



Investment Homes Our Approach and Process

A Presentation from
Srinivas (Sri) Chaluvadi
Perfect Realty Partners





Why Single Family Homes?

- # One of the safest alternatives
- # Reasonable liquidity
- # Medium to long-term horizon
 - 5 year horizon for yield on investment
 - 10 year horizon for cash on cash yield
- # 25% down payment for investment homes
- # 30 year conventional, for positive cash flow
- # 6% cash on cash yield
 - High probability



Other Benefits

- ✚ Interest paid is tax deductible
- ✚ Expenses incurred are tax deductible as well
- ✚ Property appreciation in the medium term
- ✚ As compared to stocks
 - Less risky
 - More stable and predictable
 - Passive management



Recommendation Snapshot

- + Ideal size, 1700 – 2200 SF
- + Cash on cash, 5% minimum
- + School district
- + Pre-owned, 5 – 10 year
- + Single owner preferred
- + Owner occupied at sale
- + Desirable, semi-mature community
- + Principle of progression



Our Service

+ Buyer representation

➤ Property screening

✓ Condition

✓ Size

✓ Rent potential

➤ Consultative approach

✓ Market reports on prevailing lease rent

✓ Custom built CMA for better decision

+ Property management

➤ Leasing

➤ Tenant screening



Criteria

+ Rentability

- Rental activity within the neighborhood
- How quickly are homes renting

+ Feasibility

- Estimated rent, \$/SF
- Purchase cost
- Cash-on-Cash

+ Age of the home



Criteria Contd. . .

+ Size of the home

+ Longevity

➤ Build quality

✓ Builder

✓ Neighborhood

➤ Ownership, single owner vs multiple owners

+ Current ownership

➤ Owner occupied vs tenant occupied



Our Guidance

+ Choice is a matter of risk appetite

- Risk and reward are proportional

+ Older homes

- More repairs, better cash-on-cash
- Personal attention or professional management

+ Newer homes

- Repairs unlikely in the near term
- Low cash-on-cash
- Appreciation gains
- Professional management may not be needed
 - ✓ Cost saving



Our Approach

✚ Rentability

- Rental activity from MLS
 - ✓ Refined search criteria
 - ✓ Sub-division, size, age
- Adequate data points for both active and leased listings
 - ✓ At least couple of active listings
 - ✓ At least 3 leased listings



Our Approach . . .

▣ Feasibility

- Cash-on-cash determination using an Excel model
 - ✓ 6% ideal – possible for a moderately newer home
 - ✓ >4% for newer homes
 - ✓ >8% for older homes but repairs and fees negate
- Rent rate projection based on MLS Comps
- Purchase cost guidance based on MLS Comps
- Subjective adjustments to MLS data
 - ✓ Smaller homes to yield better rent rate, \$/SF
 - ✓ General threshold on monthly rent



Going Beyond MLS

Expert guidance on critical criteria

➤ Age of the home

- ✓ Income vs equity vs appreciation potential

➤ Longevity

- ✓ Guidance on build quality

- ✓ Builder, neighborhood assessment

➤ Ownership at sale

- ✓ Number of owners

➤ Occupancy at sale

- ✓ Owner vs Tenant



Process

Interview

- Client interview, needs analysis
- Buyer Representation Agreement

Data Feed

- Recommendation on search criteria
- Set up on auto emails from MLS

Client Picks

- Client Selects listings for more info
- Level 1 Analysis to follow



Process - Level 1 Analysis

Rentable?

- Rentability Determination
 - CMA of leased and active lease listings
 - Prevailing rent, days on market

Feasible?

- Feasibility Determination
 - Financial Model

Worth Seeing?

- Go no Go Decision for Property Tour



Process - Property Tour

Scheduling

- Showing Scheduling
- Client convenience

Property Tour

- Walk through during showing
- Physical assessment guidance

Make an Offer?

- Go no Go Decision for Level 2 Analysis



Process - Level 2 Analysis

Fair Price?

- CMA of Sold and Active Listings
- Price recommendation

Beyond
Numbers

- Subjective assessment
 - Build quality, neighborhood
 - Ownership and occupancy

Negotiate

- Price negotiation
- Submit contract



Process -Closing and Beyond

Inspection & Funding

- List of inspectors for buyer consideration
- Inspection coordination
- Mortgage information and lender coordination

Amendment

- Repair estimate coordination
- Submit amendment for repair credit, if required

Closing & Beyond

- Hassle free closing
- List the home for lease



Our Performance . . .

- + Actual rent at or above estimate
- + Actual days on market at or below estimate
- + Focus areas
 - Frisco, Little Elm, McKinney, Keller,
- + Communities
 - Sunset Pointe, Paloma Creek, Little Elm
 - Artesia, Prosper
 - Fairways, McKinney
 - Creekside at Preston, Frisco
- + Financial performance
 - 5% and above plus appreciation potential
 - 10 years or newer, worry free ownership



Questions? Call or mail:
Sri Chaluvadi
(626) 372 9395
Sri@PerfectRealtyPartners.com

Thank you for the Opportunity

HAPPY INVESTING!