

Table of Contents

<i>Welcome</i>	<u>1</u>
<i>Four Powerful Reasons To Invest In Commercial Real Estate</i>	<u>3</u>
<i>Real Estate Investment Terms</i>	<u>6</u>
Formulas	<u>7</u>
Property Types	<u>8</u>
Lenders Ranking	<u>8</u>
Three Basic Apartment Types	<u>8</u>
Shopping Centers	<u>8</u>
Property Classes	<u>10</u>
<i>Analyzing Real Estate - Practice Properties</i>	<u>12</u>
Practice Worksheets Practice Worksheet #1	<u>13</u>
Practice Worksheet #1	<u>14</u>
Practice Worksheet Answers	<u>26</u>
<i>Investment Principles</i>	<u>32</u>
Investment Principle #1 Positive Cash Flow	<u>33</u>
Investment Principle #2 Double Digit Cash-on Cash Return	<u>33</u>
Investment Principle #3 Capitalization Rate - the higher the better	<u>33</u>
Investment Principle #4 Gross Rent Multiplier - the lower the better	<u>34</u>
Investment Principle Exercise	<u>35</u>
<i>Finding Deals</i>	<u>36</u>
Sources	<u>36</u>
Loopnet Property Search and Analysis	<u>37</u>
<i>Working With Your Real Estate Agent – Moving past fear</i>	<u>41</u>
Calling Realtors Exercise	<u>43</u>
Unlocking the Real Estate Agent’s Mind	<u>44</u>
<i>Demographic Research</i>	<u>45</u>
Demographic Research Exercise	<u>46</u>
<i>Putting It Under Contract</i>	<u>48</u>
Contract Components	<u>51</u>
Letter of Intent Elements	<u>52</u>
Example Letter of Intent To Purchase Real Estate	<u>54</u>
Addendum Options	<u>56</u>
<i>Financing Commercial Real Estate</i>	<u>61</u>

Checklists	62
Key Finance Concepts	64
Types of Lenders	64
Loan Types	64
Finance Jargon	65
Analyzing Risk	65
Loan Qualification	66
The Loan Process	67
Understanding The Mortgage Loan Market	68
Conventional Loans	70
Non-Conventional Loans	72
Banks	72
Cashflow Analysis	73
Finding the Market Value of Income Producing Property	74
Pre-Qualification Package List	76
Loan-to-Value Ratio (LTV)	77
Loan Points / Loan Origination Fees / Discount Fees	77
Basis Points	78
Loan Packet	79
Loan Glossary	81
<i>Due Diligence</i>	<i>90</i>
Expenses	93
It's All in the Detail	98
Operating Expense Ratio	99
Seller's Documents	102
Due Diligence Checklist	104
Rent Roll	112
Rent Survey	112
Vendors	113
Property Inspection	115
Building Inspection:	115
Termite Inspection:	115
Pictures of Property	117
Apartment Inspection Sheet	118
Example Inspection Letter to Seller	120
<i>Property Management</i>	<i>129</i>

Fostering a Prosperous Relationship _____	131
Expectations _____	131
Day-to-day responsibilities of the property manager _____	131
Property Management Monthly Meetings _____	132
Financial Responsibility for Bills _____	133
Credit and criminal background checks _____	133
Advertising _____	134
Landlord Traps _____	135
Relying On Non-Landlord Agents _____	135
Allowing Tenants To Cross The Professional Line _____	135
Using A Substandard Lease _____	136
Interviewing Property Management Companies _____	136
Finding a Property Manager _____	136
Property Manager Questionnaire _____	138
After the Interview _____	140
The Property Management Contract Elements _____	141
Example Property Management Service Agreement _____	143
<i>1031 Exchange</i> _____	<i>149</i>
Overview _____	149
Type of Exchanges _____	150
The Napkin Rule _____	151
Boot _____	152
Qualified Intermediary (QI) _____	152
Timelines _____	153
Identifying Your Next Property _____	154
Terms and Definitions _____	155
<i>Entity Creation</i> _____	<i>160</i>
Limited Liability Company (LLC) _____	161
Limited Partnerships (LP) _____	163
S & C Corporations _____	163
Sutton Law Center _____	166
<i>Disclaimer</i> _____	<i>181</i>