

# **Buyers' Investment Game Plan**

**Don't get with the program, just develop your own**

## **Ask yourself the following questions**

- 1) Why real estate?
- 2) Why Phoenix (or its surrounding cities)?
- 3) What are your investment goals? Are they realistic?
  - a) Cash-flow. What return on my investment am I looking for, if any?
  - b) Appreciation. What return, if any?
  - c) Equity build-up (loan going down)?
  - d) Tax advantages?
  - e) Hassle-free?
- 4) What type of real estate? What are the advantages and disadvantages of each?
  - a) Apartment buildings
  - b) Houses (new vs. resale)
  - c) Commercial (office, retail, industrial).
- 5) What area or sub-market in Greater Phoenix interests you and what condition or construction of property do you want?
  - a) Downtown, north, south, east or west Phoenix, Scottsdale, East Valley (Mesa, Tempe, Chandler, Apache Junction)
  - b) What about Pinal County (Maricopa city, Casa Grande)
  - c) Do you want property that is: 20-30 years old, newly constructed or historic?
- 6) Understanding the local market
  - a) What do you know about the local market? (vacancy rates, property pricing, rents, new construction, etc)?
  - b) Could any/all of these items have an effect (positive or negative) on your investment experience in the real estate market?
  - c) What effect could the national economy have on the local market (i.e. change in rates, lending, alternative investments—wall street)?
- 7) Investor Psychology/preferences:
  - a) Do you consider yourself an aggressive or passive investor?
  - b) Would you rather have cash-flow or location?
  - c) Want about year built vs. location?
  - d) New vs. resale?
- 8) Are you looking short term or long term?
  - a) How short is short term? If the market shifted, could you be a long term player?
  - b) How long is long term?
- 9) What is the local method of evaluating property (do they use cap rate, GRM, price per units, price per sq ft, or ROI). If so, what the heck do all of these mean?

## **NOW: The reality check**

It is extremely important to know the area and product to which you want to invest in.

### *A typical out of state buyer scenario:*

With prices going through the roof in California, many California buyers' have decided to look elsewhere and have chosen the Phoenix area. They have either heard about Phoenix from a broker, friend, co-worker or the internet. As they compare prices in the Phoenix area to California, they marvel at how inexpensive (and downright cheap) things seem.

The property of choice seems to be apartment buildings. They purchase on the theory of the cheaper the better. Cheap apartments that require little cash commitment and promised large rent cash-flow wetted their appetites.

So with a huge leap of faith and without even seeing the property (excluding a couple of poorly taken pictures), they make multiple offers on apartment buildings in the Phoenix area. Of course, the offers were accepted. Then the inspection phase begins. The California buyers hired inspector services (at several hundred dollars each inspection) to examine the apartments. The inspection reports came back, outlining the many repairs to be done. (Remember, the California buyers purchased based on the criteria of cheap).

When the buyers came to Phoenix to inspect the properties, they realize that the property they had under contract did not meet their investment criteria. At that point, they had several hundred or even thousand of dollars tied up in inspections, appraisal and/or earnest money. Worse yet, they may of closed on the property and found out their dream of owning property with a HUGE cash-flowing became a nightmare of HUGE expense for repairs.

How can an investor avoid these problem?

Develop your Plan of Action:

- 1) Decide on the area where you want to invest.
- 2) Decide what type of property you want( apartments, rental homes, commercial)
- 3) Decide on how many properties you want and how much down payment you want to spend.
- 4) Don't be a weekend warrior. Finding investment property takes time. Not only from your buyer broker, but from you. Invest time to physically drive and familiarize yourself with the area and inventory. This is a must.
- 5) Confirm that your goals are realistic and can be met, based on your plan of action.
- 6) Line up financing, in advance. Offers with strong loan approval letters say "I am qualified and serious".
- 7) Get good advice. Always consider the source. Is it bias or un-bias? Why?
- 8) Decide on an exit strategy.

**Assumptions:** never assume that whatever happened last week, month, or year can or will happen again or in the future. Just because property appreciated 12% last year does not mean it will this year.

### **Disclaimer:**

The following writings are for information purposes only and is merely an outline to assist buyers of investment property. All buyers are encouraged to seek competent advisors to assist them in their investment decisions as well as due their own due diligence.