your living.

LEARN THE LEGALITIES

Every market is governed by unique local laws and ordinances. While most states and markets will have laws in common, do your homework. You want to know unique rates for property taxes, insurance, and other expenses associated with operating in the market. This will give you a more robust, well-rounded picture of your target numbers.

DEFINE CRITERIA

What do you consider success? Set your targets clearly and firmly. Know what your ideal cash flow looks like, where your risk tolerance is, and what non-negotiables make or break an investment opportunity. This will help you get your investments right the first time.

DEVELOP A PORTFOLIO PLAN

Successful investors don’t rely on a single property to build wealth. They focus on growing and scaling their portfolio to mitigate risk and multiply their streams of income. Do you want to focus on one market, or several? How many properties do you want to buy in a year? The next five years? Develop a personalized plan based on your resources and goals. This will give you direction and clarity as you move into unknown markets.

ASK BIG QUESTIONS

Ask your prospective partners big questions. You don’t have to pretend to know all the answers. Asking questions not only allows your partner to demonstrate their knowledge and expertise, but it gives you peace of mind...or raises important red flags. What they say should add up. Regardless, it is up to you to vet anyone you plan to work with!

IDENTIFY TRUSTED PARTNERS

Out-of-state investing doesn't work without the right partners. Start researching the turnkey companies and property management groups that operate in your market of choice. See what other markets they service as well. Look into reviews and reputation. Reach out to other investors to understand who they do (and don't) work with in the area and why.

PERFORM DUE DILIGENCE

In real estate investment, due diligence is what keeps your risk from running amok. It involves crunching the numbers, communicating with your team, receiving all the facts and specs of your investment, and confirming compliance with zoning, environmental, and building regulations. You will also want to determine the current market value of the property. Due diligence isn't just a one-time process, either. It is ongoing for as long as you hold the investment.

REVISIT & EVALUATE PERFORMANCE

A time may come where a property or market may not serve your portfolio anymore. Take the time to regularly re-evaluate portfolio performance. Local laws may change and impact your bottom line. You may find the market isn't growing like you expected, or decreased rental demand is increasing the burden of vacancies. Go through each investment and see if it still fits into your big picture plans.

COMMUNICATE CLOSELY

Stay in close touch with your partners on the ground. Because you aren't there in person, you rely on their expertise and communication to stay in the green and in the know. Cultivate trust with the people you're working with. That demands clear, consistent communication. If communication and clarity is lacking, you might not be working with the right people.

START SCALING

Lastly, plan for the future. Talk to an advisor about how and when you should grow your portfolio. You don't want to scale too quickly and strain your resources, but you also don't want to wait when the time is right. Scaling is essential to real estate investment success. Make your intentions clear to your partners so that they can keep an eye out for opportunities that sync up with your goals.