Commercial Real Estate Investor Newsgram

Guerilla Tactics for Real Estate Investors for Higher Profits with Less Risk

Apartments / Office / Retail / Warehouse & Hybrids / Lodging / Homes

Real Estate Investing Science

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All In One Place
Made Simple

Double Your Cash Flow Program/ Own Your Building Profitably / Rabbits from Hats (sometimes)

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How To Turn $5,000 into $1 Million Part Time

The first impulse of those wanting to "get into real estate" is to own a rental house or do a rehab like you see on TV. Having done both, I'll say, think again. I divide the real estate investing process into 3 steps: 1. Seed Capital 2. Growing Wealth 3. Maintaining Wealth. Most investors get these mixed up, and that's a very costly lesson, so let me explain. Seed capital is the process of making money without money, or very little ($5K or less). In the prior newsletter I illustrated how to do a "sandwich lease option", turning $1,000 into $25,000. The world of seed capital can be summarized as "Assignments" or passing bargains on to bargain hunters. The lease option idea gives you control of a property, a house in the example, let's you mark up the "down payment" and price to an end buyer above what you lease-option the home for from the owner. One of the hottest items in commercial real estate now is triple net leases in which a building is occupied by a national brand : Dollar General, Auto-Zone, Starbucks, even some Walmarts are investor owned: these tenants lease the building and takes care of all the expenses. You can buy these deals for $1.2 million to about $8 million and get a 5% to 7% annual return. But any business occupying a building they own can sell it and lease it back. By offering an higher 8% to 10% return to investors...well the last one I did "sold" in 4 days by selling my contract and planned lease back set up for $25,000. In a another instance, I arranged an 8.5% return sale lease back and the end buyer, a Harvard educated attorney-investor, signed a $100,000 fee agreement to buy my contract and new lease. This deal did not work out as planned, but with the right pieces, one can make good money by passing bargains on the bargain hunters. My investment on both, zero. What you are really doing is "repackaging" a situation. So, you earn money without money & then, step two, is to invest in value added or distress deals. Since there are far more value added deals, let's say you take your seed capital, let's say $100,000, and buy a small commercial property in which you turn a $400,000 property into $500,000, refinance, pull out $75K of your $100,000 and keep the property and it's cash flow. If you keep the seed capital machine running, which I recommend, you can supplement the $75K you got back on deal one and go do it again with $75 K or more. You could make a good living just doing seed capital deals, but, in time, you should consider having "passive cash flow" which was suggested here by keeping the first deal. Done a few times, over a few years, it's not a get rich quick plan, but it's one anyone could do part time, with the right knowledge, grow to create a million net worth. The wealth creation step was to invest the seed capital into a value added property. When it reaches it's potential, it's now a wealth stabilization investment. Be sure and review the prior newsletter for more ideas on the zero down investing, seed capital, step.

Many investors buy wealth stabilized properties, what I call "retail" investments, waiting on inflation, and miss the wealth creation step. It's a costly mistake, at least if you agree that time and money are related. The most successful investors I've ever worked with never bought existing wealth stabilizing deals ("Retail") but created them by focusing on turnaround and value added properties. I go into full detail on all these ideas and various ways to do this in my upcoming book, Property Empire. If you want a FREE copy, I'll be letting you know how to get it in an upcoming newsletter or just send me an email. Here's to your success.
F. Scott Tonges

How To Double Cash Flow Starting With An Existing Income Property

If you own one or more properties you've held for several years, something has been happening with them that you can benefit from today. Besides appreciation, the pay down of your mortgage has created a higher equity that you can take advantage of. Assume you bought a $ 1 million property 7 years ago (property 1). It's now worth $1.2 million & your original loan balance has been reduced from $750,000 (75% of original purchase) to $640,627. Your original equity of $250,000 down has now grown to $559,373. Using typical expense ratios, your cash flow has gone from $20,630 to $36,630 per year. But...your mortgage payments are the same. So, let's refinance the original loan at 75% of the new value. This gives you $260,000 to reinvest. Now let's find a $900,000 "value added" property (one in which rents/expenses can confidently be improved to grow the value by 20%, to $1,080,000 within a couple of years or less). The cash flow on property 2 is then increased to $35,736. Your original cash flow from property 1, after refinance, is slightly less, $24,756 vs $36,630, but you've added property 2's target cash flow of $35,736, so you now have cash flow from the two properties of $60,492/yr and your equity has grown from the one property at $559,373 to that of both, to $762,653. You've more than doubled your cash flow and increased your equity, too.

ON TO MORE CASH FLOW & ZERO DEBT

It's now possible to take one more step and have a debt free investment. If you sell both properties & invest the $762,653 in a final, valued added property, no debt, & bring it's cash flow to fruition (my 20% rule for valued added deals), you can create a property with no mortgage, generating $72,000 a year. Want, the detailed report ? Just email me and note in the "subject box, Ascension Report & I'll direct you to it.

On November 2, 1947, Howard Hughes piloted his Hughes H-4 Hercules flying boat (aka as the Spruce Goose) to an altitude of 33 feet for a distance of one mile. It never flew again. For many income property owners, property cash flow never ascends as high as they'd like either. Kind of it's own Spruce Goose. The approach noted here is available as a Done-4-You service for qualified income property owners. Learn more as offered above.

About the Publisher - F. Scott Tonges—President, Southwest Property Trust, Inc

Named among the top 25 commercial real estate brokers in the U.S. by the nations largest commercial service firm (CBRE), Scott spent an average of 6 years in each income property class. His background includes brokerage nationwide of all income property types, building a 100 employee property management company overseeing 1,860 apartment units and 500,000 SF of commercial space in 5 cites, building development, and exclusively representing clients like Merrill Lynch, Deutsche Bank US Investments, Connecticut Mutual Urban Investments, Canadian Imperial Bank & scores of private investors. Today, Scott is a private investor, author of 4 books on real estate investment, (Amazon.com), taught a state approved continuing education course to brokers in Colorado real estate investing for 5 years, is an active Colorado broker/consultant, and offers Done-4-U programs for investors.

Home study & videos courses are at www.reiScience.com

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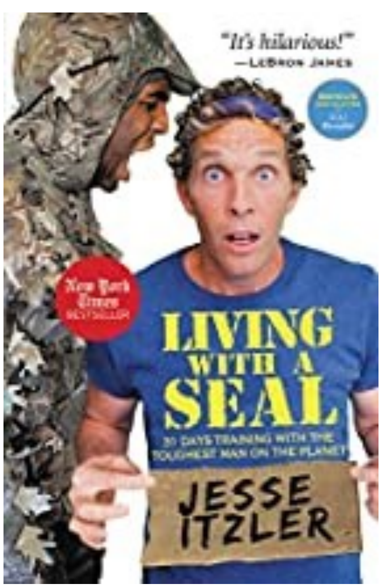
How to Profitably Own Your Own Building for Your Business

If you have a business that lends itself to owning your own space vs leasing it, here are two ways to do it. There's an SBA loan that allows you to put down 10% to buy your own building, so long as you occupy at least 51% of the space. A conventional loan would allow you to occupy as much or as little space as you want. Having bailed out some doctors who overpaid for an office condo, the secret to doing either is to balance price to area rents. It's near impossible to do this with most commercial condo's as the cost usually outstrips the value as a rental. If you balance these elements properly, it's possible, with the SBA loan to have an excess tenant, renting 49% of the space, pay most all of your mortgage. An attorney-buyer for an 11,154 sf building I set this up for had a $1,725,000 purchase, 10% down, and a net cost of $2,877 per month. If you go the convention loan route, the down payment percent may be larger (or could be the same, I'll show you how) and if tenants occupy even greater space you could actually cash flow each month and own the property. I help clients do this.
Just ask about my "504 Program".

THINGS TO BE HAPPY ABOUT

Parrots
Sugar Wafers
The Texture of Cream
A Cat Purring
Third Basemen
Clapping of an Audience
Clear Creek Waters
Onion Skin Paper
Swinging Beds
Taking Action
Steak Platters



BOOK REPORT

Living with a SEAL
31 Days Training with The Toughest Man on the Planet

My wife just about asked me to go to another room I was laughing out loud so often reading this book: the true story by a successful New York business man, Jesse Itzler, who wants to take his fitness to the next level. At a 100 mile running event, in which Jessee is part of a relay team with van & full compliment of back up help, he sees a guy in a folding chair, with a tube of crackers & a bottle of water ready for the race, all alone. After the race, he hunts this guy down and convinces him to come live with him for month, well paid. One rule from the former Navy SEAL: "What I say goes, any time, anywhere." What follows is the wildest 31 days imaginable & a stark lesson on how we all ask too little of ourselves. And I'm sure you'll agree, this guy IS the toughest man on the planet.