Best Places to Buy Investment Property in California in 2025

Michael Ryan, Real Estate Investor

Thinking about buying a rental property in California? Keep reading to discover which cities and markets are booming with rental demand. These cities could be great places to invest in a property and rent it out, whether in long-term tenants or short-term vacation guests.

Updated by Lauren Lamb
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Are you looking to buy a rental property in California in the near future? Which up-and-coming markets in California aren't oversaturated yet? Where rental demand is on the rise? Where the cost to rent out a vacation rental property is still affordable?

Ready to Start Automating Your Business and Gain Thousands of Hours?
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Get Started

Today's article will help you answer these questions. We'll cover the best places to buy a rental property in California in 2025. We'll also share the top markets for short-term rentals and long-term rentals, as well as the best places to buy a rental property in California for vacation rentals.

Finally, we'll share the top 5 property management software tools that can help you automate your business. By incorporating CRM, rent collection, and other tools, you can save time and money.

Is California a Good Location for Investment Property in 2025?

Real estate investors in California are flock attention of opportunities from urban areas to affluent coastal towns flooded with citizens. If we take a look at the state's population, we see that it's the most populous state in the U.S. at 39.5 million people, which is nearly a quarter of the U.S. population. Homes sometimes spend as little as 30 days on the market, which indicates that there is high demand and relatively low competition despite consistently high prices.

It seems that the recent AI boom has made Silicon Valley even more attractive. Suddenly the Mountain View and Palo Alto have seen increased demand for single-family homes, as reported by Inside Real Estate. Silicon Valley is also home to Google, Apple, Facebook, and Tesla, which are creating demand for rental properties in the Bay Area.

Real estate investing in California has always dealt with high upfront investments. When a new investing in California real estate or a seasoned investment? A good investment property is one where you can expect strong ROI, cash flow, and appreciation. Fortunately, California is home to many fast-growing markets, in the state and beyond that offer long-term appreciation.

While investors rate cities by similar to other states, high property prices will make it difficult to achieve positive cash flow. However, there are some places in California that offer positive cash flow, such as Inland Empire's town Ace the Population 2.5 which will be discussed later in the list.

Short Term vs Long Term Rental Property

The question is whether you're interested in long-term rentals or short-term rentals. Long-term rentals are a safer bet, but short-term rentals can be a lucrative option if you're willing to deal with the extra work. Short-term rentals are a great way to earn passive income, but they can be a hassle if you don't have the time to manage them.

If you're willing to deal with the extra work, short-term rentals can be a great way to earn passive income. They can be a lucrative option if you're willing to deal with the extra work. Short-term rentals are a great way to earn passive income, but they can be a hassle if you don't have the time to manage them.

Best Places to Buy Residential Investment Property in California

Now, we will share some of the most promising cities where you can find great deals on single-family homes and condos. Whether you're interested in single-family homes, multi-family homes, or apartment buildings, there are many great cities to consider in California. Some of these cities are popular choices for primary residence and also present strong potential for income generating properties.

Los Angeles

- Median Property Price: $ 1,120,000
- Median Rent Price: 2 Beders: $ 3,373
- Median Rent Price: 3 Beders: $ 4,470
- Cash on Cash Return: 2.00%

In the city of Angeles, the price per square foot is 1.5 times higher than the average in California. Los Angeles is a popular destination for tourists. Despite this, Los Angeles remains a desirable destination for many, and people are willing to pay a premium for the chance.

With the 2028 Summer Olympics approaching, it's likely that vacation prices will rise further, especially in the year leading up to the event. Nevertheless, this presents an opportunity for investors, as property values may appreciate significantly.

San Diego

- Median Property Price: $ 889,950
- Median Rent Price: 2 Beders: $ 3,347
- Median Rent price: 3 Beders: $ 3,596
- Cash on Cash Return: 2.00%

With its desirable climate, beautiful beaches, and vibrant culture, San Diego attracts a steady influx of residents and tourists. The opportunities rule for investors looking to capitalize on this demand, with the city's rental market boasting robust, year-round occupancy rates. San Diego has historically seen consistent appreciation in property values. This reflects a steady increase in demand driven by the city's strong demand and limited supply in the housing market.

The average gross rental yield in San Diego is roughly 5.27% according to Yardi Property Guide, which indicates the potential rental income generated for rental properties based on current income relative to property prices.

Hawthorne

- Median Property Price: Around $994,000
- Median Rent Price: 2 Beders: $ 2,500
- Median Rent Price: 3 Beders: $ 2,500
- Cash on Cash Return: 3.00%

With its proximity to major employment hubs and the rich industry in Silicon Valley, Hawthorne has become a sought-after residential location for many tenant pools, including professionals and families. Despite the ongoing growth in recent years, over 70% of the population in Hawthorne are renters, which creates a steady demand for rental properties.

The local economy is supported by various industries contributing to job growth and stability in the area. The presence of these industries has led to increased demand for rental housing, with many tenants seeking convenient access to their workplaces. The city's strategic location near major transportation hubs and amenities further enhances its appeal for renters.

Santa Maria

- Median Property Price: Around $605,000
- Median Rent Price: 2 Beders: $ 2,736
- Median Rent Price: 3 Beders: $ 3,600
- Cash on Cash Return: 4.00%

The median property price in Santa Maria is approximately $605,000, making it significantly more affordable compared to other cities in the Central Coast of California. This lower entry price point makes it an appealing prospect for investors, offering the high cash-on-cash return and other California cities.

Properties in Santa Maria typically command a rent premium of around 20% above the median, suggesting a fast-moving rental market where landlords can quickly find tenants.

Fresno

- Median Property Price: $ 384,970
- Median Rent Price: 2 Beders: $ 1,360
- Median Rent price: 3 Beders: $ 1,561
- Cash on Cash Return: 5.00%

The median home price in Fresno is approximately $384,970, making it significantly more affordable compared to other California markets like San Francisco or Los Angeles.

Fresno has experienced steady population growth, which supports ongoing demand for housing, and monthly rents are increasing. While Fresno's rental market is relatively affordable, it still offers competitive rents for potential tenants in the region, according to Longtail Real Estate.

Best Places to Buy Vacation Rental Investment Property in California

Let's take a look at some of the best places to invest in vacation property and list in Airbnb, according to data provided by Mashvisor.

Riverside

- Median Price: $ 479,359
- Airbnb Occupancy Rate: 67%
- Average Airbnb Rent 1 Beders: $ 1,166
- Average Airbnb Rent 4 Beders: $ 1,532
- Cash On Cash Return for Airbnb: 4.00%

Riverside is conveniently located near major highways and is within driving distance to popular destinations such as Los Angeles and Palm Springs.

It attracts a range of guests, including families visiting local attractions, business travelers, and couples looking for weekend getaways.

Visalia

- Median Price: $457,450
- Airbnb Occupancy Rate: 67%
- Average Airbnb Rent 1 Beders: $ 1,132
- Average Airbnb rent 4 Beders:$ 4,127
- Cash On Cash Return for Airbnb: 5.00%

Visalia is home to Sequoia and Kings Canyon National Parks, attracting adventure seekers and nature enthusiasts. The surrounding area boasts a variety of outdoor activities and scenic beauty, supported by a diverse short-term rentals, especially during peak seasons.

Investors can expect an average monthly rental income of about $ 1,132 from their Airbnb listings. This potential revenue can provide a solid return on investment, with properties in California's top markets boast property appreciation rates.

Bakersfield

- Median Price: $ 399,999
- Airbnb Occupancy Rate: 67%
- Average Airbnb Rent 1 Beders: $ 1,109
- Average Airbnb Rent 4 Beders: $ 3,870
- Cash On Cash Return for Airbnb: 5.00%

The median home price in Bakersfield is approximately $399,999, making it one of the more affordable markets in California. Across the United States, the Central Valley area with a contrasting growing population, it's safe to say that Bakersfield is experiencing a lower rate by the fast-growing cities of Los Angeles and San Francisco.

Bakersfield boasts a high Airbnb occupancy rate of 67% and the potential for higher income rates Airbnb is popular options in this city.

Anaheim

- Median Price: $ 900,000
- Airbnb Occupancy Rate: 77%
- Average Airbnb Rent 1 Beders: $ 2,248
- Average Airbnb rent 4 bedroom: $ 6,523
- Cash On Cash Return for Airbnb: 5.00%

Anaheim is home to Disneyland, one of the most visited theme parks in the world, drawing millions of tourists each year and creating a high demand for short-term rental accommodations.

Beyond Disneyland, Anaheim offers various entertainment venues, including Angel Stadium and the Honda Center, which attract sports fans and concert goers. The city's vibrant nightlife and numerous dining options further enhance its appeal, making it a popular destination for travelers in Airbnb.

Stanton

- Median Price: $ 710,000
- Airbnb Occupancy Rate: 75%
- Average Airbnb Rent 1 Beders: $ 1,152
- Average Airbnb Rent 4 Beders: $ 1,679
- Cash On Cash Return for Airbnb: 5.00%

Stanton is conveniently located near popular attractions such as Disneyland, Knott's Berry Farm, and other entertainment venues. Airbnb is close to these attractions, making it an ideal location for tourists.

Homes near these amenities can attract families and leisure travelers, and a 75% occupancy rate indicates strong demand throughout the year.

Elk Grove

- Median Price: $ 592,444
- Airbnb Occupancy Rate: 71%
- Average Airbnb Rent 2 Beders: N/A
- Average Airbnb Rent 4 Beders: $ 4,595
- Cash On Cash Return for Airbnb: 2.00%

The demand for short-term rentals in Elk Grove is bolstered by its proximity to popular attractions and events, including the Sacramento Kings games, cultural festivals, craft beverage parks, live music at Pelliccia, dramas and wine cellars. This appeal can attract families looking for short-term rentals during vacations or visits to local attractions.

As part of the growing Sacramento metropolitan area, Elk Grove also has the potential for property appreciation over time.

Key Factors to Consider Before Buying Rental Properties

It comes down to having a solid plan to finance the property and ensuring it provides a positive cash flow. There are a few things to consider, such as having enough cash in your bank account for a down payment.

Mortgage lender expect a strong financial investment from you. That's why they will look at your credit score, debt-to-income ratio, and other factors. Lenders also will want to see that you have a solid investment plan, including a rental income projection, so you can rule out inflexible loans for your rental property.

The next biggest factor to consider is location. Think of factors location, such as proximity to amenities, schools, and transportation. Is there a strong transportation, shopping centers and other places of interest. What will be reached within walking distance? Have for sure to the parking? What services and amenities will be evaluated, as they have significantly impact operating expenses.

A key metric to can help you understand the best market. Arguably the most important one is **cash on cash return**. Cash on cash return measures understand the return on their cash investment and it is calculated by dividing the annual cash flow by the total cash investment.

The cap rate represents the rate of return on a property based on net operating income and the property's purchase price. Investors commonly use it to compare different properties and assess the profitability and potential risk relative to their cost.

Calculate **ROI** for the property you want to purchase by factoring in monthly rental income, annual rental income, and operating costs, including additional expenses like property taxes, insurance, and maintenance. Consider factors like landlord insurance to safeguard your investment against natural disasters, liability, and natural disasters. Major systems like heating, plumbing, and electrical should also be evaluated, as they can significantly impact operating expenses.

Tax Considerations for a Rental Property in California

When buying a rental property in California, understanding the tax landscape is crucial. In California, property taxes are generally based on the assessed value of the property, typically at 1% of the purchase price. However, factors like Prop 13 limitations and varied local rates can influence the property's purchase price is high.

Prop 13 limits property tax increases to 2% per year, which can significantly impact long-term ownership costs. On the bright side, this provides stability in property tax expenses. However, when purchasing a rental property, investors must also consider the impact of Prop 13 on their overall tax strategy, including how it affects rental income in California.

From an income tax perspective, rental income is taxable, but there are various tax deductions available, including mortgage interest, maintenance, and depreciation.

That is the main difference between owning residential properties for personal use and holding investment rental properties. Investment properties can leverage tax deductions to offset rental income, including operating costs and depreciation, but they come with the responsibility of paying income taxes.

How to Maximize Rental Income from Your California Property

To maximize rental income from your California property, focus on keeping tenant turnover low by ensuring high tenant satisfaction. Implement a rental price strategy considering local market dynamics to effectively manage their budgets. Organize your property management strategy to prevent it from costing more than profits, especially if you're involved in vacation rentals.

Hiring adequate homeowners insurance is essential to protect your investment against potential risks. Consider landlord insurance with personal damages or liability claims.

Finally, one more way to maximize revenue is to implement an automation system. By incorporating CRM, rent collection and other tools, you will enjoy benefits such as:

- Tax deductions
- Automated rent communications from a rental robot and automated reminders
- Tenant communication and screening management and tracking

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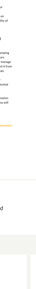

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