

A newsletter about Real Estate in the Phoenix, Arizona Metro area, including Scottsdale, Paradise Valley, Carefree, Cave Creek, Mesa, Tempe, Chandler, Gilbert, Queen Creek, Glendale, Peoria, Surprise, Avondale, Goodyear, Buckeye, and surrounding Maricopa and Pinal County markets.

In This Issue

- Many Factors to Consider when Purchasing Investment Property
- IRP Broker Earns Transnational Certification
- Three New Features on IRP Website
- Give Thanks this Thanksgiving
- Metro Phoenix Market Data

Contact Me!



Dan Pinson

Designated Broker
REALTOR® | ABR | GRI | RSPS | SFR | TRC

Direct: 602.332.3499

dan@InternationalRealtyPartners.com
www.InternationalRealtyPartners.com

Check out our **NEW MLS Search at:**
InternationalRealtyPartners.com

Help Build Brendan's Home!
<http://www.brendanmarrocco.org/>

Many Factors to Consider when Purchasing Investment Property

By Dan Pinson, Designated Broker

Lately I've been working with some first-time investors buying residential property in the Phoenix area. This is fun for me as I get use my knowledge as a landlord and contractor in addition to my transactional knowledge to help guide these new landlords.

This issue's article focuses on some of the many factors that go into deciding what investment property to buy and where to buy it. I recommend single-family and 2-4 unit multi-family properties as the best properties for the novice landlord.

Condos and Single-family homes in a Home Owner Associations (HOA) are not my favorite properties. HOA's can delay and limit remodels and tenants that don't follow the HOA rules can create owner liability.

I also don't recommend Commercial, Mobile-Home Parks, Condo-Hotel units, or other types of real estate investments for a first-time or small investor.

When someone that hasn't been a landlord wants to become one, I reach into my bag of stories and regale the client about how a tenant rebuilt his motorcycle – on the living room floor (carpeted of course) and the ensuing mess that created. Or the one when a tenant threw a punch at me for knocking at his door to try and collect the rent. The police cited him shortly after that and the eviction was close behind! Or my favorite, ridding an apartment of three inches of water and repairing a burst pipe on Christmas Eve while dinner waited!

Then I use numbers to show how they can create a sizable portfolio by judiciously buying rental properties, not getting over-leveraged, and buying "right" so they can weather any further downturns in the market.

I usually tackle the "where" issue first. I typically recommend purchasing something close to home. It's easier to deal with tenants and maintain the property when it's near your own home.

Our Services

- Residential Resale including Short Sales and Foreclosures
- New Home & Condo Developments
- Commercial
- Land
- International Real Estate
- Real Estate Consulting

Specializing in the Phoenix, Scottsdale, and Paradise Valley markets, and Biltmore, Arcadia and North-Central Phoenix submarkets. See more at:

www.InternationalRealtyPartners.com

Real Estate Troubles?

- Behind on your payments?
- Received a "Notice of Default"?
- Tried to negotiate with the lender without success?
- Want to know if you qualify for a government program?
- Owe more on your home than it's worth?

CALL ME TODAY!

In just a few minutes I can help you determine your options.

Buyers

Contact us for more local market information and a **FREE BUYER REPRESENTATION GUIDE**

Get a daily email of homes new to the market by sending an email describing what you're looking for to:

dan@InternationalRealtyPartners.com

Sellers

Contact us for a **FREE HOME VALUATION** and a no-cost, no-obligation, completely confidential short-sale consultation!

Ask Us About Our FREE Seller Short Sale Package

I'll use myself as an example. I live in North-Central Phoenix, so investments in North Phoenix, Central Phoenix, Scottsdale, North Scottsdale, South Scottsdale, Paradise Valley, and North Tempe submarkets might be acceptable areas for me to look. I'll probably not look at properties in East Mesa, Avondale, Surprise, and other distant areas simply because I hate driving long distances to chase my rent check, make a repair, or meet a contractor. However, that doesn't mean I'll stop watching those distant areas for a great buy!

I then assess how much money is available for purchasing and "rehabbing" the property. Cash is king when buying investment properties, and buying for cash makes the total budget easy to compute. I simply look for a property that is in the price range budgeted, less the anticipated carrying costs while the property is being rehabbed. I'll also review the rehab budget to make sure it's realistic. After all, my goal is a profitable investor (me in this example!) who will continue to buy properties.

I've occupied many of the properties I've owned while doing the rehab. While not always the most fun, doing so often allows you to take advantage of currently available financing and assistance options for owner-occupied property.

If my budget is \$100,000 to acquire and \$25,000 to remodel a property, it means I'm targeting properties priced below \$90,000 not needing major repairs. I'm not looking in North or Central Scottsdale, Paradise Valley, or Biltmore and Arcadia submarkets of Phoenix. But I am looking at North and Central Phoenix, South Scottsdale, and North Tempe.

Next, I like to look at the rental side of equation. Rental rates, vacancy rates, rental concessions, and areas of new construction in your target submarkets are all things I investigate. I look at this information for properties similar to my target and also for nearby apartments as they are also competition to your rental property.

I'm now closely looking at North Tempe, since my research shows that 3Q 2010 rents are higher and the vacancy rates and concessions are lower than in my other target submarkets. So I concentrate there and find several homes in my price range. I pick those that have one or more factors that "stick out" – an existing tenant that wants to stay, a super low price, possible owner financing, a great location, etc.

Once I've selected a few properties to analyze, I calculate a pro forma capitalization rate ("cap rate"). This is a rate of return calculated by dividing the annual net operating income by the total cost or value. I calculate the cap rate by looking at closed lease transactions in the target area for like-kind properties and computing the annual rental rate. I then deduct the annual fixed and variable costs (vacancy rate, concessions, maintenance, taxes, insurance, etc.) giving me my annual gross profit. In this example, we'll say the total cost is \$100,000 and my net

Investors

Call us today for information about:

- **Multi-family bargains**
- **Commercial bargains.**
- **Unlisted Short Sales**
- **Trustee Sales**

Call now to get your
FREE FORECLOSURE LIST.

www.InternationalRealtyPartners.com

The Monthly Numbers

For the Metro Phoenix area, as of November 1, 2010. Percentage increases (+) and decreases (-) are the deviation from previous month numbers.

- Active Listings: 45,803 (+.7%)
- Pending Listings: 10,376 (+.7%)
- Sold Listings: 6,753 (-3.3%)
- Phoenix Median Resale Price: \$118,300 (-1.4%)
- Average Price per Square Foot (All Areas, All Types): \$84.38 (+1.0%)
- Average Days on Market (Active Listings, All Areas, All Types): 145 (+2.0%)
- Year over Year Appreciation (Monthly Sales \$/SF, All Areas): -6.4%
- Year over Year Appreciation (Monthly Sales \$/SF, Phoenix): +8.0%
- Months of Supply (as of October 1, 2010):
 - Ahwatukee 5.1
 - Apache Junction 5.5
 - Buckeye 5.7
 - Camelback Corridor 9.4
 - Cave Creek 7.9
 - Desert Ridge and Tatum Corridor 5.7
 - East Valley 5.9
 - Fountain Hills 14.0
 - Luxury \$ 1,000,000 29.6
 - Northwest 5.6
 - Paradise Valley 19.4
 - Peoria and Glendale 5.5
 - Scottsdale 9.9
 - Southwest Valley 5.5

Market data courtesy of Arizona Regional MLS and The Cromford Report.

Call now to find the home of your dreams!

I Appreciate Your Referrals!

operating income is \$8,500. My cap rate is 8.5. I can then use this number as a comparison for any income property.

I also look at current tax code. For example, up to \$250,000 may be expensed rather than depreciated in 2010 and 2011 for certain property, including qualified leasehold or retail improvement property, and qualified restaurant property. This would definitely influence my decision were I looking at these investments.

In the end, investors should choose property meeting their investing goals. This article is a quick overview of just a few of the things I do when looking for property. There are many factors you should consider when analyzing income property. Investors should consult also their legal, tax and finance professionals prior to making any purchase. I can supply the information, analyze it, and make recommendations, but ultimately the choice of properties is up to the client. More on this topic later. – DP

IRP Broker Earns Transnational Referral Certification

Dan Pinson, Designated Broker, recently received the Transnational Referral Certification. This means that International Realty Partners joins other agents and associations in the International Consortium of Real Estate Agents (ICREA). It also means we adhere to an International Principles of Conduct.

This certification provides IRP a conduit to send and receive international compensated referrals with real estate professionals worldwide. The official ICREA website, worldproperties.com, lists thousands of properties from around the globe.

Three New Features on IRP Website

Check out three new web features: a map-based MLS Search, the new “International” page, and a new free report entitled, “*Owning In AZ*”, providing an overview of the property purchase process in Arizona. Our free **Foreclosure List** also returns. Simply call or drop us an email requesting that you be put on our weekly distribution list.

Give Thanks this Thanksgiving

John F. Kennedy said this about Thanksgiving:

“As we express our gratitude, we must never forget that the highest appreciation is not to utter words, but to live by them.”

Well said Mr. President. Have a wonderful Thanksgiving!

“I learned to focus less on the problem and more on the solution.”

Donald Trump

Just Sold **MLS#4408637**



\$85,000
 1701 E. Colter St. 478
 2 bedroom, 2 bath

Just Sold **MLS#4433680**



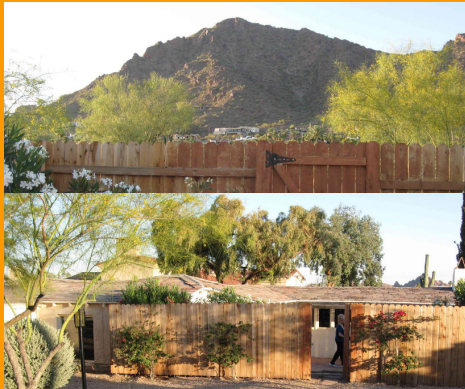
\$95,000
 2225 W. Alta Vista
 3 bedroom, 2 bath

Just Leased **MLS#4397357**



\$950/mo.
 2121 W. Shaw Butte, Phoenix, AZ 85029
 4 bedroom, 1.75 bath, newly remodeled

Just Leased **MLS#4398775**



\$975/mo. Utilities included
 "Redwood Casita" – 1 BR + Den, 2 Bath
 5702 E. Camelback Rd., Phoenix, AZ 85018

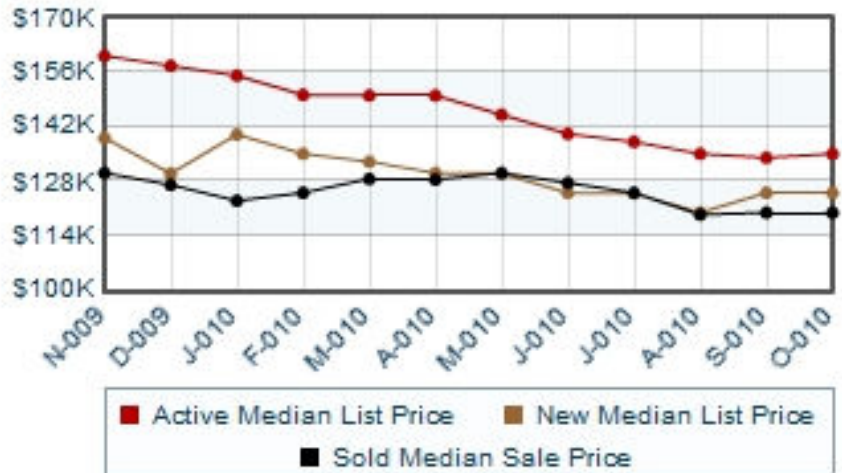
Metro Phoenix Market Data

(from ARMLS as of 11/1/2010):

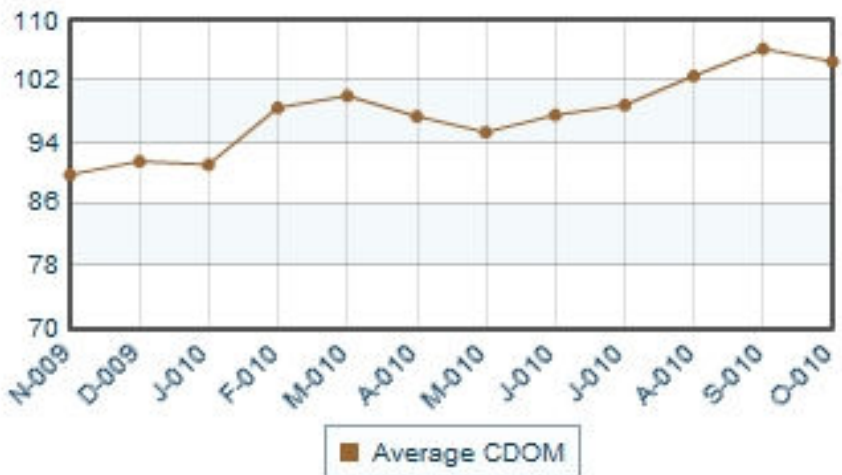
Inventory



Prices



Days On Market



"Well done is better than well said."
Benjamin Franklin

For Lease **MLS#4398715**



\$899/mo. + One Month Free
 "Hacienda Casita" – 1 Bedroom, 1 Bath
 Electric not included
 5702 E. Camelback Rd., Phoenix, AZ 85018

Be Part of Our Team

We are looking for motivated REALTORS to join our dynamic firm. We offer two programs:

- **Full-time Agents** with at least 2 years experience. We work on a modified team concept – high splits, no transaction, E&O, or monthly fees. Also participate in our Large Accounts transactions.
- **Referral Agents** at any level of experience. Participate in our Referral Program and Earn **25%** on referrals plus up to **\$10,000** in annual bonuses!

Visit our website at:

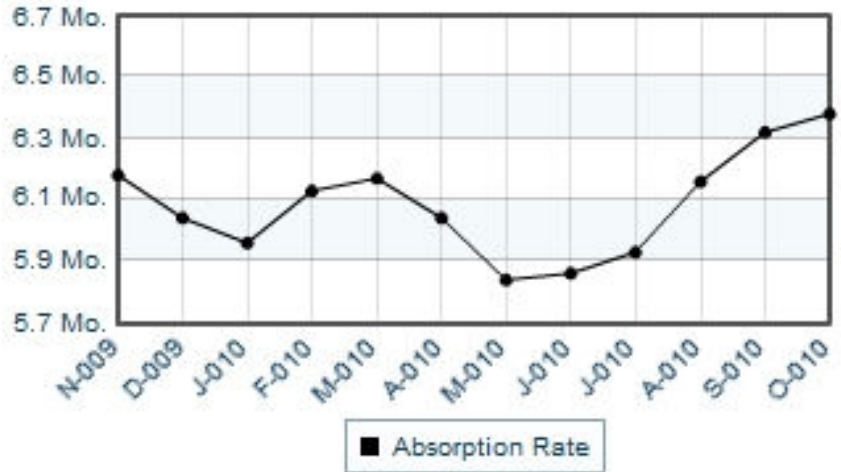
www.InternationalRealtyPartners.com

and click on **"Join Our Team"** for more information, or contact Dan Pinson, Designated Broker, at 602.332.3499 for a confidential interview.

This newsletter is for informational purposes only. Real estate laws, market conditions, and local customs frequently change. Consult an attorney specializing in real estate law before buying or selling. Consult with your CPA as to the tax ramifications of any real estate transaction. Be sure to perform ALL of your due diligence. Only deal with reputable real estate agents, developers, CPAs, and attorneys.



Absorption



Volume



Sold Price to List Price Ratio



*"A fool despises good counsel,
 but a wise man takes it to heart."
 Confucius*