

Secrets to Real Estate Investment

Kenn Renner
BuyAustin.com

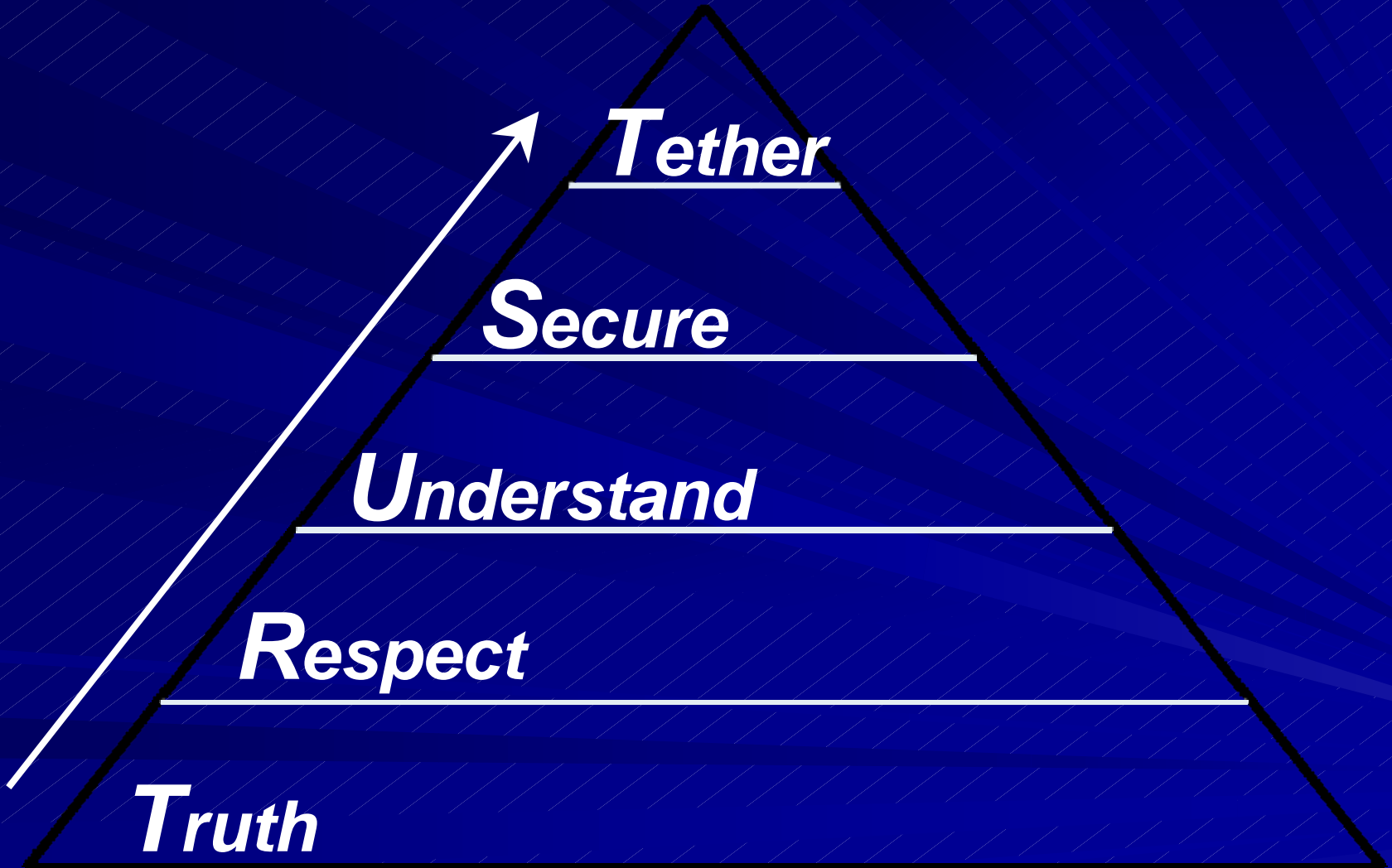
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SESSION ONE

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

TRUST

TRUST

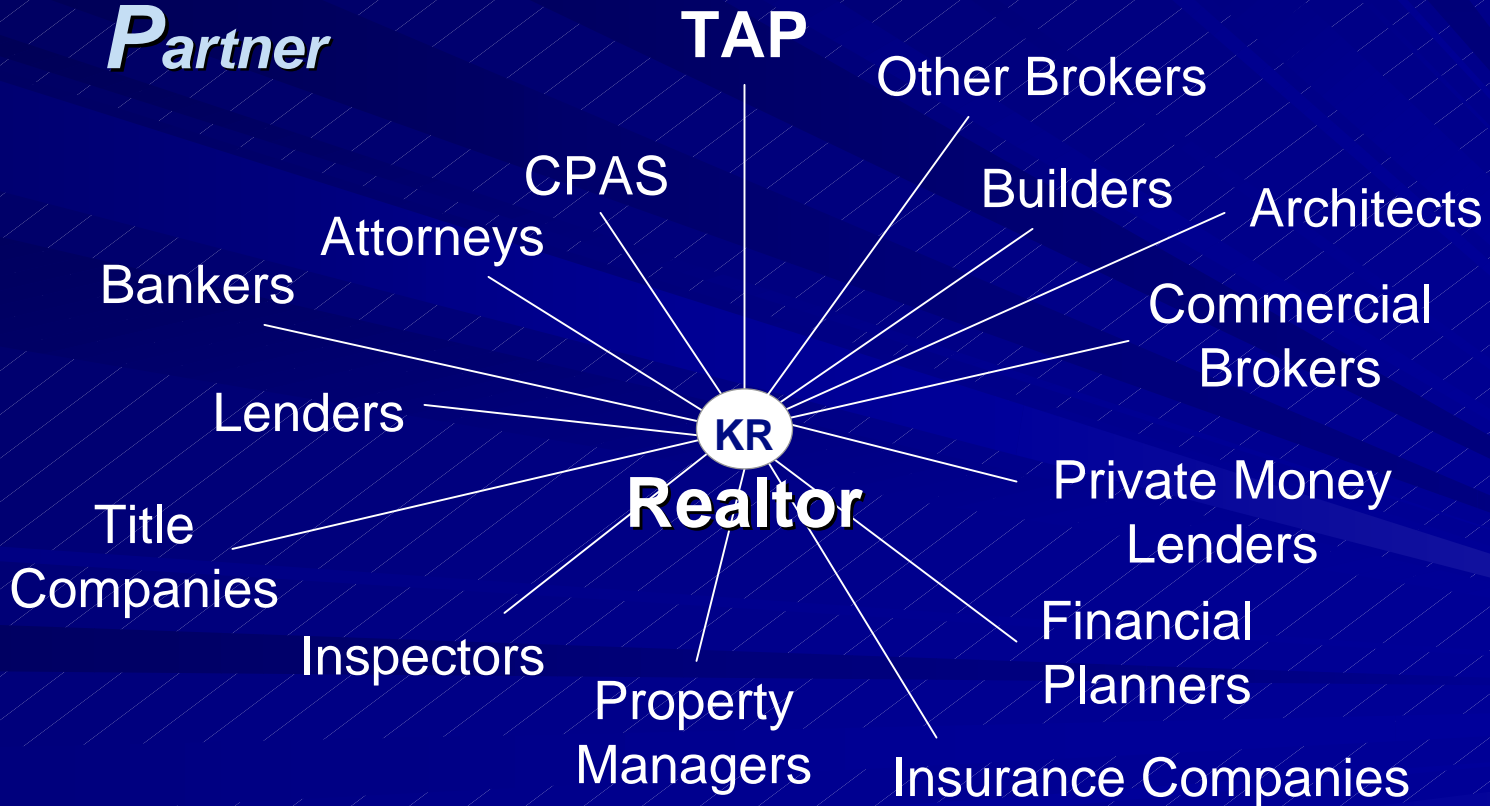


RELATIONSHIP REFERRAL NETWORK

Trusted

Adviser

Partner



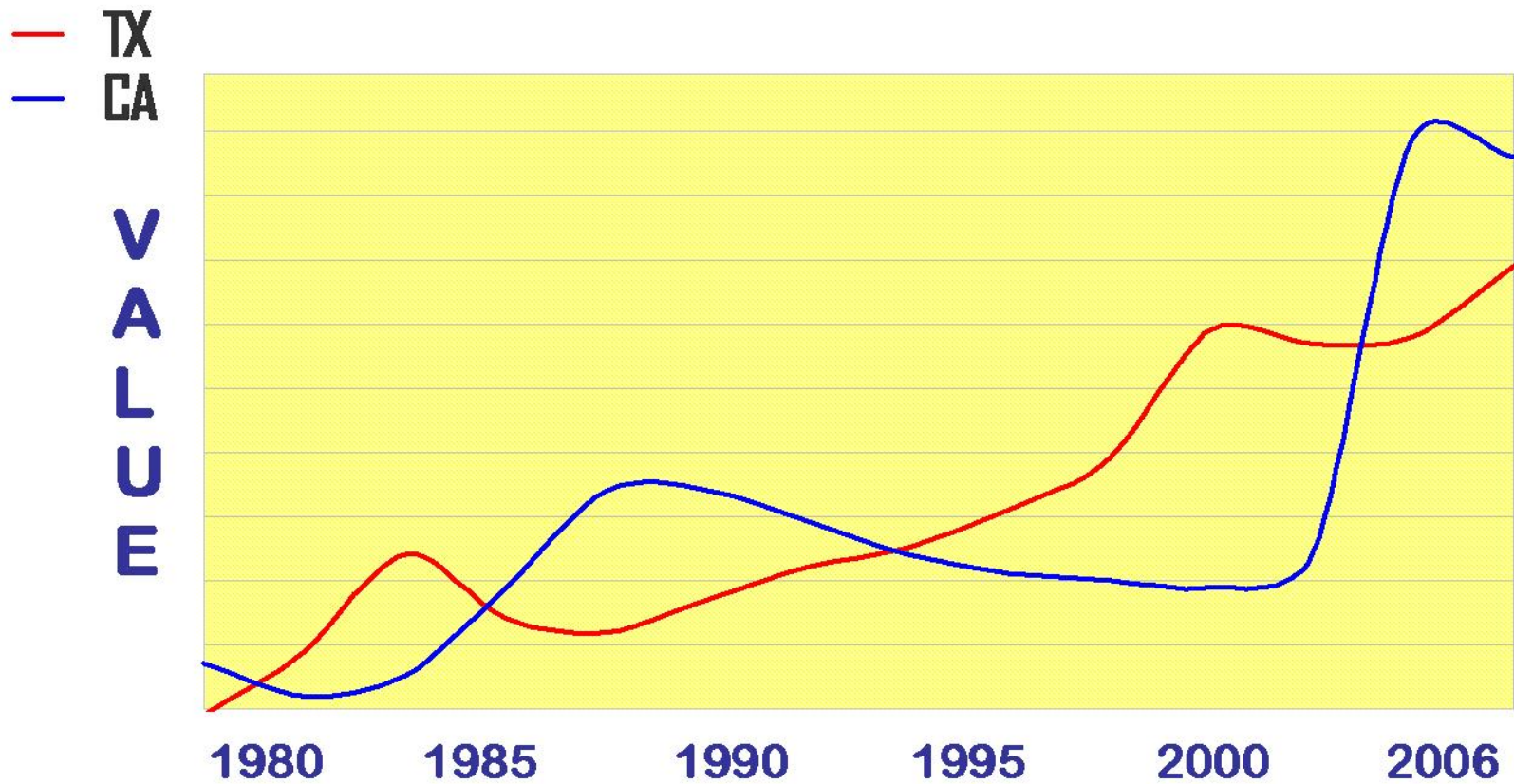
WHY REAL ESTATE?

- Over 85% of the nations wealthy made theirs through Real Estate
- Leverage, Appreciation, Depreciation
- 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

COUNTER-CYCLE TO THE COASTS



WHY AUSTIN REAL ESTATE?

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

WHY KENN RENNER?

- Excellent reputation with builders, investors and home buyers & sellers
- Good Ol' Boy – Insider relationships
- I work for you – Representation
- I work with investors – Have a system
- I invest in the product I sell
- Over \$175 Million Closed Transactions since 1983

BUSINESS OF BEING A REAL ESTATE INVESTOR

- Beat the Bubble
- Hold property, sell, or cash-out equity
- Real Estate money tree
- Enjoy tax benefits of depreciation
- Defer taxes through exchanging

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
- Turn your primary residence into a rental

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 hours annually & 50% of business activities
- Either spouse can be a Pro

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

- Two 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 by becoming a Real Estate Gypsy

AUSTIN STATISTICS & MARKET CONDITIONS

- 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

AUSTIN STATISTICS & MARKET CONDITIONS

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

REASONS FOR AUSTIN'S SUCCESS

- Entrepreneurship
- Venture Capital
- Third Coast
- Room to grow
- Plenty of Power
- Few Natural
Disaster Potentials
- Property Tax Reform

NEW EXCITING INFRASTRUCTURE

- State Highway 45
- State Highway 130
- State Highway 183A
- \$3 billion in toll roads
- Commuter rail
- Round Rock outlet mall
- La Frontera
- Lakeline
- Tech Ridge
- Hospitals & colleges
- Condo Boom

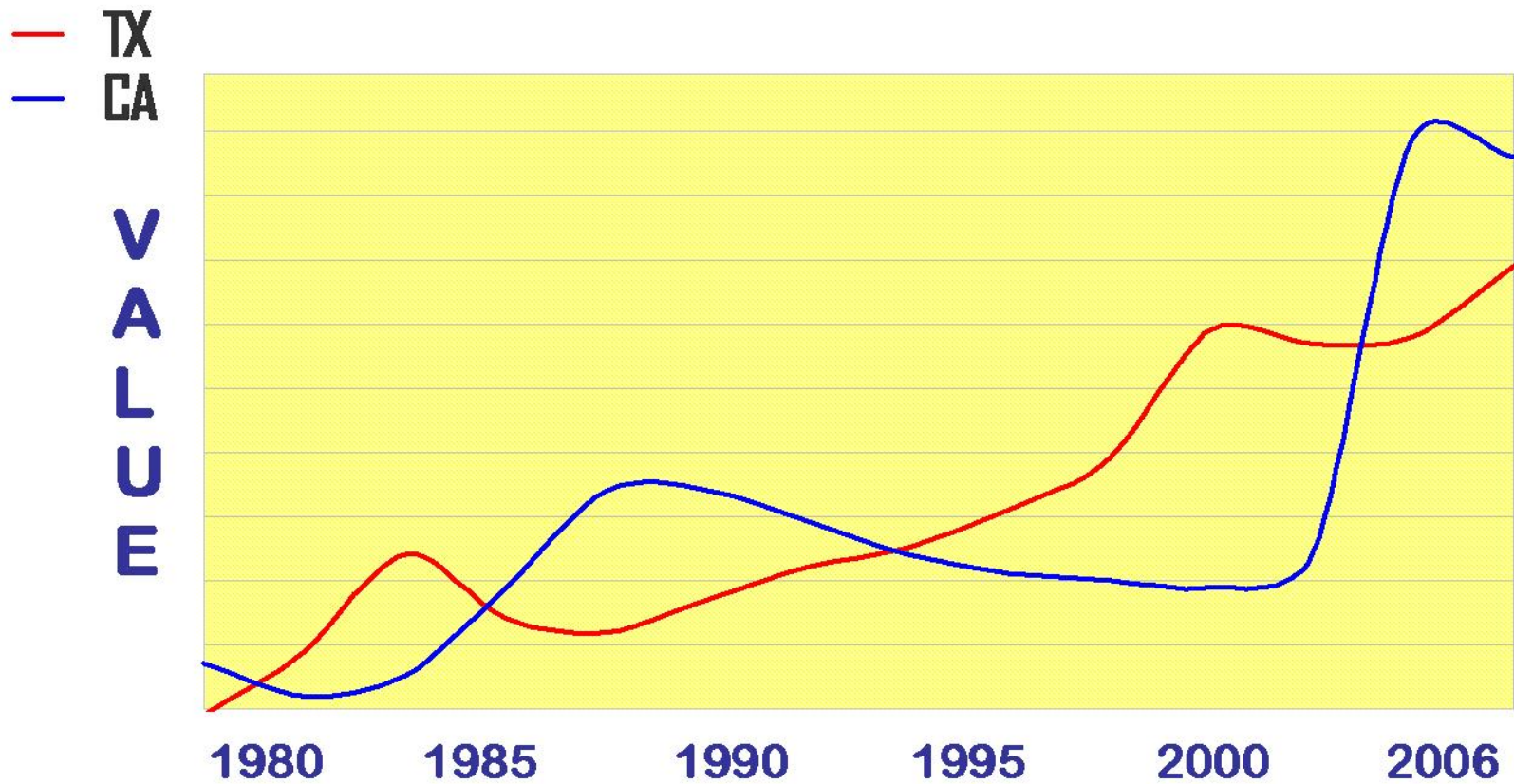
AUSTIN STATISTICS

- Median home price: 190,000
- Average home size: 1500-2000 sq foot
- Average days on the Market – 62
- Number of homes on the Market – 8,500
- Population expected to more than double to 2.5 million by 2020

AUSTIN'S CYCLES

- Boom & Bust of the 1980's
- Boom of Late 1990s to 2000
- Soft Bust of 2001-2003
- Recovery Cycle 2004-2005
- Currently experiencing Real Estate Boom
of 2006 / 2007

COUNTER-CYCLE TO THE COASTS



OTHER STATISTICS

- Contrary real estate cycle from the coasts!
- 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 93-97%

IDENTIFYING TARGET REAL ESTATE MARKETS

- Become a student of real estate markets
- Become a student 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?

PROPERTY MANAGEMENT

- Hand-picked, preferred management
- Pre-leasing, management, daily operations
- Leasing fees 60-80% of 1st month's rent
- Management 5-8% of gross rents per month
- Self Manage?

YOUR PRO TEAM

- CPA
- Financial Planner
- Lawyer
- Real Estate Broker
- Insurance Company
- Lender
- Property Management
- Leasing Agent
- Asset protection company

REALITIES OF TODAY'S MARKET

- The Sky is not falling - *at least not in Austin!*
- Low Rates - my guesstimate, lower rates
- Relatively Easy Qualifying - though not as easy as last year
- Strong Affordability Factor

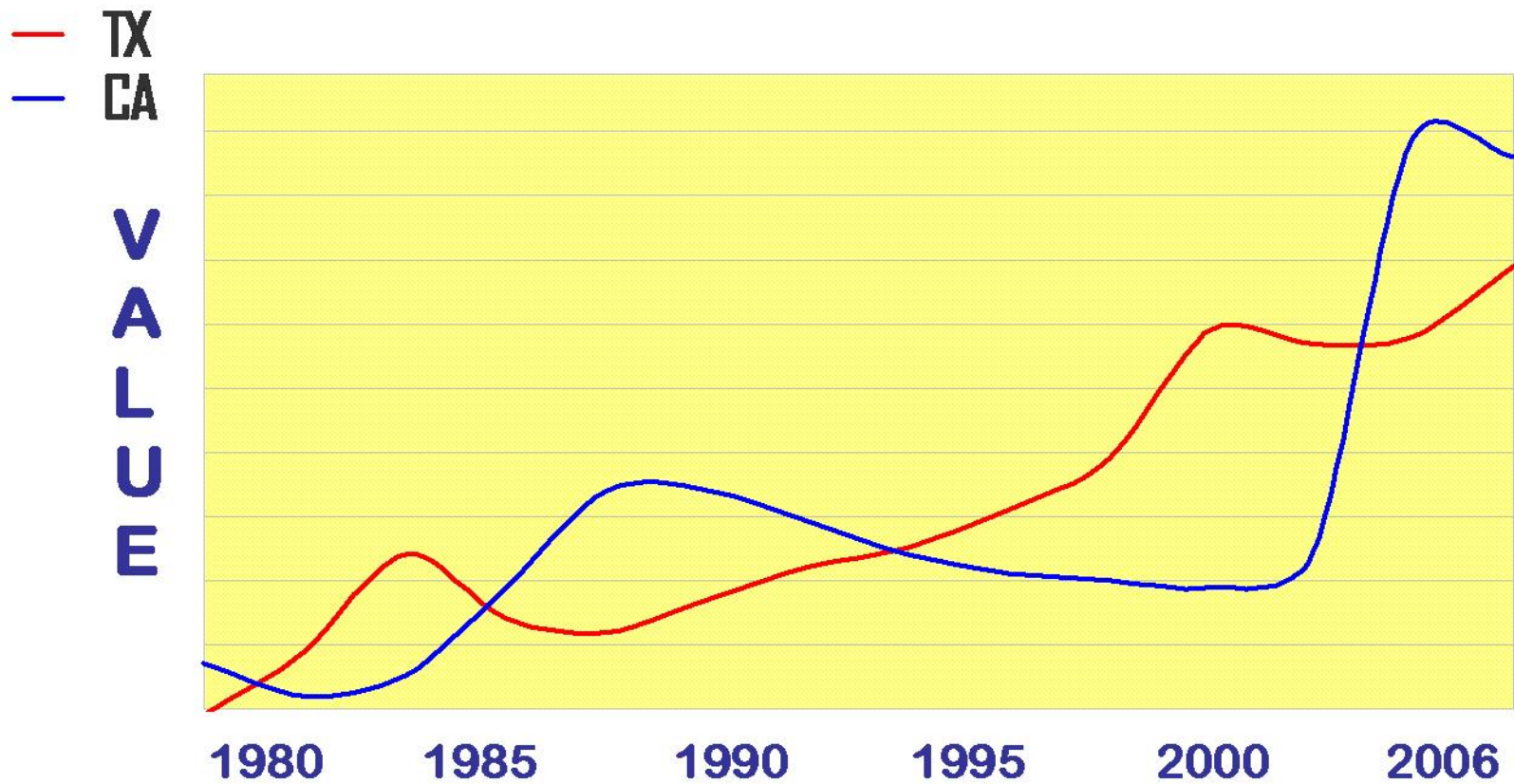
STRONG JOB GROWTH

- Immigration - *Look at the license plates*
- Inventory Dropping
- Rental Market Strong
- Retail is **BOOMING**

APPRECIATION IN AUSTIN

- Solid Appreciation
- www.OFHED.org 10.76% citywide appreciation -
11th highest appreciation in the nation from
June 2006 to June 2007
- Over building a factor? Not really
- What about that high-rise condo market?
- Where is the glut, where is the scarcity?

COUNTER-CYCLE TO THE COASTS



MORTGAGE OVERVIEW

- In a perfect lending world...
- In a messed up lending world...
- Over the past three years, 1 in 6 loans were a sub-prime loan
- 28 Billion Re-Adjusting Loans are coming up in the next six months

MORTGAGE - WHATS NEXT

- Zero Down & negative amortizing loans are taking their toll
- Especially borrowers with marginal credit
- Will it get worse before it gets better?
- Short Sales and Pre-Foreclosures
- There must be opportunities... The silver lining, rentals?

MORTGAGE

- Which loan is right for me? *Depends*
- How long do you plan to keep this loan?
- Should I pay “points” or not? What is the benefit?
- How can I use my mortgage as a financial instrument?
- Should I pay down the principle or let it amortize?
Extra payments?

MORTGAGE - WHAT ABOUT...

- What about the interest-only loan? *Payment drops - cool!*
- What about equity lines of credit?
- Should I pay off consumer debt with my loan?
- How do construction loans work? One-time closes
- How do issues in the mortgage market affect each of the stages in the real estate life cycle?

FIRST TIME HOME BUYERS

- Those who will be affected the most are zero down and/or marginal credit borrowers
- There still is 100% financing, just with much stricter criteria
- FHA is, and always will be, a BIG player
- In Austin, prices are going up & rates are going down... No better time to jump into a first home!

INVESTORS

- Rental property buyers are seeing stricter qualifications
- No More 100% Financing
- State income and stated assets require more down
- Some investment property owners need to sell or are panicking -- creating an opportunity!

INVESTORS

- Still a strong rental market with some would-be home buyers now forced to rent
- Lower tax rates are making for better cash flow
- Austin is still “flight to quality”

PRIVATE MONEY TRUST DEED LENDING

- Investors are now becoming the bank
- Especially on rehab homes or guaranteed buy-outs
- Up to 12% APY on short-term loans for private money investors

Listen to 1370am

Saturday, Oct. 13th, from 1-3pm

Streaming live on Talk1370.com

Real Estate Radio

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Secrets to Real Estate Investment

Thursday, October 11th at 6:30pm

Amplify Credit Union

Can I speak at one of your functions?

Topics include...

- Real Estate Finance
- Real Estate Investment
- First Time Home Buying
- Purpose, Goals & Priorities