

## Apartment Wholesaling Mastery Virtual Boot Camp Session #2

REMINDER: Dial in to the conference call number on your webinar screen.

Lance Edwards



Tip: If on a land line, please turn OFF your cell phone or place it 10 feet away.



### Session #1 Topics (Last Session)

- Orientation
- Instruction
  - Section 1: Entrepreneurial Overview
  - Section 2: Qualifying & Analyzing Apartment Deals -- Part 1
- Q&A
- Homework Assignment



### Homework Review

1. Listen/read Modules 1 & 2 in Multifamily Success Home Study System.
2. Do the 3 Apartment Mastery Exercises on the Resource Vault
  - 10 Unit Exercise
  - 200 Unit Exercise
  - Low Occupancy Exercise
3. Practice analyzing 3 deals on [www.LoopNet.com](http://www.LoopNet.com) using the Deal Analysis Sheets in your Home Study.
4. Bring your comments and questions next week.
5. **Optional:** Download RealCoach QuickStart Audio at [www.RealCoachTrial.com](http://www.RealCoachTrial.com); Create your daily mindset routine.



## Let's Take Some Questions

- Questions from last week?
- Aha Moments from last week?
- Comments?



Press \*6 or enter through your Control Panel



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## Curriculum

- Session #1 – How to Recognize a Deal
- **Session #2 – How to Find Deals**
- Session #3 - How to Create Deals & Attract Buyers
- Session #4 – Closing & Getting it Done



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## Session #2 Agenda

- Homework Review
- Instruction
  - Section 2: Qualifying & Analyzing Apartment Deals -- Part 2
  - Section 3: Finding Deals
- Q&A
- Homework Assignment

Each session is 9:00-11:00 PM Eastern but I may go over to take questions. I will provide homework at 11:00 PM



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## The Wholesaling Process

1. Find the Deal
2. Qualify It
3. Get it Under Contract
4. Find the Dollars (Buyer)
5. Qualify Them
6. Assign the Contract to Buyer
7. Buyer Closes
8. You Collect "Assignment Fee"

This is Tonight's Focus



## Section 2 – Part 2

### Qualifying & Analyzing Apartment Deals

How to Analyze Deals From Your Desk  
Nationwide in 10 Minutes or Less

Reference: Module 2 in  
Home Study System



## Recap (from Part 1)



- NOI (\$/yr) = Revenue – Expenses
- Cap Rate (%) = NOI / (Price + Rehab)
- Value = NOI / Market Cap
- Market cap varies with:
  - City
  - Class A, B, C or D
- Good Deal: Cap Rate > Market Cap
  - Class C: Price / Door < \$25,000 (including rehab)
  - Class B: Price / Door < \$30,000 (including rehab)



## Looking for Value Plays aka Forced Appreciation

Put on your money goggles...



Looking for deals where the NOI can easily  
and/or significantly be raised by your Buyer

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## Leverage in Forced Appreciation

Example:

Raise rent \$10 where Market Cap = 8.5%

- Value = NOI / Market Cap
- Value =  $\$10 * 90\% * 12 \text{ months} / 8.5\%$   
= \$1270 / unit

### Equity Gain for \$10 Rent Increase:

10 Units = \$12,700

50 Units = \$63,500

100 Units = \$127,000

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## Sample Value Plays

- Raise rents
- Raise occupancy
- New management
- Reposition
- Put "lipstick on a pig"
- Cut expenses
- Add income sources
- Convert to specialized housing
  - Assisted Living
  - Student Housing
  - Special Needs
- Slight rehab
- Major rehab
- Complete rehab

As the wholesaler, you create the vision for your  
Buyer and are paid for it.

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## Deal Review Low Cap vs High Cap Comparison

Cap = NOI / Price; Value = NOI / Mkt Cap

### High Market Cap

- NOI = \$27,000/yr
- Buy for \$220,000
- Cap = 12.3%
- Market Cap = 8.5%
- Value = \$317,000
- Equity = \$97,000

### Low Market Cap

- NOI = \$27,000
- Buy for \$450,000
- Cap = 6.0%
- Market Cap = 5.0%
- Value = \$540,000
- Equity = \$90,000

Conclusion: Same potential money made on a flip.



## Assessing Deals with Incomplete Data Shortcut Analysis

- NOI = Revenue - Expenses
- NOI = (GSI - Vacancy) - Expenses
- GSI = # units \* rent \* 12 months
- Vacancy = Higher of (Actual or 10% of GSI)
- Expenses = 45% of GSI (see OE/GSI ratio)
- So... NOI = 100% GSI - 10%GSI - 45%GSI = 45%GSI

Then plug in NOI as always...

- Value = NOI / Cap Rate
- Offer = NOI / 10%



## Example: Back of Envelope Assessment

100 units with \$500 avg rent  
Vacancy = 15%; Not All Bills Paid

1. GSI =  $100 * \$500 * 12 \text{ months} = \$600,000 / \text{yr}$
2. Vacancy = 15% of \$600,000 = \$90,000 / yr
3. Expenses = 45% of \$600,000 = \$270,000 / yr
4. NOI = \$600K - \$90K - \$270K = \$240,000 / yr
5. Offer = \$240,000 / 10% = \$2,400,000
6. Offer = \$2,400,000 / 100 units = \$24,000 / door



## How to Determine the Sales Price

- Always leave a “good deal” for your Buyer
- Give them at least half of the equity.
  - Example: Original 10 units
  - Contract Price + Rehab = \$220,000
  - Retail Value = \$317,000
  - “Free Equity” = \$97,000
  - Sell the contract < \$48,500 (1/2 of the “Free Equity”)
- Use **3-6%** as a basis when starting out.
  - 6% = \$13,200; **3% = \$6600 Assignment Fee**



Do whatever it takes to get your 1<sup>st</sup> deal done!

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## Let's Take Some Questions

- Questions?
- Aha Moments?
- Can you do this?



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## Section 3

### Finding Apartment Deals

How to Create Apartment Deal Flow

Reference: Module 4 in  
Home Study System

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## What Are We Looking For?

Intersection of 2 Things:

1. Motivated Seller
2. Good Deal (Cap Rate > Market Cap)



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## How to Not Find Deals



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## Apartment Deal Lead Generation

1. LoopNet
2. Brokers
3. Direct Mail
4. Bird Dogs
5. Other

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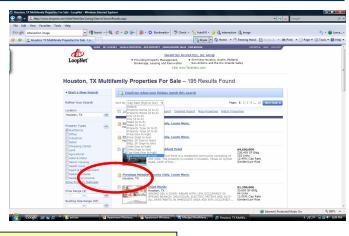
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## 1) [www.LoopNet.com](http://www.LoopNet.com)



Better for finding brokers than deals.

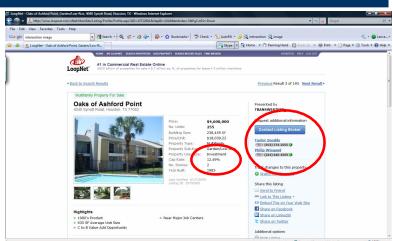
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## Other Commercial Web Sites

- [www.CommercialWebSource.com](http://www.CommercialWebSource.com)
- [www.CommercialIQ.com](http://www.CommercialIQ.com)
- [www.RealProspect.com](http://www.RealProspect.com)
- [www.BuyIncomeProperty.com](http://www.BuyIncomeProperty.com)
- Title Companies (in some states)

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## 2) Brokers – Finding Them



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## Brokers: The LoopNet Listing is a Trojan Horse to an Introduction



LoopNet Listing



Commercial Listing Broker

Objective: Develop a relationship where the Broker submits us his "pocket listings" to you.

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## If a Kid Can Do It...



"The scripts are awesome. I'm 18 years old and I can talk to brokers like I've been doing it for years. I even show them up some times. If a kid like me can do it, anybody should be able to."

- Dylan Badinghaus  
Lawrenceburg, Indiana

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## Using Your Broker Script



Entrepreneur



Script



Commercial Listing Broker

Just Follow the Script + Follow-up, Follow-up, Follow-up

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## The Power of the Broker Script

Go to the Broker Script

Do your Mindset Routine and Follow the Script

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## Step-By-Step Cook Book Creating Apt. Deal Flow thru Brokers

Tools:

- 1. LoopNet.com + Other Sites
- 2. Broker Script
- 3. Phone



1. Prescreen deals thru LoopNet + other sites  
2. Identify the brokers who market those deals  
3. Call the Broker using the Broker Script  
4. Maintain follow-up with your Brokers

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## Maintaining Follow-up with Brokers; Standing Out - Rapidly

- Acknowledge information received.
- Be responsive → Professional image
- Make small commitments and deliver.
- If they send you deals that don't meet your criteria, repeat what you are looking for.
  - This helps them zero in.
  - Precision → Professional image
- Stay in touch with old contacts

Consistent Actions Speak Volumes

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## Don't Place Brokers on a Pedestal



You Will Know  
More than Most

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## Let's Take Some Questions

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## Direct Mail

- Provides direct access to the source
- No competition
- Sellers pre-qualify themselves by taking action (calling)



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## Step-By-Step Cook Book Creating Apt. Deal Flow thru Letters

- Tools:
1. Owner Names & Addresses
  2. Letter Templates
  3. Seller Script



1. Obtain a list of Apartment owners with addresses
2. Mail merge the letters with the list
3. Mail the letters
4. Use the script when Sellers call

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## Obtaining Apt. Owner Names

- County Appraisal District (FREE)  
– Google “\_\_\_\_\_ County Appraisal District”
- [www.PropertyInfo.com](http://www.PropertyInfo.com) (fee)
- [www.Lead-Trac.com](http://www.Lead-Trac.com) (fee)
- [www.InfoUSA.com](http://www.InfoUSA.com) (fee)

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## The Direct Mail Package First, the Envelope

First, you have to ensure they open the letter:

2334 Lincoln Ave  
Houston, TX 77077

123 Mockingbird Lane, LP  
1345 Main Street, Ste 100  
Memphis, TN 55555



Do NOT Deviate from This System

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## The Direct Mail Package Second, the Letter

Mail Merge

Database of Names & Addresses + Letter Template

I will provide you with my Direct Mail Marketing System

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## Let's Review the Letter

Go to the Letter

The standard letter will yield 3-5% response rate.

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## What to Do When Sellers Call

Go to the Seller Script



Do your Mindset Routine and Follow the Script

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## Let's Take Some Questions

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## Other Sources of Deal Flow

- Bird Dogs
- Other
  - City Inspector
  - Laundromat service operators
  - Property inspectors
  - Anyone who comes in contact with distressed apartments



Your subconscious will automatically start searching for apartment deals.

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## Let's Take Some Questions

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## Bonuses

Look for these on the Resource Vault:

- **BONUS 1:** Direct Mail Marketing System
- **BONUS 2:** Two [videos](#) of Private Multifamily Apprentice session [interview](#) with Dan Badinghaus on his flip.



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## Homework Assignment

1. Listen/read Modules 4 & 3A-B in Multifamily Success Home Study System.
2. Practice analyzing 3 more deals on [www.LoopNet.com](#) using the Deal Analysis Sheets.
3. Call & speak to at least 2 brokers.
4. Bring your comments and questions next week.
5. **Optional:** Download RealCoach QuickStart Audio at [www.RealCoachTrial.com](#); Create your daily mindset routine.

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## End of this Session

*See you Next Sesion*

Please answer the brief survey as you exit the webinar. Thank you.

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