

Letter from the Editor

August was a great month for loan originations. We did seven loans, and our call volume has picked up dramatically. All seven loans were First Trusts. Three loans were in Virginia, three were in Maryland, and one was in North Carolina. September will be the same volume as August - we will do about seven to eight loans.

CHUCKLE'S CORNER

"The successful warrior is the average man, with laser-like focus." – Bruce Lee

Food for Thought

We recently presented at a local REIA meetup on "How to Find Distressed Assets". This is the same topic we spoke about at the Think Realty conference in Baltimore. As Clear Sky Financial/Clear Sky Properties become more mature, we are getting additional requests for speaking engagements, and our presentations are popular within the investor community. Below is a list of the presentations that we have given to date:

- How to Find Distressed Assets
- X's and O's of Hard Money
- How to Find the \$\$\$'s
- The Perfect Residential Investment Business Model (We have yet to give this one)

We were also recently featured on a national podcast for Think Realty, which is accessible at <https://thinkrealty.com/podcast/>. You can stay abreast of all of our upcoming events and happenings by asking to be added to our weekly email distribution list.

In This Issue:

- + Letter from the Editor
- + Food for Thought
- + Six Action Steps For When New Real Estate Investors Feel Lost, Part I
- + Seeking Opportunities in a Changing Market
- + Deal of the Month
- August Deals



Six Action Steps For When New Real Estate Investors Feel Lost, Part I

If you are a new real estate investor, and are feeling at a loss as to what to do next, don't worry. We have all been there! Following the advice below is a step that you can take towards real progress in your real estate investing career. Implementing the below advice on self-assessments, staying focused, and finding a mentor, as well as the advice in Part II of this article (which will be featured next month), has helped us get to where we are today.

Do a Self-Assessment

When you are feeling a little lost, one of the best things you can do is look at yourself. Pause and consider what you like, what you're good at, and what you can see yourself doing in the long-term. Also examine what you do not like and what you might not be so good at. Some investors are really great at analyzing the numbers and really making them work. Others excel at marketing and branding. Some are great at negotiating and striking great deals. When you can identify your strengths, weaknesses, and desires, you'll better know what you actually want to be doing in real estate investment, and where you may need a partner.

Stay Focused

Do you want to be a rehabber, wholesaler, buy/hold investor, multifamily investor, commercial investor or even a hard money lender? Once you determine your path(s), you can create a plan and a niche market. Creating your niche is the most important thing that you will do as a real estate investor. You can do this by networking through your local Real Estate Investment Association. Once you have met a few new people, meet the ones you feel most connected to for lunch or coffee. It takes a while to build lasting relationships, and this is a good start!

Find a Mentor

When you are just starting out as a new investor, learning all that you need to know about real estate investment can be overwhelming, daunting, and even expensive! Instead of spending a ton of money on seminars or courses, why not find a mentor? You might think this is easier said than done, but once you begin networking, going to a few trainings or meet-ups, and proactively seeking one out, it is more likely that you'll connect with potential mentors.

Please stay tuned next month for Part II of this article, which will focus on finding partners, setting short term goals, and seeking knowledge from reputable sources.

Seeking Opportunities in a Changing Market

We are surveying the economic terrain ahead. It is certain that the frothy market conditions in real estate won't last forever. We have been thinking about this for over a year. As a first measure, we increased our focus on our own risk mitigation. We have deployed processes for identifying borrowers that are getting themselves in trouble and have become aggressive in closing out their loans. Beyond that, we have decreased the amount of leverage we offer to borrowers, so they have more "skin in the game" on each project. Having put our house in order for new market conditions, we have started looking for opportunities that are going to become available when the market actually turns.

So, what do we see as we survey the marketplace? Most recently, one of our competitors foreclosed on 15 condo development projects in D.C. within a week. What has become obvious is that the thin margins associated with condo development in D.C. are going to put those developers at risk. Our experience in the development process puts us in a good position to evaluate these and other unfinished projects as they become available. Small condo development projects are likely to be the first projects adversely hit by market changes. Material costs are high, the permitting process is extremely challenging, and there are very few architects/engineers/builders that are capable of timely execution. We continue to build relationships with development professionals in all of the local jurisdictions so they can quickly "jump on" our projects as they come up.

We are tracking our competition to see how they are responding to changing market conditions. We don't know of any competitor with the depth of experience that we have in property redevelopment. Having completed more than three hundred flips ourselves, we know the ins and outs of renovations. This puts us in a great position to pick up distressed properties, notes, and even entire portfolios of houses or loans. The way we look at it, there are no bad properties, just bad prices. We are taking time to meet with our competition and discuss our interest in buying non-performing notes and troubled projects.

When we talk to other lenders about taking over their troubled assets, the first response we get is how great it is for them to find an outlet for their distressed assets. Because our goal is to buy these assets at extreme discounts, our next step is to educate the noteholder about the value of the asset and the expenses required to stabilize it. That means we need to identify all of the costs that they would incur to clean up their assets. This educational process takes some time because most lenders have a difficult time accepting that in order to maximize the value of a liquidated asset, they are going to have to be completely vested in the process. Even a simple foreclosure requires either in-house counsel or daily follow up with outside counsel. Because of the complexity of taking a property back and completing a project, a lot of lenders will delay the foreclosure process. By educating these lenders about the asset recovery process and building relationships now, we think that we will be the first in line to purchase their distressed assets at a discount in the future. At present we are talking with three lenders about these opportunities in the DC/MD/VA area.

So, what will we need when there are changes in the market? We will need access to capital, credit, and labor. The capital side requires discipline to increase cash available on our balance sheet. Beyond that, making sure that all of our credit facilities are refreshed and ready for use is critical. As discussed earlier, we are continuing to build on our relationships with people in the development community. We look forward to finding new niches where we can add value when faced with changes in the market.

Deal of the Month

The September deal of the month centered around a loan on 6805 Farragut Avenue in Falls Church, VA. It was a loan to one of our previous borrowers, and we closed this loan in under 18 hours total from the time of the loan request to the close. The loan was a First Trust for \$490,000 on an asset worth \$750,000. The reason we were able to close so fast was that the title company had the title binder ready, and we have a very efficient internal team.

August Deals



1405 Queen St.



4132 Granby Rd.



6121 Quinn Rd.



8605 Mimosa Ave.



21453 S Essex Dr.



6805 Farragut Ave.