

“If you’re not growing, you’re dying”

- William S. Burroughs

I can’t remember ever meeting a single real estate investor who doesn’t want to grow and scale their portfolio in some way. I think it might be something instinctive or ingrained in our personalities. The goals are not always the same, it might be 10 units to 1000 units or \$1,000 to \$10,000 in cash flow, but there’s always that drive towards a goal or a dream.

Scaling a real estate portfolio while managing risk is a balance between growth and risk management. Here’s our top 5 best strategies to do both effectively:

1. Leverage Wisely

- Smart debt: Use long-term, fixed-rate financing to lock in predictable payments whenever possible. The latest historic rise in interest rates should be a great example of the risks associated with short-term variable interest rates.
- Conservative LTV: Stick to 70–75% loan-to-value (LTV) to avoid overleveraging. Look at your LTV across the entire portfolio. If you have a property with a 50% LTV, it might make sense to acquire a new property with an 80% LTV.
- Cash-out refinancing: Refinance after appreciation or value-add improvements to fund new acquisitions without selling.

2. Invest in Cash-Flowing Properties and Maintain Strong Reserves

- Focus on positive cash flow from day one to ensure properties cover their own debt and operating costs. Cash flow is what allows you to hold a property through a market downturn.
- Avoid speculative appreciation markets unless you can hedge with strong income.
- Keep 6–12 months of expenses per property in reserve. Use cash flow from early deals to build a cushion before scaling aggressively.

3. Value-Add Strategy and Diversify Assets

- Target properties with below-market rents, deferred maintenance, or management inefficiencies.
- Create equity through forced appreciation to improve returns, not just waiting for market timing.

- Diversify across markets and assets to reduce exposure to local economic downturns. Consider a mix of Multifamily (core) and small commercial or mixed-use.

4. Build a Reliable Team and Put Systems in Place

- Property managers, contractors, lenders, and real estate agents are essential to scaling efficiently. Eventually, there just isn't enough time in the day to get everything done.
- A great team reduces your personal workload and mitigates risk from poor decisions.
- Use property management software (e.g., Buildium, AppFolio, or Rentec Direct) to track operations and KPI's. Data-driven decisions reduce costly mistakes as you scale. Saving \$50 per unit can add up quickly across a portfolio. A \$50 per unit mistake can destroy NOI too!

5. Grow Tax-Efficiently with 1031 Exchanges and Tax Strategy

- Defer capital gains taxes when selling and trading up into larger properties.
- Ideal for moving from single-family homes to larger multifamily or commercial assets.
- Plan out a tax strategy. Can you time the sale of a property with a large renovation or cap expense? Does it make sense to pay yourself a salary? Should you have an LLC, S-Corp or other entity? Paying less in taxes can help you grow significantly over time.
- Consider bonus and accelerated depreciation and the usefulness of cost segregation studies.