

THE
ULTIMATE GUIDE
TO BUYING YOUR FIRST
APARTMENT



Mike Ealy

Apartment Investing Secrets Facebook Group
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Step 1 to Buying First Apartment Deal



Get EDUCATED On How to Find, Underwrite & Fund Deals

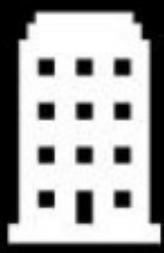


Books, Webinars, Seminars,
Online networking groups

Step 1: Get educated on how to find, underwrite (or analyze) and fund apartment deals. You can't just wing it. For example, cashflow is not Rent minus PITI. If that's your equation for cashflow, you're in for a rough awakening and you will realize you are not making money! One way to educate yourself is by reading books and attending webinars and seminars. I am biased but one of the best books on the topic is my book "From Broke to Millions" ☺ (<https://frombrokeatomillions.com>).

Your Action Step: Buy a book about apartment investing or attend a seminar about it. I don't care even if it's not mine. The important thing is to educate yourself so you avoid costly mistakes.

Step 2 to Buying First Apartment Deal



Decide on What a Good Deal & Market Look Like



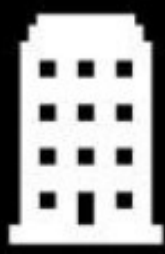
Deal Underwriting Criteria
Market Stats

Step 2: Decide what a good apartment deal and a good market look like to you. A good deal for me is not necessarily a good deal for you and vice versa. You also need to decide WHERE you want to buy (or what market or sub-market). You need to research employment growth, population growth, rent growth, etc. You can do a lot of this research in the following websites:

- <https://census.gov>
- <https://www.neighborhoodscout.com/>
- <https://www.city-data.com>
- <https://rentometer.com>

Your Action Step: Decide which market(s) you will focus your efforts in. The key is to choose 1-3 markets and get as much data about each market as you can. Also, walk the neighborhoods and get a feel for them in addition to data.

Step 3 to Buying First Apartment Deal



Line Up Private Investors for the Downpayment



Networking

Get referred to People with
Money (accredited investors)

Step 3: Line up Private Investors for the downpayment or equity. In Chapter 16 of "From Broke to Millions" I discussed how you can find private investors even if you don't have any rich friends, relatives, or work colleagues.

Another way to find private investors is through networking on social media, like our Facebook group - Apartment Investing Secrets (<https://facebook.com/groups/apartmentinvestingsecrets>). In fact, based on a survey we did, we estimate we have over 2,000 accredited investors* who are members of our FB group (*they made more than \$200K or \$300K/yr in income or their networth is \$1M or above - excluding their personal residence).

Your Action Step: Network in-person and on social media by regularly posting there and interacting with other real estate investors.

Step 4 to Buying First Apartment Deal



**Work with Commercial
RE Agents So They Help
You FIND Deals**



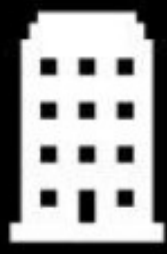
Find brokers through Loopnet

Step 4: Work with Commercial Real Estate Agents so they can help find you apartment deals. You can open an account with <https://Loopnet.com> and start calling the listing agents and tell them what you're looking for based on Step 2.

Another way to find commercial real estate brokers is by networking in person. You can attend your local chamber of commerce and ask to be referred to commercial real estate brokers specializing in selling apartment buildings.

Your Action Step: Call as many brokers you find on Loopnet and through networking in person and ask them to send you as many apartment buildings they can find that meet your buying criteria.

Step 5 to Buying First Apartment Deal



Line Up Lenders to Finance Your Deals



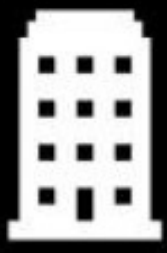
Banks, Credit Unions,
Commercial Mortgage Brokers

Step 5: Line up lenders so you can get financing for your deal. Talk with local banks, credit unions, and commercial mortgage brokers. How do you find them? Some of them are in our Facebook group. Search LinkedIn, use google, and ask for referrals from commercial real estate agents.

The lenders you need are lenders specializing in mortgage loans for 5 units and above. BEWARE of lender scams. One quick way to spot them is if they ask for a fee upfront. DO NOT FALL for that scam. Legitimate lenders charge their fee at closing - so you only pay them once they give you the loan.

Your Action Step: Call as many commercial mortgage lenders as you can find and tell them your buying criteria. Ask them to find out what paperwork and due diligence items they need.

Step 6 to Buying First Apartment Deal



Evaluate Deals Based on Your Underwriting Criteria & Visit Properties



Analyze 100 deals (on paper)
Visit those that make sense

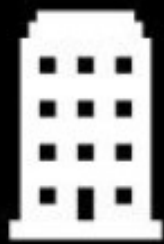
Step 6: Evaluate deals based on your underwriting criteria and visit properties. The fun begins! Be patient for the right deal. Don't force a mediocre deal into a good deal. Evaluate deals on paper and those that look good, and visit them with your broker.

By now, you should have received or downloaded our Apartment Analyzer spreadsheet. It is totally free (if you have not, email contact@nassauinvestment.org).

It's important to remember that this is a NUMBERS game. You have to analyze 100 deals on paper and most likely, visit only 10-20 apartment buildings that have good numbers.

Your Action Step: Analyze as many deals as you can and visit a few that meet your buying criteria.

Step 7 to Buying First Apartment Deal



Submit Offers, Negotiate & Put Under Contract



Letter of Intent

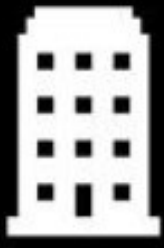
Then if approved, go to
Purchase & Sale Agreement
with Earnest Money

Step 7: Submit offers, negotiate and put a deal under contract. Once you find a good deal, submit a Letter of Intent (LOI) and always negotiate to get a lower price or some sort of owner financing or both. Once you negotiate the deal, you put it under a Purchase & Sale Agreement and you should be ready with your earnest money deposit at this point. You can sometimes get the EMD from the private investors you lined up in Step 3.

Here's a potential issue you will encounter: if you have not bought any apartment building and you want to make an offer on a 30-unit building, chances are high that the commercial real estate broker listing the property won't even submit the offer to the seller (or legally, he might submit it BUT advise the seller not to even consider it). FORTUNATELY, there's a solution to this issue (check the SHORTCUT section of this mini-book).

Your Action Step: Submit an offer or even several offers (LOI).

Step 8 to Buying First Apartment Deal



Do Your Due Diligence



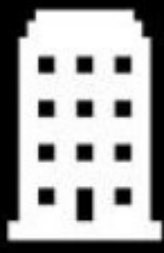
Check T12, Rent roll, Leases
Tax returns, Building Condition,
Location, Legal, etc.

Step 8: Do your due diligence. You have to check the financials (like the T12 or trailing 12 months income and expenses, leases, bank statements, tax returns, etc), the location, and the building itself, & have your attorney check the legal aspects like title, survey, zoning, etc. If based on your due diligence, you're not happy with what you see, you can either back out of the deal, get your EMD back, OR renegotiate it to get a better price.

This step happens after your LOI gets accepted and your PSA is drawn up and you send your EMD to the title company.

The key to DD is being thorough. Inspect ALL the units. Get all the documents required by the lender that you get from the seller.

Step 9 to Buying First Apartment Deal



Submit Docs to Lender & Present The Deal to Investors



Tax return, Statement of
assets & liabilities, T12, Rent roll
Executive Summary

Step 9: Simultaneous with Step 8, you submit your documents to the lender. You don't order the appraisal until you're satisfied with your due diligence. The lender will do their due diligence on the property focused on the property's ability to pay the debt, also known as DSCR (Debt service coverage ratio).

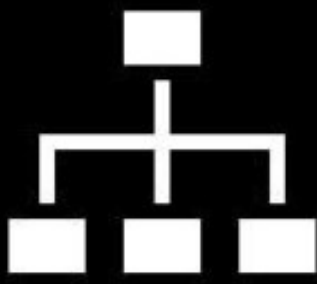
Again, be thorough as this step is crucial in getting financing for your deal.

Of course, get the best loan terms that you can (like low-interest rate, interest only for the first few years, or as long of an amortization period that you can get, etc).

Step 10 to Buying First Apartment Deal



Close the Deal & Take Over Management



Closing documents, Identify PM company, Management Agreement, Hire Maintenance Personnel
Get the Keys, Introduction to Tenants
Start collecting rents!

Step 10: Close the deal and take over the management. Prior to closing, you should have already identified the Property Management company you're going to use as well as the maintenance personnel.

You should also send a letter to the tenants to introduce yourself and instruct them on how to send the rent payments. You better start collecting those rent checks!

IF YOU FEEL OVERWHELMED with all the 10 Steps, the **GOOD NEWS** is, there is a **SHORTCUT**. The next section shows you the shortcut.

THE SHORTCUT

Big Deal Hacking™

The mindset shift I would like you to make is to STOP doing things by yourself and on your own. Rather, AFTER you gain the knowledge on how to buy and analyze apartment buildings, you should LOOK for the right EXPERTS who can help you find, finance, renovate and manage an apartment building.

In other words, focus NOT just on WHAT you know but also on WHO you know.

For example, if you're a total beginner with apartment investing, even if you have the cash as a downpayment, lenders won't give you the mortgage to buy an apartment building if your networth is lacking. Specifically, your networth has to be more than or at least equal to the loan you're borrowing. So if the loan you need is \$5 MILLION, your networth has to be \$5M or more.

With Big Deal Hacking, you can find a CREDIT PARTNER who has a \$5M networth and can get approved for the loan. Of course, you have give him a piece of the pie (ownership in the deal) in exchange for doing this.

Big Deal Hacking is captured succinctly by this diagram below:



Do you want to learn more? **Contact one of my business partners, wen@nassauinvests.com to see if you're ready to be a Big Deal Maker through Big Deal Hacking.**