R.E.I.A.
Real Estate Investors Association
Wayne County

WEBSITE:
reiawaynecounty.org
FACEBOOK: Wayne County REIA
Wayde Koehler, President
313 819-0919

Monthly Meeting: First Tuesday of the Month

At: Leon's Family Dining 23830 Michigan Ave., Dearborn 313 563-3713

(East of Telegraph on Michigan Ave) Dinner and Networking 5:30 PM

March 5, 2024

Dinner starts at 5:30

(food and beverages available for purchase)

Meeting starts at 6:00pm
Meeting ends at 8:00pm

Event is free for members or $20 at the door for non-members

(now accepting debit/credit cards)

TOPIC: Property Inspections

Talk About Saving Your Shirt!!
(versus loosing it!)

Property Inspections for Investors

You need to have a property inspected if you are thinking about buying or risk hidden expenses in the thousands.

Speaker: Walter Williams

From **PPT Inspections**
19377 Fielding St.
Detroit, MI 48219
313 3997016

Walter L. Williams was born and raised in the City of Detroit. He has two associate degrees, one in Applied Science Architectural Building Construction Technology from Schoolcraft College and a Associate of Arts in Liberal Arts from Henry Ford College.

TUESDAY FEBRUARY 6, 2024

Walter has been in the Building Services business for over 29 years. His company PPT Inspections specializes in Home and Building Inspections, 203K Rehab Consulting. He is a Certified Master Inspector by InterNACHI and is licensed in the State of Ohio as a Home Inspector. He has been an FHA HUD 203K Consultant for the Department of Housing and Urban Development since 2009. He is currently the Northern Chapter President of the National Association of FHA Consultants, the preeminent organization in educating Home Inspectors to becoming HUD 203K Consultant.

He has inspected thousands of homes, mainly in S.E. Michigan and northern Ohio and he does cover the entire state when needed. He has the heart of a teacher and loves to share his knowledge of the Building Services with anyone who likes to listen.

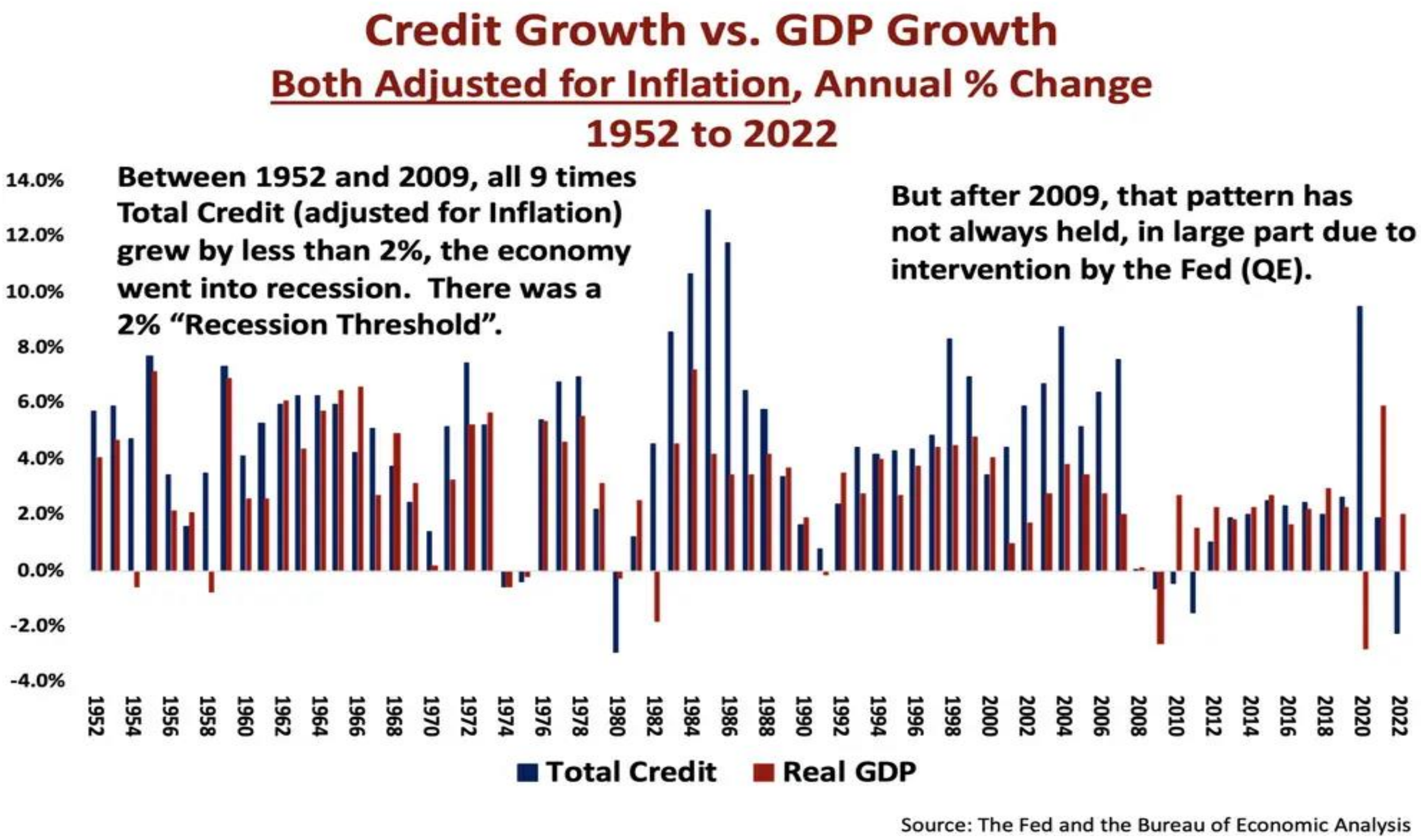
His hobbies are drawing houses and trying to play golf.

Directors Board:
Tuesday March 12, 2024
at 6:00pm sharp
at Leon's Family Dining
Next Monthly Meeting:
Tuesday April 2, 2024

Is There New Risk of a Crash This Year? Here's What Pundits Are Warning About

By: Paul Moor, Wellings Capital, Bigger Pockets Blog Posted 3/1/24

Yes, many pundits are still warning about a recession in 2024.
Here's one example. Richard Duncan did a Macro Watch fourth-quarter update. He pointed out that between 1952 and 2009, all nine times total credit (adjusted for inflation) grew by less than 2%, and the economy went into a recession.



Credit growth vs. GDP growth (1952-2022) – [Bureau of Economic Analysis]
[ITR Economics] also predicts a recession in 2024 based on a few key indicators. They have been over 94% accurate one year out since 1985.
[Passive investing] pro [Jeremy Roll] believes a 2024 recession is virtually certain. He believes we'll see:

- Job losses
- Consumer spending decreases
- Stock market decreases (most likely crash)
- Federal Reserve rate cuts. It's very difficult to predict the amount and degree of Fed rate cuts, but typically, recessions do cause the Fed to cut rates to help stimulate the economy. Based on past recessions, the amount of rate cuts that typically occur during the first 12 months once rate cuts begin is 100-125 bps, with additional rate cuts thereafter.

But Does the Economy Even Matter When Making Investments? Buffett Says No
Investing gurus Warren Buffett and the late Charlie Munger have insisted they never based an investment or divestment decision on the economy. They simply sought out solid, undervalued companies with durable products and great management teams.

Though their record shows this is generally true, we know one time when they deviated from this principle. In 2008, Berkshire Hathaway invested $5 billion in Goldman Sachs. This was in September 2008, at the very heart of the financial crisis.
But they didn't invest in common equity. They invested in preferred equity. And they made a small fortune from this investment.

What Are We Up To?
My firm has been saying for years that we do the same thing in every economy. When multifamily syndicators swung for the fences (and hit it out of the park) in the late teens and early 2020s, we were swinging for singles and doubles. (We cheered them on while they made a small fortune for their investors.)
When multifamily syndicators swung for the fences (and got into big trouble) a little later in that cycle, we were still swinging for those same singles and doubles.
But investing in preferred equity is our one exception.
We are in an unusual window, offering asymmetric risk and return potential. We sincerely believe this is a rare and short window to lower investors' risk and lock in higher-than-usual projected returns with preferred equity.
If you've been reading my posts for a while, you know why we love preferred equity. Here is an abbreviated list:

- Immediate cash flow, future upside, and shorter hold time.
- Payment priority ahead of common equity.
- Lower downside risk exposure than common equity.
- No lien, but often gets a personal guarantee from the sponsor.
- Receives depreciation tax benefits (as negotiated).
- Negotiated control rights in case something goes wrong.
- Negotiated MOIC floor-to-juice returns if taken out early.

Here's the Takeaway—With a Huge Caveat
I'm going to recommend three assets for your consideration as we teeter on the verge of a *potential* recession.
Stick with the basics
In general, I recommend investors do the same thing they would ideally do in a great (or awful) economy: Invest in recession-resistant assets acquired below their intrinsic value (often from mom-and-pop/distressed operators) and now managed by professional operators.
As far as asset types, we like mobile home parks, RV parks, self-storage, industrial parks, and more.
Look for built-in equity at acquisition
I also recommend acquiring unusual investments with significant built-in equity at initial acquisition. I'm borrowing from Jeremy Roll's playbook—he taught us about this asset type.
Recently, we invested in a tax-abated multifamily property. The operator negotiated a complex structure that provided 100% property tax abatement in a high-property tax state.
This asset was acquired for $80 million. The lender's appraisal at closing (with the tax abatement in place) was $113 million. The equity invested at closing was $26 million. This equity grew by $33 million (over 126%) on day one, according to the new appraisal. (No, this was not a typo.)
That type of investment offers nice potential in any market. More importantly, in uncertain markets like these, it provides a wonderful margin of safety between net income and debt payment (long-term, fixed, and interest-only for years, by the way). This margin should be able to absorb financial and operational shocks (like insurance increases, flat rental rates, increased vacancy, and more), but there are no guarantees.

Invest in preferred equity

Obviously, I'm a big fan. And I've discussed why in several prior posts.

Here's the caveat I haven't often discussed: We have identified four types of preferred equity:

- Acquisition (we do this)
- Recapitalization of existing property (we do this)
    - Filling a gap behind new senior debt.
    - Providing liquidity without having to replace the senior debt.
- Development (we haven't done this, and we don't plan to).
- Rescue capital (we haven't done this, and only would in very special circumstances).
    - Buying a rate cap.
    - Refilling debt service reserves.
    - Capital improvements to boost NOI with the hope of refinancing later.

I could write a post on these four types, and maybe I will. But suffice it to say that not all preferred equity is created equal.

For example, I *don't* recommend you get lured by the siren's song of rescue capital. Sure, it *could* work out okay. But remember that you're not looking for the highest returns. You're looking for the highest *risk-adjusted* returns. (If you want high returns, why not just play the lottery?)

Final Thoughts

If a 2024 recession materializes, you may find additional opportunities to buy distressed commercial and residential real estate assets. But don't count on it being a repeat of 2008. It's hard to imagine a scenario like that playing out again this time.

As for us, we're not holding our breath for these big bargains to pan out in commercial real estate. With over $400 billion sitting on the sidelines, waiting to pounce on these assets, we doubt many of these opportunities will materialize, at least not for most of us.

Around Town With Real Estate Investor Groups

(Call group to confirm meeting dates before attending as they are subject to change.)

- **REIA of Wayne County**
  Meets 1st Tuesday of the month at
  Leons Family Dining 23830 Michigan Ave., Dearborn
  Meeting starts with networking at 5:30pm
  Meeting starts at 6:00 pm and ends at 8:00pm
  Call Wayde Koehler at 313 819-0919 for details
- Oakland REIA
  Meets 2nd Thursday of the month at
  Troy Community Center in meeting room.
  Networking at 6:00pm Meeting 7-9pm
  Call Brian Sullivan at 248 327-0588 for details
- Netro Detroit Investors Meet-Up
  Meets 4th Thursday of the month at
  McVee's Pub & Grub 1129 Long Lake Rd., Troy
  Meets 6:30-9pm
- Pontiac Landlord Group
  Meets 1st Thursday of the month at
  Ally Cat Café 31 N. Saginaw, Pontiac (Downstairs)
  Starts at 6:00 for dinner and meeting follows
  Call Dan Cary at 248 431-3273 for details
- Monroe County Landlord Association
  Meets 4th Thursday at
  Quatro's on Telegraph Rd. Meeting starts at 6:00pm.
  Call Debbie Peters at 734 457-5086 for details
- Jackson Area Landlord Association
  Meets 4th Monday of the month at
  The Napoleon Café, 6816 W. Brooklyn Rd. Jackson Dinner @ 5:30 and speaker at 6:30pm

Choosing the Right Home Inspector

Buying a home? It's probably the most expensive purchase you'll ever make. This is no time to shop for a cheap inspection. The cost of a home inspection is very small relative to the value of the home being inspected. The additional cost of hiring an InterNACHI-Certified Professional Inspector® is almost insignificant.

You have recently been crunching the numbers, negotiating offers, adding up closing costs, shopping for mortgages, and trying to get the best deals. Don't stop now. Don't let your real estate agent, a "patty-cake" inspector, or anyone else talk you into skimping here. InterNACHI-certified inspectors perform the best inspections by far.

InterNACHI-certified inspectors earn their fees many times over. They do more, they deserve more, and -- yes -- they generally charge a little more. Do yourself a favor... and pay a little more for the quality inspection you deserve.

The licensing of home inspectors only sets a *minimum* standard. Much like being *up to code,* any less would be illegal. Imaginary people, children, psychics (who claim to "sense" if a house is OK) and even pets can theoretically be home inspectors. InterNACHI, the International Association of Certified Home Inspectors, *front-ends* its membership requirements.

InterNACHI inspectors:

- **have to pass InterNACHI's Online Inspector Examination, and re-take and pass it every three years (it's free and open to everyone, and free to re-take);**
- **have to complete InterNACHI's online Code of Ethics Course (free to take after joining, and self-paced);**
- **have to take InterNACHI's online Standards of Practice Course (free to take after joining, and self-paced);**
- **must submit a signed Membership Affidavit;**
- **substantially adhere to InterNACHI's Standards of Practice;**
- **abide by InterNACHI's Code of Ethics;**
- **have to submit four mock inspection reports to InterNACHI's Report Review Committee (for free) before performing their first paid home inspection for a client if the candidate has never performed a fee-paid home inspection previously;**
- **within the first year of membership, have to successfully pass the following**

free online, accredited, and self-paced courses and exams:

- **InterNACHI's "Safe Practices for the Home Inspector" course,**
- **InterNACHI's "25 Standards Every Inspector Should Know" course,**
- **InterNACHI's "Residential Plumbing Overview for Inspectors" course,**
- **InterNACHI's "How to Perform Residential Electrical Inspections" course,**
- **InterNACHI's "How to Perform Roof Inspections" course,**
- **InterNACHI's "How to Inspect HVAC Systems" course,**
- **InterNACHI's "Structural Issues for Home Inspectors" course,**
- **InterNACHI's "How to Perform Exterior Inspections" course,**
- **InterNACHI's "How to Inspect the Attic, Insulation, Ventilation and Interior" course,**
- **InterNACHI's "How to Perform Deck Inspections" course,**
- **InterNACHI's "How to Inspect for Moisture Intrusion" course, and**
- **InterNACHI's "How to Inspect Fireplaces, Stoves, and Chimneys" course.**

- **have to pursue inspection-related training by taking 24 hours of additional accredited Continuing Education each year;**
- **have to maintain their Online Continuing Education Log (free), per InterNACHI's rigorous Continuing Education policy;**
- **have access to InterNACHI's Message Board for exchanging information and tips with colleagues and experts;**
- **have access to InterNACHI's "What's New" section so that they can keep up with the latest news and events in the inspection industry;**
- **have access to InterNACHI's time-tested Inspection Agreement, which keeps them (and you) away from lawsuits;**
- **have access to InterNACHI's Report Review/Mentoring Service;**
- **have to carry E&O Insurance (if their state requires it);**
- **have access to a real estate agent Hold-Harmless Clause;**
- **and have access to many other benefits, training, marketing tools and information to help themselves, as well as consumers and real estate professionals, provided for free by the world's largest inspector association.**

So, the next time you need a home inspector (or need to refer your clients to one), make sure that inspector is a member of InterNACHI.

R.E.I.A. Membership Benefits

- Socializing, Networking, Networking & Networking
- Strong focus on Landlord needs including specific rehab and rental presentations
- Monthly Newsletter and Guest Speakers
- Opportunities to personally meet and talk with local business owners/ contractors
- Free 3 month subscription to Mr. Landlord newsletter.

Investors can build a rehab and investment team through referrals from other investors

Contractors get a great source on which to build long term repeat customer business

- Access to Court-Approved forms
- Liaisons with Local and State Government through RPOA
- Discounts with Sherwin Williams Paint,& Office Max and strategies to maximize saving at several big box chains

Contractors:

(Note: REIA of Wayne does not support or make any recommendations regarding contractors. It is up to you to do your due diligence when hiring any contractor. This is for information purposes only.)

Heating and Cooling:
Pollard Heating and Cooling...313 551-4011
Main Heating and Cooling…...248 650-8511
Mega Rooter H & C………..….313 254-3529

Plumbing
Waterwork Plumbing…..……..248 542-8022
Levin and Sons………………..248 356-1680

Locksmith
American Lock & Key………....734 281-1454

Lawn Service
J & A Lawn Svc (Jason)……….727 906-7958

Classic Cuts (Liz)……………….313 989-8713

Appliance Repair
Keith Devoy
Appliance Repair……………...313 689-2446

Tree Trimming/Removal
Paul Harris-Tree Trimming.….734 775-6974

Roofing
Jeff Williams Roofing…………734 341-3843
Kanga-Roof……………………..566 255-0308

Tub Reglaze
Surface Solutions……………..734 455-0200
TNT Refinishing……………….810 358-0744
Michigan Tub Refinishing……313 304-9639

Construction/Remodeling
Ideal Home Improvement….…734 624-3454

Painting
Diamond Painting..……………248 935-4514
Dante's Painting (Edmond).....586 610-1812
Sergio Guerrero…………..……313 282-9119

Handyman
American Skilled Svc……… …313 264-9579
Handyman Service Plus...…….313 242-7372

Concrete
J Nelson Concrete……. 313 212-3927

Pest Control Service
Stop Pest Control……………..313 914-2981

Are Mobile Homes a Good Investment for Rental Property?

Chris Bibey, personal finance writer, Bigger Pockets Blog, 2/29/24

In simple terms, a mobile home—also known as a manufactured home—is a dwelling built in a factory.
While these homes are used as primary residences by many, they can also make for a good investment.
So, Are Mobile Homes a Good Investment for Rental Property?
Yes, mobile homes can be a good investment for rental property when approached correctly.
While there's no defined strategy for success, key considerations include understanding the unique market demand for mobile homes, analyzing location benefits, assessing the condition and age of the mobile home, and understanding the legal and zoning regulations that apply.
Here we discuss the finer details of investing in a mobile home for rental purposes.

The Financial Perspective

Investing in mobile homes from a financial perspective offers unique advantages.
First, the initial acquisition cost of mobile homes is typically lower compared to traditional real estate, such as a single-family home. This affordability allows investors to diversify their portfolios with a smaller upfront investment.

Additionally, demand for affordable housing solutions continues to rise, positioning mobile homes as a lucrative rental option. Investors can also benefit from the potentially higher yield on investment due to lower maintenance and renovation costs.

However, it's crucial to conduct thorough market research and analysis to identify areas with high rental demand, as well as understand the depreciation rate of mobile homes compared to traditional homes.

By strategically selecting properties and managing them effectively, investors can achieve substantial returns, making mobile homes a compelling option for expanding one's investment portfolio.

Market Demand and Tenant Base

Understanding market demand and the tenant base is critical when investing in mobile homes for rental purposes. The affordability of mobile homes attracts a diverse tenant base, including small families, seniors, and individuals looking for cost-effective living solutions. This broad appeal can lead to consistent demand in various economic conditions, offering stability to investors.

Regions with a high cost of living or scarcity of affordable housing options typically experience stronger demand for mobile homes. Investors should analyze local employment trends, population growth, and the overall economic health of the area to gauge potential demand.

Furthermore, engaging with the community and offering well-maintained, appealing homes can enhance tenant satisfaction and retention.

Understanding the needs and preferences of the target tenant base means investors can tailor their offerings to meet market demand, ensuring a steady income stream and minimizing vacancy rates.

Profitability Analysis

Conducting a profitability analysis is a fundamental step in evaluating the viability of mobile homes as an investment for rental purposes. This analysis should encompass all costs associated with purchasing, renovating, and maintaining the property, as well as the potential rental income it can generate. Key factors to consider include:

- **The purchase price of the mobile home**
- **Any necessary refurbishment costs to make the property appealing to tenants**
- **Ongoing maintenance expenses**
- **Local market rental rates for similar properties**

Investors must also account for vacancy rates, as these can significantly impact overall profitability. Understanding the average time properties stay on the market before being rented and planning for occasional vacancies is essential. Tax implications and financing costs are additional considerations that can affect net income. Mobile home investors should explore financing options carefully, as terms and rates can vary significantly from those of traditional real estate investments.

By meticulously analyzing these factors, investors can project potential return on investment (ROI) and cash flow.

A well-executed profitability analysis will reveal whether the mobile home investment can meet the desired financial objectives, helping investors make informed decisions. Risks and Challenges

Investing in mobile homes for rental purposes comes with its own set of risks and challenges that investors must carefully consider.

A primary concern is the depreciation of mobile homes over time, unlike traditional real estate, which typically appreciates. This depreciation can affect the long-term value of the investment, especially if the home is located in a less desirable area or is not properly maintained.

Another significant challenge is the zoning and regulatory environment, which can vary greatly by location. Investors need to navigate local laws regarding mobile home parks and stand-alone units, as these regulations can impact where and how mobile homes can be placed or rented out. Compliance with these regulations is crucial to avoid legal issues and potential fines.

Financing mobile homes for investment purposes can also be more complicated than financing traditional homes. Many lenders view mobile homes as personal property rather than real estate, leading to higher interest rates and shorter loan terms, which can affect profitability.

Moreover, managing a mobile home rental requires understanding the specific needs of the tenant base and maintaining the property to ensure tenant satisfaction and retention. Mobile homes may require more frequent repairs

and maintenance due to their construction and materials, adding to the operational costs.

Investors must approach mobile home investing with a comprehensive understanding of these risks and

challenges. Additional Mobile Home Investing Tips

In addition to this guidance, here are several mobile home investing tips:

- **Conduct thorough market research: Understand demand for mobile homes in your target area, including rental rates, occupancy rates, and competition. This will help you identify lucrative investment opportunities and set competitive rental prices.**
- **Evaluate the location: Prioritize mobile homes in areas with strong employment growth, good schools, and access to amenities. Location greatly influences tenant demand and the potential for appreciation.**
- **Inspect the mobile home: Before purchasing, conduct a detailed inspection to assess the condition of the home, focusing on the structure, plumbing, electrical systems, and roof. This can prevent unexpected repair costs.**
- **Understand financing options: Explore different financing options, as loans for mobile homes can differ from traditional real estate. Knowing your financing options and their implications on your investment can significantly impact profitability.**
- **Build relationships with local authorities: Familiarize yourself with local zoning and housing regulations related to mobile homes. Building a good relationship with local authorities can facilitate smoother operations and compliance.**

Final Thoughts

By now, you understand that mobile homes can be a good investment for rental property. Consider all these details—among others that apply to your situation—to determine if this real estate investment aligns with your personal and financial goals.

REIA Of Wayne
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