

# FINDING YOUR EDGE SUMMARY

## EDGE PRINCIPLE 1

### Find Your Value in the Deal and Your Skills

Value is more than money in the bank. Different types of value include these:

- The value a property represents to you in terms of return and opportunities for forced appreciation—the value-add potential it has
- The value you can offer as a partner in an agreement to acquire an asset, either personal value in terms of knowledge and connections, or financial value in terms of capital
- The value you can offer someone in a relationship in terms of knowledge, connections, or other types of assistance

Scott Scheel's Commercial Academy taught me about the tradeoff between the asset's price and the financing terms: "I'll give you your price if you give me my terms." I used this concept to find significant value in many deals, and thinking this way allowed me to leverage relationships and expertise. This creativity allowed me to leverage relationships and knowledge in the place of capital.

Whether you want to be an active or a passive investor, understanding the strategy of the value-add proposition will help you make better decisions about your investments.

Every successful acquisition has four key components, no matter what. You can provide value by contributing one of these components in a strategic partnership:

1. Capital
2. Borrowing ability/creditworthiness
3. Relationships
4. Experience/credibility

If the CRE business is your vehicle to help you achieve your goals, answer these questions to find the value you're looking for:

- What size of asset will generate the income I'm looking for? And what is that income?
- Where in the country should I look for these assets?
- What's a typical expense ratio?
- How much cash do I need to raise?
- What kind of debt can I get, and how much will I need to take on?
- How can I attract partners and split ownership of the deal?

This set of rules is the action plan I developed into my investment strategy as I answered these questions:

Buying Rule #1: It must be value-add—underperforming but in a good market.

Buying Rule #2: It must be sizable—minimum \$20K-\$30K per month gross income.

Buying Rule #3: Get the best financing possible—"I'll pay your price if you give me my terms."

Buying Rule #4: Location can't be fixed—this must be right (low crime, near amenities).

Buying Rule #5: Property age—the older it is, the bigger the cap-ex. Look for construction after 1980 to avoid many environmental issues.

Here are practical tips on how to add value to your properties:

Value-Add Tip #1: Improve the property

Value-Add Tip #2: Improve occupancy

Value-Add Tip #3: Improve rental income by raising rents

Value-Add Tip #4: Decrease expenses

## Chapter Takeaways

- Edge Principle 1 is about finding your value in the deal and the business, and then building a strategy to leverage that value into equity and income.



