

REAL ESTATE INVESTOR

WORKSHOP

**Welcome and thank you
for attending**



YOUR SPEAKERS TODAY

Scott Lurie

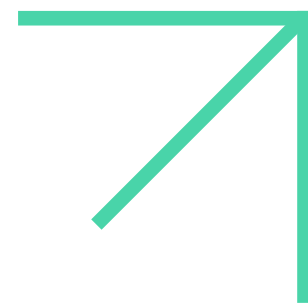
President | Milwaukee Hard Money

Ryan Gordon

CCO | WaterStone Bank



THE TALKING POINTS



CAPITALIZATION RATE

How is it used to determine value?



VALUATION

Net Operating Income and Property Value



UNDERWRITING

What is it and how do banks use it during financing?



CASE STUDY: 2-UNIT DUPLEX

Review the Financials



CASE STUDY: 11-UNIT MIXED-USE BUILDING

Review the Financials



Q&A SESSION

You ask the questions, we give the answers

WHAT IS A CAP RATE

Definition:

The capitalization rate is used in the world of commercial real estate to indicate the rate of return that is expected to be generated on a real estate investment property.

Often called the "cap rate," this measure is computed based on the net income which the property is expected to generate. It is used to estimate the investor's potential return on their investment in the real estate market.

$$\text{Capitalization Rate} = \text{Net Operating Income} \div \text{Current Market Value}$$

CALCULATION

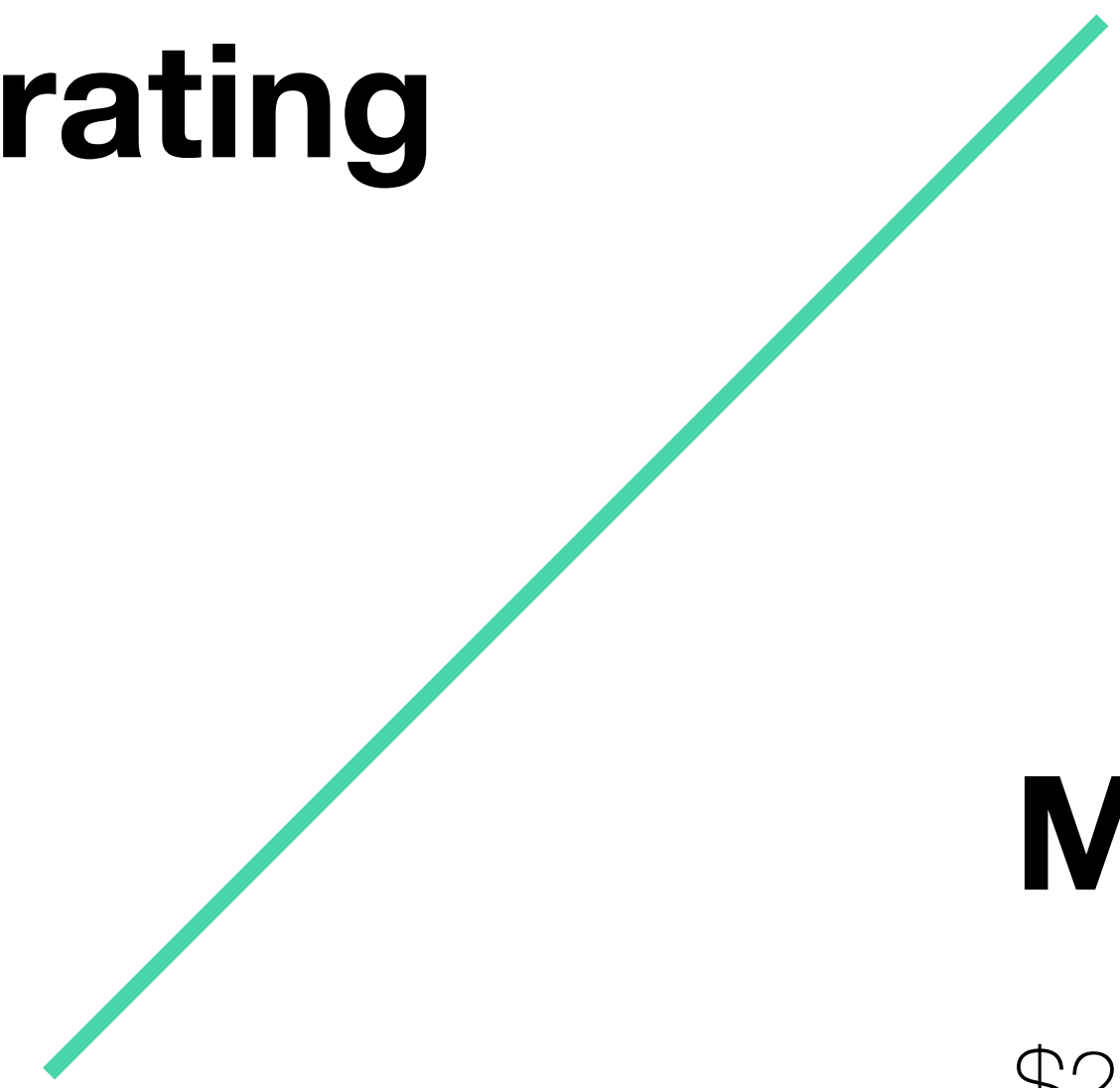


Net Operating Income

Net operating income (NOI) is a calculation used to analyze the profitability of income-generating real estate investments.

Net Operating Income

\$15,000



Market Value

\$214,285

Cap Rate

7.00%

WHAT IS NET OPERATING INCOME?

This is revenues earned from a property, minus all pre-tax expenses.

Net Operating Income = Revenues - Expenses

WHAT IS YOUR VALUE

NOI = \$15,000

8% Cap Rate = \$187,500 ↓

7% Cap Rate = \$214,285

6% Cap Rate = \$250,000 ↑

What's the NOI on one of your properties?

WHAT IS PROPERTY VALUE



Definition:

"Property value" refers to the fair market value of a given piece of property, though the actual price of the property may be higher or lower.

Property value takes into account the size and location of the property, as well as any improvements on the land.

Property Value = Net Operating Income ÷ Cap Rate

Let's Talk a Little About UNDERWRITING

Definition:

Underwriting is the process through which an individual or institution takes on financial risk for a fee.

The risk most typically involves loans, insurance, or investments.

PURCHASE
VS
REFINANCE

What is the Difference?

PUR CHA SE



How Do You Underwrite the Purchase of a Property?

Traditional Lender



75-80%
Purchase Price



Appraisal
Required



Credit Check
Required



45-60 Days
for Closing



4-6%
Interest Rate

Hard Money Lender



90%
Purchase Price



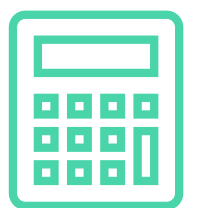
NO
Appraisal



NO
Credit Check
Asset-Based



7-10 Days
for Closing



15%
Interest Rate

REF INA NCE



Traditional Lender



75-80%
Loan to Value



Credit Check
Required



45-60 Days
for Closing



4-6%
Interest Rate



20-30 Year
Ammortization

Hard Money Lender



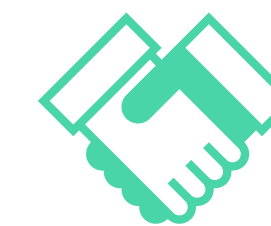
65%
After Repair Value



NO
Prepayment
Penalty



Repair Funds
Available



7-10 Days
for Closing



15%
Interest Rate

CASH-OUT REFINANCE

Borrowed Money from

Hard Money Lender

Traditional Lender



75-80%
Loan to Value



Credit Check
Required



45-60 Days
for Closing

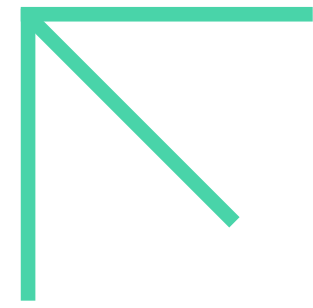


4-6%
Interest Rate



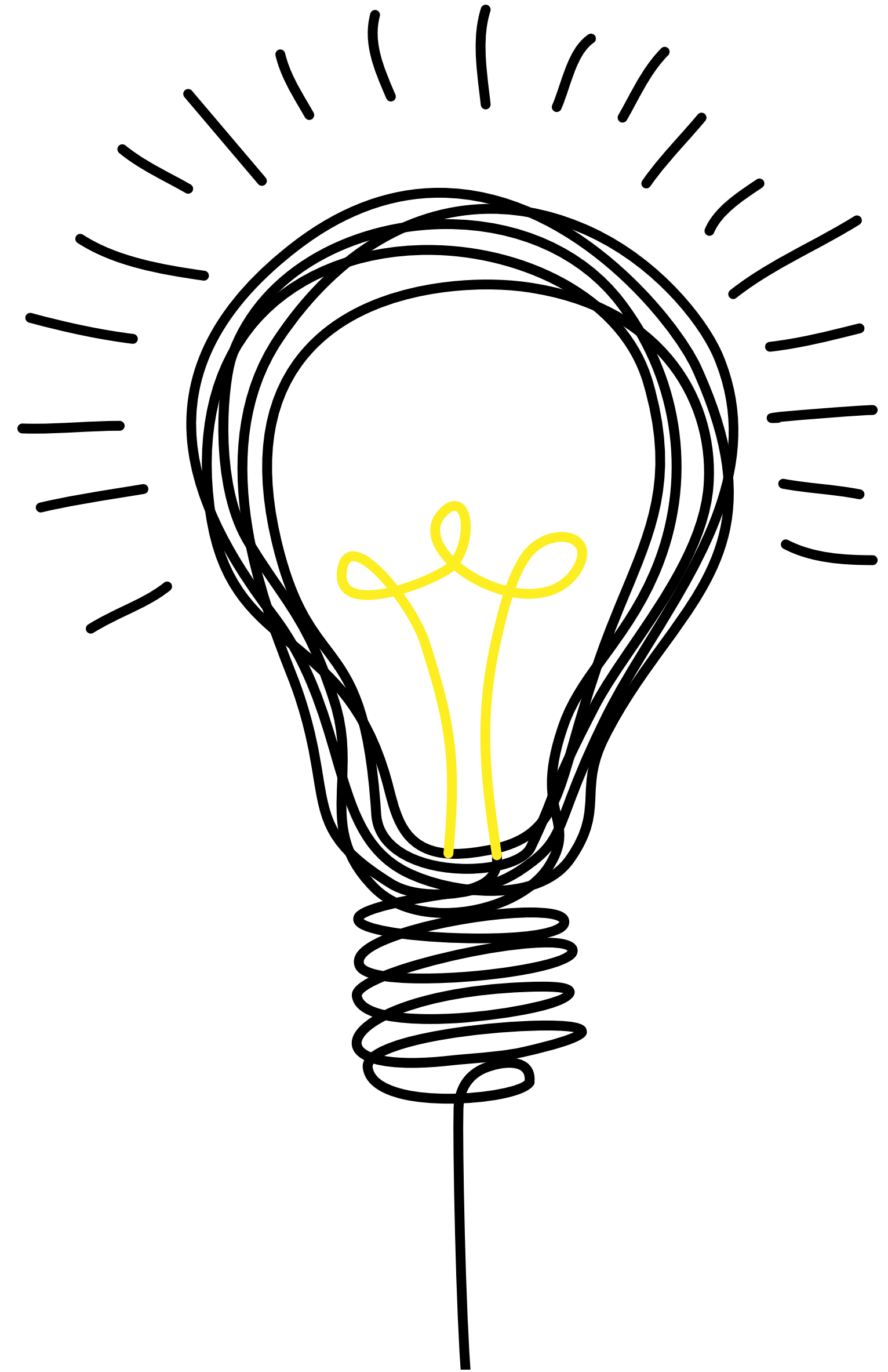
20-30 Year
Ammortization





HOW DO WE GET TO A CASH-OUT REFI

WITH A
TRADITIONAL
LENDER



A dimly lit construction site with workers and materials. The scene shows a room under renovation with wooden framing, ladders, and stacks of materials. Two workers are visible, one standing on a wooden structure. The overall atmosphere is one of active construction.

HOW DO YOU CREATE VALUE

Let's take a look at some real-life examples of properties that were acquired and where improvements were added to help improve the value and increase leverage in the property.

DUPLEX



Vacant When Purchased

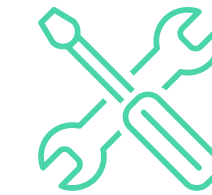
After repairs were made, two tenants were brought in to help fill the house and create value.

Duplex in Shorewood

STEP 1



\$140,000
Purchase Price



\$50,000
Repairs



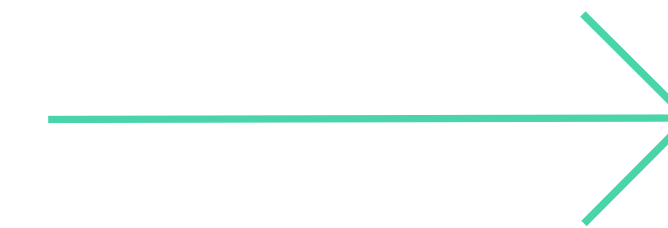
\$20,000
Finance Charge



\$210,000
All-in

Income	\$33,710
Contract Labor	(\$1,355)
Insurance	(\$403)
Repairs	(\$642)
Taxes	(\$6,804)
Utilities	\$0

NOI **\$24,516**



STEP 2

\$1,400/Mo. **\$1,400/Mo.**
Tenant 1 Tenant 2

That's nice, but what is the value of the property?

WHAT
IS THE
VALUATION

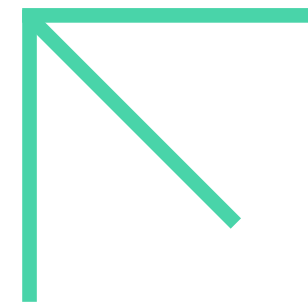
NOI = \$24,516

8% Cap = \$306,450

But, what if the NOI changes?

To the spreadsheets...

THE REFI



SECURED LOAN

\$230,000

FIXED RATE

4%

AMMORTIZATION

25 Years

EXTRA CASH

Personal Funds Removed, Plus Extra \$20,000

MIXED USE BUILDING



T-Mobile Antenna

Approached about adding an antenna to the roof for an additional \$1,500/month revenue.

11 Unit + 3 Storefronts in Milwaukee

Income	\$129,514
Contract Labor	(\$22,345)
Misc.	(\$17,293)
Taxes	(\$6,804)
Utilities	(\$18,798)
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NOI	\$64,271

Let's Talk About T-Mobile



WHAT IS T-MOBILE WORTH

Using our 8% Cap Rate, let's see...

ORIGINAL VALUE

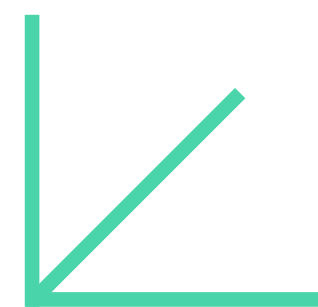
NOI at \$46,271 equals \$578,387 valuation

ADD T-MOBILE

NOI at \$64,271 equals \$803,387 valuation

\$225,000. BOOM.
Just like that. From an antenna.

WHAT'S MONEY WORTH TO YOU



Using an 8% Cap Rate, let's see...

EXTRA \$50 A MONTH

Equals \$7,500 in Property Value

EXTRA \$100 A MONTH

Equals \$15,000 in Property Value

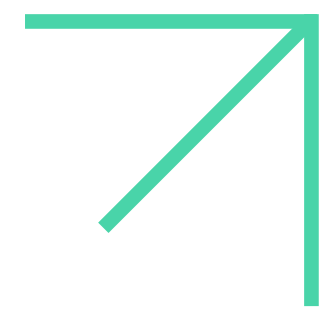
EXTRA \$200 A MONTH

Equals \$30,000 in Property Value

**Would could you do with an
extra \$30,000 in leveragable value?**

OPEN
FOR YOUR
QUESTIONS

ASK AWAY



THANK YOU
**We look forward to working
with you in the future.**

