

## Letter from the Editor

Happy holidays! We hope you and your family have a happy and enjoyable holiday season. This month marks the four-year anniversary of the following investors' initial investment with us: Lesly/Jerry, Rick/Ronnie, Andy/Jody and Seth/Susan. These members have received 48 months of CSF payment checks!

In November, we originated 3 loans for a loan volume of 855K. This was the calm before the December storm: we have already closed 5 loans, and have another twelve in the queue (most likely, at least 6 of those loans will close this month.) It looks like it is time to expand our banking relationships – keep reading for more information!

## CHUCKLE'S CORNER

"A nickel ain't worth a dime anymore." – *Yogi Berra*

### In This Issue:

- + Letter from the Editor
- + 6 Daily Habits of Real Estate Investors Who Seek Financial Freedom
- + Flipping Houses in Changing Neighborhoods
- + Deal of the Month
- + Food for Thought



## 6 Daily Habits of Real Estate Investors Who Seek Financial Freedom

### **1. Decide and conquer.**

Focus, focus, focus. You, the person reading this, are a gifted person with many talents. However, you still have a limit as to how many things you can do successfully at one time. Real estate investing is no different. Choosing a real estate specialty to focus on and dominate in your desired market will allow you to put your energy and daily action towards helping one group of sellers. Be loud and proud. Make sure to network with other real estate investors to find out what they do, and inform them of the properties you are looking for. You can always partner or wholesale unwanted leads you get to investors with other areas of real estate expertise.

### **2. Make incremental improvements.**

Aim to not make the same mistake more than one time. At the end of each week, write down all the successes and failures of the week. Mentally walk through each day with an open mind to objectively point out what actions have produced results or continue to waste time and money. Always be reading and continuing to educate yourself. Consider joining or forming a REI (Real Estate Investment) club with other like-minded real estate investors and entrepreneurs. There are many REICs in our area.

### **3. Keep your eyes on the prize.**

It is too easy to let hours pass by without being productive. These hours turn into days, which turn into weeks and longer. The real world oftentimes has a habit of distracting us from our long-term financial goals and ambitions. For this reason, a prudent investor may write down and hang up a list of weekly/daily must-do's. Hang this physical reminder around your home and office to help keep you on track. Motivate (or guilt) yourself into consistently producing results. Post reminders, quotes, and pictures of goals and achievements you wish to attain through your real estate investing all around your home, office, and car—a dream board everywhere you go. However, also make sure to include the custom list of action tasks to perform daily to help grow and maintain your investing business.

### **4. Consistently advertise.**

When does the advertising stop? With enough time and data collected, an investor will begin to see which advertising methods work better than others. You'll be able to work out how many dollars spent on advertising equal what specific profit from real estate deals closed as a result of that advertising. For many investors, advertising and marketing is a consistent and ongoing necessity of the business.

### **5. Be a sponge.**

Consider joining a local real estate investment club. Still, hold onto your wallet closely, as some real estate clubs are more about selling you programs as opposed to providing quality content. Additionally, listen to podcasts that interest you and thoroughly look through this website to learn more and ask more questions. Aim to ask a minimum number of real estate-related questions daily. Asking questions and gaining answers from knowledgeable folks in the business is a great way to network and grow your knowledge.

### **6. Take daily action.**

Nothing happens without action. As explained above, aim to have daily clarity on your daily must-do list. This list may include calling and seeing sellers, buyers, owners, advertisers, real estate agents, brokers, clients, etc. These calls, appointments, offers, follow-ups, etc. all need to happen within your already busy day. Plan when to take action daily and aim to not burn yourself out with too much work. Always remember why you began your real estate investing career in the first place. It was most likely to be able to spend more quality time doing things you love and enjoy. This may include spending time with your family and friends. Real estate investing is absolutely a journey and rarely a destination. Always aim to love and appreciate your family and friends daily along your way towards financial freedom.

## Flipping Houses in Changing Neighborhoods

The phenomenon taking place in Southeast D.C. is also taking place in Compton, Los Angeles. It's change: big changes that are starting small.

Ten years ago, these neighborhoods were shunned by home buyers looking for opportunities. At that time, crime rates were high and property values were stagnant. When trying to flip homes in these distressed areas, there were many challenges, including: theft and damage to vacant properties, slow police responsiveness, buyer biases against homes in the area, unwelcoming neighbors, squatters, appraisers who wouldn't search out comps and make adjustments, and the more frequent use of complex specialty loan programs by buyers. So, what makes these areas attractive for flipping?

Buyers are seeking properties with more land at lower prices due to affordability issues. Many buyers are riding mass transit to work, and their main focus is access to the transit and the quality of the product they are buying. Prices have gone up enough to motivate sellers to unload dilapidated properties, and margins are high enough for flippers/investors to seek out opportunities. The D.C. government has approved major development projects that have 5-10 year time horizons in some of the most troubled neighborhoods. For example, the entire St. Elizabeth's complex is under redevelopment, and the Anacostia Park Bridge project is another one of many major infrastructure projects that will drive long-term change.

Here are some examples of value changes on properties that we recently renovated. Below is a chart showing the year a property transferred ownership and the price at which it transferred.

Congress Heights = 427% increase in value from prior owner acquisition

- 2001 \$92,437
- 2016 \$210,100
- 2017 \$395,000

Hill Crest = 258% increase in value from prior owner acquisition

- 2005 \$155,000
- 2017 \$190,000
- 2017 \$399,900

Congress Heights 386% = increase in value from prior owner acquisition

- 1993 \$82,847
- 2017 \$149,000
- 2017 \$320,000

The key to participating in these opportunities is to make sure that your profit margin will cover any unforeseen events. You need to buy assets at 50% of their future resale value so you can cover risk of loss, permitting delays, and the general risks associated with renovating a property that was built more than 100 years ago with only basic improvements since that time. All of these risks need to be viewed objectively as a cost of doing business in order to obtain good returns. If you personalize them or form judgements about these neighborhoods without looking at the numbers, there is the potential to miss out on a lot of opportunities.

## DEAL OF THE MONTH

The deal of the month revolves around a multiple asset collateralized loan. What is such a loan? It is a situation in which one loan is done, but many assets are brought in to protect the loan. In our case, we did a loan collateralized by 4 assets. This was our first loan of this nature. One of our repeat borrowers needed funding to complete the renovation of several projects, and she did not have enough equity in any one asset to do the loan. So, we pooled 4 assets together as collateral to make one loan. We have a payback schedule for the loan as to when we will release the assets. Next month, we may have our first-ever transactional loan (a loan that is paid back in a day or less) – we’ll keep you posted!

## FOOD FOR THOUGHT

November was a monumental month for the Clear Sky family. We completed an audit of our 2016 finances by public accounting firm Cherry Bekaert. Thanks to our team at Cherry Bekaert for finishing this complex task. Also, thank you to Sam, Karen and Mary for supporting this undertaking. This project is significant because it gives the banks that we deal with an extra layer of comfort in knowing that a reputable accounting firm is keeping a close eye on our finances. It also demonstrates that we have the correct accounting/financial processes in place. We are a small company, and we maintain this level of financial competence because of our focus on excellence.

## NOVEMBER DEALS



1272 Oates St. NE



7637 Barlowe Rd.



1629 Greenbriar Dr.

