
INVESTORS NEWSLETTER

The U.S. Real Estate Market at a Glance



BUY CASH FLOW PROPERTIES
INVESTING MADE EASY

The US Economy

Our economy is percolating along as evident by a rising stock market and real estate market. Unemployment remains historically low and there is actually a shortage of laborers in the building trades throughout the U.S. Recently I spoke at the Information Management Network (IMN) Conference for single-family housing in Miami, FL. Everyone who spoke, and this includes hedge fund operators in the single-family space, proclaimed two things:

1. Shortage of housing inventory
2. Shortage of laborers to fix or build houses

This is literally an epidemic in the single-family housing business ever since the hedge funds entered into the real estate space. Large to small operators are struggling to find competent workers to complete their projects. I'm not kidding - this is from north to south and coast to coast. It's hard to find good crews!

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Did Trump send all the Mexicans back? The truth is, the Hispanic population is entrenched in the building trades - we need them and others to repair and build houses. The shortage of building materials and laborers is even worse in the aftermath of Hurricane Harvey. Rehab companies flock

to disaster areas to obtain profitable home owner insurance work, leaving a bigger glut of laborers in areas they leave. It's inevitable that wherever there is a shortage of building supplies the cost goes up nationwide.

My logical conclusion is that the price to build houses will go up significantly and so will the value of existing houses.

A week doesn't go by without an article in the Wall Street Journal about the millennials re-entering the house-buying market. This first-time house-buying group has quietly sat on the sidelines until now - and they are making up for lost time. If priced right in good neighborhoods, houses are peeling off the market within weeks of being listed.

I've modified my own business model to take advantage of the hot selling market and currently we are selling 50% of our houses retail to home buyers and 50% of our homes to investors like you. At the IMN conference, I was approached by two funds that want to buy all my houses.

In my personal situation, holding houses long-term for the passive rent to replace income from a job. However, I recently did sell some houses as the values went up and I had other opportunities in the multi-family sector that would provide me in excess of a set 12% return.



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You see, if you bought a house for \$100,000.00 and it was earning a cap rate of 12% and then the value went up to \$200,000.00, your cap rate would drop to 6% based on the value of the home. Once I looked at things from this perspective, I realized I could obtain a higher yield on my assets if I redeployed them into other areas. Thus, I sold 35% of my rental portfolio of single-family houses and am in the process of acquiring higher yielding multi-family properties.

How about you? Do you want to sell your houses now? If so, this might be the best time for you - and I mean RIGHT NOW.

-RJ PALANO

I have these two hedge funds chomping at the bit to buy 20+ houses per month - each. It's challenging because even though I invest over \$40,000.00 per month for marketing to acquire houses - from TV commercials, pay per click and post card mailings - I can't find enough good opportunities. I could find enough houses...just not the kind we like for the long term production of income.

If you're thinking of selling, call me or email me - as I think the end of summer will produce fast sales near full retail simply selling to these two groups. I can let you know real fast

exactly what price we can get for your property in its current condition, and without losing your tenant.

Everyone is in a different season of life. Things change. Some investors become disillusioned, others have a new need or idea for their money. If that's you, then this could be your time to sell. Just let me know.

HOMEOWNERS INSURANCE REVIEW

In a constant effort to serve you better, we are having our master homeowner's policy reviewed. While we've had good pricing and coverage in the past, there could be something better for us. I've been in the middle of this for four months and I expect to negotiate lower premiums with even better coverage. This is possible because we have over 800 houses on our policy and we deserve the best pricing and coverage. Stay tuned, as I will make this move ONLY if it improves our cost or coverage, and ideally both.

TRUMP KEEPS TRUMPIN'

Just leave the guy alone! "The Donald" continues to put forth his agenda and the Democrats try to undermine him every step of the way. Turn the TV off - throw out the newspapers and just make money. Our politics are like a cartoon, just like everyone else's in the world. I personally got caught up watching the news to see the latest developments, ad nauseam. Forget it! I never made money because I was informed about domestic national politics. I'm done. It's the same crap every day, just with a new spin. No thank you. I'd rather keep my activities focused on money-making activities in business.

If I can serve you in any other way, please do not hesitate to call me or email me direct.

I almost put money into a retail store chain of Metro PCS stores and I decided against it. Why? Because I don't understand retail, but I do understand Real Estate and I can control it.

If you ever have a question for me, or if I can serve you in any other way, please do not hesitate to call me or email me direct.

Following are some articles to support some of my comments above, as well as a few pictures of what's up in the U.S. (Just click the wording)

[**The Next Hot Housing Market**](#)

[**America's Growing Labor Shortage**](#)

[**Home Sales Jump to Near Boom**](#)

THINGS ARE CHANGING AT NATIONAL ERA SERVICING

By Anthony Salmeri



Property Management is the foundational building block in your rental portfolio and I take that seriously. Every day I have contact with owners regarding their properties. Usually these calls are about repairs or an item on their monthly report.

It's important that we review a few things in case some of you have forgotten:

Repairs

If you have an emergency, for example, heat in the winter or AC in the summer, we're just going to do it and invoice you. We have to - otherwise we're going to lose a good paying tenant and we would damage our relationship by hesitating to respond to a serious situation that impacts their family.

In the case of turnovers; if the estimate for repairs is over \$600.00, we will not do the work without your approval. Currently, I am waiting for three investors to respond to give their authorization to begin repairs while their properties sit vacant without income. **Don't let that be you.** We have some investors that authorize us to do whatever it takes so there is never a delay. *If you would like to be on that list, please email me so your properties are maintained with or without approval.*

We have never profited on any repairs. In an effort to serve you better, we are now getting estimates for labor and materials in advance of any necessary repairs, for your approval. We've added another supervisor to oversee this process and it's all being done for you at cost. This is where most property managers make their money, not us.

MORE CHANGES COMING...

Our proprietary Landlord Protection Plan (LLPP) has saved investors thousands of dollars due to follow-up inspections by our portfolio managers when we see an issue on the report. It's important that you understand that, even though the house has been inspected by an outside company - it's not a full-blown house inspection that would cost \$250-\$350. It does give us a good idea if anything is wrong, but it's not conclusive. Something could still be wrong they didn't see. Investors are also saving significant money on eviction fees. For example, we filed 51 evictions in April. That's 51 evictions at a minimum cost of \$200.00 each that investors didn't pay because of their participation in the LLPP, but we did. We file evictions every month on the 8th of the month if a tenant didn't pay. It's important that you also know that out of those 51 filed evictions, only 6 people were evicted. But we still have to file in order to properly manage your properties. Otherwise, you could lose multiple months of income if we waited for tenants to pay.

These are just some of the things we do for you that I don't think you are aware of.

Recently we ran the numbers on how many tenants are renewing their lease after 3 years. We are getting over 50% of all of our tenants to renew and 85% of those get a higher rent.

The reality is that sometimes a tenant on fixed income cannot afford a rental increase. In these situations, it's usually best to keep them at the same rate or risk losing them and then doing expensive repairs to attract another tenant. The minimal gain of a rental increase will not be overcome by vacancy and repairs.

Those numbers reveal a lot, primarily that we have good tenants and they like the houses they live in. Keep in mind that industry standards are one-year leases. We do everything we can to keep good tenants in your houses, and avoid the expense of turnover.

I need to explain one more thing to you. A lot of time my emails are very brief. This is because I'm busy so I get right to the point and then click send. As much as I would like to make small talk, I can't. It takes me away from being productive so please accept my apology now and forever for keeping my correspondence brief.

The great news here in Atlanta is that the values continue to move up and so do the rents. We are seeing a lot of new developments, commercial construction and road expansions everywhere.

If you desire to sell this year, contact RJ as soon as possible while he has hedge funds gobbling up everything he can provide.

In an effort to avoid bothering you for wires to pay for real estate taxes, insurance, and small repairs, we will be holding back \$1000.00 on each house every investor owns at the end of the quarter, September 30, 2017.

It's a bookkeeping nightmare to not have reserves as expenses come up from time to time and it's problematic to write for wires. You will still have to send the funds, but we won't have to worry about paying your expenses on time. Some management companies, keep more in reserves and they also mark up any and all repairs on houses. **Keeping it streamlined in this way will save us time and save you money.**

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Shown below, we have a couple houses with a current comparable market analysis (CMA) as examples for you. Take a look at these as one of these houses might be yours.

CMA
243 Oakwood Circle - Stockbridge
Henry County
May 2017



3 Bedrooms / 2 Bathrooms / 1,445 SF
Owner Paid: \$121,000 / Suggested List Price: \$140,000

Comparables:



242 Oakwood Circle, Stockbridge, GA
3 Bedrooms / 2 Bathrooms / 1,401 SF / Sold \$115,000
(35 DOM)



146 Oakwood Circle, Stockbridge, GA
2 Bedrooms / 2 Bathrooms / 1,620 SF / Active \$132,900 (38
DOM)



124 Oakwood Circle, Stockbridge, GA
3 Bedrooms / 2 Bathrooms / 1,477 SF / Sold \$145,000 (24
DOM)

CMA
6350 Hillview - Douglasville
Douglas County
May 2017



Owner Paid: \$111,702 / Suggested List Price: \$135,000
3 Bedrooms / 2.5 Bathrooms / 1,620 SF

Comparables:



7295 Hunter's Ridge, Douglasville, GA
3 Bedrooms / 2 Bathrooms / 1,305 SF / Sold \$122,500 (146 DOM)



6360 Holborne Ln, Douglasville, GA
3 Bedrooms / 2 Bathrooms / 1,200 SF / Sold \$122,500 (1 DOM)



7475 Hunter's Ridge, Douglasville, GA
4 Bedrooms / 3 Bathrooms / 1,710 SF / Pending \$140,000 (8 DOM)