Neal Bawa

HOW TO PICK THE CITIES TO INVEST IN

Don’t necessarily go with the best. Go with the ones that make sense for your time/lifestyle/travel ability

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THIS IS A MODULE WITH MANY DEMOS

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If you would like to follow along, please do so.

START BY BEING HONEST WITH YOURSELF

BAD NEWS FIRST

The best cities to invest in are not as close as you would like them to be

GOOD NEWS NEXT

You DO NOT need to be in cities that are very far to invest and win, until you get to the bigger properties

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START BY BEING HONEST WITH YOURSELF

BE HONEST WITH YOURSELF

Are you really going to be prepared to fly out to cities that you select **a minimum of 5-10 times** to be successful?

Think about it.

Does it work with your lifestyle and time constraints?

Ok, enough deep thinking. Let's dive in.

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5 DIFFERENT WAYS TO FIND THE BEST CITIES IN THE U.S.

All of these methods are complimentary to each other. You will notice that we use them all and pay for 3 of them.

1) The Raw Metrics method (Free)
2) The Annual Public ranking method (Free)
3) The Housing Alerts / LocalMarketMonitor method (Paid - Single Family)
4) The Yardi Matrix Method (Free – Multifamily)
5) The Costar Method (Paid – Multifamily)

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METHOD 1 – THE RAW METRICS METHOD

Pull publicly available statistics and compare cities to each other

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WHERE DID ALL THESE METRICS AND ROTs COME FROM?

1. The metrics and rules-of-thumb mentioned on the next page, and in the next chapter are not taken from a website, book or RE course. They were invented by Neal based on dozens of hours of trial and error.
2. While they are far from foolproof, they point you in the right direction in a vast majority number of cases.
3. Use them as a guide, not as a hard and fast rule.
4. You can also buy this data from two different services that Neal will demo today, but KNOWING why some cities are better than others for investment is critical

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RESOURCE #1: CITY-DATA.COM

The most powerful FREE real estate website available to investors. It has a tremendous amount of metrics information that can be very useful.

Go to Link 5 in Bootcamp Portal sheet

1. **Look at population growth.**

   Search google for **population nameofcity.** Look for cities with Population change since 2000 of over 10% if the city is over a million. Look for 20% growth if city is under a million.

2. **Median Household income**

   Look for a 30% increase in median household income since 2000.

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RESOURCE #1: CITY-DATA.COM

3. **Median house value**:
   Look for a 40% or greater increase in median house value since 2000.

4. **Crime:**
   Scroll down to the crime rates table. Look at the bottom row of the table. Look for a declining crime rate, from left to right. In the rightmost cell, look for a number lower than 500.

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TIP *In fast growing states like California and Texas, if all of the cities picked meet these benchmarks (they sometimes do), then compare them* ***against each other****.*

RESOURCE #2: ZILLOW HOME PRICE VALUES

Zillow provides a tool, where you can plug in a U.S. city or state or zip or neighborhood, and it will provide the change in home prices for the last year, with a prediction for the next year. It's not terribly accurate, but it is a decent indicator.

- *Go to Link 6 in Bootcamp Portal sheet*

Look for predicted price increases of at least 2%. 3% or higher is preferred. Zillow is very conservative in projecting price increases, so keep that in mind.

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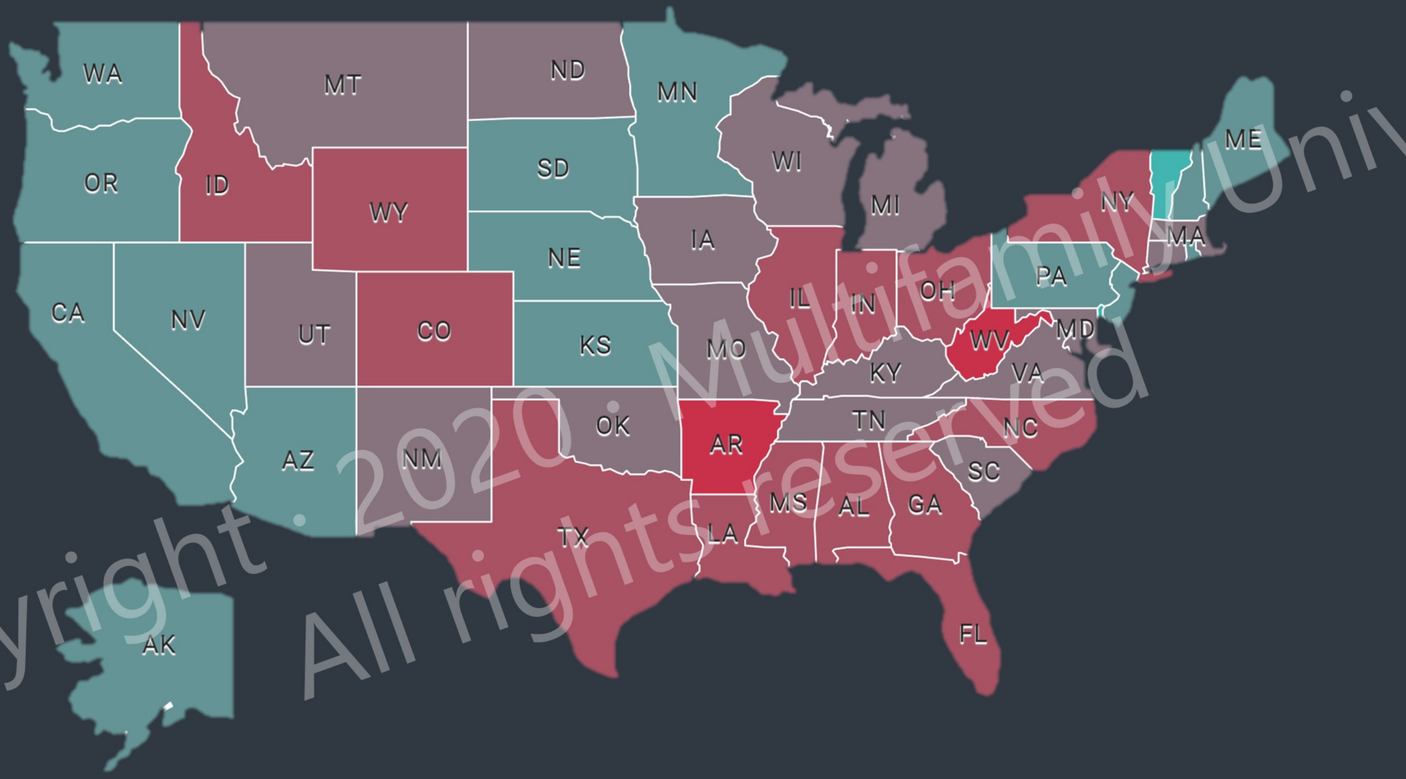
RESOURCE #3: LANDLORD FRIENDLY STATES



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Landlord Friendly — Renter Friendly

0 20 40 60 80 100

Go to Link 7 in Bootcamp Portal sheet

RESOURCE #4: PRICE TO RENT RATIO

Go to Link 8 in Bootcamp Portal sheet

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A very high ratio is not good for investment. Why?

A very low ratio is not good for investment. Why

A good rule of thumb ratio is 15 to 23.

RESOURCE #5: JOB GROWTH BY METRO

➢ *Go to Link 9 in Bootcamp Portal sheet*

Job growth is key to both **appreciation** and **rent growth**.

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RESOURCE #5: JOB GROWTH BY METRO

Sort the chart in the list above by the last column on the right.

1) Do not invest in cities with negative job growth.
2) Under 1% is considered anemic, you should avoid those cities.
3) Job growth is dependent on city size. Los Angeles at 1.06% is much better than Bakersfield at 1.3%, because L.A. created 16 times the jobs that Bakersfield did. For large cities, its ok to be around 1%, but of course higher numbers are better.
4) Keep the number of jobs in mind. If Corvallis, OR creates 500 jobs, half or more of those could come from a single employer.
5) Keep in mind that this table only looks at 1 year of job growth. It's an important data point, but good cities can have a rough year.

Having said that, you will see that most cities that we picked later in the chapter have 2%+ job growth (except for some California cities, which were picked for closeness to CA boot campers).

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METHOD 2 – ANNUAL PUBLIC RANKINGS METHOD

The top Real Estate sites use their own methodology and provide rankings each year

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RENT GROWTH = CASH FLOW

	Yardi Matrix	apartment list	trulia
1	Sacramento	Sacramento	Tacoma
2	Orlando	Reno	Sacramento
3	Las Vegas	Orlando	Milwaukee
4	Denver	Riverside	Los Angeles
5	Phoenix	Salt Lake City	Colorado Springs
6	Tampa	Vancouver	Deltona
7	Dallas	Arlington	Salt Lake City
8	Los Angeles	Tampa	Gary
9	Twin Cities	Santa Ana	Fresno
10	Inland Empire	Fresno	Las Vegas

HOTTEST = FIX & FLIP

	Zillow	realtor.com
1	San Jose	San Francisco
2	Raleigh	San Jose
3	Seattle	Vallejo
4	Charlotte	Colorado Springs
5	San Francisco	Midland, TX
6	Austin	San Diego
7	Denver	Santa Rosa
8	Nashville	Sacramento
9	Portland	Denver
10	Dallas	Stockton

PRICE GROWTH = APPRECIATION

	Forbes	trulia	realtor.com
1	Orlando	Las Vegas	Grand Rapids
2	Provo	Dallas	Nashville
3	Jacksonville	Deltona	Raleigh
4	Raleigh Durham	Stockton	El Paso
5	Ogden	Lakeland	San Antonio
6	Nashville	Salt Lake City	Fort Worth
7	Atlanta	Charlotte	Austin
8	Springfield	Colorado Springs	Columbus
9	Fort Worth	Nashville	Madison, WI
10	Sacramento	Tulsa	Cincinnati

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METHOD 3 – THE HOUSING ALERTS / LOCALMARKETMONITOR METHOD

Very single family focused, but does a good job of predicting future Multifamily metros

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HousingAlerts®.com
Tomorrow's Real Estate Today

- *Go to Link 10 in Bootcamp Portal sheet*

1) Run by Ken Wade, an analytics guru.
2) Pricing varies depending on whether you buy metros, states or the entire U.S.
3) You could pay less than $50 a month, or pay as much as $2K a year

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LOCAL market monitor

- *Go to Link 11 in Bootcamp Portal sheet*

1) A well-designed service that is used by many of the big real estate sites in the U.S.
2) Easy to use, with cities and metros sorted in various ways
3) Pricing is in the same range as HousingAlerts, though they slice and dice it differently
4) They do offer a 25% discount to my students. Use the code **MultifamilyU**.

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METHOD 4 – THE YARDI MATRIX METHOD

Very Multifamily focused, but very precise and relevant data, by metro

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THE Yardi® Matrix METHOD

➢ ***Go to Link 12 in Bootcamp Portal sheet***

This page is not directly accessible from the Yardi Matrix website, but you are not breaking any rules either.

1) Each month, come here. Start off by reading the Matrix Monthly. Pay particular attention to the graph that says **YEAR OVER YEAR RENT GROWTH – RENTER BY NECESSITY ASSET CLASS**. These are the tenants you are going after.
2) Next, look at the **TRAINING 3 MONTHS SEQUENTIAL – RENTER BY NECESSITY ASSET CALLS**. This shows how things are going in the last 3 months.
3) Next, look at the employment, supply and occupancy trends table. Its sorted by Forecast rent growth. Check out where your target cities are.

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METHOD 5 – THE COSTAR METHOD

Very Multifamily-focused but goes FAR FAR beyond other methods. Very expensive.

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LAB ACTIVITY

How to research and compare cities

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INSTRUCTIONS FOR THE LAB

1) Students are going to be in groups. I will show you your group names in a moment.
2) Each student will compare 3 cities using the City Comparison Worksheet. It's an online google Sheets document. The link for the Google sheets document is ***Go to Link 13 in Bootcamp Portal sheet***.
3) I will assign the cities to you, once you open the file.
4) Use the City Comparison worksheet to load the various websites. The URL links are provided in the worksheet.
5) You have 20 minutes to fill information for all 3 cities into the worksheet.
6) We will discuss several groups. I will ask for a volunteer from each group to discuss their results and what they learned from them.

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SAMPLE OF WHAT THE END RESULT COULD LOOK LIKE

Cities	Population growth %	Median Household income (increase in %)	Median house value	Crime	In tenant friendly state?	Price to rent ratio	Zillow home price increases	Job growth by %age
Dallas, TX	1,281,047 (7.8%)	$45,918 (22.031%)	$152,400 (74.37%)	412.3	Yes	16.19	5.40%	3.17%
San Antonio, TX	1,436,697 (25.5%)	$48,869 (34.95%)	$126,600 (87.55%)	427.5	Yes	13.68	No data on Zillow	2.21%
Houston, TX	2,239,558 (14.6%)	$48,064 (31.26%)	$152,200 (96.38%)	514.4	Yes	15.29	No data on Zillow	1.70%
Columbus, OH	835,957 (17.5%)	$47,401 (25.07%)	$137,100 (38.34%)	406.7	No	15.86	3.70%	1.56%
Cleveland, OH	389,521 (-18.6%)	$28,831 (11.19%)	$66,200 (-6.89%)	757.9	No	10.52	4.30%	0.79%
Phoenix, AZ	1,537,058 (16.4%)	$48,452 (17.58%)	$200,800 (87.66%)	373.3	Yes	20.3	3.50%	2.38%
Indianapolis, IN	848,788 (8.6%)	$41,278 (3.06%)	$123,500 (27.84%)	632.7	Yes	15.35	No data on Zillow	2.00%
Memphis, TN	656,861 (1.0%)	$36,908 (14.31%)	$94,400 (30.56%)	769.5	No	12.26	5.30%	0.99%
Detroit, MI	680,250 (-28.5%)	$25,980 (-12%)	$42,600 (-32.16%)	759	Yes	6.27	4.90%	2.09%
Orlando, FL	262,372 (41.1%)	$44,804 (25.38%)	$214,400 (120.12%)	565.9	Yes	16.62	4.80%	4.09%
Tampa, FL	358,699 (18.2%)	$44,432 (29.10%)	$189,800 (135.19%)	287.5	Yes	16.55	4.50%	3.08%
Jacksonville, FL	853,382 (16.0%)	$48,239 (19.65%)	$146,500 (74.19%)	377.1	Yes	14.34	4.30%	3.86%
Boise, ID	216,282 (16.4%)	$55,309 (30.34%)	$209,900 (77.73%)	211.1	No	No data	3.80%	3.73%
Tucson, AZ	527,972 (8.5%)	$38,155 (23.15%)	$139,400 (52.85%)	510.5	Yes	16.32	4.90%	-0.21%
Las Vegas, NV	613,599 (28.3%)	$49,676 (12.72%)	$209,400 (57.32%)	No data	No	19.34	6.20%	2.89%
Sacramento, CA	485,199 (19.2%)	$52,151 (40.76%)	$287,300 (128.01%)	381.5	No	24.26	5.60%	bad data
Reno, NV	236,995 (31.3%)	$50,451 (24.47%)	$269,200 (82.01%)	338.8	No	No data	3.80%	3.80%
Oklahoma City, OK	620,602 (22.6%)	$50,739 (45.18%)	$148,500 (90.14%)	442.8	No	19.07	0.40%	0.87%
St. Louis, MO	317,419 (-8.8%)	$38,397 (41.39%)	$130,800 (105.98%)	908.4	No	16.7	4.00%	0.95%
Kansas City, MO	470,800 (6.6%)	$50,259 (35.11%)	$138,400 (66.14%)	648.8	No	17.42	3.80%	2.05%
Chicago, IL	2,722,389 (-6.0%)	$50,702 (31.26%)	$238,500 (65.28%)	426.4	No	21.6	3.20%	0.77%
Eugene, OR	160,561 (16.4%)	$45,927 (28.10%)	$262,600 (81.10%)	297.7	No	No data	3.90%	1.41%
Charleston, SC	130,113 (34.6%)	$61,993 (75.64%)	$293,500 (112.98%)	216.5	No	No data	No data on Zillow	2.50%

Population data	Search google	
City data URL	www.city-data.com	
Zillow URL	goo.gl/bpBRdP	case sensitive
Price to rent ratio URL	goo.gl/WfwhZp	case sensitive
Job growth by city	goo.gl/SFjVL5	case sensitive
Monthly updates (not for use in table above)	https://goo.gl/mpZCmt	case sensitive

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OUR LIST OF CITIES TO CONSIDER

*Disclaimer: This is opinion, not advice. Cities to target **DO** change over time. You **MUST** do your own due diligence AND stay in touch with the trends.*

Cities within driving distance of the SF Bay Area

- Sacramento
- Stockton
- Fresno
- Vallejo
- Yuba City

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OUR LIST OF CITIES TO CONSIDER

*Disclaimer: This is opinion, not advice. Cities to target **DO** change over time. You **MUST** do your own due diligence AND stay in touch with the trends.*

Cities within 2 hours of flying time

- Las Vegas
- Phoenix, AZ
- Boise, ID
- Provo / Salt Lake City / Ogden, UT
- Tucson, AZ

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OUR LIST OF CITIES TO CONSIDER

*Disclaimer: This is opinion, not advice. Cities to target **DO** change over time. You **MUST** do your own due diligence AND stay in touch with the trends.*

Other cities

- Atlanta, GA
- Tampa, FL
- Orlando, FL
- Dallas / Fort Worth, TX
- Columbus, OH
- Colorado Spring, CO
- Grand Rapids, MI

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QUESTIONS ON THIS MODULE?

HOMEWORK

- **Highly recommended -** Complete filling out the Google Table for another 3 cities later. This lab is important, and doing it manually is just as as necessary as learning how to add 3+3 without using a calculator. You need to internalize these metrics and think about them on an on-going basis.
- **Recommended -** Watch the 2019 Versions of the Real Estate Trends webinar. *Go to Link 14 in Bootcamp Portal sheet*
- **Optional** – Go into the student kit and go into the RESEARCH folder, and read the Attom Data 2018 Housing Outlook report. A terrific report that offers a no-hype view of the 2018 Real Estate market.

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