



Apartment Wholesaling Mastery Virtual Boot Camp Session #1

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.



Orientation


- House Rules:
 - This is an interactive webinar.
 - Toggle *6 on your phone to mute / unmute OR
 - Type in your question on the panel.
- Direct Client Care questions to the office:**
 - 713-476-0102 or ClientCare@fcgllc.com
- Recordings of the audio, slides and notes of each session are provided for you.
- Add ClientCare@fcgllc.com to your email address book.



Desired Outcome for You

By the time we finish, you will:

- Possess the **skillset and mindset** of wholesaling apartments.
- Feel the **confidence** to do it.
- Develop your personal **action plan**.
- Have some **fun**.



I Want You To See The World of Opportunity & Abundance...

This is the **ultimate outcome** of this program.



Success = Skillset + Mindset + Community™



Great Timing! Student Closed \$69,000 Flip Last Week



"Thanks Lance this is a **completely comprehensive course** that does not leave any aspect of the business out."
-- Dan Badinghaus

Apartment Wholesaling Virtual
Boot Camp Graduate



Recommendation for Note Taking...

Go to the Easel Pad



Format for Training

4 Week Intensive:

- Instruction
- Q&A – Live & email
- Accountability
- Weekly Assignments & Review
- Active Participation

This is an Accelerated Learning format to training – based on participation and masterminding. You learn by doing.



Support Resources

- Multifamily Success Home Study System
- Email Support
(ClientCare@fcgllc.com)
- Resource Vault



Notes:

1. The Transcript Table of Contents outlines the content for you.



Resource Vault & Bonuses

- You will receive **BONUS** resources throughout the program.
- Bonuses will be posted to the **Resource Vault**, along with **recordings** of each session.
- Look for your Resource Vault **password** tomorrow.



Curriculum

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



Session #1 Agenda

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

Let's Take Some Questions

- Questions on Curriculum or Format?



Press *6 or enter through your Control Panel

Section 1

Wholesaling Entrepreneurial Overview

Reference: Module 1 in
Home Study System



What Most People Don't Teach



4 Components of
Real Estate Success®

Marketing for 2 Things

1. Deals
2. Dollars



2 Types of Entrepreneurial Models

Business Plan: \$100,000 / year

- **High Volume**
20 deals @ \$5000

- **Big Ticket**
2 deals @ \$50,000



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



Advantages of Wholesaling

- No Credit Required
- Can Do it Part-Time
- No Entity Required
- Your Buyer Provides the Funding
- Generates 5 Figure Checks
- No Prior Experience
- Great for newbies or experienced
- Quickly builds your confidence
- Can do for any Size of Deal
- Make More than an Agent
- No License Required



Wholesaling Houses vs. Apartments

Houses

- Value based on comps
- Subjective
- Requires inspection to price it
- Competitive



Apartments

- Value based on numbers
- Cap Rate vs. Market Cap
- Objective
- Inspection not required
- Class A, B, C or D
- Less competition
- Bigger checks
- Better time leverage



What is a Typical Assignment Fee for Apartments?

\$25,000 / door Purchase
1% -- 3% -- 6% Agent Commission
\$250/door -- \$750/door -- \$1500/door

50 Units
\$12,500 -- \$37,500 -- \$75,000

The fee depends on how good of a deal you create.



Example Assignment Fees

- | | |
|--------------------------------|--------------------------------|
| • 3 Unit Wholesale | • 56 Unit Wholesale |
| - My Contract Price: \$201,500 | - My Contract Price: \$225,000 |
| - Sold for \$228,000 | - Sold for \$275,500 |
| - Agent Made 5%: \$11,400 | - Agent Made 6%: \$13,500 |
| - I Made: \$13,100 (6.4%) | - I Made \$37,000 (16.4%) |

Lesson Learned: Don't Get Greedy – Especially on Your First Deal



Financial Freedom Fundamentals

- Active Income
- Passive Income
- Net Worth


Definition: Financial freedom is when you earn more than enough passive income to pay for your desired lifestyle.

Your Home Study System explains how to create passive income.



Let's Take Some Questions

- Questions?
- Aha Moment?
- Comments?



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Section 2 – Part 1

Qualifying & Analyzing Apartment Deals

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

Reference: Module 2 in
Home Study System

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Just 2 Terms to Understand

- Net Operating Income (NOI)** (\$ / Yr)
 - $\text{NOI} = \text{Revenue} - \text{Expenses}$
(Expenses Do Not Include the Mortgage Service)
- Cap Rate (%)**
 - $\text{Cap} = \text{NOI} \times 100\% / (\text{Purchase Price} + \text{Rehab Costs})$

These formulas work in all cities and for all commercial income producing property.

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Example

10 Unit Apartment
90% Occupied

\$500 Average Rent
Expenses = \$27,000 / Yr
Mortgage = \$21,000 / Yr

- What is the NOI?
 - $\text{NOI} = \text{Revenue} - \text{Expenses}$
 - $\text{Revenue} = 10 \text{ units} * \$500 * 12 \text{ months} * 90\%$
 $= \$54,000 / \text{Yr}$
 - $\text{NOI} = \$54,000 - \$27,000 = \mathbf{\$27,000 / Yr}$

This is the income before
paying the mortgage

Example

Same 10 units: I have it under
contract for \$220,000 and it requires
\$0 in rehab...

- What is the Cap Rate?
 - $\text{Cap Rate} = \text{NOI} * 100\% / (\text{Purchase Price} + \text{Rehab Costs})$
 - $\text{Cap Rate} = \$27,000 * 100\% / (\$220,000 + \$0)$
 $= \mathbf{12.2\%}$
- What is the Price per Door?
 - $\text{Price / door} = (\$220K + \$0K) / 10 = \mathbf{\$22,000 / door}$

Criterion for a Good Deal

A "Good Deal" is When
Cap Rate > "Market" Cap Rate

- In this example, the **market cap rate** for this city is 8.5%, is this a good deal?
 - Yes, $(12.2\% > 8.5\%)$

As wholesalers, we generate value & earn
profits by finding & offering properties at
cap rates > market cap rate.

Market cap rate is the cap rate which the "retail" buyers are buying in a particular market.

Market Cap Rate

Class	Age	1 BR Rent	Market Cap
A	< 10 yrs	\$600+	4 – 5%
B	10 – 20 yrs	\$500 - 600	6 – 7%
C	30 – 40 yrs	\$400 - 450	8 – 9%
D	War Zone	<\$395	10 – 12%

1 BR Rent is the Best Indicator

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"Capping Out" a Property

- Recall: $\text{Cap} = \text{NOI} / \text{Price}$
- Therefore, the same formula says:

Value = NOI / Market Cap Rate

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Example (continued)

Same 10 units: NOI = \$27,000 / yr and Market Cap = 8.5%...

- What is the retail value of the 10 unit deal?
 - Value = NOI / Market Cap
 - Value = $\$27,000 / 8.5\% = \$317,000$ (\$31.7K/door)
- So how much "free" equity is in the deal?
 - "Free" Equity = $\$317,000 - \$220,000 = \$97,000$

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Recap



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



Let's Take Some Questions

- Questions?
- Aha Moment?
- Comments?



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Shortcuts to Qualifying "Good Deals"

For High Cap Markets:

- Class C
 - Price / door < **\$25,000 / door** (including rehab)
- Class B
 - Price / door < **\$30,000 / door** (including rehab)



This is just the phone screen. If it passes, then we review more detailed financials.



Highlights of Dan's Deal

- 36 Units
- Class C
- < 50% occupied
- Needs \$150K rehab (\$4K / door)
- Contract Price \$181K (\$5K / door)
- Sales Price \$250K (\$7K / door)
- Assignment Fee Earned **\$69,000**
- "All-In" Price to Buyer **\$11K / door!**



Step-By-Step Cook Book Deal Analysis

Go to the Deal
Analysis Sheet



1. Only use Actuals – Not Pro-Forma
2. Pull data from the Set-Up Sheets and/or
3. Pull data from:
 - Rent Roll
 - P&L Statements

Validating the Data

OE / GSI	Nat'l Avg	Houston
Not All Bills Paid	45%	+ 5%
All Bills Paid	55%	+ 5%

If OE/GSI < National Average, Raise the Expenses for Your Analysis

Step-By-Step Cookbook Analysis & Purchase Offer Steps

2 Most Common Scenarios:

1. Occupancy > 60% (Stable Occupancy)
2. Occupancy < 60% (Low Occupancy)



Scenario 1 (Stable Occupancy) Occupancy > 60%

Example: 47 Units

Actual NOI = \$100,000/yr; Occupancy = 85%; Rehab = \$20,000

Market Cap = 8.5%; Desired Cap = 10%

1. Determine the NOI (on actuals)
2. Determine the Rehab Costs
3. Determine your desired purchase cap rate (Cap)
4. $MAO = NOI / \text{Desired Cap} - \text{Rehab Costs}$

$$\begin{aligned} MAO &= \$100,000 / 10\% - \$20,000 \\ &= \$980,000 \text{ } (\$20.8K / \text{door}) \end{aligned}$$

Scenario 2 (Low Occupancy) Occupancy < 60%

Example: 47 Units

Proforma NOI = \$100,000/yr; Occupancy = 50%; Rehab = \$120,000

Market Cap = 8.5%; Desired Cap = 10%

1. Determine the **pro-forma** NOI
2. Assess the rehab costs to reach the NOI
3. $MAO = 70\% * ARV - \text{Rehab Costs}$
4. $ARV = \text{pro-forma NOI} / \text{Market Cap}$

$$\begin{aligned} ARV &= \$100,000 / 8.5\% = \$1,176,000 \\ MAO &= 70\% * \$1,176,000 - \$120,000 \\ &= \$703,000 \text{ } (\$15K / \text{door}) \end{aligned}$$

Let's Take Some Questions

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



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Homework Assignment

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 session.
5. **Optional:** Download RealCoach **QuickStart Audio** at www.RealCoachTrial.com; Create your daily mindset routine.



End of this Session

See you Next Session

1. Please answer the brief survey as you exit the webinar. Thank you.
2. Please add ClientCare@fcgllc.com to your email address book.