

# 7 Key Financial Strategies for Real Estate Businesses to Make More Profit





# THE KEYS

## (aka contents)

- Choose the Ideal Business Structure
- Don't Take Your Eye Off Operating Expenses
- Use the Right Method to Depreciate Your Assets
- Understand Revenue Recognition
- Implement Effective Property Management
- Regularly Reassess Property Market Value
- Work with a Bookkeeper Who Understands the Industry
- What Now?



# READY TO BOOST YOUR REAL ESTATE PROFITS?

## HEY, REAL ESTATE PRO!

The real estate industry is full of opportunities, but it's also riddled with financial complexities that can eat into your profits. As someone who's spent more than two decades working in both real estate and accounting, I've seen firsthand how small changes in financial strategy can lead to big gains for real estate investors, property managers, and even real estate agents.

Many real estate professionals are passionate about their properties and clients but overlook the financial side of their businesses. It's a common misconception that focusing on accounting and cash flow is less important than closing deals or managing tenants. In reality, a solid financial foundation isn't just helpful—it's essential for long-term success.

This ebook is designed to bridge the gap, offering practical strategies to help you keep more of what you earn and build a stronger business. From choosing the right business structure to understanding depreciation and optimizing expenses, these tips are rooted in years of experience helping professionals like you.

Whether you're managing a portfolio of rentals, running a property management firm, or investing in your first real estate venture, these strategies are designed to maximize your profits, reduce stress, and help you focus on what you do best.

**Let's dive in and uncover how you can make your real estate business more profitable, starting today.**



## #1 - Choosing the Ideal Business Structure

---

The structure of your real estate business plays a crucial role in shaping your taxes, liability, and long-term profitability. Pass-through entities like LLCs and S-Corporations are often favored for their tax benefits, allowing income to flow directly to owners and avoiding double taxation. These structures may also qualify for the 20% Qualified Business Income (QBI) deduction, offering significant tax savings.

Liability protection is another key advantage. An LLC or corporation shields your personal assets from business debts or lawsuits, reducing financial risks in the high-liability world of real estate. These structures also appeal to investors and lenders, enhancing your credibility and potentially helping you secure better loan terms.

Choosing the right structure can also support long-term profitability. Flexible models like LLCs and partnerships allow customized profit-sharing arrangements, rewarding contributions based on effort or risk, not just ownership. For family-owned businesses, some structures simplify succession planning, minimizing tax burdens during ownership transitions.

By selecting the ideal structure, you can protect your assets, reduce taxes, and set your real estate business on a path to greater profitability and growth.





## #2 - Don't Take Your Eye Off Operating Expenses

---

Keeping a close watch on operating expenses is one of the most effective ways to maximize profitability in a real estate business. Costs like maintenance, utilities, property management fees, and insurance often account for a significant portion of your budget. By managing these carefully, you can retain more revenue as profit and improve your cash flow. This allows for reinvestment in property upgrades, marketing, or debt reduction, all of which strengthen long-term growth.

Monitoring expenses also directly impacts your Net Operating Income (NOI), a key metric for assessing property performance. Lowering operating costs boosts NOI, which can increase property value and appeal to investors, especially in commercial real estate. Additionally, controlling expenses reduces the need for aggressive rent hikes, helping retain tenants and cutting down on turnover costs like marketing and refurbishments.

Regular expense reviews often reveal cost-saving opportunities, such as switching to energy-efficient utilities or renegotiating contracts. These small adjustments add up over time, increasing your business's efficiency. With a better handle on your operating costs, you can also create accurate budgets and forecasts, enabling smarter decisions about future investments.

Staying proactive with expenses ensures a healthier bottom line and a more sustainable operation.



### #3 - Use the Right Method to Depreciate Your Real Estate Assets

---

Choosing the right depreciation method can reduce taxable income, improve cash flow, and increase profitability. Depreciation reflects a property's natural wear and tear and offers tax advantages that can free up capital for reinvestment.

Not all parts of a home or commercial building have the same life. Cost segregation allows you to accelerate depreciation by dividing building components into shorter categories, such as 5, 7, or 15 years, instead of the standard 27.5 or 39 years. This provides larger deductions early on, boosting cash flow when it's most impactful.

Section 179 expensing enables first-year deductions for specific items like office equipment or HVAC systems, offering immediate tax benefits. For long-term planning, businesses can choose between accelerated methods, which prioritize early savings, or straight-line depreciation, which provides consistent tax relief over time. Similarly, bonus depreciation, which permits 100% up-front expensing of qualified assets with a useful life of 20 years or less, creates substantial savings for newly acquired or upgraded properties.

A tax professional can help you identify the best strategy for your portfolio, maximizing deductions and cash flow. Proper depreciation planning enhances profitability and supports the long-term growth of your real estate business.





## #4 - Understand Revenue Recognition

---

Revenue recognition is essential for real estate professionals to accurately report income, manage cash flow, and maintain tax compliance. It ensures income is recorded when earned rather than when cash is received, providing a clear financial picture and helping avoid overestimating cash flow or profit. Accurate reporting allows for better decision-making, enabling you to plan investments, expansions, and budgets based on actual income.

Understanding revenue recognition also enhances cash flow management, especially for businesses with fluctuating income. By tracking when payments are due versus when revenue is recognized, you can plan major expenses, prevent cash shortfalls, and maintain smooth operations. Aligning revenue with IRS and local tax regulations also ensures accurate tax filings, reducing the risk of penalties while potentially deferring revenue to lower tax liability.

For project-based work, clear revenue recognition builds transparency with clients, ensuring they pay for services as delivered. It also improves investor confidence by showcasing transparent revenue timelines. Adhering to standards like GAAP minimizes audit risks and enhances legal and regulatory compliance, while profitability analysis and benchmarking reveal valuable insights into growth opportunities.



## #5 - Implement Effective Property Management

---

Effective property management is a cornerstone of profitability for real estate businesses. By maximizing income, minimizing expenses, and improving tenant satisfaction, well-managed properties yield stronger cash flow and long-term stability.

A skilled property manager ensures rental rates are competitive and aligned with market value, optimizing rental income. They also handle tenant acquisition and renewals efficiently, keeping vacancy rates low and ensuring steady revenue. Proactive maintenance is another key component, with routine inspections and preventive measures helping to avoid costly repairs that could harm cash flow.

Tenant retention is equally important. Properties that are clean, well-maintained, and responsive to tenant needs foster higher satisfaction, reducing turnover costs associated with marketing, cleaning, and remodeling. Additionally, professional property management ensures compliance with local regulations, protecting against fines and legal issues that could undermine profitability.

By focusing on operational efficiency and tenant satisfaction, you can lower costs, boost revenue, and build a more stable and profitable investment portfolio.







## #6 - Regularly Reassess Property Market Value

---

Reevaluating the market value of your properties is essential for accurate financial reporting, securing financing, and making informed decisions about sales or portfolio adjustments. Regular assessments ensure your valuations reflect current market conditions and maximize your financial strategy.

Properties should typically be reassessed annually, though market volatility, regulatory requirements, or financing agreements may necessitate more frequent evaluations. High-demand markets or properties in rapidly changing areas may also benefit from semi-annual or quarterly reviews to capture appreciation or depreciation trends.

The process begins with a comparative market analysis (CMA), where recent sales of similar properties in the area provide a benchmark for estimating value. For rental properties, the income approach is critical, factoring in net operating income (NOI), market rental rates, and vacancy trends. Property condition assessments are equally important, as improvements or deterioration since the last evaluation can significantly impact value. For high-value or unique properties, hiring a certified appraiser provides a formal and accurate valuation.

Broader market trends, such as interest rates and local demand, should also be considered. Documenting your findings ensures transparency for financial reporting or stakeholder inquiries. Regularly reassessing property values can help you make better investment decisions and maintain compliance with financial or legal standards.

## #7 - Work with a Bookkeeper Who Understands the Industry

---

When it comes to tracking your finances, there are three common approaches: DIY, working with a generalist, and working with a bookkeeper who understands the industry.

You don't have to spend long in the real estate space to know that DIY projects don't always turn out well! Handling your own books may save a few dollars at the beginning, but it almost always ends up costing much more than it saves, especially as you grow. Missed opportunities, errors, and even tax penalties and fees caused by faulty books can eat away at your profits like termites at a load-bearing wall. The stress and time spent handling your books also takes you away from what you should be focusing on.

While a good generalist bookkeeper will give you back your time and help you track your finances accurately, there are a lot of nuances in the Real Estate space that they're likely not familiar with.

By choosing to work with a financial professional who understands the industry, you'll not only save time and avoid errors, but you'll also have a pair of expert eyes helping you identify opportunities and apply all the strategies we just covered in tips one through six. This will give you a much better understanding of what's happening in your business, along with improved profit and growth.



**So...**

**What now?**





Put these seven keys into action to unlock more profit, reduce financial stress, and better align your business practices with your long-term goals. One of the most effective ways to ensure your success is by partnering with a professional who understands both real estate and financial management.

By outsourcing your accounting to an expert, you can focus on building your portfolio and growing your investments while leaving the complexities of the numbers to someone you trust. With the right financial strategies and support in place, you'll be in a stronger position to maximize your profitability and enjoy the rewards of your hard work.

If you're looking for an experienced partner who can help you achieve your financial goals, RealLedgers Financial is here to help.

With decades of experience in accounting and real estate, we bring a unique perspective to help real estate businesses like yours thrive. From expense tracking, payables, and receivables, to reporting and advisory services, we've got you covered.

Let's get started today.

Click [HERE](#) to book your free consultation call, and we'll discuss your unique needs and how we can help you simplify your finances while increasing your profits.

To make the most of our consultation:

- Bring a copy of your latest financial statements
- Be prepared to share your goals and any questions you have
- Be logged into your QuickBooks account, if possible, so we can review the scope of your needs and identify any opportunities

We look forward to partnering with you to help your real estate business grow!

[Book a Call Now](#)

## About The Author

Jennifer Cooke, CPA, MBA, is the founder and owner of RealLedgers Financial, PLLC. A former corporate accountant and CFO, Jennifer not only brings over 20 years of accounting experience but also extensive real estate experience as a property manager, REALTOR®, and CFO for a commercial real estate developer in uptown Dallas. She's based in North Texas and works with clients across the US virtually.

Ready to elevate your real estate business? Book a free consultation today to start achieving your financial goals.

