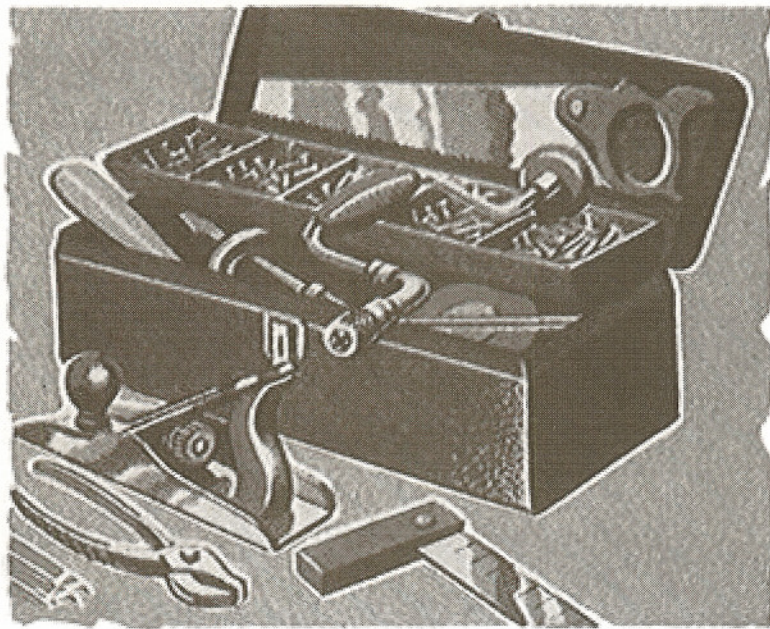


Real Estate Investor's Toolbox Workshop Series



Presented by:
Ed and Karen Parnell
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About the Presenters:

Ed and Karen Parnell are local residents of Upland. As experienced professionals, they have teamed together to provide you with more services.

Ed and Karen love the real estate business and own their own home in Upland and several investment properties within California and several properties out of state. Even their son David, now 16 has expressed a desire to get involved in purchasing real estate.

Ed Parnell is a Loan Officer with Lenders Direct. Ed has years of real estate and management experience. He previously owned Sutton Pacific Investments, which he operated as a Licensed California Real Estate Broker. He has personally negotiated and purchased pre-foreclosure and equity –share properties and especially enjoys helping clients develop a sound game plan for investing success. A trained mediator, with a Master's degree in Negotiation and Conflict Management, Ed delivers hard-hitting and informative presentations in his popular seminars and workshops.

Karen has an extensive real estate background, with over ten years in real estate sales. As a million dollar producer, Karen has a proven track record ranking her in the top 10% of her company. She is an active real estate investor and has facilitated numerous real estate investment groups; helping hundreds of investors purchase their first real estate investment. Karen's background also includes retail sales and management experience. Karen's real estate company Keller Williams is the fastest growing real estate company and the fourth largest in the United States.

Whether you're considering refinancing your existing home, buying or selling a personal residence or investment real estate, the Parnell's are always available for private consultation and can help you with strategies for your first or next real estate transaction. We appreciate the opportunity to refer you to a local Realtor for out of state transactions. Ed can personally handle your financing for purchases in many states.

Karen Parnell can be reached at 888-931-1449 or by email: Karen@KarenParnell.com. You can also visit Karen's website: www.KarenParnell.com. You will be able to search the Multiple Listing Search yourself without obligation. You will not need a login ID, simply sign on as a guest or click on public access, depending on which area you are interested in.

Ed Parnell can be reached at 909-974-8762 or by email: Mail@EParnell.com.

DO THE NUMBERS WORK ?

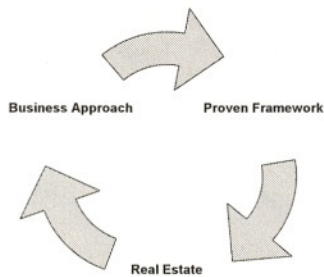
February 2006
Presented by: Ed Parnell

Jeff and Bryan Eisenberg:

*"Remove the humanity from the data
and you're left with nothing but
dangerous data."*

Keep Real Estate Real

An effective numerical analysis



What's the Framework?

INCOME STATEMENT	BALANCE SHEET
Income <u>-Expenses</u> Profit	Assets <u>-Liabilities</u> Net Worth

Wealth in Real Estate

NET WORTH	EQUITY
ASSETS <u>-LIABILITIES</u> NET WORTH	PROPERTY VALUE <u>-LOANS</u> EQUITY Ready?

A.P.O.D. (Annual Property Operating Data)

Rents (+ other)
-Operating expenses
Net operating income

Less:
Debt service (P & I)
= Cash flow

- Rents are NET after vacancy.
- Expenses are ONLY property ----NO debt service.
- Long form (attached) gives examples of property expenses.
- Income is also known as the N.O.I.

G.R.M. (Gross Rent Multiple)

$$\frac{\text{Price}}{\text{Annual Rent}} = \text{G.R.M.}$$

$$\frac{\$170,000}{\$14,280} = 11.90$$

Meaning?

You paid \$11.90 for each \$1 of Rent...

D.S.C.R. (Debt Service Coverage Ratio)

$$\frac{\text{N.O.I.}}{\text{DEBT SERVICE}} = \text{D.S.C.R.}$$

$$\frac{\$11,368}{\$10,360} = 1.15$$

Will the property pay the bills?
Or will you?

Bonus --TAX SAVINGS

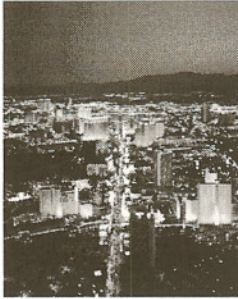
- Depreciation (Cost recovery)

$$\frac{\text{Improvements}}{27.5} = \text{Deduction}$$

$$\frac{\$275,000}{27.5} = \$10,000^*$$

*Rules and restrictions apply...

Use Templates



• Take a Road Trip?
Quiz

If it's 250 miles...
If we average 50
miles per hour...

How many hours ?
How many minutes?

RULE OF 72(Shortcut)

$$\frac{72}{\text{Rate}} = \# \text{ years to double} \qquad \frac{72}{7.2} = 10$$

ANNUAL TEST

$$\frac{\text{Annual cash flow}}{\text{Equity}} = \%$$

$$\frac{\$3000}{\$300000} = 1\%$$

??? Re-allocate or Re-position

Leverage

- How about letting "The Bank" be your silent/limited partner???



Let's get "personal"



G.P.S.

Current Location
Destination

The Trilogy of Success

- What you know...
- What you feel & believe...
- What you do...
- THANK YOU!

