

REAL ESTATE INVESTMENT PRINCIPLES I
Acquisitions, Bridge/Gap/Loan/Financing/Asset and Property Management

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1. The biggest mistake I made was not buying enough. Second biggest mistake was selling too soon.
2. Timing is a major factor in success.
3. Read the fine print, this is where the answers are.
4. Murphy was an optimist.
5. Never fail to do due diligence, ask, and assess risks.
6. If you have not found anything wrong with a project, you have not looked far enough.
7. The Serenity Prayer is a good rule to follow.
8. Do not bet the store. There is always something that can go wrong, diversify.
9. Continually reevaluate your priorities, the one constant is change.
10. As a Lender, transfer risk to someone else. Be the last one into the project and the first one out. That is, Borrower puts its total investment in first.
11. Borrow long, lend short.
12. Match rates. If you're borrowing adjustable, lend adjustable with a floor.
13. Never buy anything where you have to sell to justify the investment.
14. Real Estate is liquid as the stock market, but people are unwilling to take the same losses.
15. Don't try to change people, people do not change.
16. Don't buy on someone else's projections.
17. Learn what the real numbers are at acquisition and what you can control in terms of the future.
18. Borrow with positive leverage. Raise equity when leverage is negative.
19. Location, traffic, and co-tenancy are keys to success.
20. You are in the arithmetic business not the real estate business. The numbers have to work.
21. Do not get involved in a project that is dependent on resale.
22. You can improve the building, you cannot improve the neighborhood.
23. Residential property school system rating is critical. Shopping centers is how many cars per day go by the property.
24. Hold on for the long term rather than selling for short term profit.
25. Do not go maximum leverage. Leverage is fantastic on the way up. It increases your IRR on equity. It's a disaster on the way down when cash flow will not support debt service and you will lose your entire equity.
26. If you have not found anything wrong with a deal you have not looked far enough.
Keys to success are: (a) what are the problems, (b) which problems can be fixed and (c) which cannot.
27. Give a better product than the competition.
28. Sellers overestimate revenue and underestimate expense. Check against the trailing actual numbers, not proformas.
29. Review the actual leases and check the credit of the tenants.
30. Have qualified professionals check all the building physical characteristics.
31. When investing with others check the sponsor's credit record and reputation.
32. You make three times the purchase cap rate on funds spent improving something you own.
33. Buy the worst building in the best neighborhood.
34. Things take longer and costs more than you project. Be conservative in preparing prospectus.
35. Promise less and deliver more.
36. Be sure you and/or your investors have enough skin in the game to attract appropriate financing.
37. If it looks good be ready with proof of funds, references and move quick before someone else does.