New Economy Real Estate Investing

The Four Pillars of Investing
From Anywhere In The World

FROM THE DESK OF PAUL MONTELONGO.

Dear Fellow Investor,

EVEN THE MOST SAVVY INVESTORS AND MARKET PROGNOSTICATORS CANNOT ACCURATELY PREDICT MARKET TEMPO OR REVERSALS. At best, the trends and indicators of market analysis only give you a somewhat vague sense of where the market is headed.

Thus, you must have your head on a swivel, be mentally nimble and financially agile enough to zig when the market zags and vice versa.

The real estate market has historically experienced peaks and valleys. It is the prepared investor who is not only able to weather the vicissitudes of the market but who is poised to take advantage of its certain twists and turns.

Are you ready?

A ***2018 National Association of Realtors research*** says the typical Realtor® is a 54-year old white female who attended college and is a homeowner. NAR also says that Millennials make up the largest group of first-time home buyers at 65%, followed by Generation X at 24% and that 73% of buyers used a mobile device, a tablet, an app or website to locate their home and make their purchase. As the younger generations become more affluent and more ready to invest in real estate, they will continue to use technology as their main source of decision-making. Just try to go twenty-four hours without using your smartphone, Google, Yelp, Google Maps or Facebook. You'll soon see how ultra dependent we are on technology. And that brings us to this Guide. This New Economy Real Estate Investing guide is designed to demonstrate how crucial it is for you to replace your current Investor paradigms with the new thoughts and actions of the New Economy.

In this guide, you will learn the THREE NEW ECONOMY Real Estate investing pillars that will set your career in place for the long term, as well as give you immediate cash flow.

In addition, you will also discover the FOURTH DEGREE OF Real Estate Investing called LEGACY INVESTING. This fourth pillar is not easy to attain, however, once you do your life will hardly be recognizable by others. It is the Holy Grail of investing. All of these strategies are available in some fashion on the ***Real Estate Mogul Tribe Facebook group.***

At the ***Real Estate Mogul Tribe Facebook group***, we invest, we teach, we train and we mentor. It matters not where you are on the ladder of real estate investing experience you can always learn more, earn more, do more, BE more.

We have produced dozens of hours of interviews, trainings and tutorials in several key areas of real estate investing, i.e., wholesaling, fix-n-flips, cash flow units, multi-family, and virtual buying. We have numerous experts delivering salient training on today's most advanced methods of investing in real estate. You receive a variety of personalities who are doing the work. In order to be a mentor at the Real Estate Mogul Tribe, you must be an active investor, in the game, on the field of play, doing deals all the time.

And all of this training in the ***Real Estate Mogul Tribe Facebook group*** is absolutely FREE. Why? Because it is the New Economy method of mentoring.

Take a look and join here

In our observation, the market is clearly undergoing a swift and noticeable adjustment in the way investors, sellers and buyers locate and close deals.

We are in a new age, an age of unprecedented growth and expansion in practically every industry of the modern technological revolution, including Real Estate Investing.

It is our intention in this guide to set in front of you ways that savvy investors are maximizing Real Estate Investing in the New Economy.

It is our intention in this guide to inspire you to challenge yourself to set aside traditional methods of real estate investing and open the windows of your mind to view the new frontier of Real Estate investing in the New Economy.

"Success is your choice. Choose well, my friend."

Paul Montelongo
Co-founder of Real Estate Mogul Mastermind
Investor, Capitalist, Mentor

A TALE OF TWO DEALS

"The glory of young men is their strength." Proverb

I was 17 years old when I purchased my first piece of real estate. Even though my father was not a real estate investor at the time, he enthusiastically encouraged me to buy real estate. I took him seriously.

I scrimped and saved enough money from my summer odd jobs of grass cutting, tree trimming and being a gopher for a siding contractor that I was able to buy a pie-shaped residential lot in an established San Antonio neighborhood. I paid $7,500.

There was no analysis, no market data, no comps, no relationships with buyers or agents, no prospectus and no future profit projections. I purchased it because...it was available.

I had big dreams of building a speculative house and selling it on the open market for huge profits. Reality set in quickly, as the cost to undertake such an operation was way out of my league. I had exactly zero cash and did not have a clue how to subsidize a two-story house on this lot.

I began marketing to sell my lot and hope to recover my initial investment and maybe carve out a small profit. I hand painted a For Sale By Owner sign and placed the phone number of my parent's house on the sign.

I placed a few FSBO ads in the local newspaper and placed FSBO signs on the street corners and on telephone posts near the neighborhood.

Though I had no clue, the market must have been "soft" when I purchased it, because two years later I had people clamoring to buy this tiny residential lot from me, as the Texas real estate market had apparently heated up again.

I sold that lot two years after purchasing it for exactly $15,000. As of the summer of 1979, I was officially a Real Estate Mogul for sure.

Well, not exactly because I broke the first rule of taking profits from a real estate sale. I spent all the profits.

That's right. I took my 100% windfall gain and did the only thing a 19-year old Mogul should do. I bought a motorcycle and a Chevy pickup truck. Both were "previously owned", so I guess I got a good deal.

Fast forward to the summer of 2018.

Two multi-family apartments complexes with a total of 120 doors in an up-and-coming segment of the Georgia market are presented to me for investment.

I read the Offering Memorandum, the Executive Summary and study the analytics of these transactions. I look them up on Google Earth, as well as all the surrounding neighborhoods, shopping malls, schools, local brick and mortars, emergency services, and transportation thoroughfares.

I quickly study the job growth statistics, market CAP rates, average rent roles, occupancy rates, IRR potential, DCR, ROI, NOI, PPM.

The marketing plan is solid. The comps are stellar and verifiable. The lender and the list of investors are highly experienced in this market with these types of transactions. My partners and the management are in place and ready to acquire and perform on this deal.

Locked and Loaded. The trigger is promptly pulled. DONE. 120 additional units added to my portfolio, and the best part is....

I NEVER LEFT MY HOUSE TO VIEW THE PROPERTY. Every aspect of these transactions was done online or by phone.

This is the status of the New Economy of Real Estate Investing.

I continually ask myself the question: "How can I conduct my business from a laptop, while sitting on the beach, sitting in a mountain lodge, or in a café on the sidewalks of a European town?"

In the spring of 2018, I spent an entire month on Paradise Island in the Bahamas at an ashram yoga retreat. I "worked" from my laptop an entire 2.5 hours during that month managing all of my businesses.

I didn't get to the point of being able to virtually manage my businesses overnight, but I got there. You can too!

Summary

Deals are everywhere. People and companies are constantly desirous of selling their property for a variety of reasons. The deeper the pain an owner is experiencing, the deeper the motivation is to sell off a property. Agents list many of these distressed properties. Many more are unlisted, off-market, and are primed for the taking.

The world is set up to operate any sort of business from your laptop or smartphone. If you wish that to be you, then begin setting up your entire life and business to become a virtual operation.

PAIN EQUALS PLEASURE

"People will do more to avoid pain than they will to gain pleasure." Tony Robbins

The notion that you could profit from someone's pain may sound very distasteful to you. After all, what if the shoe were on the other foot?

In my experience, motivated sellers who find themselves in any of the unenviable situations described below are more often than not extremely thankful and full of gratitude that you can solve their pain; well at least the pain they associate to the asset in question. In my view, a savvy investor can often be a savior of sorts for people in painful situations.

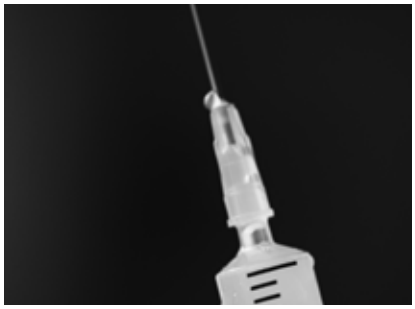
For many years, I owned and operated a fire restoration company in South Texas. Upon arriving at the site of a burned out home or business, the owners often made me feel like I was a sight for their very sore eyes. I was the solution, the fix, and the initiate of the first day of the rest of their lives.

Having genuine empathy for another human's painful situation is a good thing. Being the SOLUTION to someone's pain is another level of human performance.

The four biggest painful situations, which create 'motivated sellers', are:

DIVORCE.
A pending end to the nuptials is a prime motivator. Rarely do couples severe their marriage amicably. More often than not, the property is used as leverage in the separation. It becomes a real estate custody battle. As such couples may, in their disgust with the situation, sell off their real estate for nickels on the dollar just to get out from under the potential repairs, mortgages, listing fees and the time it takes to sell an asset. A quick sale to an investor like you can be the salve on the sting of divorce negotiation.

DEATH.
Probate is the process through which a court determines how to distribute your property after you die. Some assets are distributed to heirs by the court (probate assets) and some assets bypass the court process and go directly to your beneficiaries (non-probate assets). Heirs often want nothing to do with the hassles of the real estate assets for a variety of reasons. Capturing probate assets can put unexpected hassle-free cash in the pockets of beneficiaries.



DISEASE.
When one is diagnosed with a life-altering illness, deep reflection and a commitment to the simplicity of life often ensues. People will shed need-fewer assets, downsize their property or completely sell off all their assets in order to offset the enormous expenses of a critical illness. Acquiring assets from these situations can be a mutually beneficial situation for you and
the seller.

DESTRUCTION.
Catastrophes from fire, wind, floods, hurricanes, tornados, earthquakes, etc., offer an opportunity to acquire assets at deep discounts. Insurance companies will occasionally offer a payout settlement rather than a repair settlement to a property owner for the damage. Sometimes, a property does not have sufficient insurance and the property owner simply wants to sell out from under the property. Opportunities like these are abundant.

Of course, there are other pressing situations that may create a 'motivated seller' situation, i.e., tax liens, double mortgages, job relocation, crime, bankruptcy, foreclosures, etc.

At some point in my 40-year career, I have acquired an asset for many of the motivations mentioned above. As a New Economy Investor, you are able to locate these sorts of properties online. Google search any of the above buzz phrases and you find dozens and dozens of resources in your market, as well as markets around the country.

Be the SOLUTION. Ultimately they win and you win.

NEW ECONOMY PILLAR #1

WHOLESALING

"Going to a pawn shop is a short-term solution to meet the immediate cash-flow crunch." Doug Young

The desire for immediate 'regular' cash in your pocket is always present. Some would say it is a NEED.

How you arrive at satisfying the need for immediate 'regular' cash can be filled with a time tested real estate strategy known as Real Estate Wholesaling.

Real estate wholesaling occurs when a party (the "wholesaler") contracts with a home seller, markets the home to potential buyers, and then assigns the contract to one of them. The wholesaler makes a profit, which is the difference between the contracted price with the seller and the amount paid by the buyer.

Wholesaling is the quickest, easiest way to get cash in your pocket from real estate investing. It applies to most all modalities of real estate investing. You can wholesale single family residences, duplexes, small apartment complexes, large multi-family apartment properties, mobile home parks, RV parks, marinas, storage unit properties, retail office buildings, strip centers, assisted living properties, etc.

It requires the following:

LITTLE EXPERIENCE

- Due to the ease and short learning curve to become a wholesaler, one with very little experience or no experience at all can learn quickly how to wholesale.
- Wholesaling can also be done as a side hustle, in the evenings, on the weekends and during times when you are not at your 'regular job'.
- Often, a wholesale transaction comes to fruition in just a matter of weeks from the inception of the deal.
- Wholesaling does not require a real estate license. A license is not required to buy or sell any property that you have an equitable interest in. That interest can be a contractual interest (you have the property under contract) or you actually own or have title to the property.

LITTLE TO NO MONEY OUT OF YOUR POCKET

- Since you are 'assigning' or 'transferring' your contractual interest in the property to a cash buyer, it is their responsibility to bring the funds for the purchase.
- You may have to front an EMD (earnest money deposit) but when structured correctly, it can be an insignificantly small amount.
- You may need to invest some money for an inspection or contractor review, but those costs are usually fairly low and rarely required.
- Of course, you can invest some of your own money into marketing the property or to find motivated sellers by purchasing lists or leads, but you don't have to.

SOME INITIATIVE, HUSTLE AND AN OPEN MIND

- Being able to have a productive conversation with a motivated seller is essential to the first step of wholesaling. Good listening skills and asking insightful questions to get to the real motivation of the seller is key.

- You'll need the persistence to find cash buyers, develop a cash buyers list, negotiate with motivated sellers, follow up on leads and monitor the life of the transaction. However, name a viable business that eliminates the need for persistence.

- An open mind on the many ways to locate motivated sellers will be required. In the new economy of real estate investing, virtual wholesaling is the way to go. With virtual wholesaling, you will perform all phases of the transaction online. That includes:
  - Obtaining leads for motivated sellers
  - Evaluating the property prior to making an offer Locating comparable properties and rehab costs
  - Making the offer and securing the Purchase Agreement
  - Establishing escrow and arranging title if needed
  - Locating cash buyers in online groups, real estate buyer sites, or retail buyer sites
  - Assigning the contract to a cash buyer
  - Getting paid by the buyer

- Every step of the transaction can and should be performed online. I repeat. It takes a bit of initiative and hustle. With the right training and guidance, it is a fairly disciplined process that is duplicable.

SOME NETWORKING

- Networking is key in this business. Leads, deals, and sales all come from the relationships you build along the way.

- In New Economy real estate investing, relationships are built and fostered online. It is actually easier to manage many relationships online.

- Old school methods required face–to-face introductions, meetings and on-site visits to properties. New Economy real estate investing is made easier with the many vehicles available for connecting with like-minded investors.

- Of course, if you are investing in your home market, you'll want to show your face often at real estate networking events.

- The same is true online. Make your investor presence known in the virtual world.

KNOWLEDGE OF THE 'PATH'

- ✔ The 'path' is that set of processes, steps, and methodologies that you follow to make a transaction happen and GET PAID.
- ✔ Once you learn the path, it is easy to 'rinse and repeat'
- ✔ There are nuances and insider strategies to these steps, but the overview of the path is as follows:
  - Find motivated buyers. Either develop your own lead flow or invest in lead lists.
  - Evaluate the ARV (after repair value) of the property.
  - Determine rehab costs and what the attractive sales price would be to a cash buyer.
  - Secure acquisition of property with a proper offer, contracts, and forms.
  - Open escrow if necessary.
  - Locate cash buyer and secure contract with a cash buyer.
  - Help manage the expectations of the motivated seller as well as the cash buyer.
  - Close transaction. There are two ways.
  - Double closing is performed at the title company.
  - At double closing, you literally own the property for just a few minutes. The cash buyer then purchases the property.
  - Receive an assignment fee from the cash buyer and the cash buyer closes the property from the title company. You may get paid early or at the closing table.
- ✔ Get paid. See above.
  - Celebrate and pat yourself on the back.... but not too long.
  - Because you just made a quick $5,000 to $10,000 does not mean you can go blow it on a Mexico vacation.
  - Reinvest in marketing.
  - Reinvest in lead acquisition.
  - Reinvest in incentive based lead generation.
  - Reinvest in education.
  - Reinvest in networking.
  - Reinvest in a property for yourself.
  - Reinvest. Reinvest. Reinvest.

IN THE NEW ECONOMY, JUST A FEW WAYS TO USE TECHNOLOGY ARE:

- Craigslist
- Ringless voice mail
- Social Media
- Pay-per-click
- Direct mail that you set up virtually

RINSE AND REPEAT. ALWAYS HAVE A PIPELINE OF LEADS, DEALS, CASH BUYERS, NETWORKING PARTNERS, AND MONEY PARTNERS.

NEW ECONOMY PILLAR #2

FIX-n-FLIPS

"Growth is never by mere chance; it is the result of forces working together." James Cash Penny

Now you are ready for more consistent income on a larger scale. Many forces must come together now to create consistently increased income.

Bigger cash returns in the New Economy of Real Estate investing necessitate bigger risks, more adventurous projects and more expertise on your part. The best way to grow into more cash profits is to venture into Fix-n-Flips. Along with bigger profits in your pocket, come more flexibility with larger deals and more time to squeeze out multiple deals at a time.

Flipping is a relatively quick- profit strategy in which an investor purchases real estate at a discount price and improves the property in order to sell it at a higher price. Investors acquire property at a discounted price, for a variety of reasons, and improve the property in order to sell it at a much higher price.

Real Estate investing in the New Economy has made it so much easier to find deals. The strategy of joining cash buyers Facebook groups alone can offer you a deal flow that will keep you busy. Obtaining funding for your fix-n-flips is easier in the new economy as well. Hard money lenders, joint venture partners, permanent lenders and gap funders are all easily located online. Contracting, marketing and closing the deal can all be accomplished remotely.

I recall learning this in 2011. I was living in Las Vegas and flipping three houses in Orange County, California. I never set foot on two of the three properties and I only visited one of the properties once. Everything was done online or via electronic communication with a JV partner. It freaked me out at first, but very soon I learned that it is the New Economy way of doing business and leveraging my time and money.

As with wholesaling, Flipping applies to most all modalities of real estate investing. You can fix and flip single family residences, duplexes, small apartment complexes, large multi-family apartment properties, mobile home parks, RV parks, marinas, storage unit properties, retail office buildings, strip centers, assisted living properties, etc.

It requires the following:

MODERATE TO ADVANCED EXPERIENCE

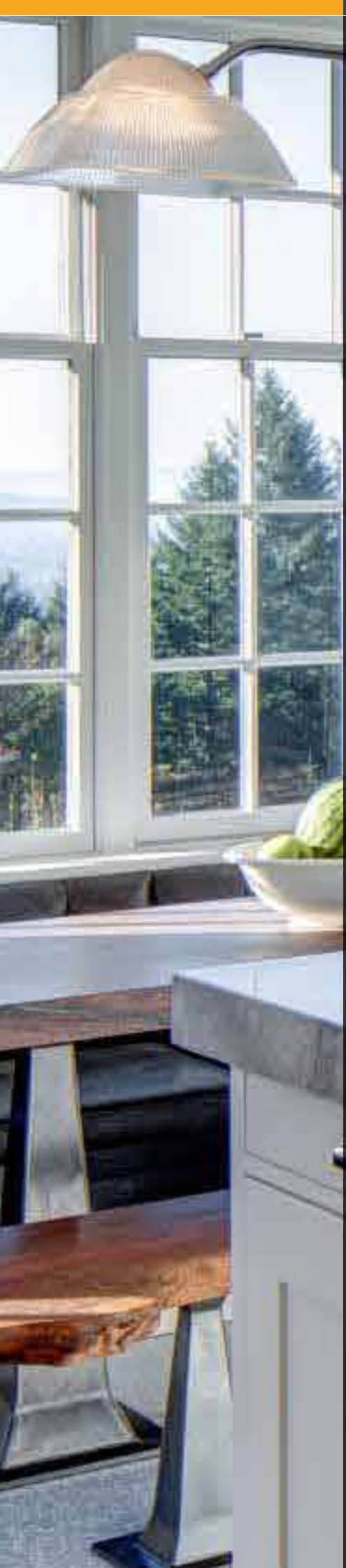
- Due to the time involved and the plethora of tasks to complete a fix-n-flip, it is wise to have some experience as a Realtor®, building contractor, remodeler, or skilled handyman. Watching YouTube videos to rehab a house is only for the super adventurous with lots of time and no sense of money urgency.
- Flipping is usually not a side hustle, but can be a significant supplement to your household income if you are brave enough to venture part-time into this jungle.
- An average fix-n-flip can take 3-5 months in a good market, longer in a soft real estate market.
- Flipping does not require a real estate license. A license is not required to buy or sell any property that you have an equitable interest in. However, a licensed real estate agent can and should help you market and sell your completed flip project.
- Repairs on a property to be rehabbed usually require some sort of permits, contractor license, and municipal zoning inspections.

LITTLE TO NO MONEY OUT OF YOUR POCKET

- There are many ways to do fix-n-flips with little to no money out of YOUR pocket. The most traditional methods involve HML (hard money lenders) or JV (joint venture) partners.
- Though the money may not come from YOUR pocket, it has to come from somewhere in order to fund the acquisition, the repairs, and the debt service costs.
- You may need to invest some money for an inspection or contractor review prior to an acquisition, but those costs are usually fairly low and rarely required.
- Of course, you can invest some of your own money into marketing the property for sale or to find motivated sellers by purchasing lists or leads, but you don't have to.

LOTS OF INITIATIVE, LOTS OF HUSTLE AND AN OPEN MIND

- Being able to have a productive conversation with a motivated seller is essential to the first step of flipping. Good listening skills and asking insightful questions to get to the real motivation of the seller is key.
- You'll need to be constantly observant in your marketplace and with online sellers. Consistently posting notices that you are a cash buyer, a flipper, or that you want distressed properties keeps you 'top of mind' in the virtual world.
- At a minimum, you should post to social media three to four times a week. I've seen research that says the most effective online businesses post 4.5 per day. The point is the more you post and the more you vary your post, the more likely you are to obtain the deals and partners you want.
- The best kinds of posts are LIVE videos while you are in action at one of your projects. It is the reality TV syndrome that gathers interest and visibility.
- I am frequently asked, "Should I find the deal first or gather the money first?" My answer is, "Yes!" You should always be in the hunt for funding and for the deal at the same time. A good deal will always draw in the funding. Funding is always looking for a good deal. The two work together in continuous harmony.
- You'll need persistence to find cash buyers, develop a cash buyers list, negotiate with motivated sellers, follow up on leads and monitor the life of the deal. However, name a viable business that eliminates the need for persistence.



Mindset is perhaps 90% of success in any business. Real estate investing is no exception. You'll be challenged on some days. Other days it will feel like the easy flow of a lazy river. Consider seriously the guidance of a mentor and coach. An open mind on the many ways to locate motivated sellers, contractors, funding, and buyers will be required. In the new economy of real estate investing, the many stages of flipping can be managed online. That includes:

- Obtain leads for motivated sellers from a variety of sources. Remember the four D's from above. Best places to locate deals from the four D's are:
  - REO listings or off markets
  - Probate listings
  - Tax Lien listings
  - Divorce notices
  - FSBO's
  - Drive-Bys
  - Estate Sales
- Evaluating the property prior to making an offer
- Locating comparable properties and rehab costs
- Working with contractors, inspectors, lenders, agents, etc.
- Making the offer and securing the Purchase Agreement
- Establishing and opening escrow as needed
- Locating hard money lenders, gap funders, joint venture partners, contractors, title companies, inspectors, etc. in online groups, real estate buyer sites, or retail buyer sites, Real Estate Investor Clubs, MeetUp groups, Masterminds, etc.
- Managing the project with many online tools, apps and virtual project management tools. Here is a list of mobile and desktop apps to manage your projects and team:

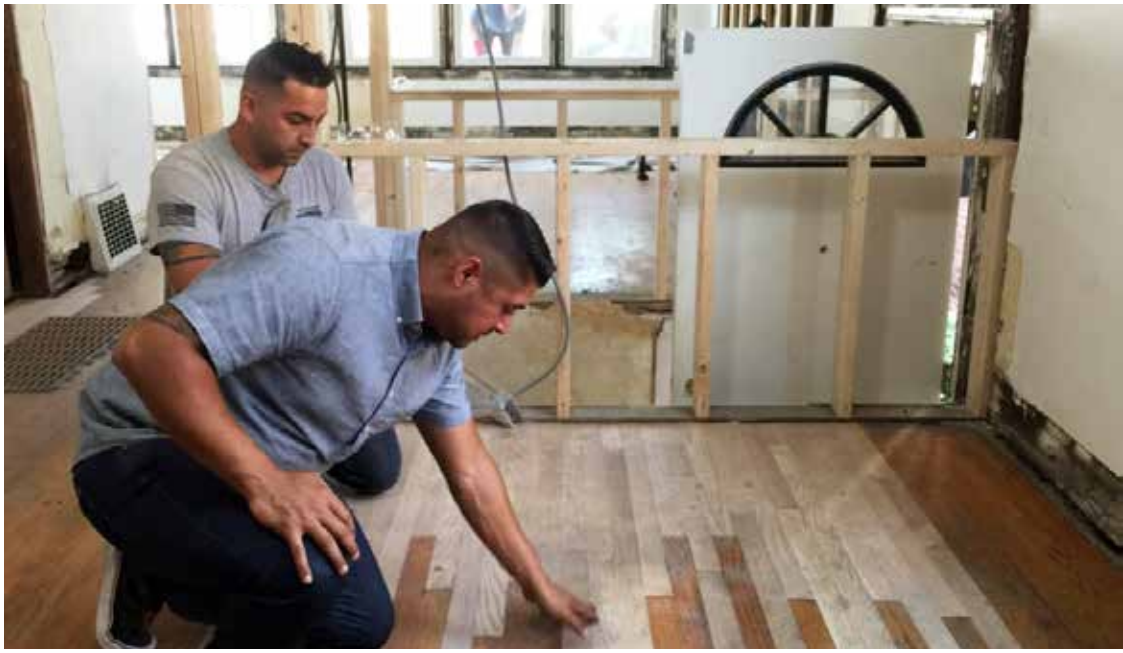
  - **Podio:** manage contractors time and draws
  - **Slack:** internal communication, group texting by subject
  - **Trello:** timelines and task assignment
  - **Asana:** project management for multiple projects
  - **Basecamp:** project management for multiple projects
  - **Fiverr:** Low cost outsource for marketing, design, video, audio, photos, etc.
  - **Upwork:** Low cost outsource for most any sort of virtual assistant work
  - **Zenefits:** payroll, tax, contractor time management
  - **Dropbox:** job photo and video storage
  - **Google Drive:** shared documents
  - **Docusign:** Contracts and forms signatures
  - **Overstock:** low cost goods and design products
  - **Redfin, Zillow, Trulia:** Property listing and comparable properties (note: always check comps against current sold properties in the MLS)
  - **Zoom:** Video conferencing with recording feature
  - **UberConference:** Audio conferencing with recording feature
  - **ScheduleOnce:** Calendar appointment scheduling
  - **WhatsApp:** Group texting
  - **Wufoo:** Online questionnaires, surveys, applications
- I have used all of the above effectively in managing certain aspects of my investments. Of course, this is not a full list. Apps continue to be refined and new apps are made available regularly. The point is to automate your business as much as possible and to get all of your team on the same automation.
- Marketing and selling your flip
- Getting paid by the buyer

RINSE AND REPEAT. ALWAYS HAVE A PIPELINE OF LEADS, DEALS, CASH BUYERS, NETWORKING PARTNERS, AND MONEY PARTNERS.

EVERY STEP OF THE TRANSACTION CAN, AND SHOULD BE PERFORMED ONLINE. I REPEAT. IT TAKES A BIT OF INITIATIVE AND HUSTLE. WITH THE RIGHT TRAINING AND GUIDANCE, IT IS A FAIRLY DISCIPLINED PROCESS THAT IS DUPLICABLE.

Ample networking and knowledge of the 'path', as in wholesaling in the previous chapter, are essential.

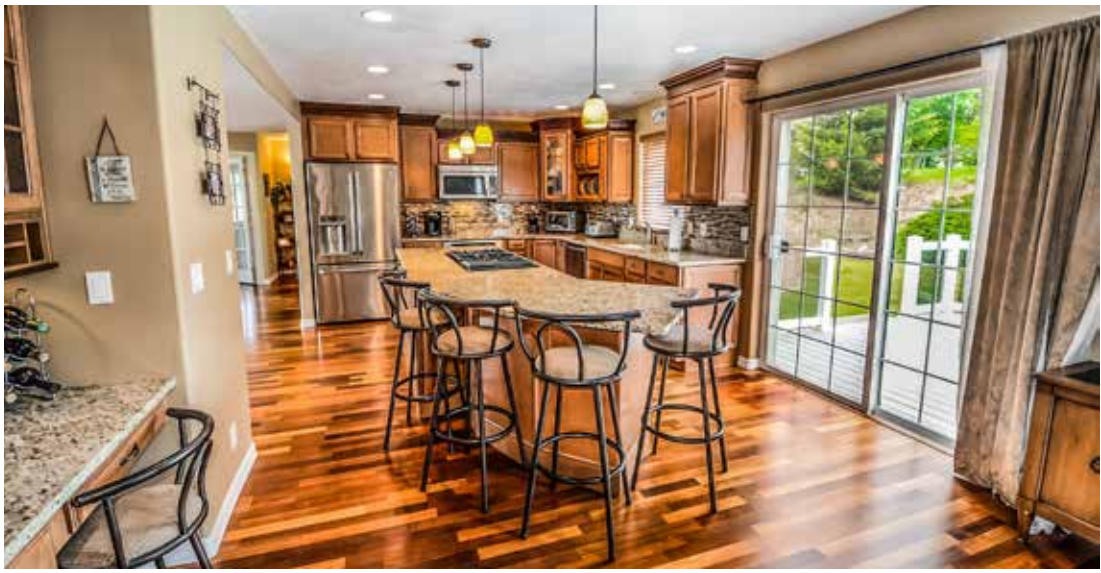
WARNING: Fixing and Flipping is a multi-faceted business. It requires a working knowledge of many aspects of real estate investing. Flipping is way more than construction, design, and marketing. Flipping real estate is for Entrepreneurs. It is a high reward business when managed as an entrepreneurial enterprise. One of the biggest reasons for failure in the flipping business occurs when an investor becomes emotionally connected to the design and decorating of a property. One must view the property as a 'widget'. Every decision you make in a flip property must be based on research of comparable properties in the market. If your market research indicates that 4 out of 5 comparable home buyers like rubber chickens stapled to the front door of the house, guess what? You staple a rubber chicken to the front door of your property. There is no need to redesign what is working in the marketplace when you are a true blue house flipper. If you wish to gentrify a market, that is a different seminar.



NEW ECONOMY PILLAR #3

CASH FLOW PROPERTIES

"If you can't find a way to make money while you sleep, you will be working until that day you die."
Warren Buffet



Cash flowing properties are the Nirvana of Real Estate investing. Accumulating multiple properties that cash flow rents or dividends to you each month should be every investor's ultimate goal.

Cash flow properties are those that actually make money for real estate investors. Positive cash flow property is a situation in which an investment property makes more on rental income than it spends on rental expenses.

As with wholesaling and flipping, Cash Flow Properties apply to most all modalities of real estate investing. You can cash flow single family residences, duplexes, small apartment complexes, large multi-family apartment properties, mobile home parks, RV parks, marinas, storage unit properties, retail office buildings, strip centers, assisted living properties, etc.

There is a greater upside with investing in cash flow properties, which have multiple units. Any property with more than one door mitigates your occupancy risk and your overall financial exposure. What does this mean?

Let's say for example that you have invested in a small apartment complex with just 4 doors. You now have four streams of income, one per door. In the unfortunate event that one of your tenants bails out on their rent or leaves the property, you still have a 75% occupancy rate. On the other hand, if you own only one rental house and that tenant leaves, you now have a 0% occupancy rate.

As you increase the number of units in your portfolio, you decrease your overall non-vacancy exposure. Of course, the deal has to make sense and as you evaluate the numbers on the property, you will take into account your debt service and maintenance obligations to make sure your rent roles more than cover these.

Now let's say you own 250 doors. These 250 doors, or units, could be spaced out over several properties. For the sake of example, let's evaluate it as five different properties of 50 doors each. Now you have a two-fold safety net with your occupancy rates. Because you have five different properties, each of those properties stand alone in terms of your risk management. If one of those properties becomes inoperable, for whatever reason, you still have an 80% occupancy rate. If 50 tenants depart, you still have an 80% overall occupancy rate.

However, if only 10% of your tenants depart in each of your five properties, you now have a 90% occupancy rate, which is still really good.

This is not to say that you should expect this kind of turnover. In fact, if your property is well managed and you vet your tenants properly, you can easily maintain an ongoing 95% to 98% occupancy rate.

With larger properties comes a higher investment of money. Additionally, the due diligence on these properties is more time intensive, as is the financing and management aspects. However, once you get the knowledge and get into the flow of acquiring these properties, your cash flow grows exponentially.

The steps to acquiring Cash Flowing properties are remarkably similar to wholesaling and flipping. There are some nuances which you will see as I define the basic steps below:

- Find properties which are mismanaged, in need of repair, have lower than market rental rates, have additional streams of revenue that are not being utilized or have been owned for a very long time by one individual.

- If you can put the money together to buy a fully occupied, updated property in a solid market, and that you wish to hold for more than a decade, buy those.

- Typically, you will want to acquire properties with a 'value add' position. Value add positions include (but are not limited to):

    - Lower than market rent rates

    - Property could be used for a different purpose, e.g., converting four-plex student housing property into a 13-month tenant based model

    - Adding services to a property, e.g., adding covered RV parking to a mini-storage complex or placing a billboard for rent on the front entrance of property

    - Adding more units to a property, e.g. installing work space units in a standard office building

    - Adding parking fees, trash service fees, furniture rental fees, laundry services, etc.

    - One of the quickest ways to increase rent payment promptness is to add late fees and service charges for late payment. You would be pleasantly surprised at how many landlords overlook this revenue stream or are too timid to enforce late fee policies.

    - Any combination of the above

- Due diligence is imperative on mult-unit properties. In my experience, you can perform all (that;s right, I said ALL) of your due diligence from your laptop and never physically visit the property.

- Here are just a few of the key areas of due diligence you will want to wrap your head around. This list is by far not complete, as there may be unique circumstances to a property. However, this list will get you started.

- ARV. After repair value of the property. What is the market value of the property once it is repaired and stabilized with at least 93% occupancy?
- Market rent rates and market occupancy rates
- Population growth from the previous five years
- Projected population growth over the next five years
- Job growth from the previous five years
- Job growth over the following five years
- CAP rate of the property as it exists as well as when it is stabilized and ready to re-sell.
  CAP or Capitalization rate is a rate that helps in evaluating a real estate investment. Cap rate = Net operating income divided by the Current market value (Sales price) of the asset. Capitalization rate shows the potential rate of return on the real estate investment.
- DCR or Debt Coverage Ratio is the ratio to determine if a property generates enough cash flow to cover its operating expenses plus an additional 25% more to cover the properties debt payments. Most lenders require a DCR of between 1.25 to 1.35.
- IRR or Internal Rate of Return and ROI or Return on Investment – ROI gives you the overall picture of the investment and its returns from beginning to end. IRR takes into account the future value of money and hence it is a metric that is very important to calculate. Whereas, ROI doesn't take future value of money while doing the calculations.
- The area and type of property
- Management costs
- Rehab costs
- Deferred maintenance costs
- Prospective Capital Expenditures

✔ The two most important factors to evaluate in a potential acquisition are cost of financing and your exit strategy. Sources of financing may include permanent lending, mezzanine, syndication, owner financing, all cash and/or combination of these. Once the basic analysis of the location and tenant viability of a property have been done, the method or methods of financing you use play the biggest role in making a decision to purchase a property or not.

- However, in my opinion the single most important factor in evaluation of a property is what is known as your EXIT STRATEGY. Exit strategy can mean how you will dispose of the property at some point in the future. It is always best to determine how to sell a property prior to acquiring it. It's been said, "You can never go broke taking a profit." Nowhere is this more true than in real estate investing. Knowing the many ways that you will exit a property provides a financial and mental safety net with your investments. Here are a few ways to "exit" a property:

  - Sell on the open market
  - Sell to fellow investors in the deal
  - Sell your shares to partners in the deal
  - Refinance once the property is stabilized and pay yourself to stay (or leave)
  - Sell off a portion or a number of units (if the zoning and lender allow) and keep other parts
  - Keep the property and rent it out for an additional few years or until you pass it to your heirs
  - Sell it and owner finance to the next buyer
  - Sell and 1031 exchange into another similar property

- Notice that I included keeping the property as one of the exit strategies. Sometimes a property becomes so cash flush after a length of time that it doesn't make any sense to transfer the deed by selling it. Due to capital gains taxes and shear market value, it makes more sense to keep it forever. Keeping it is a strategy that you may consider when purchasing a property, thus I include it in exit strategies. (It's just the way my brain works sometimes.)

- The easiest and most efficient way that I have experienced to add mult-units to your portfolio is to offer a syndicated investment opportunity to passive investors. In short, this means you will put together a small group of investors who will bring their "lazy cash" to an investment so that collectively their money, along with yours enable you to purchase a property. The investors are known as 'passive investors' and they typically do not make management decisions, but they do get a portion of the profits (NOI) and a percentage of the equity at disposition of the property.

- There are many ways to structure syndication and many ways to divvy up the equity and profit sharing pie. Each deal is unique and each transaction requires thought and evaluation to determine which is the route you will take. Just know that syndications require an attorney who is skilled in SEC rules to form a PPM (Private Placement Memorandum). Essentially a PPM is a set of documents, which fully disclose the deal structure, investment requirements and risks associated with a syndicated real estate transaction.

- Syndication allows you make use of investor's money for the purchase, repair and stabilization of a property. It is a great strategy and one that can catapult the number of units you have in your control exponentially.

- As with all forms of real estate investing, please do your due diligence and get competent legal advice.

- As with all forms of real estate investing, you must have a consistent and fully flowing pipeline of prospective deals, investors, deal finders and partners who will support you in your pursuit of real estate acquisitions.

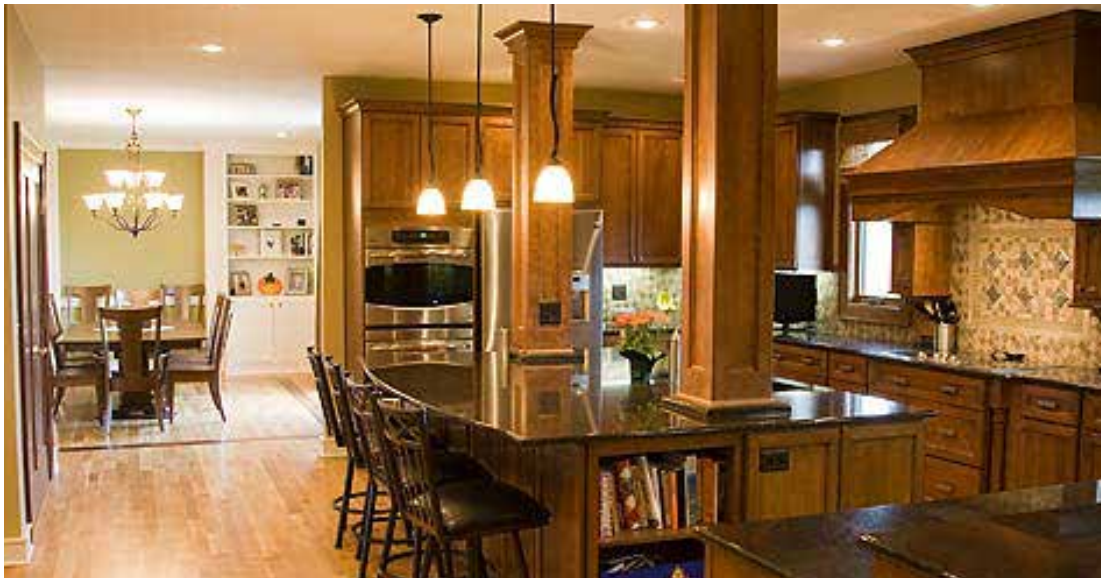
WARNING: As with all investing there are risks involved and I would like to give you some worst-case scenarios but I just simply cannot bring myself to do that. I love, love, love this strategy. If you have even the slightest experience whatsoever in real estate investing, I believe this strategy is for you. Why? There are so many entry points to investing in cash flow properties, especially in multi-family units. Here are my favorite methods for entering the multi-unit cash flow space. Some require more money than others. Any combination of these will get you in the game somehow.

- Bird dog a deal. You search for and find a viable deal and in exchange for this service you become a partner in the deal.
- Locate passive investors or equity investors for a deal.
- Offer your management skills and/or expertise for a deal.
- Locate primary funding, mezzanine funding, hard money funding, or other financing for a deal.
- Become a passive investor in a deal. Often, a minimum investment of $50k to $75k will get you into a good deal.
- Self direct out of your IRA to become part of a deal.
- Become the 'sponsor' for a deal. This typically involves your credibility as an investor along with your good credit, and assets you have to be the signer on a loan.
- Become an outright majority partner or minority partner, depending on the assets you bring to the deal.
- Outright purchase the deal with cash, credit or both.

NEW ECONOMY PILLAR #4

LEGACY PROPERTIES

"Legacy is not leaving something for people. It's leaving something in people." Peter Strople



If cash flowing properties is the Nirvana of real estate investing, then building a 'Legacy Portfolio' is the Holy Grail of real estate investing.

> *"The greatest legacy one can pass on to one's children and grandchildren is not money or other material things accumulated in one's life, but rather a legacy of character and faith."*
>
> *-Billy Graham*

Building a portfolio of real estate that has positive cash flow and rising equity is the building block for leaving a legacy for your family. Your legacy is more than the actual asset. The legacy you leave is one of freedom and the ability for your family to make society a better place.

How you choose to influence your heirs to make an impact on the world is up to you. Here are just a few comments about accumulating a 'legacy portfolio'.

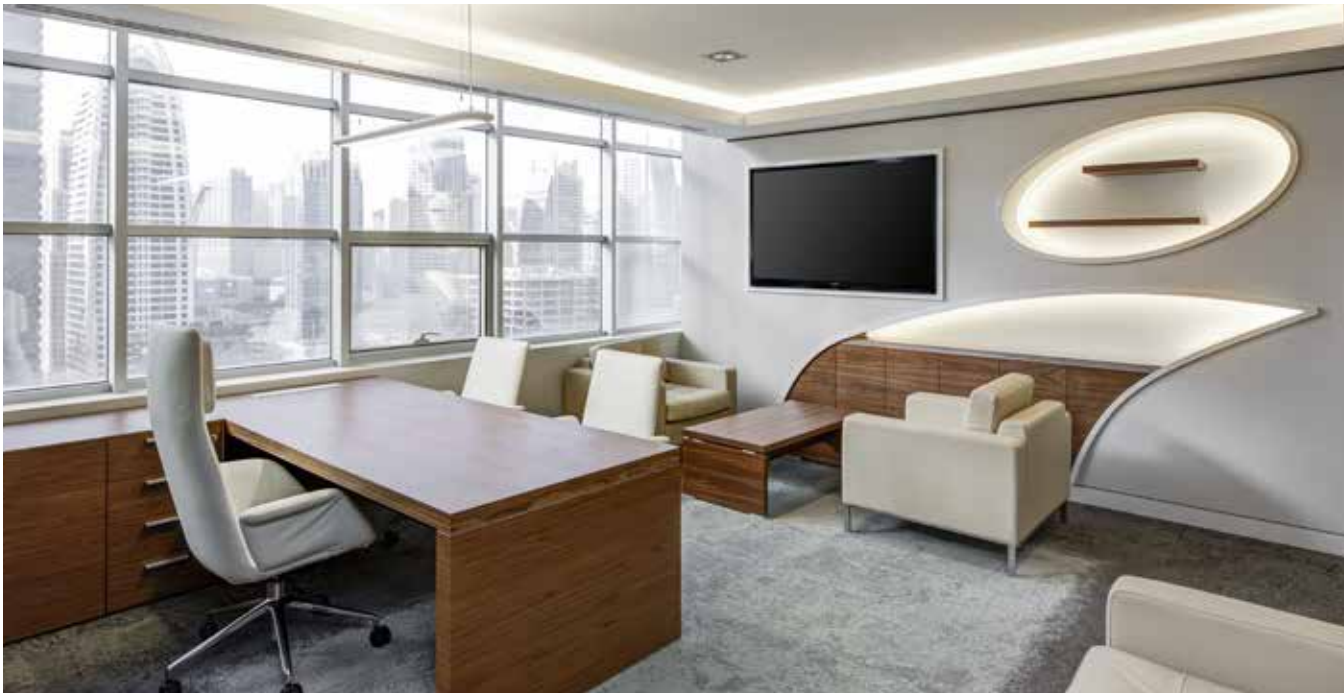
First, make it a focus. Invest with intention. Invest with purpose. Legacy investing gives you a different sense of purpose. With a greater purpose, your approach to investing will be to locate long-term, sustainable properties that will serve the next generation of your family.

Involve your family in legacy investing. They need to understand the reasons behind your investments and the generational purposes of your investments.

Surround yourself with a wise board of counselors. These should include real estate experts, generational wealth experts and spiritual advisors.

Have a 'passion cause', or several. Select specific charitable organizations that support your 'passion cause' and direct portions of your real estate profits to those organizations. At the end of the day, your service and charitable giving to humanity is what will be remembered and most useful.

Become a mentor. If you've been blessed with wisdom, time, experience and the gifts of this world, don't hang on to them with a clinched fist. I find that the most successful people in the world are measured not by what they have, but by what they give back.



NEW ECONOMY INVESTING SUMMARY

"Good things come to those who hustle."
- Anonymous

Hustle: To work diligently and push something along, with urgency and purpose.

I use the word hustle in the best sense, not in the sense of frantic, undisciplined, mindless activity. Real estate investing can and should be a passion, not just a means to an end.

New Economy technology has made it much easier to be diligent, purposeful and productive in real estate investing. However, it takes discipline. While searching online for pertinent information for your deal, you cannot wonder off into unrelated sights, apps, videos and stories on the Internet.

Imagine the old school days when you had to drive down to the courthouse to research old records for a property. If you made pit stops at all the local pubs and coffee shops, you would never reach your goal.

It still takes focus and aim to be successful in real estate. In this era, we just have more things to distract us.

The Real Estate Mogul Tribe is a private Facebook group in which savvy, experienced, elite investors and mentors share the wealth of their knowledge. It is a community of like-minded, legacy building investors who wish to support others in their quest for real estate investing success.

In my 40-year career, I have been blessed to have many excellent mentors. I still receive mentoring and coaching because I believe that learning never ends. I also believe in respecting a mentor's time and attention by investing money to receive their wisdom.

Your journey to associating with these elite members can begin here. Take a look and join. It is completely free and you will receive dozens of hours of videos, training, Q&A sessions, and tutorials along with a forum to share your deals and network with other investors.

Take a look and join here

REAL ESTATE MOGUL TRIBE

WHAT'S NEXT FOR YOU?

I truly hope this guide has been helpful to you and that you received value from it. Even if you just took away one useable point, it was worth the read.

I believe in simplicity and directness, so I will be simple and direct. I also have a gift for you.

1. Go to the Real Estate Mogul Tribe Facebook Group.
Here is the link. If you are already a member, thank you very much.

2. Answer three simple questions to get approved as a member.
    a. What is your email address?
    b. What would you like to get from the group?
    c. How long have you been investing?

3. Participate in the group. Ask questions and respond to posts. Share your questions and your knowledge.

4. Share this guide and the ***Real Estate Mogul Tribe Group*** with your network. Together we all prosper and grow in this business.

Here is a gift for you:

You are now qualified to receive a complimentary Strategic Planning Session. When you schedule this call you will be able have a roadmap worked out with you that will get you on the right track. Regardless of your level of experience, this Strategic Planning Session will be of value to take you to another level in your career.

BOOK YOUR STRATEGIC PLANNING SESSION HERE

A Final Word

I would be remiss if I did not make and offer that could potentially benefit both you and me. If you are interested in exploring the idea of investing with me and my deals, then reach out to me and express your interest. It doesn't matter what your level of experience is, we can discuss how to get you started in multi-unit investing. You may contact me through any of the major social media channels @paulmontelongo or you may send an email to paul@paulmontelongo.com. I look forward to watching your success and wish you the very best in your journey.

Paul Montelongo

MOGUL