THE REAL ESTATE INVESTMENT PROCESS

Daniel Kohlhepp
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Accelerated MSRE
The Set-up

- If you don’t know where you are going, any road will get you there!
- Where are we now; where are we going; how will we get there; and how will we know we’ve arrived?
- Four horseman vs. the computer: (judgment, hunch, instinct, and intuition) Vs US
- Eight Steps more or less
Step One: Establish Objectives, policies, and guidelines

- Define Investment Objectives (overall portfolio, real estate investment portfolio, investment strategy)
- Diversification and Required Rates of Return
- Clarification, Articulation, and Communication (communicate up and communicate down)
  - Types of returns
  - Types of Risks
Step Two: Seek Out and Screen Investment Opportunities

- What we have vs. What we want.
- Investment Screens
- Networking
Step Three: Analyze and Evaluate Investment Opportunities

- Property Analysis
- Market Analysis
- People Analysis
- Risk and Return Analysis
- Sensitivity Analysis (Robustness)
Step Four: Structure the Investment

- Clean, Simple and Fair
- Match the Structure to the Enterprise and the Market
- Risk Avoidance and Allocation
- Distribution of Cash Flows, Tax Flows, and Capital Proceeds
- Capital when you need it most!
- Dispute Resolution
Step Five: Perform the Due Diligence

- Integrity
- Due Diligence or Else
- Due Diligence Defined
- Multi-disciplinary Process
- Articulation and Communication
- Reasonableness Criteria (second set of eyes)
- Property, People, Related Parties, The Deal, Rates of Return, Compliance, Decision-Impelling
- Limiting Assumptions are stupid assumptions!
Step Six: Control, Close and Fund the Investment

- It’s not over ‘til its over!
- Document management
- Natural Tension
- Clearly Worded Documents
- Problem Resolution Time
- Closing Costs
- Management Teams, budgets, reports
- Funding (how and when)
Step Seven: Manage the Investment

- Budgets and Reports (actual to budget)
- Property Manager
- Leasing Agent
- Asset Manager
- Reports:
  - Property level
  - Investor level
  - Portfolio level
Step Eight: Sell, Refinance, Securitize

- Future-Oriented Decisions
- Disposition Decision
- Refinancing Decision
- Securitizing Decision
- Seller Resistance
- Seller’s Due Diligence Package
- Human Factor
- Marketing Strategy