

5 Ways (and more) to Make Money in Real Estate

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Vision Real Estate

Group Poll

- ▶ How many of you own your own real estate?
- ▶ How many of you work in the real estate industry?
- ▶ What is your job in the real estate industry?

Jobs in Real Estate vs Real Estate Investing

▶ Jobs:

- ▶ Agent
- ▶ Lender
- ▶ Wholesaler
- ▶ Flipper
- ▶ Property Manager
- ▶ Syndicator

▶ Investment:

- ▶ Limited Partner
- ▶ Buyer
- ▶ Hard Money Lender

5 Advantages of Real Estate vs Other Investments

- ▶ Cash Flow (now)
- ▶ Principal Reduction (future)
- ▶ Appreciation (future)
- ▶ Depreciation / Tax Benefits (now)
- ▶ Leverage (future)

Cash Flow

- ▶ The movement of money into and out of a business over a specific period, encompassing both inflows (like revenue) and outflows (like expenses).
- ▶ **Cash Flow = Revenue – Expenses – Debt Service**

Principal Reduction

- ▶ The reduction of the amount owed on a loan.
- ▶ Philosophy 1: Success in Real Estate depends on staying power and the ability to weather tough times.
- ▶ Philosophy 2: Even if a property doesn't cash flow, you are still building wealth.

Appreciation

- ▶ There is only one of any given piece of real property.
- ▶ The increase in its value over time.
- ▶ Utah 12-mo appreciation rate - 2.4% (600% over 34 years)
- ▶ United States 12-mo appreciation rate - 2.9% (312% over 34yrs)

Tax Benefits

- ▶ The amount of reduced tax liability caused by real or paper losses from an investment.
 - ▶ In other words.....the amount of money you save in taxes that you otherwise would have had to pay had you not had a “loss” from real estate.
 - ▶ Note: the loss could be on paper only.

Leverage

- ▶ You have money. You buy an investment property. Your goal is to make as much money as possible. Therefore, you should pay off your mortgage as quickly as possible and then buy another property, pay that one off, and then buy another one. True or False?
- ▶ The use of borrowed money to increase the potential return on an investment.
 - ▶ Leverage can magnify both gains AND losses.

Story Time - Whiting Fields

Back to Cash Flow

Regular Revenue

- ▶ Rent
- ▶ Amenities Fee

Ancillary Income

- ▶ Income generated from sources other than a primary product or service. Revenue from supporting activities or offerings that enhances the main business rather than being the core focus.
 - ▶ Example: Non-Rent Income
 - ▶ Late Fees
 - ▶ Month to Month premiums
 - ▶ Pet Fees/Pet Rent
 - ▶ Application Fees
 - ▶ Administrative Fees

More Examples of Ancillary Income

- ▶ Technology services
- ▶ Utility agreements
- ▶ Home Equity Programs
- ▶ Vending Machines
- ▶ Storage Spaces
- ▶ Parking

One-Off Penalty/Fees Income

- ▶ Late Fees
- ▶ Contract transfer fees
- ▶ Service of notice fees
- ▶ Animal or behavior violations

Lease Timing

- ▶ Residential moving patterns in the United States exhibit clear seasonal trends, with the summer months—particularly June, July, and August—seeing the highest activity.
- ▶ Collectively, they account for nearly 38% of all moves throughout any given year.

Expense Management

- ▶ Vendor audits
 - ▶ Price, quality, responsiveness, tenant respect
- ▶ Have 3-deep on every type of work needed for your property
- ▶ Rebid service agreements regularly
 - ▶ Certain trash and telecom companies creep up their rates
- ▶ Turns, refreshes, renovations - Owner vs Tenant responsibility

Repair vs Replace

- ▶ 50% rule for appliances
- ▶ “Throw away” appliances like countertop vs built-in microwaves
- ▶ Patch vs wall to wall paint vs full repaint