

# Paper Power Note Investing

## COMMERCIAL PAPER & PROPERTY



*Jack Sternberg*

### Module 2 FINDING Great Deals



*Bob Leonetti*

# What is Today?



1/23/2012

6.3% of 2012 Has Already Gone By...

- MAKE Things Happen
- WATCH Things Happen
- WONDER What Happened

# Today's Topic...

- **How to Find GOOD Deals**  
(not the junk that is splattered all over the Net)
- **How to Gather Specific Information**  
(and Decipher What it Means)
- **How to Analyze that Information**  
(Calculating Investor Returns)
- **Deal Structuring (funding)**
- **Closing**  
(Putting it all Together & Protecting the Cash Flow)



**[PaperPowerNoteInvesting.com/Upcoming-Coaching](http://PaperPowerNoteInvesting.com/Upcoming-Coaching)**

# Today's Bottom Lines...



- Avoid Joker Brokers
- Avoid Loop Net
- Avoid Un-motivated Sellers
- FIND Don't -Wanters
- It's Not What YOU want...it's What Your Investor Wants!

# Commercial Property Types

- **Income Producing:**
  - Office
  - Retail / Mixed Use
  - Industrial / Warehouse
  - Multifamily
  - MH Park
  - Hotel - Flagged and Un-Flagged
  - HealthCare



# Commercial Property Types

- **Non-Income Producing:**
  - Entitled Land:
  - Un-entitled Land:



# Lender Finances Buyer



*Barbara Buyer*

**Sam Sells Property -  
Carries Paper  
Becomes Larry Lender**



*Sam Seller  
Or...  
Larry Lender*



# Lender Records Mortgage



**Sam Keeps Note  
Files Mortgage/Trust Deed  
At Courthouse**



***Sam Seller  
Or  
Larry Lender***





# Finding...Pretty Commercial Paper

- Courthouse Records
- Advertising (see Mini-Course on Notes)
- NoteSellerList.com (Advanced Data Services)

## Advanced Seller Data Services

*"Providing the very best lists for note brokers and investors"*



# Distressed Asset...or Distressed Debt??



- Distressed Asset – Physical Condition of Property is Distressed
- Distressed Financing – Note is Slow, or Non-Performing

# WHO BUYS UGLY PAPER?

- Investors Who Want to Control the Property.
- They Either Want the Property or...
- They Want to CURE the Note



# FINDING POOLS / UGLY PAPER

- SPECIAL SERVICERS
  - LNR
  - CW Financial Services
  - C-III Capital Partners
  - RCM (Real Capital Markets)
- LENDERS – INSTITUTIONAL
  - Non-Performing Asset Managers
  - Special Asset Managers
  - Who Handles Non-Performing Commercial Loans
- HARD MONEY LENDERS
- NO JOKER BROKERS!!! (sanitized tape...)



# Where's Waldo?



# Things to REMEMBER!

- Your Investor Has a Computer, too!!
- NO Joker Brokers
- NO Internet Listings
- NO Sanitized Tapes
- NO Auctions
- Get All the FACTS (don't rely on the listing – VERIFY!)



*IF a deal is listed on the Internet, what makes it “GOOD” is if you have an inside track, or if you can get it for significantly less than what is listed.*

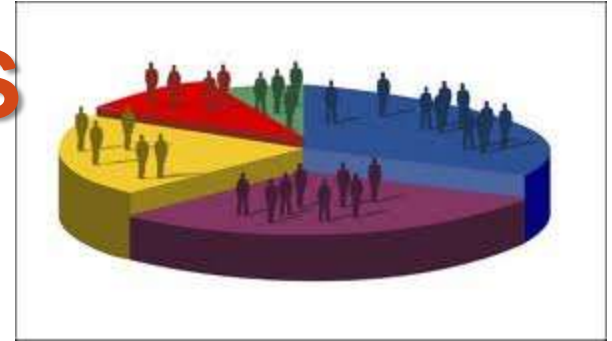
# Finding Distressed Properties



- Boarded-Up / Distressed
- Code Violations
- Agents
- Real Capital Markets (RCM1.Com)
- Apartment Associations
- Local Banks
- Investment Clubs

# Area Demographics

(Acquisition & Flipping)



- What are the population trends for the area?
- What are the trends with respect to unemployment claims and job growth?
- What other companies are moving into the area?
- What are the trends with respect to median income?
- What is the path of progress in the area you ultimately decide to invest in?
- Where are the “big box” retailers like WalMart, Target and Home Depot building?



# Know What Your Investors Want

- Property Type
- Area
- Condition
- Return / Discount
- Investment Amount



# Acquisition Criteria

- 150-300 doors, B & C class
- 10-14 CAP, Pre-1978 Construction (avoid lead based paint)
- Poorly managed, high expenses, a sloppy operation
- Priced \$3-10M
- Leveraged – Either assume existing debt or have seller carry financing
- Preferably Mom 'n Pop owned or bank-owned

# Acquisition Criteria Cont...

- Discounted 20%-40% minimum or actual REOs, which is our lowest preference
- Prefer to buy direct from owner or the bank, no listed properties, no listings agents
- Must provide ACTUAL financials: PROFORMAS are NOT acceptable
- Preferred Locations:  
Houston, Dallas, San Antonio, Austin, Beaumont & ANY TX property that meets our criteria
  - California (prefer Southern CA)
  - Phoenix
  - Central & South Florida
  - Nationwide: Depends on Individual Assets

# Next Up? Get the **FACTS!**

- Gathering & Deciphering Info

- Terms:

- Price Per Door
- Expense Ratio / Expense Factors
- Net Operating Income
- Capitalization Rate
- Cash on Cash Return
- R.O.I. (Return on Investment)
- Occupancy
- Stabilization



# Tomorrow's Topic...

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