There are

4 types of investors.

Which one are you?

colin reports

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Introduction

My name is Colin G. Murphy and I'd like to thank you for downloading this free report on the four types of real estate investors.

For those of you who don't know me, I am a full-time investor based in Tampa, Florida who has bought and sold more than $100 million worth of real estate in the US and UK markets, including 350+ fix and flips in the Tampa Bay area between 2015 and 2020.

I have experience in a wide variety of real estate activities including buying and holding, fixing and flipping, wholesaling, note investing and private lending. I also have experience with tax liens, tax deeds and foreclosure auctions.

In addition to investing full-time, I enjoy podcasting, networking with fellow professionals and creating useful content for those who want to achieve financial freedom before they get too old to enjoy it.

I've done business with well over 1,000 people at every point in the spectrum—from folks that never seem to get started to those that have a couple rentals under their belts, all the way up to large investors who have several hundred homes in their portfolios.

This report divides these real estate investors into four clear categories, provides steps on how to progress through each category and addresses key issues such as the following:

- Getting trapped in endless research and worry
- Buying one property, waiting a long time, and seeing how it goes
- Achieving your potential with clear goal setting
- Practicing resilience and not sweating the small stuff
- Investing intentionally
- Adopting the habits of full-time breakout investors

Whether you are a seasoned pro or a rookie, I hope you can pick up something useful in this document to accelerate your real estate journey!

Colin G. Murphy

contents

CATEGORY 1

Research Fanatics

Description

Ironically, this group often contains some of the most educated, passionate and detail-oriented people out there. I would include a lot of engineers and high-earning Silicon Valley types in this group.

The key characteristic that defines research fanatics is that they don't actually own any rental properties. Some or all of the following factors prevent them from taking action:

- Information overload
- Risk avoidance
- Analysis paralysis
- Computer time (too much)
- Field time (not enough)

This group spends little time networking with more experienced buyers, and they worry about what others (i.e., non-investors) might think of their actions. They are also scared of buying something they do not have total control over, and they tend to search for negative news (macro or micro) as an excuse to wait a little longer.

Does any of that seem familiar to you? Do you often think about buying your first rental property but struggle to get across the starting line? If so, don't worry! You're certainly not alone, and I have some simple action steps that will help you get to Category 2 and beyond.

Action Steps

Research is very important in real estate. However, the key to progression is to narrow things down so you can make decisions within a defined area. Then it is a simple step-by-step process.

Want to know a secret? If you want to be a successful investor, **analyzing individual houses is not the first thing you should be doing, it is the last thing you should be doing.**

Step 1: Decide on a market

The first step is to simply decide on a market. You might be looking at Tampa, Detroit, Jacksonville and Kansas City. They all have their pros and cons, but you still need to just focus on one of them, then get on with the next step. I like affordable, concrete block, lower-middle-class houses built after 1975 in suburban areas, in the $140,000–$180,000 price range. I look for markets that contain a lot of these.

Research Fanatics

Step 2: Get prequalified for a loan

For 95% of buyers, this is a simple formality. However, it is important that you do it before talking to sellers and property managers because they will take you more seriously once you're prequalified. Every now and again, you'll find a skeleton in your credit history closet that you didn't know existed. Better to know about it in advance rather than after you've reserved a home.

Step 3: Choose a team to work with

The third step is to select a team to work with. Don't just start browsing Zillow or the MLS. Find a couple of companies that buy, renovate and sell rental properties to investors for a living. Find companies that have done this hundreds of times over many years. Speak to them several times! Go and meet them! Speak to investors who have bought from them multiple times over several years! Nothing complicated here, but this is how it should be done.

Step 4: Select a property manager

The fourth step is to decide on a property manager. Again, make sure their track record is solid, try to meet them in person at their office and try to understand how their systems and processes work (including placing tenants, managing tenants, handling maintenance and communicating with investors). Get referrals—speak to people who have had several properties under management with this firm over multiple years.

Step 5: Make a commitment to buy a house within a certain time frame

This is a very important step. **Once you have identified the market, team and property manager, you should commit to reserving a home** within a relatively short time frame—I recommend 2–3 months.

If you communicate this clearly to the teams you are working with, you'll find that they will be much more likely to push new inventory your way. Sending regular (but polite) follow-ups to the sources of this inventory also works very well.

Step 6: Take the plunge

Many times, I've offered properties to people who diligently went through each of the steps above. But when the time came to take the plunge, those same people balked and regretted it afterwards. Don't be one of them!

If you have clearly communicated the property types and budgets you are interested in, and if a vetted person offers you a home matching that description, just take the plunge!

CATEGORY 2

Mom-and-Pop Investors

Description

The second category makes up a large portion of the people that I have sold property to over the years. **In many ways, these investors are the backbone of the US property market**, and they own well over half of all the single-family home rentals in the country.

These are the mom-and-pop investors, and their defining trait is that they own 1–2 rentals. Their first rental is usually a former primary home that they grew out of. Their second rental is often purchased many years later.

Mom-and-pop investors usually manage their rental properties themselves. And they clearly remember stressful capital expenditure expenses (e.g., roofs, HVACs, appliances) in addition to multitudes of minor repairs and unexpected vacancies. They also worry about having twice the problems and twice the headaches if they buy four rentals instead of two.

If you are nodding your head to some or all of the above, then you are probably in this category. Many of you know deep down that having 1–2 rentals just isn't enough to make any meaningful difference to your financial future, but you are probably worried about the additional stress and financial risk you might be taking on by moving up to Category 3.

CATEGORY 2

Mom-and-Pop Investors

Action Steps

The great news for people looking to move out of Category 2 is that Category 3 is usually less stressful and less risky. Check out the following steps:

Step 1: Consider using a property manager if you are self-managing
When your rental properties are located within a short drive of your home, it is very tempting to manage them yourself, especially at the beginning when money is a little tighter.

The problem with this strategy is that **you are giving yourself a part-time job and not getting paid very well for it!** Property management at small scale is one of the least effective ways of using your time that I know of. How many hours did you spend managing your properties last month? And the month before that? Are there other activities you could have done instead that would have given you a better return on your time? (Researching and buying your third and fourth properties, perhaps?)

Step 2: Start networking and building relationships
Successful real estate investing is not about being an expert at finding deals with a computer. It is **about networking and learning from people** (and later, helping others). Any time you take out of your schedule to cultivate relationships with lenders, sellers, property managers, home inspectors and other investors will be up there with the most rewarding and productive in your entire investing career.

Step 3: Start enjoying the economies of scale that come with owning more properties
It might not feel like it if you are stressed out managing 1–2 rentals, but owning 4–5 is usually a lot easier and less stressful. Why? Because the relationships you build with property managers, handymen, CPAs and other people make it easier.

Remember—if you are in this category, you've done most of the hard work and gone further than most people just by getting started.

Now, take a deep breath and let's keep going because Category 3 is where the life-changing action starts to happen!

CATEGORY 3

Intentional Investors

Description

The third category contains what I call intentional investors. These are people who have worked hard to acquire 3–10 rentals. If you are in this category, give yourself a pat on the back because you are in the top 20% of all single-family-home landlords, and you are accumulating real wealth!

The majority of intentional investors still work hard in their day jobs and consider real estate to be a vital hobby that will contribute to their future success.

On average, intentional investors have portfolios with a sales value of $1 million and initial leverage of 70-80%. Many of these investors cleverly used 1031 tax-deferred exchanges to sell high-value homes producing low incomes and swap them for a more diverse mix of lower-value homes delivering higher returns.

Outside of the 1031 exchanges, even high earners like doctors and Silicon Valley engineers can struggle to continuously come up with those 20% down payments when they get past five, seven and ten houses (plus the Fannie and Freddie conventional loan limits start kicking in).

Having 3–10 rentals is substantial and does make a significant contribution towards building a lifestyle that is financially free. If, and when, the mortgages on those rentals are paid down, you could be earning anywhere from $8,000–$15,000+ in passive net monthly rental income.

That is enough for a comfortable lifestyle in most US cities and for a luxurious lifestyle in dozens of safe international locations (Spain, Italy, Greece, Argentina, Costa Rica, etc.).

However, **if you want to create generational wealth and become truly wealthy, you need to go beyond 10 properties.**

Action Steps

Moving beyond 10 rentals requires a different mindset, strategic planning, financial creativity and basic team building. It **involves work and real intention, but it is not especially difficult.** In fact, the systems you use in your day job are probably more complicated than the ones people successfully use to build large rental portfolios.

Most of the problems people encounter when moving from Category 3 to Category 4 can be solved just by getting through their own personal barriers, putting a plan in place and continuing to move forward no matter what.

CATEGORY 3

Intentional Investors

In other words, anybody stubborn enough and patient enough can get beyond the intentional investor level if they really want to. Getting to 10 rentals is the hard part. Getting to 20 or 30 is easier if you know how.

Step 1: Know your why
In order to maintain the resilience necessary to get through the inevitable bumps in the road, the setbacks, and the stresses, you really have to know why you are doing this in the first place.

Just a vague, "I'd like to be rich," or, "I'd like to be financially free," isn't enough. Drill much deeper than that. Great examples of people's whys that I have heard in the past include the following:

"We are both working now, but we'd like to earn enough passive income that one of us could stay at home with the children."

"We would like start traveling the world before we're 60 and have the funds to do it on our own terms."

"I want to make sure we are set for a retirement, where we can spend as much time out of state with our grandchildren as we need to."

"I want to earn enough passive income so that I can truly pursue the hobbies I'm passionate about."

Step 2: Be creative with your finances
You will need to get creative if you want to continue expanding your portfolio. After all, even the wealthiest people can't keep funding 20% down payments from their day jobs forever.

This is also the stage where many intentional investors move beyond conventional purchases and start looking at larger multi-family units and apartment buildings with commercial loans.

If you prefer to stick with single-family homes, there are many specialized nonconventional lenders out there, like Lima One Capital and Colony Capital, who will fund much higher volumes of loans.

Many intentional investors also break out of this stage at speed by hiring a team and/or partnering with a local fix-and-flipper to purchase homes, add sweat equity and pursue a BRRRR strategy (buy, rehab, rent, refinance, repeat). I could write a whole report on BRRRR strategies alone, but the main advantage they offer is that **you can continue adding properties to your portfolio without depleting your capital reserves.**

As you can see, having a plan and a strategy is essential for getting to the next stage. Leveraging and extending the network of contacts you have built up over the years (property managers, lenders, rehabbers, CPAs, etc.) are key elements.

That leaves our final category—the breakout investors. Read on to learn more about the people who live in this rarefied atmosphere and how you could join them.

CATEGORY 4

Breakout Investors

Description

To a rookie, the idea of being a breakout investor who owns 30, 50 or 100+ properties must seem like a huge mountain to climb.

However, we should all remember that **the majority of breakout investors started out with one or two rentals just like everybody else** and overcame all of the hurdles in each category described above.

Multimillion-dollar investors are tough, have overcome a lot of setbacks (i.e., bumps in the road and nasty surprises) and have been through at least one market cycle of boom and bust.

What they did not need was a genius IQ, a large inheritance nor any kind of insider secret. Most were just stubborn, hard workers, who looked at real estate from a truly long-term perspective and who were very clearly focused on their goals from early on. I have met breakout investors from all sorts of backgrounds including banking, accounting, sales, property management, general contracting and everything in between.

Breakout investors see risk in a completely different way than most people. To them, **the risk of playing it safe and staying small is much greater than the risk of missing out on an exciting journey to financial freedom.**

Another characteristic that breakout investors share is that they spend a lot of time hanging out with other breakout investors. They do this to share ideas and best practices, take on investments together, loan money to each other and refer business to each other. They love real estate and the life it enables them to lead.

These investors spend comparatively little time in the day-to-day trenches of their real estate portfolio and much more time managing the people that keep their portfolios going from strength to strength. They are at the top of a pyramid. In other words, they are not scanning new listings on the MLS or taking calls from tenants. They hire people to do that using carefully designed and endlessly tweaked systems, processes and feedback loops.

Breakout investors almost never stop doing business. They want to be putting their money to work all the time, and they hate the idea of missing out on a deal. They are action-takers, they love what they do, and they are often addicted to the game.

Conclusion

By reading this report, I hope you can see how buying one rental could lead you down a path to dozens of properties worth millions of dollars, if you're willing to work hard and persevere.

Real estate is the only industry I know of where you can reach multimillionaire and financial freedom statuses without having a particularly special talent for it. If you make that kind of money in other areas of business, you usually have to be quite brilliant at what you do.

Real estate is a journey, and you have to go through its different phases. **The only way to progress is by taking action, gaining experience, learning from your mistakes and moving forward continuously.**

In many ways, getting past the first two categories (going from zero to two rentals) is the hard part. Getting from three to ten homes and from ten to twenty homes can actually be easier, because that is when you start surrounding yourself with the right kinds of investors and key partners. My advice is to spend as little time in those early categories as possible, because all the fun stuff comes afterwards!

A healthy attitude towards risk is also essential—if you aren't prepared to take some risk, then you'll probably end up working for someone who is.

I'll finish by saying that I really enjoy helping people on their real estate journeys, so if there is anything I can do to help you on yours, just ask.

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