



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.Looped.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; 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



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



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



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)



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



Leverage in **Forced Appreciation**

Example:

Raise rent \$10 where Market Cap = 8.5%

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

Equity Gain for \$10 Rent Increase:

10 Units = \$12,700
50 Units = \$63,500
100 Units = \$127,000



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.



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 months = \$600,000 / 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 1st deal done!



Let's Take Some Questions

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



Press *6 or enter through your Control Panel



Section 3

Finding Apartment Deals

How to Create Apartment Deal Flow

Reference: Module 4 in
Home Study System



What Are We Looking For?

Intersection of 2 Things:

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



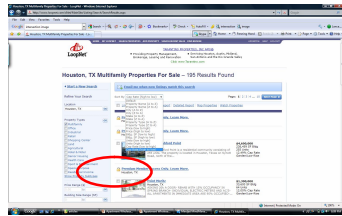
How to Not Find Deals



Apartment Deal Lead Generation

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

1) www.LoopNet.com



Better for finding brokers than deals.

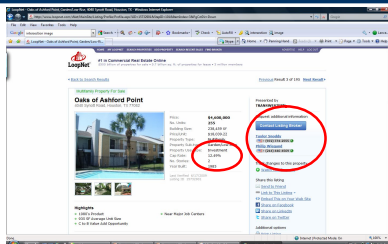


Other Commercial Web Sites

- www.CommercialWebSource.com
- www.CommercialIQ.com
- www.RealProspex.com
- www.BuyIncomeProperty.com
- Title Companies (in some states)



2) Brokers – Finding Them



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.



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



Using Your Broker Script



Entrepreneur

+



Script



Rapport



Commercial Listing Broker

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



The Power of the Broker Script

Go to the Broker Script

Do your Mindset Routine and Follow the Script



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



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



Don't Place Brokers on a Pedestal



You Will Know
More than Most

Let's Take Some Questions

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



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Direct Mail

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



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



Obtaining Apt. Owner Names

- County Appraisal District (FREE)
 - Google “_____ County Appraisal District”
- www.PropertyInfo.com (fee)
- www.Lead-Trac.com (fee)
- www.InfoUSA.com (fee)



The Direct Mail Package First, the Envelope

First, you have to ensure they open the letter:

2334 Lincoln Ave
Houston, TX 77077



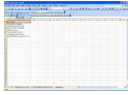
123 Mockingbird Lane, LP
1345 Main Street, Ste 100
Memphis, TN 55555

Do NOT Deviate from This System



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



Let's Review the Letter

Go to the Letter

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



What to Do When Sellers Call




Go to the Seller Script

Do your Mindset Routine and Follow the Script




Let's Take Some Questions

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



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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.




Let's Take Some Questions

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



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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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GROUP

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 Session

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

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