



Street Smart Analyzer Workbook

Introduction

Hi there, everyone. This is Julie Hoffman... the "Street Smart *Div*a". You can find out lots more information about me as well as receive a ton of free real estate tips and tricks at www.StreetSmartDiv.com. Basically here's my background...I have completed hundreds of deals and close to one hundred million in Real Estate Transactions. I built a 20 million dollar portfolio of rental properties leading into the world changing recession of 2007. The recession and subsequent bankruptcy taught me valuable lessons and "must-knows" about the game of Real Estate Investment. Since then I have managed to rally back and build another multi-million dollar portfolio with thousands per month cash flow. My Real Estate Investment Journey has taught me so much and it's my pleasure to be here with you today. It is my passion to share "Street Smart" wisdom that can only be gained through the combination of doing many things right and learning from the mistakes made along the way. **Welcome to the Street Smart Analyzer.**

This Analyzer is definitely a labour of love for me. I never had anything like this when I started investing in Real Estate back in 2001. I used Excel spreadsheets for a long time because I really like to make sure my numbers are correct. Knowing and calculating these numbers are a "must know" for any successful Real Estate Investor. This tool allows you to analyze, and **quickly modify** variables which will allow you to make quick and accurate decisions about things such as rent to charge, interest rates, expenses, purchase price, and so on. The most exciting thing is you get to instantly see how modifying these variables will impact your bottom line profit.

Have FUN with this....Don't get too serious. **It is my Heart-Felt intention that this tool helps you achieve more abundance by assisting you to make well-informed decisions.**

How to use the Analyzer

I recommend you "play" with this Analyzer tool. Create some case studies examples of what you may want to do in the future. If you are new to the Real Estate Investment world, learn the definitions, the "lingo", and understand all the numbers on the Analyzer page. Learn where the numbers come from, how they impact the profit centres, and learn how the analyzer calculated them. Play with some "what-ifs" and see how the numbers relate to one another. You can always ask for help from myself or another experienced Real Estate Investor. I have some great courses and free material that will provide you with the Street Smart approach to this game. It is like anything else you want to get good atImmerse yourself in quality information, surround yourself with people and mentors who know more about the subject than you, and take action by actually doing it. EASY?? Maybe not ...but certainly do-able and I know you can learn this to the point of it being second nature.

Use the analyzer to evaluate the purchase of a rental property or to determine the performance of your existing rental property. For the purpose of this exercise, I am going to instruct using the assumption you are determining whether or not to buy a particular rental property. Remember that the “yellow cells” are the values you will be filling in. Sometimes they are zero and we will talk about that as they come up.

The step-by-step guide that follows matches the Analyzer as you first open it up. The numbers explained in each step below are already entered to allow you to get familiar with the cells. At the end of the guide there are some additional Case Studies for you to practice on. In the Case Studies you will be more on your own to fill in the values based on the information provided. I have the answers to these Case Studies under the Street Smart Analyzer Tab on my site to see how you did. ENJOY!!

Step-by-Step Guide

1. Enter the **Purchase Price**.... This is the price you will pay for the property. In this example \$350,000.00. This is handy to run multiple scenarios when you are not sure what to Offer. Once you enter the purchase price, the calculator automatically calculates your:
 - **Original Mortgage Balance**
 - The balance at the end of the term or the **Sale Balance**
 - And your **Mortgage Payment**

The analyzer uses the values that are currently entered for the variables **Rate** (eg. 3.5%) and **Downpayment** (eg. 25% down) to arrive at these balances. We will discuss these variables separately later in this workbook.

2. Enter the **Rental Income**... I assume you have done your research to know a range of what the property will rent for. If you haven't, then make sure you do that before you put an offer on a property. These are “have-to know” numbers when investing. For this exercise lets use a rent for this property of \$2200 per month.
3. Enter your **Legal Fees**.... For this exercise I have used \$3000. They could be less for you. This value is related to Legal fees associated to handling the purchase of the property. This could be where you enter a “zero” value because you already own the property for example. Note: There is another spot on the Analyzer to enter the value for the Legal cost associated with the closing or selling of the property.
4. Add together any **Other Amounts** for expenses. Some examples would be land transfer tax, inspections, appraisals, staging, advertising or any renovations prior to tenants moving in.

5. Next we will determine our total **Sale Expenses**. The first variable is the Realtor Fee. The standard cost to sell on the MLS is calculated 7% on the first 100,000 and 3% on the balance. Hey if you end up paying less... great. It's fairly simple to do your own math if you decide not to use a realtor. Just add whatever you would have paid to your Total Profit--- easy peasy.
6. Enter **Legal Fees**.... Again these are regarding the sale that will occur in the future depending on the length of term you plan to hold. It might be a good idea to add a bit for inflation if you are selling 2 or 3 years out.
7. Enter **Other Expenses**.... These again are related to the sale of the property. You might need to pay to have the house cleaned, painted, or staged if it is vacant. You may also allow a vacancy cost for when your last tenants leave and the time it takes you to prepare it for sale. Be as realistic and reasonable as possible. Allowing these costs now really could affect your decision to purchase the property or how long you intend to hold it. I allowed \$400 for this example but know this could increase in different circumstances.
8. Next enter the **Rate**. This is the cost of borrowing the mortgage amount. Simply enter it as a percentage amount (no decimals). In this example I used a rate of 3.5%. If you end up with a variable rate then run some scenarios so you know ahead of time what an increase to your rate will mean to your profit as well as your cash flow. Again.... you are a "Street Smart Buyer", run some scenarios so you know what position you will be in if things out of your control.. change. We are not "wishers" and "hopers" we are prepared and sophisticated.
9. Next enter the **Taxes** amount. Enter this Property Tax value as a yearly not monthly amount. In this example \$2600.00. Keep in mind that tax amounts can go up and down, but mostly they go up. Remember sometimes your taxes go up because your property is going up in value. ..Yeahhh You want to know how a change in your taxes will affect your profit and cash flow.
10. **Other Fees**.... These can include Home Owner Association fees, Condo fees, Property Management (if you hired it out). In this example I allowed zero since I'm assuming it is a single family home. This is not where you allow for vacancy or repairs, there is a different cell for that.
11. **Vacancy Allowance** and **Repairs Allowance** will vary depending on the market you are in and the property you buy. In our example I allowed 6%, which I assumed was 3% for each. This percentage then multiplies by the **Rent** amount to arrive at its value. It can be challenging to estimate these values but the important thing again is to run multiple scenarios. A hot rental market can mean a lower vacancy allowance. An older property can mean more repairs and maintenance. This is to your discretion and due diligence. It also depends on your abilities and time to do repairs yourself versus hiring it out. I talk more about these variables in greater detail in other courses and free offerings. I recommend allowing more rather than less. It is a very important part of the equation and where many novice investors learn the "hard way".

12. **Insurance**.... Know what it is going to cost. Don't go off what the seller says it is. Rental Property Insurance will differ from Home Owner insurance for example. Get a quote unless you have enough of a track record to know what other similar properties are. In this example I allowed \$88 per month.
13. **Amortization**... This value is the length of time in years your mortgage calculates to be paid off in full. The standard is 25 years and you may also see 20, 30, or even 35 year amortizations. This is another important "must-know" number. It directly affects your cost of borrowing and therefore your cash flow and profit. Our example uses 25 years.
14. **Down Payment**... This is how much you will put down or the portion not financed by the bank. It is usually 20% to 25% of the purchase price. In our example we assumed 25% which created the value of \$87,500 down. The more you put down, the less your mortgage payment will be and the higher your cash flow. The less you put down, the higher your mortgage payment will be. You need to understand how much you are requiring as a **Down Payment**, your **Rate**, **Your Amortization**, and your **Term**. These all influence your **Total Profit** and can make you or cost you thousands of dollars. Note.... Financing is another passion of mine. I have courses and free information that speak specifically on this topic. Please visit my site at www.StreetSmartDiva.com for more information.
15. **Appreciation** ... The **Appreciation** is the value you expect the property to go up each year that you intend to hold (own) the property. For our example we are using 3% **Appreciation**. Appreciation can be another tricky number to forecast. This is often based on a current trend or a forecast based on variables and market conditions changing in the future. AGAIN...the great thing about this tool is to run multiple scenarios. What if the market doesn't appreciate 3% and only appreciates 1 or 2%?
16. What does that do to my bottom line? Just know that appreciation is an important profit center, but it isn't everything. Play with this tool and you will see what I mean. Maybe the combination of your cash flow and mortgage pay down make your intended property a home run without appreciation? or any combination of the above variables.
17. **Term**... The **Term** pertains to the Analyzer in two ways. The **Term** is the value in years you intend to hold the property. It also pertains to the **Term** in the number years you have negotiated a certain interest rate with the bank. I explain this more fully in my **Street Smart Analyzer Video**. The important thing to note is you want your term to coincide with the amount of time you intend to hold the property to avoid costly prepayment fees. OR, if you decide to sell within the term, make sure you include that in your "Other" Costs. A lot of people are "surprised" by this penalty when they pick up their check from the Lawyer.... By then, it is too late. You should be able to ask your bank what the exact prepayment penalty cost will be.

PROFIT CENTRES

There are Three Profit Centres

- **Cash Flow:** Cash flow is automatically calculated according to the Rent minus All expenses multiplied monthly over the Term.

$$\text{Monthly Cash Flow} \times \# \text{ of Months} = \text{Total Cash Flow}$$

- **Sale Profit:** Sale Profit is the future anticipated selling price minus the Purchase Price. In our example

$$\text{Sale Price} - \text{Purchase Price} = \text{Sale Profit}$$

- **Mortgage Reduction:** This is the amount your mortgage reduces over the duration you hold the property. It isn't really profit but rather "equity" due to a difference between your original mortgage balance and your mortgage balance at the time of sale.

$$\text{Original Mortgage Balance} - \text{Sale Mortgage Balance} = \text{Mortgage Reduction}$$

The point I really want to get across is that there are several variables that affect the profitability of your investment. Know that your decisions and the impact of market conditions are what affect these 3 profit centres. Not all variables are controllable but many are. The quality of your tenants affects your cash flow because of expenses such as skipped rent, damage to the property, and vacancy. The rate and amortization affect your cash flow and principal reduction. Getting to know the variables on the Analyzer that affect these 3 profit centres will make you more profit.... Plain and Simple!

Again, I really appreciate you having a look at my Street Smart Analyzer. I truly hope it helps make you feel confident about what you are doing. I've got lots of other tips and tricks over on my Website at www.StreetSmartDiva.com. You can also find me on Facebook, Twitter, and LinkedIn. I hope to keep in touch... We'll see you next time.

"Real Estate cannot be lost or stolen, nor can it be taken away. Purchased with common sense, paid for in full, and managed with reasonable care, it's the safest investment in the world."

- Franklin D. Roosevelt



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