A FREE GUIDE FROM ANTONIO RUBIO · TU CASA

The Complete Guide to
Commercial & Business Ownership

Apartment buildings and buying an existing business — two paths, honestly compared.

ANTONIO RUBIO

Bilingual Yuba-Sutter Real Estate Agent · Better Homes Realty

CalDRE #01472558 · Licensed since 2005

(530) 870-1063 · antoniorubiotucasa.com

Se habla español.

BEFORE YOU START READING

A Note From Antonio

This guide covers two related but genuinely different paths to commercial ownership: buying income property, meaning apartment buildings and multifamily, and buying an existing business. They attract the same kind of buyer and they often intersect — plenty of businesses own the building they operate in — but they are not the same transaction.

Let me be straight with you about where I fit. My expertise is real estate, including commercial and multifamily, and that's a path I can walk with you start to finish. Buying a business is a different discipline — you're buying financial statements, contracts and goodwill as much as anything physical. But in California it is still licensed real estate work: state law puts the sale of a “business opportunity” under the same licence as the sale of property, and there is no separate California business-broker licence. So this is work I can do with you through my brokerage, alongside a transactional attorney and a CPA for the structuring and the tax — not something I have to hand off entirely.

So this guide gives you an honest overview of both, so you can tell which path — or which combination — actually fits what you're trying to build.

— Antonio Rubio, CalDRE #01472558

CONTENTS

What's Inside

Tap any line below to jump straight to that section.

PART A

Apartment Buildings & Multifamily Investment

Why Multifamily Is Different from a Single-Family Rental

The jump from one rental house to an apartment building is bigger than it looks, and mostly in your favor. One roof, one lot, and one insurance policy serve multiple income streams, so the cost of maintaining each unit falls as the building gets larger. That's economy of scale, and it's the core argument for multifamily.

Vacancy behaves differently too. When a single-family rental goes empty, your income from that property drops to zero while the mortgage keeps arriving. When one unit of an eight-unit building turns over, you lose an eighth of the rent. That smoothing is worth a great deal to an investor's stability and to a lender's confidence.

Professional management also becomes practical. At one house, a manager's 8–12% is a meaningful bite out of thin margins. Across twelve units, professional management is often simply how the property runs — and the numbers still work.

The tradeoff is complexity. The financing is commercial rather than residential, the underwriting looks harder at the property's income than at your paycheck, and the analysis requires a few more numbers than a single rental does. Those numbers are the next chapter.

The Four Metrics That Drive Every Deal

Commercial property is valued on what it earns, not on what the neighbors sold for. That single difference is why these four numbers matter so much — they are, in a real sense, the language the whole market speaks.

Metric	Formula	What It Tells You
NOI	Gross income − operating expenses	What the building earns annually before debt. The foundation every other number is built on.
Cap Rate	NOI ÷ purchase price	The unleveraged return. Used to compare buildings against each other and against the market.
DSCR	NOI ÷ annual debt service	Whether income comfortably covers the mortgage. Lenders commonly want 1.20–1.25 or better.
GRM	Price ÷ annual gross rent	A fast screening ratio. Ignores expenses entirely, so it filters — it never decides.

A Closer Look at DSCR

Debt Service Coverage Ratio is the number that most often decides whether a commercial loan happens. It asks a simple question: does the building's net income cover the loan payment, with room to spare? A DSCR of 1.25 means the property produces 125% of its annual debt service — a 25% cushion before it stops covering itself.

This is why commercial lending feels different. A residential lender asks mostly about you. A commercial lender asks mostly about the building, and DSCR is how that question gets scored. If a deal's DSCR comes in below the lender's threshold, the fix is a larger down payment, a lower price, or higher income — not a better credit score.

Worked Example — An 8-Unit Building at $1,200,000	
1. **Gross annual rent**	8 units at $1,250 a month = $120,000 a year.
2. **Operating expenses**	Taxes, insurance, water and trash, maintenance, management and a vacancy reserve — roughly 40% of gross, about $48,000.
3. **NOI**	$120,000 – $48,000 = $72,000.
4. **Cap rate**	$72,000 ÷ $1,200,000 = 6.0%.
5. **Annual debt service**	25% down leaves a $900,000 loan. At roughly 7% on a 25-year commercial amortization, that's about $76,000 a year.
6. **DSCR**	$72,000 ÷ $76,000 = 0.95. Below 1.0, so the building does not cover its own debt — most lenders decline this at this price and this leverage.

That result is not a failed exercise — it's the analysis doing its job before you spent money on it. It also tells you precisely what would fix it: more down payment, a lower purchase price, or genuine room to raise below-market rents. Figures are illustrative; rates, expenses and rents vary by property and change over time.

Financing Commercial & Apartment Buildings

Commercial financing is its own world, with several distinct paths. Which one fits depends on the size of the property, your experience, and how your income looks on paper.

DSCR Loans

These qualify you based on the property's cash flow rather than your personal income. That makes them popular with investors who already own several properties — where conventional debt-to-income calculations become unwieldy — and with self-employed buyers whose tax returns understate their real earnings. The property has to carry itself, but you aren't disqualified for how your personal return reads.

Agency Loans

Fannie Mae and Freddie Mac run multifamily programs for larger apartment properties. They tend to offer attractive long-term rates and terms, with more documentation, more process, and usually a minimum loan size that puts them out of reach for small buildings.

Traditional Bank Commercial Loans

A local or regional bank holding the loan on its own books. Terms are negotiable, the relationship matters, and a bank that knows the area can move faster and more flexibly than a national program — often the practical choice for small to mid-size buildings in a market like ours.

How commercial terms differ from residential

• Terms are shorter. A commercial loan often carries a 5–10 year term with a balloon payment, even when payments are calculated on a 20–25 year amortization. You will likely refinance before it's paid off.

• Rates float more often, and fixed periods are shorter than the 30-year fixed most homeowners take for granted.

• Down payments generally run higher, commonly 25–30% or more, and lenders expect meaningful reserves.

• Underwriting centers on the property's income and DSCR. Your personal finances matter, but the building has to carry itself.

1031 Exchanges for Commercial Property

The same deferral mechanism that applies to residential investment property applies to commercial and multifamily: sell an investment property, roll the proceeds into another qualifying investment property, and defer the capital gains tax rather than paying it at sale.

The timelines are identical and equally unforgiving — 45 days from closing to formally identify the replacement property, 180 days to close on it — and the proceeds must pass through a qualified intermediary rather than your own account.

In practice this is how a lot of investors climb. A duplex becomes a fourplex, a fourplex becomes an eight-unit building, and each step defers the tax that would otherwise have taken a bite out of the down payment for the next one. Over a couple of decades that compounding is substantial.

Talk to a CPA and a qualified intermediary before you list anything. The exchange has to be set up before the sale closes, and the most common way people lose a 1031 is by selling first and asking about it afterward.

Path A: Buying an Apartment Building

1	**Define Your Investment Criteria** Unit count, location, price range, condition, and the return you actually need before you look at listings.
2	**Run the Numbers** NOI, cap rate and DSCR on every candidate — using real expenses, not the broker's pro forma.
3	**Secure Financing** DSCR loan, agency program or bank commercial loan, with terms and required down payment confirmed in advance.
4	**Underwrite & Inspect** Verify the rent roll against actual leases, inspect the physical building, and read every lease you're inheriting.
5	**Close & Transition Management** Notify tenants, transfer deposits and leases correctly, and put management in place from day one.

PART B

How Small Businesses Are Actually Valued

Buying a business runs on a different logic than buying property. A building is valued on the income it produces; a small business is valued on the income it produces for its owner — which is not the same as the profit shown on its tax return.

Seller's Discretionary Earnings (SDE)

SDE is the standard measure for small and main-street businesses. It starts from net income and adds back the things that exist because of how this particular owner runs it: the owner's own salary, personal expenses run through the business, one-time or non-recurring expenses, interest, and depreciation.

The logic is that a new owner won't inherit the previous owner's car lease or their salary — they'll set their own. SDE therefore approximates the total financial benefit the business delivers to one working owner, which is the number a buyer actually cares about.

Multiples

Small businesses commonly sell for roughly 2–4 times SDE. Where a specific business lands in that range depends on industry, growth trend, customer concentration, how transferable the operations are, and how dependent the business is on the owner personally. A business that runs without its owner earns a higher multiple than an identical one that doesn't — sometimes dramatically so.

Larger businesses are typically valued on an EBITDA multiple instead — earnings before interest, taxes, depreciation and amortization — because at that size the owner's compensation is a normal salaried expense rather than the whole point.

Worked Example — Calculating SDE	
1. Net income on the tax return	$85,000 — what the business reported as profit.
2. Add back owner's salary	+ $65,000. A new owner sets their own compensation, so it isn't a true cost of the business.
3. Add back personal expenses	+ $12,000 for a vehicle and personal items run through the business.
4. Add back interest & depreciation	+ $18,000. Financing and paper depreciation are specific to this owner's structure.
5. Add back one-time expenses	+ $10,000 for a non-recurring legal settlement that won't repeat.
6. SDE and likely value	$190,000 SDE. At a 2.5–3x multiple, an asking price somewhere around $475,000 to $570,000.

Illustrative only. Valuation depends on far more than one calculation, and a business appraiser or broker should confirm any figure you act on.

Asset Purchase vs. Stock Purchase

This is one of the most consequential decisions in a business acquisition, and it's decided long before closing. It determines what you actually own afterward and — more importantly — what you're on the hook for.

Factor	Asset Purchase	Stock Purchase
What You Buy	Specific assets: equipment, inventory, customer lists, goodwill, chosen contracts	The whole legal entity, with everything inside it
Liability Exposure	You can leave unwanted liabilities behind with the seller	You inherit all liabilities — known and unknown, including ones not yet discovered
Tax Basis	Stepped-up basis on purchased assets, giving more favorable depreciation going forward	No step-up; you carry over the existing basis
Who Usually Prefers It	Buyers, for the liability protection and the tax treatment	Sellers, largely because of more favorable capital gains treatment
Best For	Most small-business buyers, most of the time	Deals where contracts, licenses or permits can't easily be transferred

Because buyers and sellers naturally prefer opposite structures, this is a genuine negotiating point and often affects price. It is also squarely a question for a transactional attorney and a CPA — the difference between these two structures can be worth more than the price you negotiate.

Path B: Buying an Existing Business

1	**Define What You're Looking For** Industry, size, location, and how involved you intend to be day to day.
2	**Review Financials & Valuate** Three years of statements and returns, calculate SDE or EBITDA, and test the multiple being asked.
3	**Structure the Deal** Asset or stock purchase, and how the money is assembled — often an SBA loan plus a seller note.
4	**Due Diligence** Contracts, licenses, leases, litigation, employees, and customer concentration verified before you commit.
5	**Close & Transition** Training period with the seller, relationships handed over, and continuity for staff and customers.

Due Diligence Checklist for a Business

Property due diligence asks what's physically there. Business due diligence asks whether the earnings are real, whether they'll survive the owner leaving, and what you might be inheriting that nobody mentioned.

- **Three years of financials and tax returns —** Statements and returns together — and they should reconcile. Where they don't, ask why, and keep asking until the answer makes sense.
- **Customer concentration —** If one client is more than 20–30% of revenue, that isn't a customer, it's a risk. Ask what happens to the business if that relationship ends six months after you buy it.
- **Lease terms and transferability —** How long does the lease run, what does renewal look like, and does the landlord have to approve the transfer? A great business in a location you can lose in a year is a different proposition.
- **Contracts and vendor agreements —** Which contracts transfer, which require consent, and which have change-of-control clauses that let the other side walk when the business changes hands.
- **Employee agreements and key-person risk —** Who actually knows how this business runs? If it's one non-owner employee with no agreement in place, that's a risk worth pricing and addressing before closing.
- **Litigation history —** Current, pending, and recent. Patterns matter more than any single case.
- **Licenses and permits —** What's required to operate, whether they transfer, and how long re-issuance takes. In licensed industries this can gate the entire timeline.
- **Equipment condition and inventory valuation —** What you're buying, what it's genuinely worth, and what's about to need replacing. Inventory should be counted and valued, not estimated.
- **Why the owner is really selling —** Ask directly, and then verify against what the financials show. Retirement and health are ordinary reasons. A trend in the numbers that the seller hasn't mentioned is the answer you're actually looking for.

Financing a Business Purchase

SBA 7(a) Loans

The most common path for buying a small business. SBA 7(a) financing goes up to $5 million, typically with 10–20% down, and the down payment can sometimes be assembled partly from seller financing rather than entirely from your own cash. The tradeoffs are a personal guarantee — your own assets stand behind the loan — and a longer approval process, often in the range of two to three months. Start the conversation with an SBA-experienced lender early, because the timeline shapes the whole deal.

Seller Financing

The seller carries a note for part of the purchase price, and you pay them over time from the business's earnings. This is common in small-business deals and does something no bank loan does: it aligns incentives. A seller whose remaining payments depend on the business continuing to perform has a real reason to train you properly, introduce you to key customers, and make sure the transition works.

It's also frequently the piece that makes an SBA deal possible, since a seller note can cover part of what would otherwise be cash you'd have to bring. When a seller refuses to carry any portion of the price, that's worth asking about — it can signal how confident they are in what they're selling.

Before you sign anything

- Get an SBA-experienced lender involved early. The approval timeline is long enough that it drives the structure of the whole transaction.
- A personal guarantee is not a formality. Understand exactly what secures the loan before you sign.
- A seller who won't carry any note, won't provide a training period, or won't explain the numbers is telling you something. Listen to it.
- A business purchase wants a transactional or M&A attorney and a CPA beside you. In California the brokerage side is licensed real estate work, so it can sit with your agent — the legal structuring and the tax work cannot, and those fees are cheap relative to the mistakes they prevent.

BOTH PATHS

California Rules That Change Both Deals

Everything in this guide works the same way in any state. These do not. Each one has moved a real California deal from working to not working, and every one of them is knowable before you commit.

Apartments: the statewide rent cap applies here

California's Tenant Protection Act limits annual rent increases on covered units to 5% plus the regional Consumer Price Index, capped at 10% total, whichever is lower. Most rental housing more than 15 years old is covered, and the 15 years rolls forward. If your thesis on a building is "the rents are 20% under market and I will fix that," the statute decides how many years that takes. Model it at the legal pace, not the market pace.

Apartments: you inherit the tenants and their protections

- **Just cause —** Once a tenant has been in place twelve months, ending the tenancy on a covered unit requires a legally recognized reason. No-fault reasons generally require relocation assistance equal to one month's rent.
- **Deposits transfer with the building —** Security deposits are the tenants' money and become your obligation at closing. Verify every deposit against every lease and make sure they are credited to you in escrow — not left behind with the seller.
- **Deposit rules changed recently —** California now caps most deposits at one month's rent, requires return within 21 days with an itemized statement, and requires photographs supporting any deduction.

Apartments: Proposition 13 resets your tax the day you close

The county reassesses at your purchase price. On an $1,200,000 building, a seller who has owned it for twenty years may be paying a fraction of what you will pay, and a broker's pro forma built on the seller's current tax bill will overstate NOI badly. Rebuild that line at roughly 1.1% to 1.25% of your purchase price before you calculate cap rate or DSCR — a wrong tax line is the single most common reason a California multifamily deal that looked financeable is not.

Business: California's bulk sale notice

When you buy the assets of a California business rather than its stock, and the sale covers more than half the seller's inventory and equipment, Division 6 of the California Commercial Code generally requires a recorded and published notice to creditors, with the transaction running through escrow. It exists to stop a seller taking your money while leaving their creditors behind — and skipping it can leave you exposed to those creditors. Your escrow company and a transactional attorney handle it, but only if the deal is structured to include it.

Business: unpaid state tax can follow the business to you

A buyer who does not hold back enough of the purchase price can be held personally liable for the seller's unpaid California sales and use tax, up to the purchase price. The protection is a certificate of tax clearance from the California Department of Tax and Fee Administration, obtained before the seller is paid, with funds held in escrow until it issues. Ask for it in writing at the letter-of-intent stage. Similar clearances can apply for payroll and other state taxes.

Three more California specifics for business buyers

• Business brokerage is a licensed real estate activity here. California defines a real estate broker as someone who negotiates the sale of real property or a business opportunity, so there is no separate business-broker licence in this state — the person handling an asset sale should hold a DRE licence. Selling company stock instead is a securities transaction, which is a different body of law.

• Non-competes are void in California in the employment context, and it is unlawful even to try to enforce one — so do not price the deal on the assumption that the seller's staff are locked in. The sale of a business is the narrow exception: an owner selling the goodwill of a business may be bound by a reasonable non-compete in the area where the business operates. Get that drafted by a California attorney.

• If the business holds an alcohol licence, the transfer runs through the Department of Alcoholic Beverage Control on its own timeline, with its own posting period. That timeline, not your lender, often sets the closing date.

Summary of California law as of 2026, and it changes. None of this is legal or tax advice. Confirm every point with a California transactional attorney, a CPA and your escrow company before you rely on it.

FAQ — Both Paths

Do I need a business broker or a real estate agent?

In California those are usually the same licence. State law defines a real estate broker as someone who negotiates the sale of real property — or of a business opportunity — so business brokerage here is performed under a DRE licence, and there is no separate California business-broker licence. What sits outside that licence, always, is the legal structuring and the tax work: you want a transactional attorney and a CPA regardless of who handles the brokerage. If the business also owns its building, that is one deal with two halves, and it helps to have someone who can see both.

What's a realistic timeline for either path?

An apartment building purchase commonly runs 45 to 90 days depending on financing and the depth of due diligence. A business purchase with SBA financing usually runs longer — often three to six months from offer to close, with the loan approval as the long pole.

Can real estate be part of a business purchase?

Yes, and it changes the structure meaningfully. Sometimes the business entity owns the building, in which case buying the entity buys the property with it. Sometimes the owner holds the real estate personally and leases it to the business, which means you may be negotiating a purchase and a lease at the same time — or two purchases. Establish who owns the building early, because it affects valuation, financing, and taxes.

What is a DSCR loan?

A loan qualified on the property's cash flow rather than your personal income. The lender checks whether net operating income covers the debt service with a cushion — commonly 1.20 to 1.25 times. It's especially useful for investors who already own several properties or whose tax returns understate their actual income.

What is SDE?

Seller's Discretionary Earnings — the total financial benefit a business provides to one working owner. It's net income plus the owner's salary, personal expenses run through the business, one-time costs, interest, and depreciation. Small businesses commonly sell for roughly 2 to 4 times SDE.

How much cash do I need for an apartment building?

Commercial down payments generally run 25–30% or higher, plus closing costs and reserves. On a $1.2 million building that realistically means $350,000 or more. DSCR requirements can raise that further if the property's income doesn't comfortably cover the debt at your target leverage.

Is multifamily better than single-family rentals?

It's different rather than strictly better. Multifamily offers economies of scale, smoother vacancy, and practical professional management, at the cost of more complex financing and analysis. Many investors do best starting with one or two single-family or small multi-unit properties and moving up — often via 1031 exchanges — once the process is familiar.

What if the seller won't show me full financial statements?

Then you don't have a deal yet. Under an NDA, a serious seller provides three years of statements and tax returns. A refusal is either inexperience or a problem, and both are reasons to slow down rather than push forward.

Should I buy a business in an industry I don't know?

It can work, particularly with a strong management team staying on and a solid training period. But lenders weigh relevant experience, and so should you. The businesses that transition worst are usually the ones where the departing owner was the whole operation and the buyer had no background to fall back on.

Can Antonio help me with a business acquisition?

Yes, and further than most people expect. California treats the sale of a business opportunity as licensed real estate activity, so the brokerage side of an asset purchase is work Antonio can do through Better Homes Realty — along with the real estate itself, if the business owns or occupies a building. A stock purchase is a securities transaction and a different animal. Either way you want a transactional attorney and a CPA on the deal, and Antonio is glad to make those introductions.

VERIFIED RESOURCES

Check All of This Yourself

Every program named in this guide is real, currently operating, and run by the agency listed below. These links go to the official source — not to me, and not to a sign-up form. Verified September 2026.

SBA 7(a) loan program www.sba.gov/funding-programs/loans/7a-loans

CDTFA — tax clearance before you buy a business www.cdtfa.ca.gov/

Alcoholic Beverage Control — licence transfers www.abc.ca.gov/

Business opportunity licensing — B&P Code 10131 leginfo.legislature.ca.gov — B&P Code § 10131

IRS — like-kind (1031) exchanges irs.gov — like-kind exchanges

Check any California real estate licence dre.ca.gov — licence lookup

Programs, funding and rules change, sometimes mid-year. If a page below has moved or a program has closed, that is the moment to call rather than assume — and it is exactly the kind of thing I keep track of for the people I work with.

ABOUT YOUR GUIDE

Antonio & Ana Rubio

Since 2005 I've helped families across Yuba City, Marysville, and the greater Yuba-Sutter region buy and sell real estate, in both English and Spanish. I work alongside my daughter Ana, a licensed agent since 2016, as a father-daughter team. Our promise is simple: we treat your move with the same care we'd want for our own family.

On commercial and multifamily property I can represent you start to finish. On a business purchase, California treats the sale of a business opportunity as licensed real estate work, so I can act for you there too — with a transactional attorney and a CPA handling the structuring and the tax, which no real estate licence covers. Being straight with you about where that line falls is part of what you're hiring me for.

Find Antonio — Everywhere He Works

Antonio Rubio · Better Homes Realty · CalDRE #01472558

1615 Colusa Hwy #200, Yuba City, CA 95993

Phone: **(530) 870-1063**

Website antoniorubiotucasa.com

In Spanish antoniorubiotucasa.com/es

All free guides antoniorubiotucasa.com/guides

Google Business Profile share.google/boQNcJkWgvECW5equ

Leave a Google review g.page/r/CaGVcUMDcjyBECE/review

Zillow www.zillow.com/profile/Antonio%20Rubio

Homes.com www.homes.com/real-estate-agents/antonio-rubio/n48qdzm/

Realtor.com www.realtor.com/realestateagents/56ccff8d0fa417010077818d

HOW THIS SERIES WORKS

The Five-Guide Library

Each guide stands on its own, but they are built to be read together — most people move through more than one stage of property ownership in their life. Here is the whole library, and where the guide in your hands sits in it.

The Antonio Rubio Guide Library	
1	**The First-Time Home Buyer Guide** Loans, down payments, inspections, and negotiating your first offer.
2	**Second Home & Investment Property Guide** How rentals are financed and how to run the numbers before you buy.
3	**Selling Your Home Guide** Pricing with evidence, preparing, marketing, and negotiating the whole offer.
4	**Land, Acreage & Building Guide** Water, septic, zoning, access — and financing a home you build yourself.
5	**Commercial Guide — Apartments & Business** Multifamily metrics, commercial lending, and buying an existing business. YOU ARE READING THIS ONE

Every guide in this library is free, in English and Spanish, at:

antoniorubiotucasa.com/guides
antoniorubiotucasa.com/es/guias

Ownership Is Built, Not Inherited

Almost nobody starts here. The people who own apartment buildings and businesses in this valley mostly started with one house, one storefront, one decision that felt too big at the time.

What got them here was learning to read the numbers, asking harder questions than felt polite, and surrounding themselves with people who told them the truth.

You're doing the first of those right now. The rest follows.