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—HAL ELROD, NO. 1 BESTSELLING AUTHOR OF *THE MIRACLE MORNING*

LONG-DISTANCE REAL ESTATE INVESTING

How to Buy, Rehab, and Manage
Out-of-State Rental Properties



DAVID GREENE

Praise for
**LONG-DISTANCE
REAL ESTATE
INVESTING**

“I’ve been in real estate my entire adult life, and I have seen many different systems and ideas on how to get rich in the business. David’s system is the first solid one I’ve seen that allows you to choose the market that’s best for you and invest where it makes sense, not just where you happen to live and are comfortable. I recommend this book to all my listeners on Real Estate Rockstars.”

—**Pat Hiban**, *New York Times* best-selling author of *6 Steps to 7 Figures: A Real Estate Agent’s Guide to Building Wealth and Creating Your Destiny* and host of the award-winning podcast *Real Estate Rockstars*

“It is a common misperception in real estate investing that you should buy only where you live. David Greene has put that myth to rest. In this book, he shows you the secrets to building your wealth through real estate. This is a must-read for investors who want to expand their real estate empire nationwide.”

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“David’s advice in this book was the catalyst I needed to finally look outside my own backyard for real estate deals. I tripled my rental portfolio by purchasing out-of-state rental properties thanks to the advice in this book. I wish I had read this a decade ago!”

—**Brandon Turner, real estate investor, podcast host,
and author of *The Book on Rental Property Investing***

“I’ve found the key to a successful day hinges on putting yourself in a position to succeed before the day starts. The same is true for your financial life. David has found a way to allow anyone to invest in real estate wherever it makes sense to do so, rather than waiting for his or her specific market to be in an ideal state. If you want to experience financial success in the future, you should start preparing now. This book will show you how to do exactly that!”

—**Hal Elrod, number one best-selling author
of *The Miracle Morning***

“The real beauty of David’s system is that the principles apply to scaling your real estate investing business across the board, whether you’re looking to pick up a few single-family rentals or acquire large multifamily properties. He systematically disassembles the myths and roadblocks of long-distance real estate investing and in their place provides the path to successfully investing anywhere, whether near or far!”

—**Andrew Cushman, real estate investing expert
and author on BiggerPockets.com**

LONG-DISTANCE REAL ESTATE INVESTING

HOW TO BUY, REHAB, AND MANAGE
OUT-OF-STATE RENTAL PROPERTIES

D A V I D G R E E N E



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Long-Distance Real Estate Investing

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Published by BiggerPockets Publishing LLC, Denver, CO

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Publisher's Cataloging-in-Publication data

Names: Greene, David M., author.

Title: Long-Distance real estate investing : how to buy , rehab , and manage out-of-state rental properties / David Greene.

Description: Denver, CO: BiggerPockets Publishing, 2017

Identifiers: ISBN 978-0-9975847-5-2 (pbk.) | 978-0-9975847-6-9 (ebook) | LCCN 2017956004

Subjects: LCSH Real estate investment--United States. | Dwellings--Remodeling. | Dwellings--Remodeling--Planning. | Residential real estate--United States. | House buying--United States. | Rental housing--Management. | Rental housing--Finance. | Real estate management. | BISAC BUSINESS & ECONOMICS / Real Estate / General | BUSINESS & ECONOMICS / Personal Finance / Investing

Classification: LCC HD259 .G74 2017 | DDC 332.63/243--dc23

Published in the United States of America

10 9 8 7 6 5 4 3 2 1



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CHAPTER 1

WHY INVEST OUT OF STATE?

Ninety percent of millionaires become so through owning real estate. More money has been made in real estate than in all industrial investments combined. The wise young man or wage earner of today invests his money in real estate.

—ANDREW CARNEGIE

In 1848, Andrew Carnegie immigrated to the United States. As the son of very poor parents, he became one of the first American rags-to-riches stories. Carnegie got his start working in a cotton mill for \$1.20 a week and went on to work for a telegraph office and later moved on to the Pennsylvania Railroad.

Smart and hardworking, he began investing in a variety of industries including coal, iron, oil, railroad companies, and a telegraph firm (industries he was familiar with from his past employment). By his early thirties, Carnegie had amassed his first small fortune. This capital was later used to form the Carnegie Steel Company, one of the most dominant businesses the world had ever seen at that time.

Carnegie ran the company successfully until he eventually sold it to a banker for \$480 million, making him one of the world's richest men of his time. It allowed him to become the father of philanthropy. He penned "The Gospel of Wealth" and spent the rest of his life giving away the better part of his fortune while living a life many of us aspire to emulate.

It is safe to say Andrew Carnegie dominated the competition in his time. To go from a dirt-poor immigrant to one of the world's richest men is no small feat, and yet with all his experience, success, knowledge, and business brilliance, Carnegie encouraged those who desired to grow their wealth to invest in real estate.

Powerful stuff, right? It's tough to ignore the advice of a man who had seen so much, won so often, and grown to be so large. His quote above saying that more money has been made in real estate than through all industrial investments combined is powerful, and it speaks to the unique ways real estate works to grow wealth. I am one of those examples. Much like Carnegie, my family also emigrated from Scotland, and I worked in several different vocations before I began investing my wages. Like Carnegie, I have invested the profits from my endeavors in real estate for seven years. And I've got to say, it's been one of the very best decisions I have made in my life.

I'm not very big on reinventing the wheel, and I've never been the most creative guy. My skill set is much less exciting, but I am good at being taught how to do something, mastering it, and then finding a more efficient way to do it. Some might call it laziness, but others will say it is industriousness. However you define the motive, the fact remains that I don't like wasting time, money, or effort. You shouldn't either.

How did I get here? I took what I learned and applied it to each job I had, from being a sandwich maker at Togo's, a waiter at steakhouses, a police officer on the streets, and now a real estate agent in Califor-

nia. Part of this process has always been asking, “Why?” Why does everyone do it that way? Why is that the best? The “why” behind the “what” has always fascinated me. If you can understand the “why,” the underlying mechanics behind the result, you can find ways to improve your results.

What I’ve found through every profession, game, challenge, or undertaking is the longer you consistently seek to understand the process, not just the result, the better you will be at understanding patterns that emerge. If you study it long enough and commit to understanding its inner workings, you will start to see these patterns for yourself, and then you can begin to anticipate them and their actions. From there, you can make adjustments to capitalize on these patterns.

We see this phenomena in sports most clearly as rookie mistakes. What we are really referring to is someone’s lack of experience causing them to misread or overlook a pattern a more experienced player would have seen, like a quarterback who throws an interception because the safety baited him into believing he was headed in a different direction or the basketball player who gets caught up and chooses to shoot the ball instead of passing it to a wide-open teammate.

Yet for some reason, we don’t afford this same process to ourselves as new real estate investors. We expect ourselves to be perfect, to perform as the experienced ones do. When we don’t, we quit and assume we just weren’t cut out for this. Can you imagine how catastrophic this would be if professional athletes did the same? Peyton Manning would have realized he just threw too many interceptions to be a good quarterback and would never have broken the records he did.

Great players play long enough to allow their brains to start sensing patterns emerging more quickly to anticipate changes and beat the opposition. If you want to be a great investor, you have to go through this same process. You have to make mistakes and commit yourself to a learning process. If you understand the inner workings that make the whole thing tick, that will lead to you gaining the confidence to apply your skills anywhere.

A huge problem for many investors is that their mind is trained to look for reasons *not* to do something, especially with out-of-state investing. They see it as unsafe, unstable, and dangerous, so they don’t

look much deeper and miss out on all the opportunities it brings to build wealth faster and more efficiently than traditional models.

I am going to discuss the objections, address the valid concerns, answer all the tough questions, and put the outdated and misguided assumptions about out-of-state investing to rest. I'm here to tell you that you can invest out of state in a way that is almost identical to how you invest in your own backyard.

If you are reading this book, it is safe to assume that one of your goals is growing wealth through real estate. As Carnegie said, real estate has created millionaires more than any other profession. You don't have to be a genius or a wealthy hedge fund manager to recognize that real estate is manageable, controllable, and follows patterns. Real estate comes in many shapes and sizes, which can work for anybody.

It's not reinventing the wheel but more so making sure to invest where it makes sense for *you* and your personal situation, not where it's convenient, close, or comfortable. Wealth isn't going to fall in your lap. You have to go build it. If you're going to do that, you need to know where to find it.

Maybe you're at the top of your market. Maybe prices are too high to find rental property. You want to know how to use real estate to grow your wealth when buying in areas that may not be close to you. For years, this has been considered foolish. They have been warned not to set sail for the far end of the sea, for surely they would fall off the other side when they reached the end. The key is, some of us have learned the world isn't flat.

It is wise to listen to the advice of men and women who have gone before you. I also believe we can easily fool ourselves into taking advice from someone who sounds smart but who has no firsthand experience. Don't continue to believe something just because others say it may be so. Don't continue to operate under assumptions that haven't been tested, the "why" behind the "what" that explains how things work.

Let's take a second to explore how out-of-state investing came to be known as risky, why at one time this made perfect sense, and how the world has changed to make this no longer the case.

DON'T TRUST YOUR GUT

Curiosity will conquer fear even more than bravery will.

—JAMES STEPHENS

When I tell people I invest out of state, it almost always elicits a strong reaction. People sit forward in their chairs, adjust their body position, and typically give me their full attention. They want to know how I manage all the tasks that are part of real estate investing. Do I fly out and look at each house? How do I find the contractors? How do I make sure they don't run off with my money? Do I use property management? If I turn the question back on them and ask why they *wouldn't* try out-of-state real estate investing, I'm typically met with a shoulder shrug followed by the response "I don't know, man. I just couldn't buy a house I've never seen."

Everyone says it, but very few of them really know why. Instead, it has just become a mindlessly accepted belief that you need to see a house before you buy it.

The whole thing just feels natural, doesn't it? You have to walk the halls, get a feel for the layout. You want to be excited and feel good about a purchase this big, right? How can you know what you're buying if you don't go look at it? It's just common sense to think that the risk gets bigger the farther away it is from you. The problem is, when I ask people why they believe that, or what they are basing this belief on, they usually can't come up with many objective facts to back it up.

The reality is, people *feel* uncomfortable buying a property they can't see in an area they don't live in, and fear has a lot to do with it. The thing is, you aren't buying a home; you are buying a small business—an investment. There aren't many reasons to feel so afraid if you're looking at things from an investor's perspective. Investors focus on numbers; consumers focus on feelings. Going beyond our gut feelings as real estate investors forces us to get serious about our guidelines.

If you want to get into real estate investing and think your feelings will be a good financial barometer, you are making a rookie mistake. It

can be scary, but decisions that once terrified me are now on autopilot. It takes a different level of thinking.

When D.A.R.E., a program with police departments to keep kids off drugs, was popular when I was a student, officers would go to elementary schools and talk to kids about the dangers of drugs and alcohol. One of the more common things they would show us was how hard it is to trust your motor skills when impaired by alcohol. The officers would place a pair of “drunk goggles” on students and then ask them to walk in a straight line. The goggles were designed to filter the image coming through them in a way that confused the students’ brains, much as alcohol would. We all laughed hysterically as student after student tried to walk in a straight line wearing the goggles but were unable to, despite their intense focus and effort.

When it came to my turn, I was able to walk the entire line straight from beginning to end without much difficulty because I thought about the solution at a different level. My peers and teachers were amazed and all thought I had some kind of superpower. The officer, however, just smirked and chuckled. He knew exactly what I had done to defeat the system and appear sober. All I had to do was close my eyes. The act of closing my eyes removed the stimulus that would have confused my brain and caused the senses I normally relied on to go haywire. By relying instead on my natural sense of balance controlled by the inner ear, not my eyes, I was able to appear unaffected. Simple, right?

Real estate investing should work this same way. Your emotions are the goggles, and your sense of balance is the numbers you use to evaluate properties. By learning to tune emotions out, you too can walk freely and easily in the world of real estate investing while those around you stumble and fall. It is the act of relying on a different set of parameters than those you are used to that will bring success in this business. It takes the act of faith of closing your eyes and blocking out the senses you have used to make decisions your whole life to reward you with the wealth you seek. If you are relying on the wrong advice, or the wrong senses, you can stumble and fall, setting you back years and erasing hundreds of hours of time and money. Don’t fall because you’re afraid to close your eyes.



Akira Mori, a wealthy Japanese real estate developer worth approximately \$5 billion, has said, “In my experience, in the real estate business, past success stories are generally not applicable to new situations. We must continually reinvent ourselves, responding to changing times with innovative new business models.”

The fact is, if simply doing things the same way they have always been done is all it takes to succeed, the same people would be the only ones succeeding. What makes business exciting are the new doors that are opened for those who anticipate changes to the market and get there first. This levels the playing field and lets the new guy have a chance to compete with those who have traditionally dominated the market.

DISRUPT THE NORM

For a long time, investing out of state was incredibly difficult to do. Before the Internet, real estate was run so differently. Real estate brokers wielded intense power because they were the sole gatekeepers to the information. If you wanted to know what was for sale, you had to go to a broker. If you wanted to know the price, pictures, or details of the listing, you needed to ask a broker. If that broker wanted you to buy one of his or her listings first, that’s what you were shown. There was no way for people to know what was available to them because the information just wasn’t available, and you had to trust the broker. Because brokers controlled the cards, they could very easily mislead clients.

When you asked whether a home was priced fairly, it was very difficult to determine unless you had intimate experience and knowledge of that market. You just had public records kept at the tax assessor’s office you would have to go request in person and then read on your own! If you wanted to know what the school rating was like in a neighborhood, you had to actually *know* someone aware of the reputation of the school district.

The same was true for crime stats. If you were looking at a home in a new neighborhood you were unfamiliar with, how would you de-

termine whether it was safe? Would your tenants want to live there? Would your tenants themselves likely be criminals? With no online crime stats to look up, you were more likely to be relying on the information provided to you by your real estate agent or broker.

When people don't have information, they rely on trust. When people rely solely on trust, the odds of being taken advantage of increase exponentially. Unfortunate situations like this led to out-of-state investors being easy targets and getting a bad name.

The whole thing was ripe with opportunity for fraud, and that's exactly what happened. Imagine people buying houses over fair market value because Wisconsin prices seemed cheap to a California buyer or buying homes that needed major repairs because the inspector collaborated with the agent to give less-than-accurate information. People bought in neighborhoods that locals were leaving and in known gang areas because they were shown pictures of beautiful front yards!

Investors had no other way of knowing whether the deal would work. Only those with an inside scoop, or an ally in the area, could really know what they were buying, where they were buying, or who would be living in it. The lack of information created an unfair advantage for anyone who could get accurate information. These were the industry leaders who monopolized the market places and gobbled up all the best deals for themselves. The whole system seemed rigged, and that's exactly why it was wise counsel to tell someone to stay far, far away from out-of-state investing. The Internet and smartphones have changed the game, but not everyone has realized this yet.

Zillow is a great example of this. It's a website that allows homeseekers to search the databases of local multiple listing services (MLSs) to see available properties, pictures, locations, statistical analyses, price estimates of homes for sale, and other pertinent information. Zillow's service is pretty dang simple, but it has revolutionized the way people buy real estate.

Home buyers are no longer captive to brokers who have all the information. Instead, the modern home buyer turns to Zillow and starts looking immediately at what's available to compare the houses in a neighborhood.

If you were a real estate agent who wasn't able to adapt to this new advance in technology, you likely lost a huge percentage of your

market share. If you were someone who recognized how powerful and influential Zillow and its competitors became, you likely were at the very front of a huge land grab and made yourself quite a bit of money. The agents who adapted to the new model survived and thrived. The emergence of Zillow in the residential real estate sector changed the entire way business was done when it shifted the rules of the game away from the brokers and toward the clients.

Technology changes things, and using it well wields a weapon that the competition cannot compete with. Learn this. Remember this. Train your mind to look for ways to take advantage of it. We are going to talk a lot about how new technology can assist you in your goal of buying, rehabbing, and managing out-of-state rental property.

INVESTING IN YOUR OWN BACKYARD

“Investing in your own backyard” is another way of saying “investing where you know.” It is good, sound advice that you are likely to do better investing in an area you inherently understand. Investing in an area where you live makes things much easier. It’s easy to drive by a house, walk by it, and see how it looks. It’s easier to feel comfortable with your decision when you know you can drive by every now and then to see that the tenants haven’t burned the house to the ground.

There is a very powerful core truth wrapped up in the idea of investing in your own backyard, but the real wisdom is that *you understand the market where you’re investing*. It doesn’t matter that the area itself is near you; it just matters that you know it! You need to know what you are buying, and you need to know why you are buying it. Good investors understand this, and it is one of the reasons they have been so bearish about out-of-state investing over the years.

Know that different real estate markets behave differently, with their unique pros and cons, strengths and weaknesses, price points, sensitivities to market cycles, and opportunities for investors. It is the wide range of options different markets offer that makes real estate investing such an attractive vehicle for the average Joe. Nearly everyone can find a market that works for his or her situation! Once you realize you don’t have to be limited by geography, you can see the true potential that real estate investing can bring to your life.

THE CROP ANALOGY

Think of different real estate markets as different fields to grow crops. Each field has different soil, sunlight, water access, and minerals that determine where which crops will grow best. If you are a farmer and plan to invest in growing a certain kind of crop, it's important to know which crop will grow in the field you own. It would be foolish to plant peas in a field where only corn grows well. "Knowing your own backyard" would serve you well in the sense that you would understand which crop to plant. This would result in a higher likelihood of a successful harvest and an increase in your wealth. Smart farmers know what they can plant and where. But the question is, What if the crops that grow where you live aren't the crops that are selling for much right now?

What if rather than insisting on growing crops only in your own field, you went and rented ground from another farmer in a different area? What if rather than only learning how to grow corn, the lifeblood of your own agricultural area, you studied the underlying fundamentals of farming and learned to plant peas, peach trees, grapes, and many other kinds of crops? What if you realized that the process of growing has similar patterns that emerge no matter what kind of crop you plant?

The wise farmer would surely understand that while different crops require different knowledge to grow, they all follow a similar pattern. They would be able to hire people anywhere, not just in his or her own hometown. A farmer dedicated to the study of agriculture would have full confidence that he or she could do this well. If you studied farming instead of just copying other farmers, you wouldn't hesitate to apply what you'd learned in the areas where it made the most sense to do so.

As real estate investors, we don't plant crops. But we do plant *seeds*, in a sense. Real estate investing is a get-rich-slow game. Each property I buy is purchased with the understanding that I am planting a seed that will someday grow into a large, powerful tree supplying me with more fruit than I'll ever need and giving me the opportunity to plant the seeds it produces. While I typically want to know that that property will be producing for me right out the gate, I don't expect the production to be much. The real value comes years later, when rents

have risen, inflation has lifted my property's value, and I've created significant equity by paying down the loan balance. Just like a farmer, I don't plan to harvest my crops when they are young. I will wait for them to mature. Just like a farmer, I don't want to be pigeonholed into growing a specific type of crop because that's all people grow where I live. It's about knowing when and how to diversify.

Don't settle on one backyard. Investing in many backyards is a *great* idea, meant to help you grow wealth strategically. The best real estate investors will invest in areas where demand is growing, not just in what is geographically close. Understanding different areas, emerging markets, and price-to-rent ratios is a crucial aspect to real estate investing well!

I understand the fears, concerns, and worries you may have. I understand the stigma out-of-state investing has earned over the years. But it's different now. We have resources, content, and a brand-new system with which to buy real estate that we didn't have before. Keep an open mind as I walk you through exactly how I buy, rehab, and manage out-of-state investment property.

If you want to build wealth, buying real estate is the best way to do it. If you want to build that wealth faster than everyone else, combining different real estate investing strategies like flipping, buy-and-hold rentals, and anticipating/reacting to market changes will enable you to enjoy the best that each aspect has to offer while avoiding the worst. Don't be an investor who just plants a seed, walks away, and comes back thirty years later to see what the tree looks like. Be an investor who diligently studies what to grow, where to grow it, and how to hire field hands to do so.

It doesn't matter where you started. What matters is what you do and where it takes you. I'll show you how to put out-of-state teams together to work on the properties you buy to make a profit. I'll tell you how to use modern technology to make the entire process feel seamless and efficient, how to figure out where to buy, what strategies to use for different markets, and how to know when it's time to pack up and move on before the market changes. Once all of this is done, I'll give you some great tips on how to learn your market so you can maximize the value the area provides and help you get the very most out of the money you spend by doing so. By the time you finish

this book, you will know how to buy, rehab, and manage out-of-state rentals and flipping opportunities.

I'll also teach you a lot about the different jobs you can hire, from the agent to the property manager to the contractor and everybody in between. You will understand how to keep them happy, how to manage them well, how to get the best workers, and how to keep them once you find them. As you progress through your career, you should be able to open this book, find help, advice, and guidance on whichever aspect of investing you are struggling with. It is my hope that once you realize how different real estate is from what it used to be, you will also realize how many opportunities are available to you that you never knew existed.



I started investing in out-of-state properties because I had no choice. Properties in my own backyard had appreciated to the point that they no longer cash-flowed positively. I had no idea what I was onto when I first began looking at out-of-state property, buying it, rehabbing it, and then renting it out.

What began as something I thought was a necessity became something I've become extremely excited about. It ended up making me a millionaire by the age of thirty, without my realizing it was happening! The potential to buy in different markets and enjoy the fruits of those markets' strengths opened up doors for me I never thought were possible. With that came exciting opportunity! I can now flip houses in one area and use the proceeds to buy high-cash-flowing properties in another. I can ride the cycles of the coastal markets, buying at the bottom and then selling at the top only to move my capital gains to a more stable market. I can take risks in buying property as appreciation plays out because I know I have strong cash-flowing properties to prop me up and mitigate the risk elsewhere. Once you understand the fundamentals of real estate investing, you'll learn to apply them anywhere.

When you invest in real estate, you build wealth in your sleep. You