

HOUSE HACKING 101



How to Live in Expensive Markets
While Saving Money

Eager to ramp up your investment while living your best life? House hacking is the way to go! Financially savvy professionals keep this as the top secret in fast tracking the attainment of homeownership dreams. After all, homeownership takes you a step closer to financial security.

Entering the real estate market can seem far-fetched with its skyrocketing prices - especially when you live in the heart of business districts. However, when done right, house hacking can be the simple solution to this seemingly huge dilemma. In this article, we'll uncover a house hacking comprehensive guide with tips and tricks in navigating your way to the big city!



What is House Hacking?

In its simplest definition, house hacking means renting out a space of your purchased property with the intent of offsetting the mortgage cost. This entails purchasing a property where the owner lives with its tenants. The actual set-up can differ with multiple house hacking strategies available. You can select which strategy suits your comfort level the most.

House hacking is especially helpful when done across key business districts (aka the overwhelmingly expensive markets), where living near the daily workplace cuts extra transportation costs apart from the mortgage savings gained from tenant rentals. After all, your tenant's rental rates essentially cover your monthly mortgage dues.

House Hacking Strategies

1

MULTI-UNIT PROPERTY

The simplest and easiest house hacking strategy. Whether duplex, triplex, or quadplex, purchasing a multi-unit property involves renting out other units and leaving a single unit for your occupancy. This gives you an actual space division between you and your tenant comfortably.

In establishing a hassle-free relationship with your tenants, best if you hire a property manager to keep your homeownership lowkey. This saves you the hassle in tenant haggling, or worse, non-payment of rental dues just because they know the owner personally.

Using this house hacking strategy, your asset can be easily transitioned to a full rental space when you decide to move into another neighborhood. Having a multi-unit property is certainly a cash flow driver with its consistent rental revenue.

2

SHORT TERM RENTAL

Leveraging on the rise of short term rental, you can easily rent out your purchased space through platforms like Airbnb and Agoda! Just as how any short term rental conditions work, you have to list your property in the booking platform to attract potential customers. With this strategy, you can double your earnings with competitive daily rental rates. When computed against the traditional monthly rental earnings, revenue can easily double with a high demand in staycations. The downside though, lies on its constant cleaning requirements every after vacancy.

Specific to Airbnb, you can choose between renting out the whole unit or only specific rooms within your purchased house. Even the rental duration can be flexible depending on your unit's availability. Going out of town soon? List your unit and have it rented while you're out! If this will be a long term hacking strategy, then your guest's star ratings are of prime importance. Always remember to keep a healthy relationship with your short term guests to attract more bookings.

3

ROOM-SHARING

If it's your first time trying house hacking and you're being conservative on prices, the best option is to purchase a small property and have a bed rented! This especially works well when buying condominiums in key business districts, as most professionals would prefer saving up on transportation costs through bedspacing.

Just a word of caution, best if you would have your own cabinet for extra security. Remember, you are technically sharing your safe space so it would be beneficial if you choose your tenants wisely and secure your belongings more carefully.

4

ADDITIONAL DWELLING UNITS

Now if you've purchased a bigger property with a spacious lot, you can build Additional Dwelling Units (ADUs) for a greater sense of security. Just like renting out plex units, creating an extended dwelling unit enables you to have tiny homes within your purchased property.

This is the best strategy to take in case you've already purchased a property and are trying to catch up on how to maximize your investment. As you will technically build this from scratch, you can design your envisioned tiny home according to your budget and taste.



5

FURNISHED BASEMENTS

If you've purchased a whole house, complete with a basement down below, voila! You just gained your house hacking blueprint. As the landlord, you can build your tenant's own exit/entry point for added security. You can furnish the basement like a regular studio unit complete with basic amenities such as kitchenette, restroom, and bed frame. If the space is big, you can even convert these into multiple bedrooms.

The Benefits of House Hacking

House hacking is definitely an investment game changer. Here are the top benefits of house hacking.

★ REAL ESTATE INVESTMENT

Just like any other real estate investment, house hacking induces regular cash flow with a notable appreciation value. The income generated from tenancy may be used to cover the mortgage expenses, saving up with a positive cash flow. The best part? Your investment value increases over time just as how any property investment works.

★ EASE IN FINANCING

When house hacking, you don't have to pay your mortgage in full straight up. You can settle your down payment first, and allow the tenancy income to cover your monthly mortgage dues. And the downpayment? Surprise! It's a lot cheaper. Better loan rates await those who intend to house hack such as FHA and VA loans.

★ PASSIVE SOURCE OF INCOME

Apart from covering your mortgage dues, you can even create a passive source of income just by house hacking. With the right house hacking strategy, you can widen your savings gap - further increasing your capital for your next investment.

Remember, earning twice - even thrice - your investment amount depends on the house hacking strategy fit for your property. This depends on the size, location, or even your connections in attracting your first tenants. Pro tip? Choose the best location, perhaps in the middle of a business district, right beside your workplace. Save and earn as you live regularly.



House hacking can be your next gold mine, but remember that picking the right strategy makes or breaks your investment. With a huge capital involved, it will always be best to study your property choices carefully with the following things in mind: budget, location, size, longevity, and most importantly, living conditions. Pick what's best suited to your comfort level, especially when you're planning to house hack until you've paid your mortgage dues in full. Lastly, don't let your youth dismay your growth. Invest while you're young, and you'll definitely reap your hard-earned efforts as you age finely.

For more real estate tips or for a more in-depth consultation, feel free to call me at (832) 405-9575, send me an email at erick@cityinsighthouston.com, or schedule a visit to my office.

Erick Mariscal

