

The 29 Fatal

Mistakes

Many Apartment Buyers Make...

(And How to Avoid Them)



**The
LifetimeCashFlow
Academy**

Rod Khleif

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

Copyright

Copyright © 2021 The Lifetime Cashflow Academy

All rights reserved. No part of this book may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, without the prior written permission of the publisher.

Disclaimer

All of the material contained in this book is provided for educational and informational purposes only. No responsibility can be taken for any results or outcomes resulting from the use of this material.

While every attempt has been made to provide information that is both accurate and effective, the authors do not assume any responsibility for the accuracy or use/misuse of this information.

www.LifetimeCashflowAcademy.com

Copyright © 2021 The Lifetime Cashflow Academy

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

CONTENTS

WHY APARTMENT BUILDINGS?

Reason #1 to Invest in Apartments... Lifetime Cash Flow	6
Reason #2 to Invest in Apartments... Someone Else Pays off the Mortgage	7
Reason #3 to Invest in Apartments... Recession Proof	7
Reason #4 to Invest in Apartments... The Values are Based on Income	7
Reason #5 to Invest in Apartments... Financial Freedom	8

WHY WE WROTE THESE 29 MISTAKES & HOW THEY WILL HELP YOU ACHIEVE SUCCESS

MISTAKE # 1: Rushing Into Your First Deal	9
MISTAKE # 2: Buying in a Market You Do Not Know Well	9
MISTAKE # 3: Just Dabbling in Real Estate	10
MISTAKE # 4: Buying in War Zones	10
MISTAKE # 5: Buying in the Middle of Nowhere	10
MISTAKE # 6: Buying a Property in a One-Employer Town	11
MISTAKE # 7: Ignoring Secondary and Tertiary Towns	11
MISTAKE # 8: Only Investing in Your Backyard	12
MISTAKE # 9: Using the Seller's Numbers Expecting Them to Be True	12
MISTAKE # 10: Buying a Property Without Looking at True Economic Vacancy	13
MISTAKE # 11: Using Only Pro-Forma Numbers	13

www.LifetimeCashflowAcademy.com

Copyright © 2021 The Lifetime Cashflow Academy

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

CONTENTS

MISTAKE # 12: Not Adjusting the Amount for Property Taxes on Pro-Forma	13
MISTAKE # 13: Not Properly Estimating Negative Cash Flow or Extensive Repairs	14
MISTAKE # 14: Keeping All of the Same Contractors After Purchasing	14
MISTAKE # 15: Maxing Out Resources on One Asset	14
MISTAKE # 16: Not Asking for Seller Financing	15
MISTAKE # 17: Not Shopping for the Best Financing Options for Your Deal	15
MISTAKE # 18: Thinking this is a Get Rich Quick Scheme	16
MISTAKE # 19: Not Networking with Brokers	16
MISTAKE # 20: Only Looking For Deals on LoopNet	16
MISTAKE # 21: Ignoring Properties that have been For Sale a Long Time	17
MISTAKE # 22: Not Utilizing the Internet	17
MISTAKE # 23: Not Putting Yourself in a Prospective Tenant's Shoes	18
MISTAKE # 24: Not Thinking Big Enough	18
MISTAKE # 25: Not Networking Enough	19
MISTAKE # 26: Being an Investor, Not an Entrepreneur	19
MISTAKE # 27: Giving Up Too Fast and Being Too Impatient	19
MISTAKE # 28: Analysis Paralysis	20
MISTAKE # 29: Thinking You Have to do This Business Alone	20
A Personal Note from Rod	21

www.LifetimeCashflowAcademy.com

Copyright © 2021 The Lifetime Cashflow Academy

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

ABOUT THE AUTHOR

Rod Khleif is the host of the Top-Ranked iTunes Real Estate Investing Podcast: **Lifetime Cash Flow Through Real Estate Investing.**

Rod is a passionate real estate investor who has personally owned and managed over 2000 apartments and homes. As an entrepreneur, Rod has built several successful multi-million dollar businesses. Rod is most proud of his work as a community philanthropist. Over the past 14 years Rod's Tiny Hands Foundation has benefitted more than 45,000 community children in need.



Khleif has combined his passion for real estate investing with his personal philosophy of goal setting, envisioning, and manifesting success to become one of America's top real estate investment professionals.

As Director of Investments at REM Equity Group, Khleif uses his expertise to guide the firm in identifying and acquiring undervalued apartment complexes and mobile home parks. Khleif specializes in implementing efficient management and communication to ensure profitability. By efficiently managing real estate holdings, rents are paid on time and renovations can be made quickly in a cost-effective manner. This attracts stable tenants who are interested in affordable housing. Khleif believes that efficient management that communicates an aggressive rent collection policy is vital to turning around an unprofitable apartment or mobile home community.

Before being named as a director at REM Equity Group, Khleif was Director of Acquisitions at MHP Management Group, a real estate and management company focused on mobile home parks. Prior to MHP Khleif owned a real estate property management company in the Sarasota, FL area. In this position, Khleif owned and managed thousands of single family and multifamily units. He also oversaw the recruitment, training, and management of 60 full-time employees and contractors. Khleif, like many investors, was hammered in the real estate crash of 2008. After the crash, Khleif was instrumental in the formation and building of a Sarasota Litigation Support company into what became a ten million dollar business.

www.LifetimeCashflowAcademy.com

Copyright © 2021 The Lifetime Cashflow Academy

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

Giving back to the community is a major passion for Khleif. He is founder and long-serving president of the Tiny Hands Foundation, a children's charitable foundation that leads several annual community charitable initiatives including: The Back-to-School Backpack Brigade; which provides thousands of new backpacks filled with school supplies to community school children in need. The Teddy Bear Brigade; which provides thousands of teddy bears for community police department patrol cars to be given out by police officers to comfort children in distress. The Holiday Basket Brigade; which provides thousands of holiday gift baskets filled with food and Christmas toys to community children and families in need.



www.LifetimeCashflowAcademy.com

Copyright © 2021 The Lifetime Cashflow Academy

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

PREFACE

WHY APARTMENT BUILDINGS?

Between investing in the stock market, other businesses, and every other form of real estate, you may wonder why we prefer apartment buildings. We could talk about the reasons for days. But more importantly, we have a tough time trying to find any reasons why one should *not* invest in apartment buildings. For the first time in history, we are seeing a lot of interesting things happen in the United States multifamily housing market:

- More people across the country rent than own
- Rents are consistently rising in this country
- Millennials and today's generation prefer to rent
- Investors in other parts of the world don't have the apartment investment opportunities like we do, with our high rents and attractive financing, but are now taking notice and starting to invest in the US.

If these reasons don't get you excited, the following 5 sure will!

Reason #1 to Invest in Apartments... Lifetime Cash Flow

Cash flow is the reason most real estate investors are in the business. People across the country have looked, and nobody has yet to find a more consistent, stable, safe, and lucrative asset. Monthly cash flow through rental properties is a timeless way to build wealth, and it has created more millionaires than any other business or investment type. Unlike most businesses, investing in apartment buildings makes you money while you sleep, while you vacation, and while you do anything!

The cash flow is so exciting; it's easy to forget that every month you are also building more equity in the property as well.

Just imagine what your life would be like if you had \$10,000 worth of cash flow a month. Now imagine what it would be like if you had \$50,000 cash flow a month. To some, that may seem unattainable, but it's really not that hard when compared to other business models. Most of the truly wealthy in this country own cash flowing real estate.

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

Reason #2 to Invest in Apartments... Someone Else Pays off the Mortgage

What else can you buy that someone else pays for? If you own your home, you are well aware with how big a payment you have to make every month for the mortgage. Can you imagine how great it would be if someone else paid off the mortgage for you?

Every month the tenants are paying off your mortgage! That means you can focus on other investments, businesses, and what matters most to you. Having the freedom and flexibility of others paying off the mortgage for you allows you to scale your apartment investing business quicker than any other asset class. I will tell you my friends...there is nothing better than owning real estate that someone else has paid off.

Reason #3 to Invest in Apartments... Recession Proof

As we all well know, the economy is not always as good we'd like it to be. When looking back to times like 2008-2009, the number of foreclosures went through the roof. People across the country lost their homes, but obviously still needed to live somewhere. This is where affordable housing, your future apartments for example, come into play.

Apartment buildings if purchased properly are recession proof, plain and simple. If you own a single family home and you lose your tenant.....you are 100% vacant. If you own apartment buildings you can sustain vacancies and survive a financial contraction. Single-family home investors are always terrified of the market crashing and going under water. However, apartment building investors will coast right through the tough times. Often times, if home prices are skyrocketing in a specific market, apartment buildings will see increased occupancy in turn. We have seen and heard from countless investors who came to apartments because they hated the lack of stability in the stock market, single-family homes, and almost every other investment structure. Many of you may have heard Rod's personal recession story on his podcast or on his interviews. Rod owned 800 houses and several apartment complexes in Florida when the market crashed in 2008. He got his butt kicked and was bloodied financially with his houses, but his apartments cash flowed well through this crash. We firmly believe that investing in apartment buildings is the best long-term investment you can make for you and your family.

Reason #4 to Invest in Apartments... The Values are Based on Income

As you will learn, apartment buildings are valued based upon their Net Operating Income. Net Operating Income is total gross income minus operating expenses. This post expense calculation does not include debt service (your mortgage payment).

The reason why Net Operating Income is so beneficial to an investor is that every time you increase income, or decrease expenses, you increase the value of your property.

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

We like to use examples to show how easily you can substantially increase your Net Operating Income, and in turn the value.

Let's say you own a 100 unit apartment complex and increase the rents from \$600 a month to \$620. That \$20 increase generates \$24,000 a year in additional income. At an 8% Capitalization Rate, that adds \$300,000 in value to the property. At a 7 Cap, that adds over \$340,000 in value.

That example goes to show how small increases in income or small decreases in expenses can really make a huge difference over time and impact your profits the day you decide to sell or refinance. This is just the icing on the cake to the increased monthly cash flow you will already be receiving.

Reason #5 to Invest in Apartments... Financial Freedom

Reasons 1-4 show you why and how apartments are a great investment. We strongly believe and back these reasons and this last one is the reason behind it all. Being able to live financially free is something many people dream about, but never achieve. As a new apartment investor, we're sure you can imagine the days of living life on your own terms, and not being tied to a desk and the 9 to 5 lifestyle. Apartment investing is still hard work, but the freedom and lifestyle you will be able to live makes it worth it. Month after month you will be able to count on those rent checks. Whether you are down the road, or across the country, your tenants are still going to be living in the building and you will still be making the cash flow you dreamed about.

WHY WE WROTE THESE 29 MISTAKES AND HOW THEY WILL HELP YOU ACHIEVE SUCCESS

There are countless reasons why investing in apartments is the best way we know to build cash flow, and live the life of your dreams. However, new investors often rush in without educating themselves. Like anything, apartment investing requires knowledge, so that you don't make mistakes. If you make a mistake on your first apartment deal, it may be your last deal. The apartment industry is appealing and many new investors are flocking to it. Many of these inexperienced investors are going in and expecting a hands off, passive, risk-free return. However, if it were that easy, everyone would be doing it. In a marketplace full of deals, the key to success is understanding the business, and what mistakes to avoid.

Our goal with both this book, and The Lifetime Cash Flow Academy is to ensure that new investors make the right decisions the first time around and avoid the common mistakes. We have seen countless individuals get burned out, frustrated, and lose money based

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

upon mistakes that could have been easily avoided. We have also seen just as many new investors properly educate themselves, and in turn become massive success stories.

Whether talking to brokers or directly to owners, we regularly see situations where the apartment owner has made costly mistakes, and now want out. Many of these costly mistakes are discussed in the following pages. Whenever we encounter new investors that have made some of these simple mistakes, *we cringe*, because we know how easily mistakes can be avoided by proper education.

This free book lists the top 29 mistakes we have seen new investors make. Some of these mistakes are more costly than others, but each and every one of them has the capability of putting a quick halt on your journey to financial freedom. Study and implement these following points as you work towards closing on your first property. Take this first step to achieving your goals, and.... we look forward to seeing you at the top.

MISTAKE # 1: Rushing Into Your First Deal

Wanting to get your first deal done is very exciting, and might be keeping you up at night, however, rushing into the business of apartment investing before you fully understand it can be a fatal mistake. Ensuring that your first deal is the right deal and done properly can set you up for a lifetime of cash flow. It's critical that you immerse yourself in this business and study it.

When we are coaching new investors, we tell them to take two important tracks...One is studying the apartment buying business in books and/or courses because of the level of detail involved in this business. Then while you are learning the technical nuances of this exciting business, we also insist that you are out there kicking tires and looking at deals. Be out there setting up relationships with brokers, and having them send you deals to evaluate. Study markets, and go look at properties. This two-tiered approach will set you up for success. There are many great resources out there to learn this business, so take advantage of them. Far too many new investors rush into this business and make fatal mistakes. We rarely see someone take his or her time studying and immersing themselves in this business and regret doing so.

MISTAKE # 2: Buying in a Market You Do Not Know Well

We have seen many investors rush into a deal in an area they don't know well and suffer financially as a result. You must study the markets in which you seek deals. Among other things, you should be looking at the population and if it's increasing or decreasing. Are jobs growing and increasing? Are incomes increasing or decreasing? Who are the major employers? In our education program we will show you how to carefully assess an area, and the key drivers you should review before you buy there.

www.LifetimeCashflowAcademy.com

Copyright © 2021 The Lifetime Cashflow Academy

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

MISTAKE # 3: Just Dabbling in Real Estate

Plain and simple, the stars don't align for people who just "dabble" in apartment buying or anything else for that matter. We have seen dabblers get crushed. They may get lucky on one deal, but will typically get their butts kicked over time. To be a success at anything, including becoming wealthy with apartments, requires commitment. You have to put in the investment of time and energy into this business to be a huge success.

There is no "get rich quick". There is "become wealthy and build Lifetime Cash Flow" with the investment of time and energy.

If you have a full time job and other responsibilities, study this exciting business a few hours at night and on the weekend. Look at deals, read books, and take courses to build confidence and knowledge. Do whatever it takes to learn this as quickly as possible. Whether you get involved in our program or self-study...do the work. Join like-minded groups and look for mentors.

Every single one of us has the same 24 hours in the day, so make yours count.

MISTAKE # 4: Buying in War Zones

Anyone can admit that buying units at \$10,000 a door sounds like it's a guaranteed way to cash flow. Sometimes it is, but it's important to realize that tenants in these buildings regularly won't pay rent, will be much harder on your units, and sometimes have you wishing you never bought the property in the first place. Many investors have tried buying properties in these areas and ended up literally giving their units away because they were such a headache.

We can paint a picture of the units just by looking at the cars in the parking lot. People tend to take better care of their vehicles than they do their homes, so just imagine what your possible units look like if the tenants have cars with tape on the windows, different color doors, and cars that haven't been washed in years.

Complexes in war zones have the potential to cash flow well, but as stated, are very management intensive. Ask yourself, is it worth the headache? If you are afraid to collect rent or visit the property, it's probably not.

MISTAKE # 5: Buying in the Middle of Nowhere

Whenever you buy an apartment building you need to realize that you will be visiting that property on a regular basis. If it's a 3 to 4 hour drive to the nearest major airport that is a problem. Your time is valuable and should be maximized to be effective and successful.

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

Additionally, and even more importantly, you need to be sure that there is enough demand to keep your units filled. You don't want to be struggling to fill units from a small base of renters. Make sure you check the population demographics of anywhere you plan to buy. Another trick we do every time if we're concerned about demand, is to place a blind ad on Craigslist for the type of units we're considering buying. Very easy to see if there is demand if the phone rings.

MISTAKE # 6: Buying a Property in a One-Employer Town

A lot of towns and cities rely on one main employer. While that is great for that company, if they ever decide to move, downsize, or go out of business, your tenants are out of work, and you are out of business. Make sure any property you consider is in a town that has several major employers diversified across a variety of industries.

To show you how costly this could be, listen to this example. What was seemingly one of the best deals we had ever come across was actually in a two-employer town. There was a rug manufacturer and a brewery where everyone worked. While performing our due diligence, the brewery shut down and literally 50% of the tenants were out of work and had no income. That led to them not paying rent, and the building running at a negative cash flow. If we were not following the local trends diligently, we could have made a huge mistake that would have stuck with us for years. The only way the building will ever get up to 100 % occupancy again is if a new major employer came into town, and that is not something we wanted to wait for.

Call the local Chamber of Commerce and visit online job sites to ensure there are jobs and plenty of commerce in the area.

MISTAKE # 7: Ignoring Secondary and Tertiary Towns

Buying in large cities might sound like the best and most stable thing to do, however, that's not necessarily accurate. Certainly there is a higher pool of prospective renters, but primary cities are swarmed by REITS (Real Estate Investment Trusts) and large national investors, making it difficult for the average investor to compete. We recommend focusing on secondary and tertiary markets for the best deals.

While these secondary and tertiary markets might not be the most sexy dinner conversation when you're bragging about your properties, but they have less competition, and we feel offer better chances of finding the best deals. Yes of course you can find deals in cities like New York City, Miami, or Boston, but the competition is fierce. We're not suggesting to go looking in farm towns with populations of 4,000, but towns in the range of 10,000 – 50,000 can have some incredible deals.

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

MISTAKE # 8: Only Investing in Your Backyard

Limiting yourself to the market you live in can often greatly limit your options and growth. There could be plenty of great deals in your area, and you should definitely study your local market but don't stop there.

Narrow your focus into five different places to not get overwhelmed. It is critical to only invest in markets you have studied and know.

The five places we suggest are:

1. Your backyard
2. Another place you know very well (maybe where you grew up)
3. A place with boots on the ground (friends/family live there)
4. A place you want to retire
5. Wildcard (random city/state you like)

Narrowing down your focus to those five markets will keep you focused and busy! Building a solid network in those markets will ensure you're ready to take down a property in a place you not only enjoy, but also know well and have interest in.

Our program will teach you how to properly determine markets, and we suggest to our students to invest in places you would not mind traveling and/or vacationing. Life is meant to be enjoyed.

MISTAKE # 9: Using the Sellers Numbers Expecting Them to Be True

Not every seller is a liar, but many will justify or rationalize not putting all the expenses on an income statement when they see the massive impact the Net Operating Income has on the value of their property.

It is critical to see and study the trailing 12 months income and expenses, and the current rent roll at the bare minimum. If dealing with a broker they should have these documents. We sometimes even ask for historical bank statements to cross check against the income statement if we feel things seem off.

When dealing with off market sellers be prepared to have challenges and spend extra time obtaining the information you will need to properly evaluate the property. Sellers often do not have concise well-prepared income and expense information or will sometimes intentionally not let you see it. Additionally, many mom and pop sellers literally do not document the money that comes in, nor the expenses they pay on their property. They also regularly fix things themselves, and use their personal bank accounts

www.LifetimeCashflowAcademy.com

Copyright © 2021 The Lifetime Cashflow Academy

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

for repairs. When you encounter this, it's important to properly estimate what will be needed for all expenses including the work previously done by the seller.

MISTAKE # 10: Buying a Property Without Looking at True Economic Vacancy

Many new investors review the stated financial information on a property without really digging in. It is not uncommon to find some, or many tenants not paying rent when you dig deeper. It is not uncommon for the new investor to think they can turn things around easily and not really think through all of the potential pitfalls. If a significant number of tenants are not paying rent they will likely end up leaving. They will leave you without income you may have used in your projections, and you will have to make those units ready to rent at an additional expense.

It is critical to find out how many tenants are paying and how many are not, to determine the actual economic vacancy of a property for your analysis.

MISTAKE # 11: Using Only Pro-Forma Numbers

Many commercial real estate brokers, especially the larger companies will pitch you on pro-forma numbers for the property. They can make the deal sound too good to pass up. You will of course need to look at pro-forma numbers to set goals for the property, but should place much more emphasis on actual historical numbers. When acquiring a new property, it is important to look at the worst-case scenario. For example, you can look at the last three years Net Operating Income and pick the worst year. If you can break even using that number, remembering to factor in your new debt, and other additional expenses like increased taxes, you will feel much more comfortable about the deal.

Each and every deal we evaluate is based solely upon the current actual financial situation. We look at the rent roll and trailing 12 months income and expenses. There are of course many other things you should be looking at in your due diligence.

MISTAKE # 12: Not Adjusting the Amount for Property Taxes on Pro-Forma

Not adjusting taxes up when you do a pro-forma on a prospective property can often be enough to substantially affect your return. Many first time investors overlook this important calculation, and it can turn their cash cow into a marginal deal. Obviously, whenever you buy a property for a higher price than it previously sold for, the local tax assessor will reassess the property and raise the taxes. Make sure you determine what you should estimate for this.

This is something that brokers will rarely put in their analysis, or the pro-forma section of a property's marketing package.

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

MISTAKE # 13: Not Properly Estimating Negative Cash Flow or Extensive Repairs

Many sellers and brokers will show you a property with negative cash flow, or significant repairs, and tell you how easy it will be to turn it around and make it positively cash flow. It's definitely possible, but having to pay out cash every month to keep your property afloat, or tackling a renovation project is not necessarily the safest way for a new investor to start. It is usually more prudent to save big project properties until you have a few deals under your belt, and the experience needed to tackle a project property. These properties typically require more work, time, and operating capital than beginning investors realize.

That said, these turn around properties often have huge value add opportunities and upside, but make sure you go in with both eyes wide open. It's not uncommon for a beginning investor to estimate a 3-month and \$15,000 turnaround project that becomes a one year, \$50,000 project.

MISTAKE # 14: Keeping All of the Same Contractors after Purchasing

Many new investors often forget the fact that the landscaper, pool guy, and HVAC contractor aren't the only ones in town. When acquiring a property make sure to shop around, as you may be able to cut expenses drastically with a new and eager contractor. Many contractors will be very competitive when they first land a client, but as time goes by will have their fees creep up. Be sure to shop around.

Another aspect regarding these contractors is to see what their contract with the owner says prior to buying the property. Frequently contracts with vendors like laundry room equipment vendors can be very long-term. It is very important to know this information prior to allowing your earnest money to become non-refundable.

MISTAKE # 15: Maxing Out Resources on One Asset

Most of us have probably heard of the term "house poor" before. We're sure you know someone who got approved for a \$300,000 mortgage, so in turn went out and spent just that. Making that mistake in your primary residence is bad, and making it in your first apartment property is even worse. Maxing out your cash resources on one apartment asset may not leave you enough operating capital to make needed repairs, improvements, or other cash needs. Additionally you won't have the money to purchase other properties.

If you feel like you're cutting the budget too close, you probably are. You'll sleep better at night knowing you have a financial cushion and more importantly a little cash to go

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

after any other good deals that come your way. The last thing you want happening is putting all your eggs in one basket, and then a week later having an even better deal cross your desk.

MISTAKE # 16: Not Asking for Seller Financing

Bank financing is not the only option, especially on distressed properties or properties with high vacancy. Asking for seller financing can make the deal much more lucrative, and often benefits both parties involved. Like we mentioned before, find out what their problem is/why they're selling and solve it!

The key for this strategy is to find out what the seller plans to do with the proceeds from the property. Then show them how much more money they would receive in interest and monthly income by remaining involved with the property. Additionally, usually the largest benefit for the seller if they finance your transaction, is that they spread out the tax consequences of their sale. Also, obviously, you will pay the seller a higher interest rate than they will receive by parking their money at their bank.

Many sellers don't even consider seller financing, but once you show them how advantageous it can be for them, they fall in love with the idea.

MISTAKE # 17: Not Shopping for the Best Financing Options for Your Deal

When you applied for a credit card, got a car loan, or even your home mortgage, you may have not shopped around the banks much. Interest rates, pre-payment fees, and other terms are often hidden in fine print for the consumer to pass over, and one just assumes they're getting the best rate possible.

Don't let that be the case on your apartment investments. Even a 0.25% difference on a loan makes a huge difference over time. Call every bank or lender in town and ensure that you are getting the best terms possible, including your interest rate, loan-to-value (LTV), and amortization. In our program we will show you how to properly present yourself to lenders and how to navigate the myriad of different loan types to find the loan that's most appropriate for your deal. If you are using seller financing, we'll show you the best ways of communicating with the seller, and the different creative ways a deal can be structured.

Additionally: Establish a good relationship with your commercial banker or lender. If they enjoy working with you, it opens the door to ask them about foreclosures or bank owned deals they may encounter and need help with.

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

MISTAKE # 18: Thinking this is a Get Rich Quick Scheme

Many real estate gurus will preach their get rich schemes and try to entice unsuspecting novices into spending their money. To be a success in anything, including real estate, and more specifically apartment buying requires your full commitment.

By all means, you can definitely do a lot of work learning from your laptop on the beach, but if you see one of these get rich quick people, we suggest you run the opposite direction.

If you want to build up your business into a monthly cash cow then keep on reading. With hard work, the right mindset, and the proper education and tools, you can and will become wealthy in time, finances, and freedom.

Buying apartment buildings is for those who will put in the effort to build lifetime monthly cash flow and huge generational wealth.

MISTAKE # 19: Not Networking with Brokers

As we all know, brokers are in the business day in and day out. Building a solid network of brokers is invaluable, and will greatly aid you in building your business.

Start a list and start contacting brokers. Tell them what you're looking for and your target market. Make sure to follow up with brokers even when they send you a bad deal or one that does not fit your criteria. Call or email them and tell them why that particular deal wasn't right for you. Having mutual respect and building commonality is important, and will lead to them sending you the "pocket deals" and "off market" deals we all dream about.

As a new investor we understand that brokers may not treat you seriously. That is an easy roadblock to overcome. Things like giving your specific criteria, being educated, and respecting their time are important.

We suggest you keep a database of your brokers on Excel or one of the many free or inexpensive CRM systems. This will come in handy as your network grows and time becomes more valuable.

MISTAKE # 20: Only Looking For Deals on LoopNet

There are tons of great deals on LoopNet, but it's not the only place to look. Auction sites, local brokers, and a variety of other websites all have listings that the masses don't see

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

on LoopNet. Sign up for email notifications and build a database of every place you can find deals. The bigger net you cast, the more fish you can and will catch.

P.S. While we're on the topic of LoopNet, please don't listen to people who say LoopNet is the place deals go to die. The amount of great deals we and other investors have found on LoopNet is amazing. These "dead deals" have turned out to be some of the best, cash flowing assets our partners and us have come across.

MISTAKE #21: Ignoring Properties that have been For Sale a Long Time.

Deals that have been on the market for a long time regularly are overpriced, or have something wrong with them, but sometimes they have not been analyzed thoroughly or completely. Sometimes there can be something important that others have missed. We have located fantastic deals that were marketed at low cap rates, but when we evaluated them, we realized that their numbers were either way out of whack, or they had inaccurately reflected the income or expenses. We've also found great deals where the previous owners had been overspending for management. We have stepped in and greatly reduced management costs instantly creating incredible value.

While others skip over them, we make it a habit to look at the older deals, and suggest you do the same. These sellers may originally have been unrealistic with their asking price, and are now willing to negotiate. Keep in mind that the price advertised is rarely the price that is settled on. Just think of if you were selling your car, and wanted to net \$12,000. You would not advertise the vehicle at \$12,000, because you know the buyer would negotiate. Instead you would list the car at \$15,000 and hope you can get as close to that as possible. The same thing applies in multi-million dollar property deals.

MISTAKE # 22: Not Utilizing the Internet

As previously stated, there are countless websites to find deals, but that is not the only way you should be using the Internet. A significant amount, if not the bulk of your due diligence, research, and demographic reports can be done online. The key here is knowing which sites to trust and where to look.

With today's technology, there is almost no reason you need to fly to go check out a potential deal. We check every box on our due diligence checklist by utilizing our network of websites. One of the first and foremost things we do with out of state deals is check Google Earth and Google Street View. We do this to see what is surrounding the buildings, and what the neighborhood looks like. You can even look at the cars in the parking lot of the property to get an idea of the caliber of the tenants.

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

The reason we included this mistake is because we've seen a lot of new investors fly or travel long distances to check out deals and get burned out quickly. Plane tickets and hotel rooms add up quickly and spending this money is unnecessary before you do lots of online vetting. We usually won't physically visit a property until we have a signed Letter of Intent. LOI. So make sure to utilize the Internet before dishing out the cash to travel.

MISTAKE # 23: Not Putting Yourself in a Prospective Tenant's Shoes

Before acquiring your first or any property, it is very important to know how other apartment buildings in the area are doing. These are your competitors, and you need to be sure that your property is competitive. Call and see what their rates are, what amenities they offer, and be sure before fully committing to the property that you've toured all your competition. Put yourself in a prospective tenant's shoes, and compare the property you're looking at with these competitors. Where would you rent? What would you need to do to your property for it to be the most attractive option? Walk around your prospective property at different times of the day and different days of the week. Would you live there?

MISTAKE # 24: Not Thinking Big Enough

As a new and small time investor, the entry point is usually single-family homes or small complexes. These assets are something you may be familiar and comfortable with. Just because they are comfortable and familiar, doesn't mean they are the best course of action. Rod has owned over 2000 single family homes that he rented out in a buy and hold strategy, and he will try to talk you out of that model for lots of reasons. Multi-family apartment investing is actually much easier and allows you to grow quickly with multiple economies of scale.

Many people don't realize it takes the same amount of work to buy a 100 unit property as it does a 10 unit. They require the same amount of paperwork, due diligence, financing work, phone calls, and emails. The only difference is that the 100 unit property is going to add another zero to your cash flow and your bank statement. Obviously you will typically need someone with experience to work with to take down your first larger property, but do not let that stop you. If you are in our program you will have opportunities to partner with other participants or even with us.

Just because you are new to the game doesn't mean you need to start with single-family homes. At the very least, start with duplexes, triplexes, or quads. Don't let the numbers scare you. The rewards are exponentially better.

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

MISTAKE # 25: Not Networking Enough

Networking doesn't have to take place solely at masterminds or industry conferences. You should always be talking to people you meet about what you do. Some of the best deals the investors we coach have found, have been through networking. By talking about what you do with passion and conviction you will not just find deals to buy but you will also likely find investors that want to participate in what you're doing. To be successful in this business, you will need to get outside your comfort zone and meet people.

You should also be attending your local real estate investor club meetings and talking shop with these peers.

MISTAKE # 26: Being an Investor, Not an Entrepreneur

By definition, an investor is someone who provides money and in return expects a financial gain of some sort. You may be thinking that is what you're trying to do. You're correct, but in order to succeed you're going to be an entrepreneur as well.

An entrepreneur is a problem solver, and if you're getting into apartment investing you're also getting into the business of solving problems. Solve the seller's problem and find great deals. Apartment investing and problem solving go hand in hand.

You may think that problems are bad, and that is the complete opposite mindset. In our program, or through your independent study, you will learn to identify problems as opportunities and jump at them.

For example, a seller is retiring and wants cash? Perfect, you'll give them a nominal down payment and seller finance the rest, so they still get monthly cash flow to support their lifestyle.

A seller says all my tenants hate the place and move out the day their lease expires? Perfect, you'll know what to do to renovate, clean up, and put strict management into place so the tenants love the place they call home, and in turn will stay for years and pay higher rents.

We are entrepreneurs at heart. We're problem solvers. Keep this in mind and make sure your first question to every seller or broker is: why are you selling?

MISTAKE # 27: Giving Up Too Fast and Being Too Impatient

After months, or even years of not finding the right deal, it's easy to give up. However, the best deal could be just around the corner. The more deals you kick the tires on and

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

analyze, the knowledge you gain, and connections you make, the better your chances are at success.

It is easy to feel discouraged and throw in the towel after unsuccessfully finding a great deal quickly. Many investors we know, as well as ourselves realize that in today's competitive buying environment, if we look at 100 potential deals, we will likely narrow that list down to 10, and possibly submit a Letter of Intent (LOI) on 2 or 3. Out of these 2-3 LOI's, we are fortunate if we submit a contract on 1 and end up closing on the property. These numbers are not meant to discourage you, but rather to show you that all successful investors immerse themselves in this business and review scores of deals to find the one they like and can close on.

One of the wealthiest investors Rod has interviewed, who owns over 4000 units and now has a private jet, studied real estate for six years before he bought his first apartment building. It is important to associate pleasure with looking at these deals and look at it like a treasure hunt.

Whether it takes 25 or 250 deals to find your first, don't get discouraged. Once the right deal crosses your desk and you close on it, you won't regret a second of the fun and hard work.

MISTAKE #28: Analysis Paralysis

Contrary to the previous chapter, and after reading through all of these possible pitfalls, you may be thinking you are going to be over analyzing everything, leading to a complete paralysis of your plans to build Lifetime Cash Flow. Don't let that be the case! Use every day to educate yourself on this exciting and very lucrative business. The more education and experience you have looking at deals the more confidence you will have, and the less frightening your first deal will be. Our goal of this book and the Lifetime Cash Flow Academy as a whole is to educate you, steer you clear of any possible mistakes that can arise, and guide you to massive success. Learn from the mistakes of others through this book, and go achieve the goals you have always dreamed of!

MISTAKE # 29: Thinking You Have to do this Business Alone

We have seen investors that for whatever reason, think this is a do it yourself business. That is wrong and always a mistake. This business requires a team. You will need Brokers, Bankers, Property Managers, Contractors, Insurance Brokers, Investors and so on.

We also believe it sometimes makes good sense to do your first larger deal with someone that has done it before. Someone that owns property similar to your first deal. Even if

THE 29 FATAL MISTAKES MANY APARTMENT BUYERS MAKE

you give up a piece of that first deal, you will learn from the experience, and be able to put that property in your credibility kit.

Through our program we have created a community of new and seasoned apartment investors that you can network with, and learn from. We have a private Facebook group, and our group meets in person, and online regularly. Regardless if you participate in our program or not, be sure you align yourself with other investors and share your experiences, your mistakes, lessons and triumphs. This will help you more than you can imagine.

A Personal Note from Rod

I hope you have gotten value from this book. I think you can see just how passionate we are about this exciting and lucrative area of real estate. Apartment investing has had a huge positive impact on my life and many others I know. I love this business, and I truly love helping others be successful in it.

We have created the Lifetime Cash Flow Academy to share my experiences and expertise with anyone that would have an interest in building lifetime cash flow through multi-family investing. The program has all of the training tools, strategies, checklists and resources needed to help someone be successful in this exciting business.

The goal of our educational program is to provide you all of the tools and resources you need to be a success in this business. We will train you on everything from acquisition to disposition in great detail. You will also have access to us for personalized coaching and advice.