AV REALTY
& MANAGEMENT

2026 EDITION • BOSTON'S NORTH SHORE

THE NORTH SHORE MULTIFAMILY BUYER'S PLAYBOOK

A practical guide to buying, analyzing and operating your first 2-4 unit property in Massachusetts

FREE INVESTOR EDUCATION FROM AV REALTY & MANAGEMENT

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How to Use This Playbook

A practical framework for evaluating a small multifamily property like an operator - not just a home shopper.

The goal is not to convince you that every multifamily property is a good investment. It is to give you a repeatable process for deciding whether a particular property fits your finances, risk tolerance, lifestyle and long-term goals.

CORE IDEA

A 2-4 unit property can combine housing and investing, but the numbers still have to work. Analyze realistic income, realistic expenses and realistic reserves - not the most optimistic version of the deal.

What's inside

SECTION	TOPIC	WHAT YOU'LL LEARN
01	Choose your strategy	House hack, owner-occupy or pure investment
02	Build your buying budget	Cash needed, financing, reserves and lender questions
03	Analyze the deal	NOI, cap rate, cash flow, cash-on-cash return and DSCR
04	Underwrite risk	Expenses, reserves and stress tests
05	Tour like an investor	Systems, utilities, legality, tenants and deferred maintenance
06	Perform due diligence	Documents, leases, deposits, expenses and inspections
07	Prepare an offer	Walk-away price, assumptions and risk
08	Plan the first 30 days	Tenant transition, accounting, maintenance and management
09-10	Use the worksheets	Deal analysis and showing checklist
11-12	Avoid mistakes & act	Common traps and free AV tools

01 • STRATEGY

Choose the Investment You Actually Want

The right property depends on what you want the property to do for you.

Small multifamily generally means a residential property with two, three or four dwelling units. These properties can be attractive because multiple rents may support one asset and an owner-occupant may be able to use residential mortgage programs, subject to program and lender requirements.

STRATEGY	WHAT IT LOOKS LIKE	BEST FIT	WATCH FOR
House hack	Live in one unit; rent the others.	Housing + investing in one purchase.	Privacy, occupancy rules, tenant proximity.
Owner-occupied long term	Occupy one unit while operating the others.	Lower-friction first step into landlording.	Workload and future move-out plan.
Investment property	You do not occupy the building.	Investment economics over personal housing.	Underwriting and cash needs differ.
Value-add	Physical or operational upside.	Renovation capital + execution ability.	Permits, overruns, vacancy, code.
Turnkey	Stabilized with limited immediate work.	Predictability and speed.	Premium pricing may compress returns.

Define your buy box

- Location: Which North Shore communities fit your commute, tenant demand and budget?
- Units: 2-family, 3-family or 4-family?
- Occupancy: Will you live there?
- Condition: Turnkey, cosmetic value-add or major renovation?
- Cash: Down payment + closing costs + repairs + reserves.
- Return: What minimum result makes the deal worthwhile?
- Time: Self-manage or hire professional management?

INVESTOR DISCIPLINE

Write your criteria before you fall in love with a property. A beautiful kitchen is not an investment thesis.

02 • FINANCING

Build the Real Buying Budget

The down payment is only one part of the cash you may need to close and operate safely.

Financing depends on occupancy, borrower profile, property type, loan program and lender underwriting. FHA single-family programs can cover one- to four-family principal residences; three- and four-unit FHA transactions also have a self-sufficiency rental-income test. Conventional programs likewise vary by occupancy and unit count. Always verify current terms with a licensed lender.

BUCKET	EXAMPLES	WHY IT MATTERS
Acquisition cash	Down payment, lender/title fees, prepaid taxes/insurance	Needed to close.
Immediate property cash	Safety items, locks, cleaning, urgent repairs	The building may need money on day one.
Operating reserve	Vacancy, repairs, utilities, deductibles	Protects against short-term surprises.
Capital reserve	Roof, heating, exterior, major plumbing/electrical	Large systems fail irregularly.

Questions to ask your lender

- Which programs are available for this exact unit count and occupancy plan?
- What maximum loan-to-value and borrower contribution apply?
- How much projected rental income, if any, can be used to qualify?
- What reserves will underwriting require?
- For a 3-4 unit FHA property, how does the self-sufficiency test affect eligibility?
- How will taxes, insurance, flood insurance, HOA costs or mortgage insurance affect payment?
- Are there appraisal or condition requirements that could affect this building?

2026 FINANCING NOTE

Program rules change. Use this page to ask better questions - not as a substitute for a lender's current underwriting guidance.

03 • DEAL ANALYSIS

Run the Numbers Like an Operator

Gross rent is not profit. Start with income, subtract realistic operating expenses, then account for financing.

METRIC	FORMULA	WHAT IT TELLS YOU
Effective Gross Income	Scheduled rent + other income - vacancy	Income you realistically expect to collect.
NOI	Effective income - operating expenses	Property performance before debt service and income taxes.
Cap Rate	Annual NOI ÷ purchase price	Unlevered yield relative to price.
Cash Flow	NOI - annual debt service	Cash remaining after mortgage payments.
Cash-on-Cash	Annual pre-tax cash flow ÷ cash invested	Return on the cash you put into the deal.
DSCR	NOI ÷ annual debt service	How much operating income covers debt.

Example: fictional North Shore 3-family

Assume an $825,000 purchase with $7,500/month of scheduled rent. This is educational and intentionally simplified.

ITEM	MONTHLY	ANNUAL
Scheduled rent	$7,500	$90,000
Vacancy / credit loss (5%)	($375)	($4,500)
Effective rental income	$7,125	$85,500
Taxes	($900)	($10,800)
Insurance	($350)	($4,200)
Water / common utilities	($350)	($4,200)
Repairs reserve	($600)	($7,200)
Capital reserve	($375)	($4,500)
Management (8%)	($570)	($6,840)
NOI	$3,980	$47,760

WHAT THIS REVEALS

The building collects $90,000 of scheduled annual rent, but illustrative NOI is $47,760 before mortgage payments. Illustrative cap rate: 5.79%. Cash flow then depends on actual financing and operating results.

04 • UNDERWRITING

Don't Get Fooled by Gross Rent

Strong underwriting is often about refusing to omit inconvenient expenses.

CATEGORY	QUESTIONS TO ASK
Vacancy / credit loss	What happens if a unit is vacant, turns slowly or rent is not collected?
Taxes	What are current taxes? Could assessed value change after sale?
Insurance	Get an actual quote. Older multifamily, coastal exposure and flood zones can change cost.
Owner-paid utilities	Who pays water, sewer, heat, hot water, electric and common service?
Repairs	What recurring work is likely given age and condition?
Capital expenditures	Roof, heating, water heaters, siding, windows, porches and major systems do not last forever.
Management	Model management even if you self-manage so you can see the economics without unpaid labor.
Turnover	Cleaning, painting, locks, vacancy and repairs make turnover expensive.

AV INVESTOR TIP

Run at least three versions: base case, conservative case and stress case. If the deal only works when every assumption is perfect, it has little margin for error.

Stress-test these variables

- Rent is 5% lower than expected.
- One unit is vacant for two months.
- Insurance is materially higher than the listing estimate.
- A heating system or roof needs replacement sooner than planned.
- Interest rate or closing costs are worse than expected.
- You hire management instead of self-managing.

05 • PROPERTY TOURS

Tour the Building Like You Already Own It

A showing is not an inspection, but it is your first chance to identify what deserves deeper investigation.

AREA	LOOK FOR / ASK ABOUT
Roof & exterior	Age, leaks, flashing, gutters, siding, masonry, paint, drainage.
Foundation / basement	Cracks, moisture, efflorescence, sump pumps, pests, storage.
Heating / hot water	Fuel, age, service history, separate vs shared systems, oil tanks.
Electrical	Service size, panels, obvious outdated wiring, owner/common meter.
Plumbing	Supply/drain materials, leaks, pressure, shutoffs, sewer history.
Units	Kitchens, baths, floors, appliances, windows, doors, smoke/CO devices.
Utilities	Who pays what? Separate heat/electric/gas? Water? Common accounts?
Parking / exterior	Legal spaces, snow storage, walls, porches, decks, railings.
Occupancy	Which units occupied? Lease terms? Rents? Deposits?
Legality	Does public record/zoning match represented unit count and use? Verify.

DO NOT SKIP PROFESSIONALS

A buyer's visual tour is not a substitute for licensed inspectors, contractors, attorneys, lenders, insurance professionals, municipal records or other specialists appropriate to the property.

06 • DUE DILIGENCE

Verify the Story the Property Is Telling You

Once an offer is accepted, shift from estimating to verifying.

Documents and information to request when applicable

- Rent roll: unit, tenant, monthly rent, lease dates and payment status.
- Leases and amendments: confirm what written agreements say.
- Deposits / prepaid rent: understand funds being transferred and obtain documentation.
- Operating expenses: taxes, insurance, utilities, contracts and maintenance history.
- Rental payment support: records that help corroborate represented collections.
- Permits / municipal information: investigate unit legality, open permits and property-specific issues.
- Capital history: roof, heating, electrical, plumbing, windows, porches/decks.
- Insurance: obtain a quote before contingencies expire when possible.

VERIFY	WHY
Who lives in each unit?	Actual occupancy may differ from a simple rent roll.
What is each tenant paying?	Use verified rent, not only advertised or 'market' rent.
What tenancy documents exist?	Written terms can affect your post-closing plan.
What deposits/prepaid amounts exist?	These require careful accounting and transfer handling.
Who pays each utility?	Owner-paid utilities materially affect NOI.
Are rents below market?	Upside may exist, but do not assume immediate increases.

MASSACHUSETTS CAUTION

Landlord-tenant, security-deposit, notice, lead, fair-housing and local compliance issues can be fact-specific. Use qualified Massachusetts legal counsel for legal advice.

07 • OFFER STRATEGY

Know Your Walk-Away Number Before Negotiating

Your offer should reflect both the property's value and the risk you are accepting.

	OFFER-READINESS ITEM	READY?
☐	Current lender pre-approval and financing strategy	
☐	Cash-to-close estimate plus post-closing reserve	
☐	Base-case and conservative analysis	
☐	Initial repair / CapEx allowance	
☐	Estimated rents supported by market research	
☐	Insurance estimate or early quote	
☐	Inspection / due-diligence strategy discussed with advisors	
☐	Maximum purchase price / walk-away number	
☐	Management plan after closing	

NEGOTIATION IS MORE THAN PRICE

Depending on the transaction, buyers and advisors may evaluate price, timing, deposits, due-diligence terms, financing terms, credits and other conditions.

Before you write

- Re-run the deal at the exact offer price.
- Do not count unrenovated units at renovated rent without budgeting the work.
- Do not assume every below-market tenancy can be immediately reset.
- Decide which unknowns require protection or professional review.
- Make sure the deal still fits your original strategy - not just your desire to win.

08 • AFTER CLOSING

Your First 30 Days as an Owner

Closing is when the operating phase begins.

TIME	PRIORITIES
Before / at closing	Confirm insurance; understand keys/access; document transferred leases, deposits and rents; clarify utilities; identify urgent issues.
Days 1-7	Establish contact procedures, rent collection and accounting; confirm vendor access; review urgent maintenance.
Days 8-14	Build maintenance list by urgency; organize tenant records; confirm recurring bills; fund reserves; schedule approved work.
Days 15-30	Finalize operating budget; review rent positioning; plan renewals/turnovers; create CapEx roadmap; decide what to delegate.

Self-manage or hire a property manager?

SELF-MANAGEMENT	PROFESSIONAL MANAGEMENT
Potentially lower direct management expense	Management expense should be included in underwriting
Maximum day-to-day control	Less day-to-day owner involvement
Owner handles tenant communication	Manager becomes operational point of contact
Owner sources and coordinates vendors	Manager coordinates approved maintenance/vendors
Owner maintains records and processes	Structured systems and owner reporting
Can fit hands-on local owners	Often attractive for remote owners or scaling investors

THINK BEYOND YEAR ONE

Build reserves, keep records, address deferred maintenance and periodically review the asset's performance.

09 • WORKSHEET

One-Page Deal Analysis

Print this page or use it beside AV Realty & Management's online Rental Property Calculator.

PROPERTY	_______________________________	OFFER PRICE	$___________
UNIT MIX	_______________________________	CASH INVESTED	$___________
INCOME	MONTHLY	EXPENSES	MONTHLY
Unit 1 rent	$_______	Taxes	$_______
Unit 2 rent	$_______	Insurance	$_______
Unit 3 rent	$_______	Water / utilities	$_______
Unit 4 rent	$_______	Maintenance reserve	$_______
Other income	$_______	Capital reserve	$_______
Less vacancy	($______)	Management	$_______
Effective income	$_______	Other operating expense	$_______
		Total operating expense	$_______
NOI	$_______	Debt service	$_______
Monthly cash flow	$_______	Annual cash flow	$_______
Cap rate	______ %	Cash-on-cash return	______ %
DSCR	______ x	Reserve after closing	$_______

Quick formulas

- NOI = effective gross income - operating expenses
- Cap rate = annual NOI ÷ purchase price
- Cash flow = NOI - debt service
- Cash-on-cash return = annual pre-tax cash flow ÷ total cash invested
- DSCR = annual NOI ÷ annual debt service

FREE CALCULATOR

Run a more detailed analysis at avrealtymanagement.com/rental-property-calculator.html.

10 • FIELD TOOL

Multifamily Showing Checklist

Bring this page with you. Check items that deserve follow-up - not just items that look bad.

CHECK	CHECK
☐ Roof / gutters / drainage	☐ Foundation / basement moisture
☐ Heating system age / fuel	☐ Hot water systems
☐ Electrical panels / service	☐ Visible plumbing / leaks
☐ Separate utility meters	☐ Windows / exterior doors
☐ Kitchens / bathrooms	☐ Smoke / CO devices
☐ Porches / decks / railings	☐ Parking / snow storage
☐ Common-area condition	☐ Laundry / storage
☐ Tenant occupancy	☐ Current rent / lease status
☐ Security deposits / prepaid rent	☐ Owner-paid utilities
☐ Unit legality / zoning follow-up	☐ Insurance / flood-zone follow-up
☐ Immediate repairs	☐ Near-term CapEx
☐ Renovation opportunity	☐ Market-rent support

Property notes

11 • RISK

Common Beginner Mistakes

Most bad deals do not announce themselves as bad deals. They often look attractive because something important was omitted.

MISTAKE	BETTER HABIT
Using market rent instead of current rent	Treat future upside as a scenario, not money already in the bank.
Ignoring owner-paid utilities	Water, heat and common service can materially reduce NOI.
Budgeting zero vacancy	Even good buildings have turnover and collection risk.
Calling every repair 'maintenance'	A roof or heating replacement is a capital event.
Underestimating old-building complexity	Older North Shore housing can involve decades of modifications. Verify.
Buying before defining management	Know who collects rent, handles tenants, repairs and records.
Spending every dollar at closing	A reserve can turn an emergency into a manageable expense.
Confusing appreciation with cash flow	Future value growth does not pay this month's bills.

A BORING DEAL CAN BE A GOOD DEAL

Predictable income, manageable systems, adequate reserves and a clear operating plan can be more valuable than a flashy projected return built on aggressive assumptions.

12 • NEXT STEPS

Turn Research Into a Buying Plan

Use AV Realty & Management's free tools to move from general education to a property-specific analysis.

RESOURCE	USE IT FOR	WEB ADDRESS
Rental Property Calculator	Cash flow, NOI, cap rate, CoC, DSCR	avrealtymanagement.com/rental-property-calculator.html
Free Rent Analysis	Property-specific rental pricing guidance	avrealtymanagement.com/free-rent-analysis.html
Mortgage Calculator	Estimate payment scenarios	avrealtymanagement.com/calculator.html
North Shore Real Estate	Buyer, seller and investor brokerage	avrealtymanagement.com/north-shore-real-estate.html
Property Management	Ongoing management services	avrealtymanagement.com/north-shore-property-management.html

WANT A SECOND SET OF EYES?

AV Realty & Management works with North Shore buyers, landlords and investors from acquisition through leasing and ongoing management. (978) 277-3435 • avrealtymanagement.com

About AV Realty & Management

AV Realty & Management is a North Shore Massachusetts real estate brokerage and property management company based in Swampscott. We help buyers, sellers, landlords and investors evaluate opportunities, navigate transactions and operate rental property with a practical, local perspective.

Educational disclaimer

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Current-source note

Financing concepts were updated with reference to current HUD/FHA and Fannie Mae guidance available in September 2026, including FHA one-to-four-family principal-residence eligibility, the FHA three-to-four-unit self-sufficiency test, Fannie Mae HomeReady guidance, rental-income guidance and one-to-four-unit property-insurance requirements. Always verify the current rule that applies to your transaction.