Module 3B

How to Analyze Deals

Elements of a CMA

Comparative Market Analysis (CMA)

- SOLD Properties
- Comparable in type, size and age
- DOM (Days on the Market)
- Features, Amenities and Condition
  - Make adjustments if needed

1. MLS
2. RedFin
3. Zillow

Comparative Market Analysis

Subject Property												
ML#	Status	Address	SqFt	BR	FB	HB	GAR	Built	List Price	LP/ SF	DOM	Cumulative DOM
1236203	act	5504 S Delaware Place	1130	3	1	0	1	1950	$100,000	$88	31	31
1230208	act	5230 S Columbia Street	1630	3	2	0	2	1955	$109,000	$66	106	106
1235383	act	2446 E 54th Street	1475	3	1	1	2	1957	$139,900	$94	42	42
1231019	act	5318 Lewis Place	1891	3	2	0	2	1960	$154,900	$81	93	276
1231647	act	5338 S Birmingham Avenue	1450	3	1	1	2	1956	$155,000	$106	87	87
1230478	act	5247 S Columbia Avenue	2088	3	2	0	2	1955	$189,500	$90	100	100
1236547	act	5329 S Delaware Avenue	1858	3	2	0	2	1956	$189,900	$102	28	28
Average			1,646	3	2	1	2	1956	$148,314	$89	70	96
Number of Properties: 7												

Subject Property														
ML#	Closed	Address	SqFt	BR	FB	HB	GAR	Built	List Price	LP/ SF	Sale Price	SP/ SF	DOM	Cumulative DOM
1217425	11/23/2012	2518 E 54th Street	1445	3	1	1	2	1958	$112,000	$77	$107,000	$74	141	141
1230559	12/07/2012	5230 S Birmingham Place	1525	3	2	0	2	1956	$124,500	$81	$113,500	$74	35	125
1214353	9/27/2012	5223 S Birmingham Place	2570	4	2	0	2	1955	$148,800	$57	$147,800	$58	111	111
1216818	9/28/2012	5347 S Columbia Avenue	1723	3	2	0	2	1957	$150,000	$87	$146,500	$85	38	38
1230264	12/08/2012	5212 S Birmingham Place	2432	3	2	0	2	1958	$184,500	$75	$175,000	$72	15	15
1211360	8/28/2012	5146 S Columbia Place	2637	4	2	1	2	2003	$250,000	$94	$232,500	$88	96	96
Average			2,055	3	2	1	2	1965	$161,633	$78	$153,716	$75	73	88
Number of Properties: 6														

Analyzing a Deal

New Rule of 70% to 85%

Sliding scale depending on area and demand
Be careful about a strict percentage approach!

ARV x (70% to 85%) – Repairs – Investor's Profit = Max Allowable Offer

Analyzing a Deal

Asking Price $79,900

Comparables in the area
$95,000 (Quick Sale) to $119,000 (High Wholesale)

Offer price
($95k+$119k)/2 x 70%=$74,900
if $15,000 rehab needed
($95k+$119k)/2x 70%-$15,000=$59,900

Analyzing a Deal

Asking Price $225,000

Comparables in the area
$190,000 (Quick Sale) to $240,000 (High Wholesale)

Offer price
($190k+$240k)/2 x 85%=$182,750

if $25,000 rehab needed
($95k+$119k)/2x 85%-$25,000=$157,750

Analyzing a Deal for Wholesaling & Fix and Flips

Sellers know more than they think about the property

Questions to ask the seller:

- What will it sell for after it is repaired?
- How much will it cost to repair?
- Estimated monthly rent (if rental)?
- Do you have equity in the property?
    - If no equity, are they behind on payments? (short sale)
- How much do you want for the property?

Repairs Estimate

Square Footage Method

$5/sq.ft. for light rehab
$10 to $12/sq.ft for medium rehab
$15 to $20/sq.ft. for a heavy rehab

Construction Cost Estimator App

If you Fix & Flip

- Use the Square Footage Method to put the property under contract
- Use the Business Partner Approval Contingency on the Sale Contract to get an Exact Bid for the work needed and re-negotiate (if necessary) after Contract in place
- Module 4 will go into break down analysis

If you Buy & Hold

- Does the rent support the price and any improvement costs of the property?

- Laura's Rule of Thumb = $150+ per door

Ex: Rental Income/Month – (PITI+Maintenance) = $150+ per door
Single Family = $150+
Duplex = $300+
4-Family = $600+
Etc.