

Real Estate Investment

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Real Estate Business

- You profit if...
 - Buy low, sell high
 - Add value
 - Construction
 - Renovation
 - Rental upgrade
 - Refinance
 - Bull market
- You loose money if...
 - Buy high, sell low
 - Poor maintenance
 - Bad insurance
 - Bad tenants
 - Bad financing
 - High debt to equity ratio in bear market

Economic Valuation

- Cash Flow
 - $NI = \text{Rent} - \text{Maint} - \text{Insur} - \text{Tax} - \text{Manage}$
 - $ROI = NI / \text{Investment (annual)}$
 - $ROI > \text{Prime} \Rightarrow \text{Profitable Rental Business}$
- Capital Gain
 - $NI = \text{Sale} - \text{Cost}$
 - $ROI = NI / \text{Investment (annual)}$
 - $ROI > \text{Prime} \Rightarrow \text{Profitable Flip}$

Financing the Deal

- Seed Capital (Never Say NO!)
 - Family Money
 - Investment Pool
- Mortgage (Everyone has it)
 - Up to 95% on Residence
 - Higher Rates with Low Credit
- Bridge Financing (Build Credit)
 - Line of Credit
 - Refinancing

Which One?

- | | |
|-----------------------|-----------------------|
| • Rent not Furnished | • Rent Furnished |
| – Buy for \$300,000 | – Buy for \$300,000 |
| – Reno for \$15,000 | – Reno for \$30,000 |
| – Rent for \$1500 | – Rent for \$2500 |
| – No Vacancy | – 20% Vacancy |
| – Fixed Cost \$500 | – Fixed Cost \$950 |
| • Net income \$12,000 | • Net Income \$12,800 |
| • ROI 3.8% | • ROI 3.8% |