



# Real Estate Investing in the Next Boomtown: Austin, TX



The secrets to buying &  
financing your next  
investment home

# Session One

- Dreams
- Goals
- Plans
- Reality
- Service
- Expertise
- Integrity
- Referral

**TRUST**

# Why Real Estate?

- Over 85% of the nations wealthy made theirs through Real Estate
- Leverage, Appreciation, Depreciation (paper tax write-offs)
- Business Write-Offs
- Advantages of Mortgage Financing
  1. Relatively easy to obtain
  2. Rates can be fixed for a term
  3. Adjustable, payments can decrease

# Why Real Estate?

- Someone else helps make payments (tenant) as balance is paid off
- Eventually will be free & clear
- Tends to follow historical trends

# Why Austin Real Estate?

- Undervalued
- Highly rated place to be
- High quality of life
- Affordable

# Why Kenn Renner?

- Born & Raised in California:

*"I know California"*

- 23 Years in Real Estate

- Moved to Austin in 1993 to be a bigger fish:

*"I know Austin"*

- Now one of the Top Brokers in Austin, TX with over \$26 Million in home sales in '05 & over \$30 million in '06

# Why Kenn Renner?

- Excellent reputation with builders, investors and home buyers & sellers
- Good Ol' Boy – Insider relationships
- Excellent reputation with builders, investors and home buyers & sellers
- I work for you – Representation
- I work with investors – Have a system
- I invest in the product I sell

# Business of being a Real Estate Investor

- Enjoy leverage and appreciation
- Avoid Taxes through a stepped-up basis
- Business Write-offs
- Good Potential for Financial Freedom
- Great Business for Young Adults

# Tax Strategies with Real Estate

- 1031 Tax Deferred Exchanges
- Must follow the rules – IRS.Gov
- Delayed Exchange:
  - Accommodator
  - 45 days to name, 180 days to close
  - Must check w/CPA, RE: Basis
- Stepped up Basis

# Tax Strategies with Real Estate

- Depreciation – Passive paper write-offs
- Limited by Income / Carry over next year
- Unlimited as a Real Estate Pro
- IRS – Real Estate Pro: 750 Real Estate hrs annually & 50% of business activities
- Either spouse can be a Pro

# The Go Zone!

- Gulf Opportunity Act
- Certain Countys of LA,MS & AL
- 50% Bonus Depreciation the first year
- Straight line depreciation after that
- Property must be new construction
- Buyer and property must qualify for bonus depreciation

# Tax Strategies with Real Estate

- 2 out of the past five year Exemption
- Turning investment property into primary residence
- \$250K/\$500K Exemption
- Buy your Retirement home now – Move in Later
- Eliminate capital gains buy becoming a Real Estate Gypsy

# Current Market Conditions and Statistics for Austin, Texas 2007

- 17th Largest city in the Nation
- Population in the Austin area – 1.2 Million
- Clean city, clean air, pristine lakes & parks
- Highland Lakes System, Lake Travis, Town Lake, Lake Austin

# Current Market Conditions and Statistics for Austin, Texas 2007

- Great culture, friendly & more laid back.
- Low crime
- Low unemployment
- Great educational system
- Live music capitol of the World.
- The third coast

# Home Of:

- The Capitol of Texas\*
- The University of Texas - The largest University in the U.S.\*
- New International Airport (old airport turned into movie studios & future residential development)

# Home Of:

- Major employers include: \*

State of Texas, Federal Government, UT, Dell, IBM, Samsung, Freescale (Motorola), AMD, GSD&M, State Farm, National Instruments, Applied Materials







# Reasons why Austin has experienced such success

- Lifestyle
- Education
- Recreation
- Environment
- Relatively inexpensive (for now)
- Weather: Hot in Summer, 9 months like CA

# New exciting infrastructure:

- State Highway 45
- State Highway 130
- State Highway 183A
- \$ 3 billion in toll roads to be completed by '07\*
- Round Rock outlet mall
- La Frontera
- Lakeline
- Tech Ridge
- Hospitals & colleges



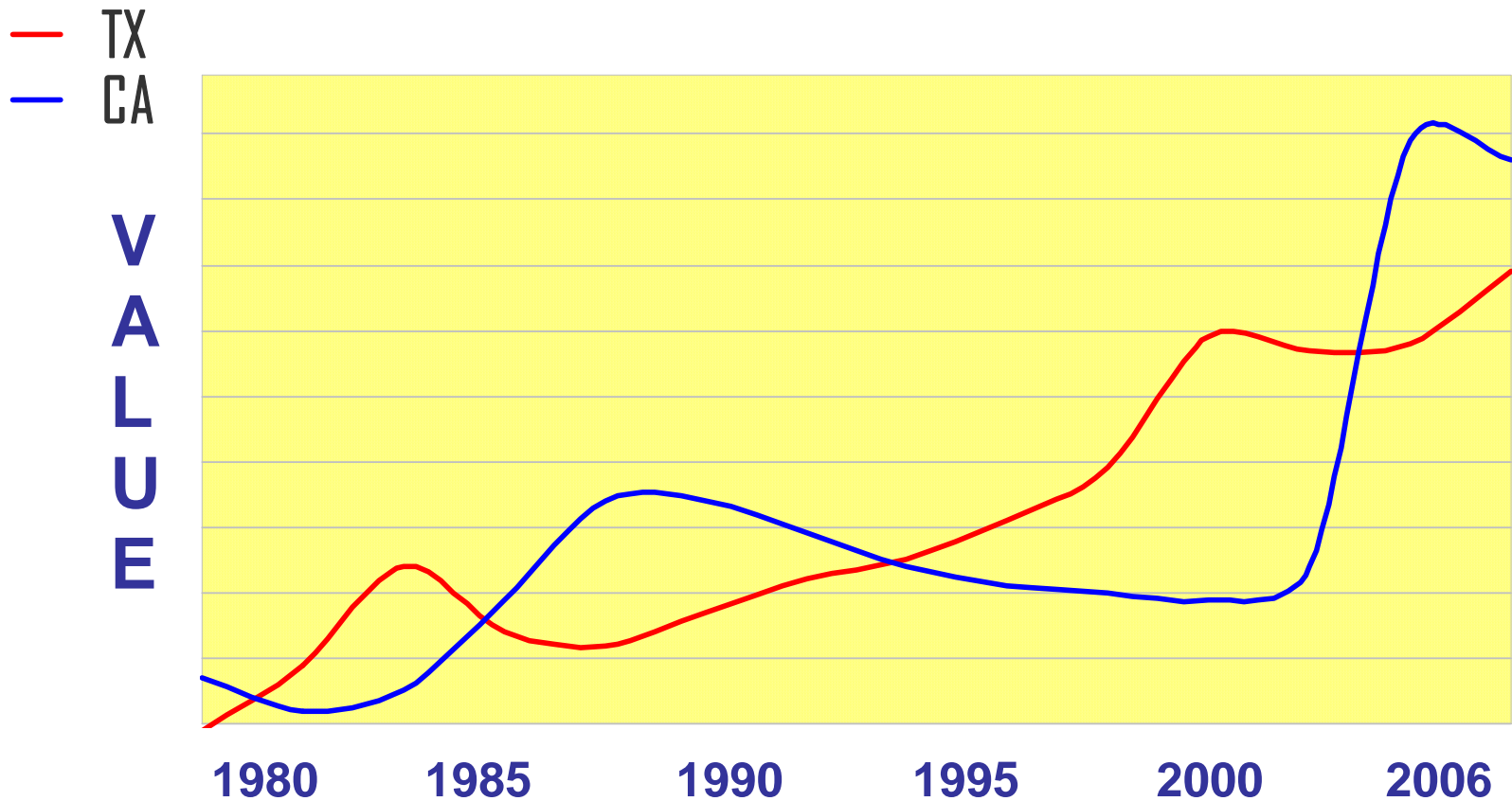
# Other Statistics

- Median home price: 179,000
- Average home size: 1500-2000 sq foot
- Average days on the Market – 62
- Number of homes on the Market – 7,800
- Population expected to more than double to 2.5 Million by 2020

# Other Statistics

- Contrary real estate cycle from the Coasts!
- Real estate investors are making their move to Texas!
- Lowest Interest Rates in 40 Years – Just over 6% A.P.R.
- Home rental market is stabilizing although rents down from 2000 levels
- Occupancy rates range from 90-95%

# CA / TX: Counter Cycles



# Identifying Target Real Estate Markets

- Become a studier of real estate markets
- Become a studier of real estate experts
  - Rarely follow crowd
  - Ahead of crowd
  - Lead dog
  - Have fun
  - Learning curve

# Identifying Target Real Estate Markets

- Become a studier of real estate trends and cycles
- “Find out where people are moving and buy land.” (Roy Rogers)
- Job growth? Infrastructure? Nice place to live? A Future?

# Target Market

- New homes in popular areas\*
- Distressed resale homes\*
- Model sale lease-back\*
- Pre-leased homes – turn key investments

# Target Market

- Target subdivisions prior to opening to the public
- Kenn's tying up the inventory: 10% rule
- Legal real estate insider info...  
*Relationships: A good ol'boy*
- Best time to buy is at the beginning & at the end of subdivision build-out

# Target Market

- Kenn's Inventory: Leased, managed,  
*& ready to go!*
- High income areas, golf course communities, PUD's, Close-in stable areas, yuppie & family areas, amenity rich locations\*















# Your Pro Team

- CPA
- Financial Planner
- Lawyer
- Real Estate Broker
- Lender
- Property Manager
- Leasing Agent
- Asset protection company

Kenn Renner is a licensed real estate broker and offers real estate guidance. **Kenn Renner is not an attorney or an accountant and does not give legal or tax advice.** Please seek your attorney's and accountants advise when dealing with legal or tax issues

# Refer Management

- Hand picked preferred management
- Pre-leasing, management, daily operations
- Leasing fees 60-80% of 1st months rent
- Management 5% - 8% of gross rents per month
- Self Manage ? – Not Recommended

# Renner Realty's Role:

- Buyer's Broker –
- Seeking long term relationships & referrals
- Search for and find property - cherry pick
- Tie-up, negotiate, acquire, guide, close
- Act as eyes & ears
- Attend walk - through

# Referrals

## Exit Strategy

**Will Help Sell the Property in the  
Future**

# Residential Opportunities in Austin, Texas

## *TX Investor Plan of Action*

*Steps to become a Texas real estate investor  
with assistance from Renner Realty, Inc:*

- Decide
- Contact Kenn Renner, Broker - Renner Realty, Inc.
- Discuss plans & strategies
- Sign buyer's agency agreement with Renner Realty, Inc.
- Make application with lender

# Residential Opportunities in Austin, Texas

## *TX Investor Plan of Action*

- Make plans to visit Texas for a tour (optional)
- Renner Realty, Inc. will...
  - Locate target properties
  - Email photos, or floor plans & specs
  - Negotiate the contract between buyer & seller
  - Facilitate transaction

# Sample Pro-Forma

## Example: \$130,000 Purchase Price

■ Down Payment:	\$ 26,000
■ Closing Costs/PrePays:	<u>\$ 2,900</u>
■ Cash to Close:	\$ 28,900
■ Loan Amount:	\$104,000
■ Interest only @ 6.25%:	\$ 541
■ Taxes @ 2.7%:	\$ 293
■ Insurance:	<u>\$ 60</u>
■ Total Payment:	\$ 894
■ Management @ 6%:	<u>\$ 66</u>
■ Payment + Mngmt:	\$ 960
■ @10%down (\$1,004)	
■ Rent Range:	\$995-\$1,100

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# Sample Pro-Forma

## Example: \$150,000 Purchase Price

■ Down Payment:	\$ 30,000
■ Closing Costs/PrePays:	<u>\$ 3,300</u>
■ Cash to Close:	\$ 33,300
■ Loan Amount:	\$120,000
■ Interest only @ 6.25%:	\$ 625
■ Taxes @ 2.7%:	\$ 343
■ Insurance:	<u>\$ 60</u>
■ Total Payment:	\$ 1028
■ Management @ 6%:	<u>\$ 70</u>
■ Payment + Mngmt:	\$ 1,098
■ @10%down (\$1,147)	
■ Rent Range:	\$1,150-\$1,250

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# Sample Pro-Forma

## Example: \$175,000 Purchase Price

■ Down Payment:	\$ 35,000
■ Closing Costs/PrePays:	<u>\$ 3,800</u>
■ Cash to Close:	\$ 38,800
■ Loan Amount:	\$140,000
■ Interest only @ 6.25%:	\$ 729
■ Taxes @ 2.7%:	\$ 401
■ Insurance:	<u>\$ 60</u>
■ Total Payment:	\$ 1,190
■ Management @ 6%:	<u>\$ 86</u>
■ Payment + Mngmt:	\$ 1,276
■ 10% down (\$1,326)	
■ Rent Range:	\$1,295-1,395

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# Sample Pro-Forma

## Example: \$200,000 Purchase Price

■ Down Payment:	\$ 40,000
■ Closing Costs/PrePays:	<u>\$ 4,000</u>
■ Cash to Close:	\$ 44,000
■ Loan Amount:	\$160,000
■ Interest only @ 6.25%:	\$ 833
■ Taxes @ 2.7%:	\$ 401
■ Insurance:	<u>\$ 60</u>
■ Total Payment:	\$ 1,294
■ Management @ 6%:	<u>\$ 88</u>
■ Payment + Mngmt:	\$ 1,382
■ 10% down (\$1,326)	
■ Rent Range:	\$1,395-1,475

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**1608 Hueco Mountain**  
**\$123,900**



15201 Hyson Crossing  
\$128,900



**107 Paige Bend**  
**\$132,900**

**1513 Merchants Tale**  
**\$176,900**





**432 Falcon Lane**  
**\$176,900**

14305 Mowsbury Drive  
\$197,900





**1616 Musket Valley**  
**\$199,000**

10921 Dodge Cattle

\$216,000





**104 Flying Jib**  
**\$219,000**



1912 Paradise Ridge  
\$257,900

11512 Dodge Cattle  
\$305,000





1818 Creek Ridge  
\$324,900

# The Go Zone!

- 7 Brand New Qualifying Go Zone Homes
- 3 & 4 Bedroom, 1562 to 1717 Sq Ft.
- Gulfport/Biloxi – High Rent – 1325-1500
- High Appreciation 23% in '06  
OFHEO.GOV
- 50% Bonus Depreciation the first year
- Kenn Renner Has Exclusive with National  
Builder – Call 512-423-5626

























**Kenn Renner**  
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**BuyAustin.Com**  
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