Private Money Update

CLEAR SKY FINANCIAL NEWSLETTER

January 2020

Letter from the Editor

Happy New Year 2020!! We hope you and your family had a happy and enjoyable holiday season. Please mark February 16, 2020 on your calendars. This will be our annual Holiday Party. It will be held at Chima Steakhouse in Tysons Corner, VA.

We will be participating in our 5th THINK REALTY conference in Baltimore, MD. The event will take place on Saturday, March 21, from 8:30 a.m. to 7:00 p.m. at the BWI Marriott. We will have a booth and will also be hosting a breakout session. Our presentation is entitled "WHERE TO FIND THE MONEY". Our session is scheduled from 11:15 AM to Noon. Please join us! https://thinkrealty.com/think-realty-conference-baltimore-speakers/

December was a good month for business, considering the holidays. We stayed pretty busy even during the break. December was similar to last year. We originated 5 loans (4 firsts and 1 second). Two were in VA, 1 in MD, 1 in DC and 1 in NC.

CHUCKLE'S CORNER

" And now let us welcome the new year, full of things that never were." —Rainer Maria Rilke

Food for Thought

Thank you to those who sent their packages back regarding the Clear Sky Financial 506(b) fund. We will be finalizing the promissory note phase by the end of January. So... be on the lookout for updated notes.

Also thank you to those who increased their investment. We are off to a good start in 2020.

In This Issue:

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6 Considerations to Determine Your Residential Real Estate Investing Strategies

There are many residential investment strategies to use in your residential real estate business. Below are examples of some strategies:

1. Wholesaling
2. Fix/Flipping (Rehabbing)
3. Buy/Holds
4. Tax Lien Certificate (s)
5. Hard Money Lending (or investing in a hard money company)
6. Multi Family Investing (Condo conversions, Apt Complexes)
7. Etc.....

If you are an experienced real estate investor, you have given some thought and effort to what types of investing strategies you use in your investment business in order to be most successful. As a beginning investor, you may not have developed a sense for what types of investments best suit you and your current situation. As far as what type of investing to practice, there is no right or wrong answer. Below we will try to make some sense out of it. There are a few things you should take into account when considering an investment strategy, whether it is your first or your two hundred and first real-estate deal.

Here are 6 considerations to take into account when deciding on an investment strategy (or strategies):

1. Current Real Estate Market

Knowing whether the current market is on an upward or downward trend or just plain flat is important as there are certain strategies that work better in one type of market than another. For example, buy and holds work better when the market is trending upwards. Rehabs and wholesales work in either market. However, in a down market, it is easier to find deals; but more difficult to sell them. Understanding the trends and what is currently working (or not) is the key to navigating the "ups and downs."

2. Knowledge/Experience Level

It is important to take into consideration your level of knowledge and areas of expertise when determining your preferred investment strategies. Some strategies require knowledge that may not be suited for a beginning investor. There is no timeline for knowing when to venture into new strategies. Consulting with your network including your hard money lender and knowing when you feel like a deal may take you into uncomfortable territory is key. Only embrace a new strategy when you have the knowledge, and skills to execute on it successfully.

3. Financial/Business Goals

What do you wish to accomplish? What are your financial goals? What do you hope to accomplish financially in the next year, 3 years and 5 years? How much income do you want to make for your efforts? Why are you even going through this effort? "Why" is a big question! No matter how well you run your business there will be times of challenge. If you can answer "Why" you want to accomplish your goals it will provide a solid sense of direction especially when your business is struggling.

4. Full Time vs Part Time

The beautiful part about real estate investing is that you can do it either full or part time. If you have a great job but want the extra income to have a few nice "extras" for your loved ones or if you want to build a portfolio of rental properties for your retirement, you can do that! If you decide that full time investing is what you want to do, you can do that too! Many of us started out as part time investors and did well enough that we graduated to doing it full time. Full time investors can derive most, if not all of their income from their real estate business.

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5. Connections/Networking

Real estate investing is pretty much impossible to do solely on your own. Surrounding yourself with a team of experts like a realtor, hard money lender, contractor(s), attorney and more can make a huge difference in your success. A great team will help move your business forward, help keep you out of trouble, and can provide advice and expertise on areas that may be new to you. Team members may help you get leads from referrals. They can also recommend other team members. The best way to meet team members is to network, network, network! One way to establish or to grow your network is to join Real Estate Investment Association (REIA) clubs.

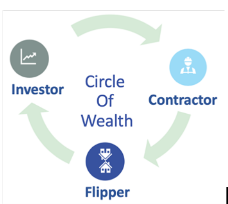
6. Assets/Access to Funds and Financing

It is true that you can invest in real estate with little or no money down. Actually, it is not that difficult. But at some point, you have to have some reserve funds in case something unexpected comes up. Having some assets makes the process a lot easier as does having some available cash – or at least access to it. If you do not have assets or cash, then find a HARD MONEY LENDER (I know of a great company!). For some, hard money may just be a steppingstone to get you to the next level. As you progress with your business, make sure one of your goals is to build assets in the form of cash reserves and equity in your properties. Holding rental properties is a great way to do all of the above and enjoy some passive income along the way. No matter what your investing strategy is, you should ultimately end up in a place where you are making passive income. This is so that whether you keep working or not, the income stream keeps flowing.

Sam's Corner

A Financial Journey – Part 1 of a 3 Part Series

Some people avoid financial planning and some people embrace it. Whether you are starting out and have a zero net worth or you are working with millions of dollars, you are on a financial journey. We conceptualize our Clear Sky Financial business operations as a circle of activity or a "Circle of Wealth". We have deep knowledge in every area within the circle. The expertise we have has been developed through, education, mentorship, and execution.



Home Valuation - Distressed Asset Acquisition - Investment – Property Management – Contractor Management – Direct Contracting - Capital development – Note Origination – Fund Development – Fund Management
If you are interested residential investment real estate, you can find financial and professional rewards in any one area of the circle.

In this month's article, we examine Home Valuation, Asset Acquisition, and Property Investment.

Home Valuation is a core knowledge area that you need to understand before acquiring any residential investment asset. Before you acquire the asset, you will need to have a deep understanding of its value after you repair it and either rent it out or sell it. You need to understand how to determine an after-repair value yourself. You cannot depend on Zillow or a Realtor to tell you the out-sale price. Zillow is doing valuations based on square footage. Internet programs can't tell you if there are unpermitted additions. Zillow doesn't factor in issues like exposures to busy roads that lower your values. What if you look up in the backyard of the property and see power lines? Zillow doesn't tell you that buyers are going to offer you 50k less because you have high tension lines. Lastly, you can't rely on a Realtor to project your after-repair value. They might factor in market projections instead of the current value. The Realtor's goals are not necessarily aligned perfectly with your own. The Realtor stands to earn money whether or not you make money on a deal, so they may not look at all of the downsides of a deal.

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Asset acquisition is where any investment begins, no matter where in the circle of wealth you are participating or starting. In our case, we specialize in distressed asset acquisition. What is a distressed asset? How is it distressed? There are various forms of distress that can be associated with a residential investment asset. The current owner may have financial issues that need resolution, or there could be legal issues associated with transferring the asset. The property can be physically distressed, functionally obsolete, not being used for its highest use, damaged, or environmentally contaminated. These are just a few of the physical distresses that can impact a property. When you are looking at a distressed asset, you have to determine what is impeding its sale and what is driving its lower market value. Do you have the skills or have access to the requisite skills to resolve the distress? If it is beyond your scope of knowledge and the knowledge of your network of professionals, you will want to pass on the deal. The easiest case to work with is a house that needs minor fixing and the Seller needs to sell it fast and be done with it. In these cases, the Seller is likely going to accept a quick transaction that will produce a lower yield than marketing the house through traditional channels. They can get to closing quickly without making a complex issue of their home sale. The key to being successful in these transactions is being able to quickly close while maintaining flexibility with the home seller. Maybe they need to sell the house to resolve their financial issues, but they need to stay in the property for a few months. This is something that you can work out as the new buyer. A deal like this puts you on the fast track to owning an asset in your portfolio.

In our scenario above, you need some kind of investment strategy, once you own the property. Charlie touched on this subject above in his Residential Real Estate Investing Strategies. Do you want to flip this house? Do you want to rent this house? How do you make this determination? If you have some simple criteria for evaluating flip properties and rental assets that will be helpful. You need to lay these out in advance of buying a property, so you don't get caught up in endless decision making once the asset is in your portfolio. Switching between a flip strategy and a buy/hold strategy can cost you money in financing costs and time to market. If we can make 10% of the after-repair value (ARV) on a flip with reasonable certainty – that meets our criteria for a flip. If our acquisition price is 100 times the monthly the rent rate or lower, we will keep a property in portfolio.

Next month we will continue to explore the Circle of Wealth.

December Deals

204 Schooner Way

6322 Mary Todd Ln.

9500 Prince William St.

3732 Patricia Dr. NW

7617 Devries Dr.

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