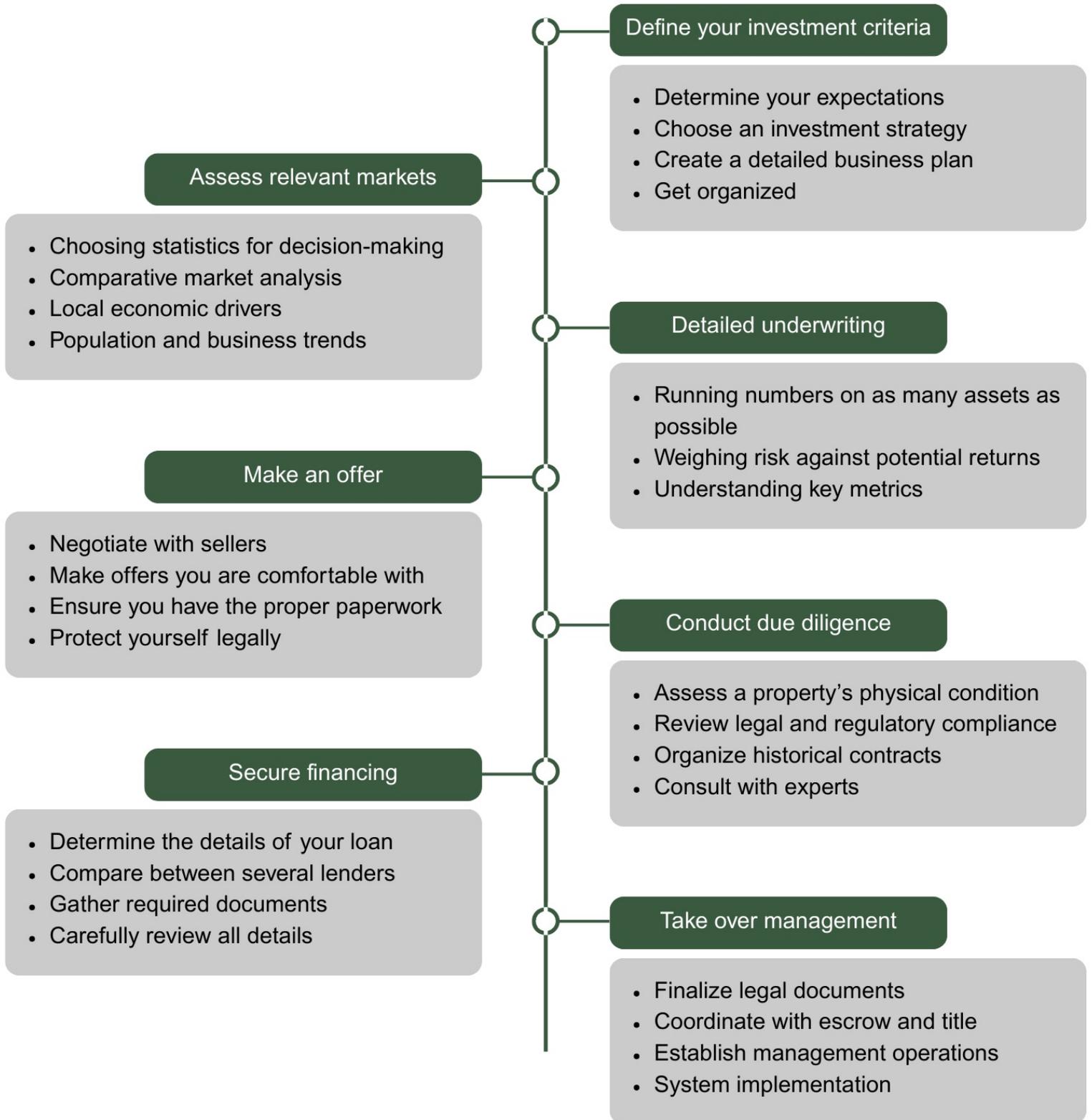




# The Real Estate Deal Roadmap

A step-by-step guide on how the acquisition process works

# Acquiring a Property at a Glance



## Define Your Investment Criteria

Before you begin investing, it is important to clarify the approach that considers your individual needs. By establishing criteria early, you can efficiently filter for appropriate opportunities and pursue your investments with greater conviction.

### Determine Your Expectations

- State your investment time horizon, goals, cash flow needs, and tolerance for risk
- How much time do you want to commit to your investing?
- Be aware of your comfort level for unexpected costs
- Assess how you might react in worst-case scenarios

### Choose an Investment Strategy

- Choose from strategies that highlight active vs. passive management
- Do you want to conduct renovations?
- Who do you want to rent to, and in what asset class?
- Some common strategies include buy and hold, fix and flip, BRRRR, or house hacking

### Create a Detailed Business Plan

- Write down your investment goals and how you intend on achieving them
- Detail your parameters for choosing properties
- Define your exit strategy and risk mitigation tactics to abide by along the way
- Keep it simple enough to remain adaptable to market conditions

### Get Organized

- Document management for legal files, sorting deals, and checklists
- Prepare spreadsheets and templates for underwriting deals
- Set up any required corporate structures or legal entities
- Create an integrated workflow

## Assess Relevant Markets

The next step is selecting a market where you want to look for an investment property. This means comparing statistics across various regions, such as crime rates, rental rates, vacancy rates, population growth, business growth, access to transportation, and local amenities.

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## Detailed Underwriting

Underwriting becomes easier and more efficient with practice which is why evaluating as many deals as possible helps with your process. Make sure you understand the important terms and metrics and how each of them affects your potential risk and returns.

### Running Numbers on Many Assets

- Contact real estate agents and brokers to send you consistent listings that match your criteria
- Visit the region in question to find off-market opportunities
- Keep files on all your underwriting to develop trend analysis and determine what numbers make sense relative to other properties

### Weighing Risk Against Potential Return

- Properly mitigating risks leads to better returns
- Calculate the property's ability to cover debt and expenses
- Make sure to include forgotten expenses like loss-to-lease, sharp increases in property taxes, and potential capital expenditures

### Understanding key Terms & Metrics

- Underwriting constitutes understanding many metrics of risk and returns in the context of income and expenses
- **Income:** Effective Gross Income (EGI), Vacancy, Loss-to-Lease, Additional Income, and Net Income
- **Expenses:** Insurance, Property Taxes, Utilities, Property Management Fees, Capital Reserves, Trash Removal, and General Repairs and Maintenance
- **Debt:** Interest Rate, Term, Amortization, Principal, Interest, Debt Service Coverage Ratio (DSCR), Debt Yield, and Loan Constant
- **Returns:** Cash-on-Cash, Internal Rate of Return (IRR), and Equity Multiple

## Make an Offer

From a technical understanding perspective, making an offer on a property is the easiest step. Depending on whether you are interacting through an agent, this entails notifying the seller of your interest in purchasing the property by way of a committed offer. More often than not, offers are not legally binding.

### Submit a Letter of Intent (LOI)

- Contains the primary outline of the deal in question
- Parties involved, property description, offer price, important dates and deadlines, earnest money deposit, financing expectations (if currently known), due diligence period, contingencies, clauses for termination, exclusivity, confidentiality, non-binding language, and signatures

### Negotiate With the Seller

- Understand why they want to sell for better leverage in negotiating
- Prepare comparable properties, repairs, and income potential to justify the offer price
- Be prepared to offer favorable closing terms to get a deal done
- Keep emotions out of the equation and remain cordial at all times, relationships matter

## Conduct due Diligence

The period between an accepted offer and the closing date is for conducting due diligence to make sure that there are no material risks for your investment. This is a time-consuming and complicated process, so try to consult with people who have done it before for guidance.

### Assessing Physical Condition

- Order a Property Condition Report (PCA) to gauge the status of the roof, systems like HVAC, electrical, and mechanical, elevators, foundation, and construction
- Use an Environmental Site Assessment (also called a Phase 1 or ESA) to make sure there is no contamination to the ground or property itself

### Legal & Regulatory Compliance

- Document zoning bylaw compliance, building code violations, certificates and approvals, certificates of occupancy, easements, applicable HOA or association rules, and tenant lease legality

### Tenant Review

- Review all lease agreements to understand terms and conditions
- Track payment history and delinquencies
- Verify accuracy of rent roll and documentation of deposits
- Determine tenant rights and responsibilities
- Organize a record of past communication with each tenant

### Contract Organization

- This includes all existing contracts
- Agreements for services and utilities, property management, repairs and maintenance, trash and snow removal, and janitorial work

## Secure Financing

Securing the capital required to fund your investment typically occurs alongside the due diligence process and is a key contingency for closing. This includes both equity contributions and any debt financing that comprise the capital stack. Missteps at this stage can be costly and impact the investment's profitability.

### Gather all Required Documentation

- Lenders have a checklist they must review before approving a loan
- Make sure to have detailed accounts of property and personal financials, proof of tax payments, a well-articulated business plan, financial pro-formas, and categorized ownership structures

### Explore Various Lender Options

- Note the terms and conditions of proceeding with traditional bank financing compared to private lenders, bridge financing, agency financing, or credit unions
- Each has a unique set of risk tolerances and criteria for loan approvals

### Carefully Review Everything

- Scrutinize loan terms, interest rates, fees, loan covenants, clauses, and penalties
- Work alongside a lawyer to make sure you are protected

## Closing & Management Takeover

Everything you worked for comes to a close as you take ownership of the property. Be wary, however, the work has only just begun. You now have a responsibility to manage the asset prudently, for the benefit of tenants, investors, lenders, and your own well-being.

### Finalize Legal Documents

- Review all documents with your legal representative one last time before closing
- Confirm accounts and information needed for wire transfers, and a final settlement statement
- Coordinate with escrow and title for a clear transfer of ownership and verification of fund distribution

### Establish Management Operations

- Notify all tenants and vendors that there is new ownership immediately
- Meet with your property manager to review your strategy going forward

### System Implementation

- Set up plans for rent collection, evictions, maintenance workflows, and repair requests
- Compare softwares to make this process efficient and scalable

# Take the next steps in your real estate journey

This roadmap is an example of what you can learn in our 8-week live virtual course, *Introduction to Real Estate Investing*.

**Enroll now!**

Classes begin June 4<sup>th</sup>, 2025

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