

UNDERWRITING LOGISTICS



- | How do you decide which deals to underwrite?
 - ✓ Filter with Demographics & Investment Strategy
- | How do you know which deals are “good” to make offers on?
 - What is your investment criteria?
 - What do you want to return to your investors?
 - ✓ 8 - 10% Cash on Cash
 - ✓ 15 to 17% IRR for 5 yr deal (will be lower for longer deals)
 - ✓ >18.5% Simple Annualized Return
 - ✓ >1.9x Equity Multiple over 2 Years

HOW DO YOU COME UP WITH YOUR OFFER PRICE?



You have a deal that is looking good - How do you know what to offer?

1 Go back to your Investment Goals

- Adjust the offer price until returns meet your objectives.

2 Create different price scenarios and note returns for each

- Initial offer should be a lower price – not the only one that works for you.



VALUE ADD - EXIT STRATEGY

When is it best to sell the property?

- Business Plan / Investment Goal Achieved
- Market Conditions, Loan Conditions
- Consider leaving some renovations for next owner

Exit Cap Rate

- Take the Cap Rate, add an "accelerator" expressed in bps per year

EXAMPLE - What will be Exit Cap Rate in year 3?

* Cap Rate at Purchase = 6%

* Cap Rate Accelerator = .10 bps

Exit Cap Rate yr 3 = 6.00% + .10 + .10 + .10 =

6.3%



VALUE ADD EXAMPLE



= \$12,903,226 = \$2.9M Value
Added

VALUE ADD EXAMPLE



= \$8,387,096 = \$1.6M Value LOST

