

HAPPY VALENTINE'S DAY!!!

Your Game Plan:  
"Covering the Angles"



Presented by  
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The Fundamental Truths

- Investing in real estate, particularly in this market, requires more than money.
- Investors who lack well thought out investment, management and exit strategies inevitably fail.
- Investors who are not introspective and have a low level of self-accountability not only fail, but often lay blame elsewhere.



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Topics

- Getting In
- Managing Your Investment
- Getting Out



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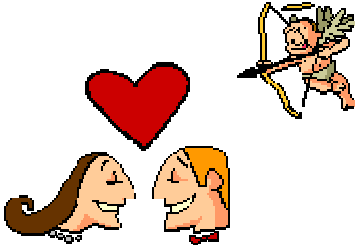
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## THE COURTSHIP



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## The Perfect Match?

- Identifying your goals
- Identifying the property/properties
- Financing, Budgeting and Due Diligence
- Where Lawyers, CPAs, Consultants and Real Estate Professionals (should) fit in to the process



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## Identifying Your Goals

- What is your target market?
  - Rental property?
  - Rehabilitation and resale?
  - Wholesale acquisition or sale?



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## Identifying the Property

- Residential, Commercial or Industrial?
- Location, Location, Location
- Tools:
  - MLS Services: RealComp, MiRealSource, CPIX, LoopNet
  - Trade Journal Listings
  - Broker Events and **Open House**
- Due Diligence



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## Due Diligence and Financing

- Investigate before you make the offer, and again before you close. At a minimum:
  - Obtain comparables (sales and listings) in the area to judge property in the market
  - Determine if the property is occupied – obtain income records and find out whether there are any lease concessions that carry over to new ownership
  - Inspect property with qualified builder to cost out a punchlist and account for unforeseen issues in renovation budget
  - Determine if there are any outstanding liens
  - Can it be mortgaged?
  - Can you fulfill anticipated borrowing covenants?
  - Who is liable if the project fails?
- Do I need a separate entity? Corporation, LLC, etc.
- Tax Planning Issues



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## Lawyers, Brokers and Consultants

- Critical Team Members
  - Real Estate Brokers assist with defining the market, identifying properties and negotiating the generics of the transaction. They also assist you in marketing properties for sale and lease (and act as property managers).
  - Lawyers assist with complex transactional issues, such as entity formation, the various contract contingencies, financing, licensing, zoning, environmental matters and title issues.
  - Consultants assist with such things as maintaining the books and records of the project and formulating a budget. This role is often filled by a financial advisor or CPA familiar with financial condition.
- Multiple roles=efficiency



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## AFTER THE WEDDING



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## Managing Your Investment

- Building and Maintaining Relationships
- Delegating Obligations
- Ongoing Tax Issues: The MBT



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## Relationships

- Financial Institutions
- Private Investors/Lenders
- Vendors and contractors
- Municipal representatives
- Developers
- Tenants
- Investment Buyers
- Lawyers, Brokers and Consultants
- Insurance Agents



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## New MBT Overview

- Two-part tax: gross receipts and profits
- Tax credits differ between property classes (industrial and commercial)
- Inadvertently creates double state income taxation on LLC's

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## WHEN THE HONEYMOON IS OVER



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## Getting Out

- Detail the "Prenup" before you even *propose* to the project or you are in for quite a shock
- Typical Exit Strategies:
  - Market sale
  - Non-market sale
  - Lease to buy, with credit toward purchase price to occupant
  - Short sale
  - Walk away
  - Donation to charitable organization
- Financing and entity structure determines liability at the end
- Tax implications: Creditor write-offs are taxable events

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## And the Moral of the Story is...

Create a game plan and never lose sight of it.

*See no evil, hear no evil, speak no evil...*



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## Thank You!

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