

Steps To Building A Real Estate Portfolio

For real estate investors who are just starting out, the process of planning your investment portfolio can seem overwhelming. As you work to build your collection of assets, the following steps can help you grow your real estate portfolio from the ground up.

Brian Jones, SVP, Real Estate Loan Officer

Invest in your education

To develop a strong foundation, it's important to start by learning the ins and outs of the real estate industry. A successful investor needs to understand all aspects of investing in real estate, from housing market trends and the steps required to buy a rental property, to emerging markets and drivers of price growth. In addition, you'll need to have the necessary tools to analyze investment opportunities to determine which are best positioned to yield a profit. If you aren't familiar with terms like cap rate, capital gains tax, and CapEx, you should take time to educate yourself and learn all you can about the real estate industry.

Strategize your endgame

Before you close on your first property, you should already know what your fourth and fifth investments will be. It's important to be steps ahead and plan your portfolio well in advance. You wouldn't start a business without a business plan, and the same goes for real estate investing. First, determine your investment goals. What is your strategy for investment properties? Will you be a passive or active investor? Are you looking for short-term cash flow or long-term appreciation? The clearer your path is, the easier it will be to achieve your goals.

Diversify your portfolio

When planning your portfolio and making decisions on properties, it's crucial to diversify your investments. This will help mitigate risk in the event the market takes a hit. The balance you create in your portfolio allows high performing properties to sustain you if another investment is affected by market fluctuations. Keep in mind these three tips when diversifying your portfolio:

- **Invest in different locations.** Diversify the locations of your property to ensure you're taking advantage of multiple real estate markets, as the climates may vary.
- **Invest in different asset classes.** From residential, office, and multifamily to retail and hospitality, there are a variety of asset classes available to diversify your portfolio.
- **Invest in REITs.** An alternative available to adding an individual property to your portfolio, consider investing in Real Estate Investment Trusts—companies that own, operate, and finance income-generating real estate. These investments typically provide high dividends and long-term capital appreciation, similar to the value of stocks and low-

risk bonds.

Partner with experts

Our team of [real estate loan officers](#) can provide the tools, experience, and expertise to help you reach your investment goals. For more information on how PlainsCapital Bank can assist you in [real estate investments](#), contact a specialist today at 866.303.0557.