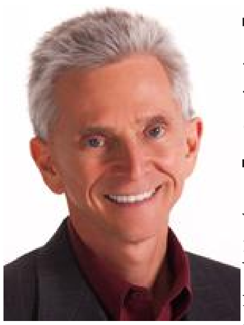
# Build Wealth at Your Pace: San Diego Apartment Investment Strategies

(Part 1 of 4)



**Terry Moore**
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A mentor, who has helped 100 households become financial independent, confides "There are a million ways to make a million dollars!" Wise investors select the strategy most fitting their personalities, capacities, and goals. This four-part series describes proven paths for investors who have progressed beyond single-family rentals.

These ideas are demonstrative, not all-inclusive. These strategies demonstrate different ways to build legacy wealth. Hundreds of wise clients have helped me hone these approaches.

**Major pathways include:**

1) Rehabilitation, 2) Repositioning, 3) Maintaining Classic Properties, and 4) Declaring Victory: maintaining capital with low-risk and no management. Let's begin with least capital-intensive strategy and move to the greater. Email me for a separate chart that shows typical financial consequences after two years of each strategy, and watch the *San Diego Daily Transcript* for the next three installments of this series.

**Rehabilitation — "Make me rich fast!"**

Joe, a self -styled young man in a hurry, earns more than average and has $200,000 for his next investment. He will acquire a tired property and rehab it. He might take on some tenant challenges to earn a more substantial return.

Rehabilitation is a proven, low- risk path that requires a bit more work than the other strategies. Rehabilitation corrects deferred maintenance and just a little more. It involves strategic paint, modest landscaping, some new flooring, better appliances and cosmetic flourishes.

Joe will put $180,000 down and use $20,000 for upgrades and repairs. Joe budgets $4,000 per unit above and beyond routine turnover costs in his first year.

Within the ninety days of closing he will put $10,000 to fix up the worst unit, paint the exterior trim, and spruce up the landscaping and or parking lot. In the next nine months, he will put another $10,000 into upgrading turnovers. He will pay $650,000 for a building, perhaps in City Heights, National City, San Ysidro, or Spring Valley. He will borrow $470,000.

His objective will be to raise the rents 10%-15% within 18 months. He expects to have a $700,000+ building, that cost him only $670,000. He hopes his $200,000 initial investment will grow to $230,000+ equity or about a 15%+ gain.

**What does a smart rehabber look for in a property?**

Most zip codes will build wealth for a rehabilitator. San Diego County's average apartment building is about 40 years old. Most have original kitchens, baths, countertops, cabinets, vanities, mirrors etc. The flooring and windows are usually contemporary to the year in which it was built.

Upgrading gradually simplifies management and funding. Joe will obtain higher rents on some units while improving others. He'll paint the exterior and have two accent colors. Also, he'll freshen the landscaping, maybe add some color. He may slurry seal the parking lot or power wash the building. If his property has "tuck under" parking, he will enclose those spaces and convert them to garages. He may not obtain a permit for that work.

During the walk though inspection, he notices the residents and considers the income potential of each apartment. One unit is well below market rent. One resident might detract from the building's ambiance. When escrow closes Joe or his management firm will explain to the resident that the property will be steadily upgraded — starting with that one. In a month or two that apartment is vacant. It will receive the building's most dramatic renovation.

The old carpet and beat up appliances will become history. Last generation's colors will give way to Ralph Loren or Martha Steward accent wall. Brushed nickel: draw pulls, knobs, faucets, fixtures, and ceiling fans will replace a mixture of colors and textures. Joe will either put in tile floor or carpet with upgraded pad.

Adding value occurs with inexpensive touches of class. The objective is to raise the rent on the turned unit by 10-20% in comparison to what previous resident paid. The neighbors will notice the upgrades — and the higher rents.

After four months, when remaining residents have seen the upgrades, then Joe's management firm will tell residents of the 6-8% rent increase. The property is obviously in better condition. Newer tenants probably make more than the original ones. Joe's taxes and insurance costs are higher. Most renters will pay the higher rent. If one moves then Joe will upgrade that apartment and invite each resident to see the upgraded unit. "Would they like to live here for the new rent?" Some may pay more for the better home. Great, Joe will renovate the newly vacant one.

After a year or so Joe will seek another 4-6% increase. Again, most people will stay and some will move. After 18-24 months the income can be 12%-15% above what Joe began with. Residents' income, education and credit scores will be higher.

**Thousands have used this low risk approach. Is it for you?**

Remember, Warren Buffet is also a value investor. Repositioning improves the entire community and it can also pay very handsome rewards.

Consider your life position, your assets, goals, and needs. Rethink the status quo and consider legacy wealth. This year I will have confidential conversations with hundreds of investors, and you could be one of them. When you are ready to explore investment real estate, let's talk. It will require no obligation.

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**Terry Moore, CCIM**, was recently recognized as one of "San Diego's Top Influentials." He is part owner of **ACI Apartments**. His calling is to help investors make the most important financial choice of their next decade. Reach him at **tmoore1031@gmail**, **619-889-1031** or **SanDiegoApartmentBroker.com**