

# Real Estate Investing for Women

**Fix & Flip  
Module 6**

# Increasing Value

## Features

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Clean Property

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Decorate

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Create Usable Space

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Create a View

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Eliminate a Negative View

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Reduce Noise

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# Increasing Value

## Updates

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Plumbing

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Electrical

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Heating & Cooling

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Windows

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Appliances

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Walls & Ceilings

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Doors & Locks

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Landscaping

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Roof

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Modernize – Kitchen & Bathrooms

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# Budgeting for Resale Profits

**Success = Correct Estimate of:**

- Sale Price of the Property
- Amounts Invested (Holding Costs & Rehab)



# Budgeting for Resale Profits

## Estimate Sale Price:

- Aim to Sale Price 20% below of highest-priced property in the target area

## Estimate Costs:

- Due Diligence
- Over Estimate
- Comply with local laws and requirements

## Profit Goal:

- 10% of Final Sale Price

# Budgeting for Resale Profits

<b>Final Sale Price</b>	<b>\$200,000</b>
<i>Less</i>	
Rehab Costs	\$ 30,000
Holding Costs	\$ 2,000
Financing Costs	\$ 10,000
Selling Closing Costs	\$ 1,500
Acquisition Closing Costs	\$ 1,000
Commissions (6%)	\$ 12,000
Profit Goal (10%)	\$ 20,000
<i>Equals</i>	
<b>Maximum Acquisition Price</b>	<b>\$123,500</b>

# Real Estate Investing for Women

**Buy & Hold  
Module 6**

# The 3 Phases of Buy and Hold

Phase 1 – Acquisition Phase

Phase 2 – Management Phase

Phase 3 – Exit Phase





# Phase 1 – Acquisition Phase

- Education/Rapid Growth
- Issues with Financing
- Cash Flow Concerns

# Phase 2 – Management Phase

- Equity is Growing
- Exploring Different Avenues
- Personal Strategy Takes Shape
- Management and Maintenance

# Phase 3 – Exit Phase

- Living Off the Portfolio Rewards
- Concerns with Taxation and Distribution of Wealth
- Knowing When You Have Had Enough

# Pros & Cons

Short Term / Wholesale	Long Term / Buy & Hold
Needs to time the market	Less concerned with timing
Looks to buy low and sell high	Focus on sustaining assets
Needs to be able to liquidate quickly	Interested in long-term growth
Wants to minimize holding and selling costs	Wants to efficiently manage properties and equity
Proceeds from sales are used to increase lifestyle and re-invest	Focuses on rate of return on equity



**Long Term = Builds Wealth**  
**Short Term = Quick Cash**



# Vertical vs Horizontal Investing

## Vertical Investing

Less properties, but with more units per property  
(Commercial over 4 units.)



## Horizontal Investing

Several residential properties (4 units or less.)



# My Recommendations

- Don't Buy More than 3-5 properties the First Year
- Take Care of Today's Cash Flow Needs
- You Should Do Little to No Repairs the First Year in the Business

# My Recommendations

'Desirable' Rental Area

No More than 10% Deferred Maintenance

Residential – Up to 4 Units

# Cash Flow Spreadsheet Analysis

- **See Cash Flow Spreadsheet Analysis**
- **Your Main Concerns are “Cash on Cash Return” and “CAP Rate”**
  - “Cash on Cash Return” is the cash income on the cash invested  
Annual Income divided by Cash Invested – How many years to recoup the investment?
  - “CAP Rate” – Net Operating Income divided by Sale Price  
A “good” cap rate has to be compared to other cap rates in the areas of properties under the same economic conditions



# Cash Flow Spreadsheet Analysis

View Spreadsheet with Formulas  
Uploaded in Module



# Buy & Hold Business Flow



## Find Property

- Distressed Sellers
- MLS – REO - FSBO

**\$150+ per  
Door**



## Set up Financing

- Private Money/Equity Partnerships (Module 5)
- Portfolio Lenders (Regional banks & credit unions)
- Seller Financing/Subject To/Lease Options

**CAP Rate  
6% or  
more**



## Manage Property

- Collect Rental Income
- Improve Property for Appreciation

# CAP Rate

## HOW TO CALCULATE A CAP RATE

### CAP RATE DEFINITION

What is a cap rate?

The capitalization rate, often just called the cap rate, is the ratio of **Net Operating Income (NOI)** to property asset value.



SO, FOR EXAMPLE,

if a property was listed for **\$1,000,000** and generated an **NOI of \$100,000**, then the cap rate would be **\$100,000/\$1,000,000**, or **10%**.



$$\text{Capitalization Rate} = \frac{\text{annual net operating income}}{\text{cost (or value)}}$$

# CAP Rate

A lower cap rate indicates there is less risk associated with the investment (due to increased demand) and a higher cap rate can be associated with higher risk investment.



# Real Estate Investing for Women

**Creative  
Financing  
Strategies  
Module 6**

# Why Use OPM for Real Estate Investing?

- No money or credit of your own
- Minimize personal risk in investing
  - Time Value of Money
- Exponentially grow your real estate business
  - Leverage



# Different Types of OPM

1. \*\* Lease Option to Buy
2. Master Lease Option (commercial)
  - Record a Memorandum of Option and get Title Insurance
3. \*\* Subject To ... (existing mortgage staying in place)
  - Transfer of Title but mortgage stays in place
  - Close at Title Co after title work and title insurance
4. \*\* Owner Financing
  - First Position – Free & Clear – 100% Funding Possible
  - Second Position – Second or Partial Mortgage funding

Sell at Short Term Full Future Market Value

# Different Types of OPM

## 5. Wrap Around Mortgage

- Land Contract, Contract for Deed
- Either the seller retains title or transfers to buyer
- Promissory Note on downpayment
- Performance Mortgage Form

## 6. “Hard” Private Money

- 65/70% LTV – Asset Based Lending

## 7. \*\* “Soft” Private Money (Wholesaling)

- Transactional and Extended Transactional Funding
- 100% Financing



# Different Types of OPM

## 8. Portfolio Lenders

- Local investors owned lenders
- Regional banks and credit unions

## 9. \*\* JV Partnerships

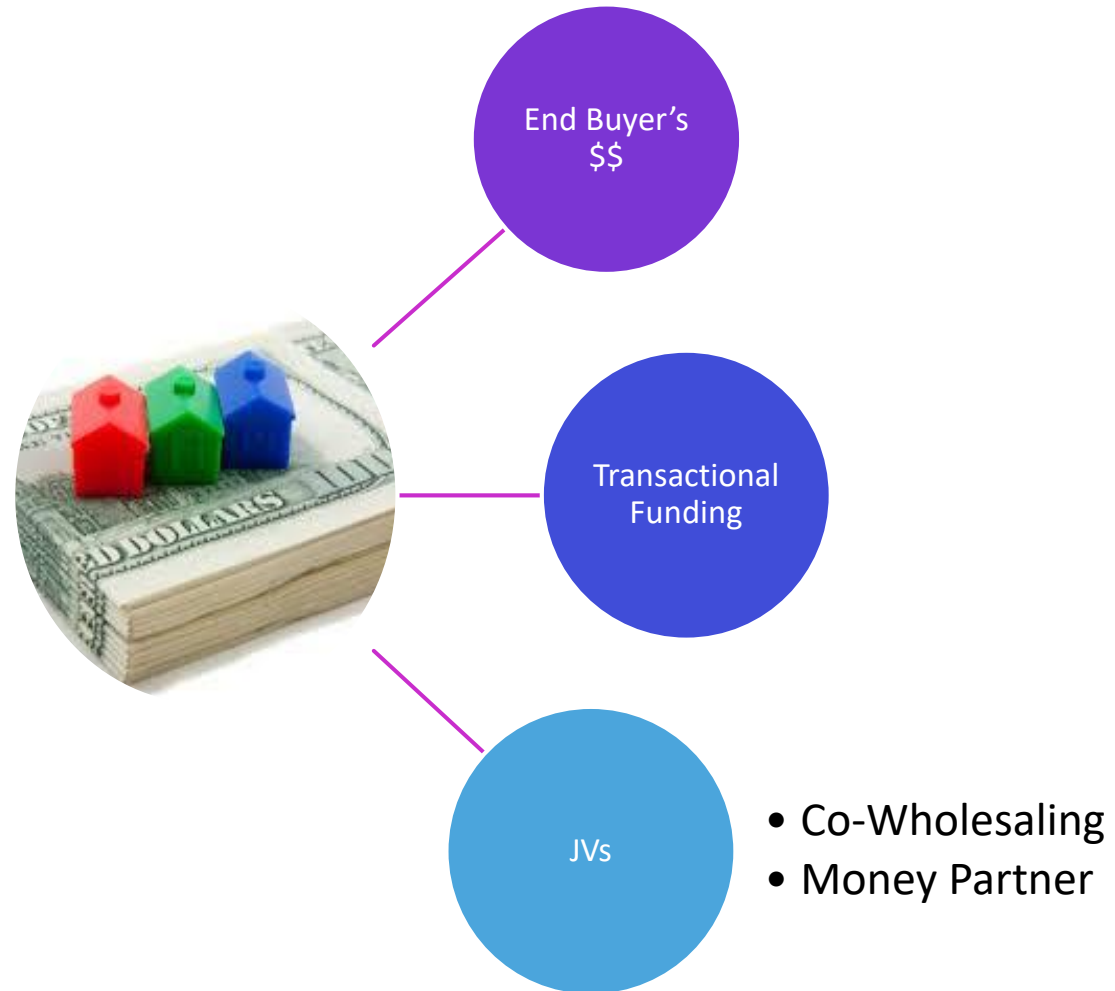
- Asset based lending

## 10. \*\* Real Estate Syndication

- “Debt” Funding → Long Term (1+ year)
- “Equity” Funding → Short Term (less than a year)

**You the Syndicator – Double Dip**

# Wholesaling \$ = Simplicity



# Questions from Live Recording Participants

