

COMMERCIAL INVESTING GUIDE



COMPASS
CARLOS BELTRAN

WELCOME TO THE COMMERCIAL INVESTING GUIDE

Welcome to the realm of Commercial Investing, where strategic decisions can unlock lucrative opportunities in the multifamily real estate sector. This journey into commercial real estate explores vital aspects of acquiring apartment buildings, honing in on key factors that can significantly impact your investment success.

Navigating the intricacies of commercial real estate, we'll illuminate the criteria to consider when evaluating a commercial building. Location, property condition, market trends, and growth potential are pivotal considerations that inform your investment choices. Understanding the demographics of the neighborhood, proximity to amenities, and the broader economic landscape becomes essential in your decision-making process.

In the financial analysis domain, we'll guide you through the nuances of deal evaluation. Beyond scrutinizing itemized income and expenses, we'll underscore the importance of Net Operating Income (NOI) and its direct link to positive cash flow. Assessing the property's financial viability also involves ensuring that the building can effectively service its debt.

Explore a spectrum of creative financing options employed by astute investors to secure funding for commercial ventures. From DSCR loans to private lending, seller financing, construction loans, bridge loans, blanket loans, and hard money loans, these alternative methods offer flexibility to your financing strategy. Understanding these options empowers you to tailor your approach based on the unique aspects of each investment opportunity, enhancing your ability to navigate the diverse landscape of commercial real estate financing.

Environmental considerations will also take center stage, emphasizing the importance of conducting environmental studies. Evaluating whether the property site has a history of business activities that might have contaminated the soil is a crucial aspect that savvy investors consider.

Embark on this exploration of Commercial Investing, where each insight serves as a stepping stone toward strategic and prosperous real estate investments. If the possibilities intrigue you and you seek more tailored information, feel free to reach out.

Your success in the world of commercial investing awaits!

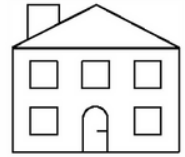


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Commercial Investor Checklist:



01

Define Investment Goals:

Clearly outline your financial objectives and investment goals.

Determine the preferred property types, such as apartment buildings, retail spaces, or office complexes.

04

Submit Offer, Negotiate, and Reach an Agreement:

Once you have identified a property, submit an offer and your agent will negotiate with the seller on price and terms and work towards a mutually agreeable arrangement, considering counteroffers and adjustments.

Once accepted, the contract is finalized upon receipt of the Earnest Money Deposit.

02

Financial Assessment:

Evaluate your financial position and assess the amount of capital available for investment.

Consider potential financing options, including traditional loans, DSCR loans, private lending, and other creative financing methods.

05

Perform Due Diligence:

Perform comprehensive due diligence on selected properties, including inspections, environmental studies, and zoning regulations.

Verify property financials, leases, and tenant information.

Evaluate the financial performance of potential investments. Calculate Net Operating Income (NOI) and assess the property's ability to generate positive cash flow.

03

Market Research:

Conduct thorough market research to identify regions or neighborhoods with growth potential.

Analyze market trends, vacancy rates, and economic indicators affecting commercial real estate.

Define specific criteria for the commercial property you are seeking, including size, condition, and amenities. Consider environmental factors and potential for future development or improvements.

06

Legal Considerations:

Consult with legal professionals to ensure compliance with local regulations and zoning laws.

07

Exit Strategy:

Develop a clear exit strategy, whether through resale, refinancing, or portfolio growth. Consider long-term investment goals and potential appreciation.

08

Property Management Plan:

Develop a property management plan, whether through self-management or hiring professional property management services. Consider maintenance, tenant relations, and overall property upkeep.

09

Professional Advice:

Seek advice from financial advisors, real estate professionals, and legal experts. Consider building a team of professionals to assist with various aspects of commercial investing.

10

Closing Scheduled by Attorneys or Title Company:

Setting a date for the finalization of a real estate transaction, where the buyer and seller come together to complete the necessary paperwork, sign documents, and transfer ownership.



11

Final Walk-Through with your Agent:

Identify and address any issues with the property prior to closing.

12

Congratulations!

You are now a commercial investor on the path to achieving generational wealth.

13

Stay Informed:

Stay updated on industry news, market trends, and economic indicators. Continuously educate yourself on changes in regulations and taxation and affecting commercial real estate.

14

Repeat!

KEY TERMS

1031 EXCHANGE

Allows investors to exchange investment property for another property of equal or higher value without paying capital gains tax on the profit they make from the sale.

APPRAISAL

Assessment of the property's market value, typically done for the purpose of obtaining a mortgage.

CAPITAL GAINS TAX

Short-term capital gains tax applies to profits from selling an asset held for less than 1 year. Long-term tax is applied to assets held for more than a year.

CAPITALIZATION

Cap Rate defined as your return on investment without considering the debt service.

CASH ON CASH RETURN

Measures the return on actual cash invested out of pocket.

DEBT-TO-INCOME RATIO

The percentage of an individual's monthly gross income relative to the amount of debt owed.

ESCROW DEPOSIT

Deposit of funds to be transferred upon completion of the deal.

FINANCIAL STATEMENT

A formal record of all your financial assets, debts, and liabilities.

FLOOR AREA RATIO

FAR is the relationship between the total SF of the parcel on which the building is located.

MANSION TAX

One percent (1%) Tax on properties \$1M or greater, gradually increasing to a maximum of 3.9% for properties \$25M or greater.

RETURN ON INVESTMENT

Analyzes your return on investment including the debt service.

SPONSOR

The entity responsible for developing a new building or converting an existing rental building to a condo or co-op.

Distinguishing Market Rent, Rent Stabilized, and Rent Controlled Buildings

Explore the fundamental distinctions between market rent, rent-stabilized, and rent-controlled buildings, particularly within the unique context of New York City (NYC). Gain insights into the specific characteristics that set each type of building apart, allowing you to navigate the intricacies of the real estate market in this dynamic city.

Category	Market Rent	Rent-Stabilized	Rent-Controlled
Applicability NYC	Applies broadly across various building types.	Typically applies to buildings with six or more units constructed before 1974.	Applies to units where the tenant has continuously lived since July 1, 1971, in pre-1947 buildings.
Regulatory Framework	Less regulatory oversight.	Subject to NYC Rent Guidelines Board (RGB) regulations.	Subject to strict regulations with the NYC Rent Guidelines Board (RGB) overseeing guidelines and adjustments.
Rent Increases	Determined by market forces.	Annual increases governed by the RGB's guidelines.	Limited increases set by the RGB, often below market rates.
Tenant Protections	Fewer tenant protections.	Enhanced protections, including renewal lease rights.	Strong tenant protections, including renewal lease rights.
Vacancy Changes	Rent remains market-driven.	Upon vacancy, may transition to market rate or another regulated category.	Upon vacancy, may transition to rent stabilization or be removed from regulation in smaller buildings.

Rent Control is not only applicable to NYC; other states and municipalities have their own versions of rent stabilization and rent control. As part of your Due Diligence, it is incumbent on you to research if the areas you are investing in are subject to rent control measures.



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REAL ESTATE PROFESSIONAL
MATTERS IN THE SALE
OF YOUR HOME





Carlos Beltran

BROKER ASSOCIATE

Carlos Beltran is an accomplished attorney and licensed Broker Associate/Real Estate Agent, bringing over 20 years of combined experience in representing buyers, sellers, and investors in luxury residential, commercial, and investment properties across New York, New Jersey, and Florida. With a background of over 10 years in mortgage compliance, Carlos possesses a comprehensive understanding of all aspects of the deal.

Carlos has a sharp eye and astute analytical skills for identifying lucrative investment properties and assessing their value. He serves as a valuable intermediary, facilitating communication and collaboration among all parties involved in the real estate transaction.

Drawing upon his wealth of experience, Carlos offers clients a unique and unparalleled perspective. He is committed to guiding you through each step of the investment buying and/or selling process, providing expert advice and unwavering support. With Carlos by your side, you can trust his expertise to help you achieve your real estate goals.



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