

# Real Estate Investing

## Business Operation

*Welcome to*

# Business Operation

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# Real Estate Investing

## Business Operation

### Class Description

This class will teach you how to manage your contacts, gather information, evaluate the property, analyze the deal, and execute a contract. The purpose of this class is to provide enough information for the participant to begin managing and evaluating leads, in an effort to enter into a contract on deals that align with the specialty and strategy goals.

### Measurable Performance Objectives

Upon completion of this class, the participant will:

- Understand how to manage lead contacts.
- Identify the information necessary to evaluate a lead.
- Analyze the deal for financial performance.
- Understand the contracting process and common practices.

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### Contact Management

- Personal Conduct
  - Confidently
  - Professionally
  - Ethically
  - Quickly
- Inbound Call Handling
  - VAs
  - Local employee
  - Answering service
  - Live
- Tracking
  - Spreadsheet vs Software
- Follow-up
  - Pushing for initial contact
  - Continued follow-up with a warm/previously contacted lead

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### Deal Analysis

- Comparable Sales
  - When comparing property to approximate value, consider the following:
    - Proximity
    - Stay in neighborhood if possible
    - Appearance of block/street/neighborhood
    - Structures (*house, garage, outbuildings*)
    - Condition of property
    - Age of property
    - Model
    - Square footage
    - Number of rooms
    - Number of beds and baths
    - Lot size
    - Amenities
    - External influences (*powerlines, trains, road noise, grade*)

**Note: The ideal comparable sale scenario is with plenty of sales of the same model within the same neighborhood.**

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### Information Gathering

- High Level
  - What type of property is it?
  - Where is it?
  - What does it look like?
  - What condition is it in?
  - How much can you sell it for as-is?
  - How much will it cost to fix?
  - How much can it be sold for after repairs? (*ARV*)
  - How much rent would it bring in?
  - Do houses sell quickly in that location?
  - What does the competition look like?

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### Information Gathering

- The Two Most Important Numbers
  - ARV (*After Repaired Value*)
    - After price drops.
    - After settlement help.
    - What is your range of possible values?
  - Renovation
    - Right scope of work for the ARV and competition.
    - Fair price for the work.
    - Project Management Triangle: Quality, Time, Cost.
    - Additional work / after home inspection repairs.

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### Information Gathering

- From Public Records
  - Owner's name
  - Subdivision
  - Property class
  - Lot size
  - Zoning
  - Type of house (*ranch, split, condo, town house, colonial, etc.*)
  - Square footage
  - Year built
  - Beds/baths
  - Basement
  - Garage

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### Information Gathering

- Questions for the Seller
  - What is your name, cell number, email address?
  - How are you related to the property? (*Owner, heir, executor of estate, attorney, family member, friend, etc.*)
  - Can you tell me about your situation?
  - Are there any pressures causing you to want to sell it quickly or by a certain date?
  - Is the house listed with a Realtor? (*If yes, we have to go through the Realtor*).
  - Are you in foreclosure? (*If so, contact a Realtor or an attorney*).
  - If you have a tenant, tell me about their payments and conduct.

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### Information Gathering

- Questions for the Seller
  - Say something like: I am a real estate investor and buy property to make a profit. I need to buy property at a discount of 35% +/- . I can buy it as-is and quickly. Deal?
  - If inherited, was there a recorded will for the deceased? How many heirs? Are all heirs cooperating?
  - How much debt is against the property?
  - Are all payments current?
  - What will happen if the house doesn't sell?
  - Have you had an appraiser or Realtor give you an as-is value? If so, what was the value given?
  - Have there been any written offers yet?
  - Who is currently living in the property? Are they prepared to move?
  - Would you be willing to hold short term financing?

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### Information Gathering

- Questions for the Seller
  - Are there any environmental issues? (flood zone, waste water, noise, asbestos, mold, radon, lead, etc.)
  - Is there an H.O.A.? If so, how much are the fees?
  - Utilities
    - Water: Source
    - Sewer: Yes/No & Source
    - Septic: Yes/No
    - Elec: Source
    - Gas: Yes/No & Source
    - Oil: Yes/No & Source
  - Rate the condition of the house
    - A- Everything is updated and it is like new.
    - B- It is in good working condition, but needs to be updated.
    - C- It needs a lot of work /or total renovation.

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### Information Gathering

- Questions for the Seller
  - Do you know how old these things are?
    - Roof
    - Windows
    - Exterior
    - Heat/AC
    - Water heater
    - Electric panel
    - Plumbing
    - Flooring
    - Paint
    - Exterior doors
    - Interior doors
    - Kitchen appliances
    - Kitchen countertops
    - Kitchen cabinets
    - Bathroom vanity
    - Bathroom fixtures
    - Bathroom shower/tub

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### Property Visit

- Property Inspection
  - Use a renovation worksheet
  - Determine the scope of work and value of that work
  - Are there any structural changes needed
  - Consider surrounding properties
  - Take pictures and video
  - Note the pros and cons of the house, property, and surroundings

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#### Renovation Evaluation

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Address: \_\_\_\_\_

Beds: \_\_\_\_\_ Baths: \_\_\_\_\_ Sq Ft: \_\_\_\_\_ Vacant: Y N

##### Additional Quotes Needed

- Asbestos  
  Buried Oil Tank  
  Fire Damage  
  Foundation/Structural  
  Historical Home  
  Lead Paint  
 Mold  
  Permit Check  
  Pool  
  Roof  
  Septic System  
  Sewer to Street  
  Soil  
  Well

##### EXTERIOR

✓	Roof	#	Unit	Low Cost	Avg. Cost	High Cost	Enter Total
	Roof (tear-off/replace) - architectural shingle		sf	\$ 2.25		\$ 4.00	
	Rollover (add a layer of shingles) - architectural shingle		sf	\$ 1.75		\$ 2.50	
	Rubber Roof (avg row home) New layer		ea	\$ 1,800.00		\$ 2,500.00	
	Rubber Roof (avg row home) Tear off		ea	\$ 2,500.00		\$ 4,500.00	
	Roof Sheathing - plywood 1/2" remove & install		sf		\$ 2.00		
	Roof repair/patch (hard)		ea		\$ 900.00		
	Roof repair/patch (easy)		ea		\$ 600.00		
	Premium for 3 layer tear off		sf		\$ 0.35		
	Premium for steep pitched roof		sf		\$ 0.20		
	Capping (installed)		lf		\$ 4.00		
	Fascia - demo & install new		lf		\$ 3.50		
	Soffit - demo & install new		lf		\$ 4.00		
	Gutters & downspouts - demo & install new (linear foot)		lf		\$ 6.00		
	Chimney						
							\$ -
✓	Finish	#	Unit	Low Cost	Avg. Cost	High Cost	Enter Total
	Demo existing finishing material		sf		\$ 0.75		
	Remove Asbestos siding		sf	\$ 1.10		\$ 2.00	
	Stucco		sf		\$ 7.00		
	Wood siding		sf		\$ 6.00		
	Vinyl siding		sf	\$ 2.85		\$ 4.00	

**SAMPLE**

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### Financial Analysis of a Flip

If you purchase a property for \$90,000, renovate it for \$60,000, and sell it for \$200,000, how much net profit do you think you will earn?

Let's go through the numbers line by line...

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### Flip Financial Analysis Example *(Cash purchase/No loan)*

90,000	Purchase Price
	<b>Due Diligence</b>
350	Inspections
250	Survey
	<b>Purchase Settlement Costs</b>
400	Attorney
1,200	Title Insurance
150	Recording
1,350	Transfer Tax 1.5%
	<b>Carry</b>
750	Utilities
1,300	6-Months Builder's Risk & Liability Insurance
	<b>Renovate</b>
60,000	Renovation
	<b>Sell</b>
200,000	ARV
12,000	Realtor Fees 6%
3,000	Transfer Tax 1.5%
1,500	Annual Taxes
<b>\$26,250</b>	<b>Net Profit</b>

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### Deal Analysis

- 3-Step Process to Almost Guarantee Success
  - Determine the maximum offer
  - Determine the starting offer
  - **Stay between two!**

**REMEMBER: You make your money when you buy!**

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### Negotiating Tips

- Suggest a date, time, and place that works for you. Being too accommodating says you are desperate.
- Sharing personal, unrelated, information helps to build a personal connection. This reduces chances of aggression.
- Demonstrating disappointment can cause an urge for someone to compensate you.
- Demonstrating anger (that is focused on the deal) can cause an urge to compensate you out of fear of losing you.
- Mention the deals that are out there if you don't get this one. It is always good to know them so you don't feel dependent on any one deal.
- Be confident and direct, while being respectful.

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### Negotiating Tips *continued...*

- Avoid weak language, and do not cushion what you want.
  - This might sound low...
  - I hate to make an offer like this...
  - Would you consider...
- Going first will “anchor” that value for the negotiation. That anchored value will pull judgements toward it and all further discussion will be based on it.
- Ask for what you want, and will accept, in a precise range to be seen as reasonable and willing to work together. (81-84K)
- State their (losses/downsides) together as a grouped item.
- State advantages for each side using the same number of advantages for each side, regardless of the value of each advantage.

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### **Negotiating Tips** *continued...*

- When they make an offer or counter offer, counter back or give a long pause. They need to feel like they worked to negotiate a good deal.
- Compliment them on their negotiating so they feel good about the deal. They will be happiest if they perceive that they performed well in the negotiation, even above the economics of the deal.

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### Contract

- On the spot
- Verbal w follow-up
- Follow-up
- Mail or Email
- Web based documents
- Executed by all parties
- Buyer chooses attorney
- Deposit
  - How much
  - Who holds it
  - Non-refundable vs subject to contingency

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### Systems and Processes

- How can you successfully handle the following with a minimal amount of your daily involvement?
  - Leads
  - Mail
  - Calls
  - Evaluating
  - Communicating
  - Looking at property
  - Making offers
  - Wholesaling or buying

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### Business Operation Open Q & A

- Personal conduct
- Inbound call handling
- Tracking
- Follow-up
- Comparable sales
- Information gathering
- Property visits
- Deal analysis
- Determining an offer
- Negotiating
- Contracting
- Creating a system

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# Thank you!

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