

DiscountPropertyWarehouse.net Special Report

How to Invest in Memphis, Tennessee, Real Estate from Anywhere, USA

The tumultuous market of certain areas of the United States and volatility of those markets has placed real estate investors in a unique situation, where they face two very different choices:

- 1) To 'ride out the storm', if you will, and wait for better opportunities when the market 'corrects'

OR,

- 2) To seek 'greener pastures' in other locations where real estate investing still 'works'.

Both of these options have merits and credibility, depending on where a certain real estate investor is financially. For some more experienced investors with deeper pockets, riding out the storm may offer the opportunity of staying within their comfort zone, and many of these investors can continue to pay uncorrected market prices as they make acquisitions to expand their portfolio. In these cases, negative cash flow may be a norm, but these investors have the cash resources to subsidize these negatively cash – flowing properties for months, if not years, to come.

In contrast, other investors realize that there are true real estate investing gold mines still located within the United States, but they wonder if they will ever be able to capitalize on them. There are many reasons why an investor would be turned off from investing in an out of state location, including but not limited to the following reasons:

- **Pressure from spouse**
- **Lack of knowledge of specific markets**
- **Lack of knowledge about locations within those markets, and what consists of a 'good area' or otherwise.**
- **Absence of relationships with key personnel who can make the investment succeed(i.e., contractors, vendors, and property managers)**
- **Fear of failure**
- **Fear of irresponsible property management which may sabotage the investment**
- **Fear of being 'stuck' in an investment which is located far from one's home**
- **Fear of not being able to visit the property daily**

All of these concerns are valid, and any of a combination of these factors can affect an investment property in a negative way. However, to look at out of state investing as risky because of these factors is like saying driving is risky because you might get into a car accident. Really, investors CAN have absolute success in out of state investments - the

key is to overcome any obstacles by implementing key personnel who can empower the investment (and investor) to be successful.

Enter Memphis.

Before we look at the veritable treasure trove that is Memphis, Tennessee for real estate investors, let's look at some figures that make Memphis a city with logistics to consider for making real investments.

Memphis, Tennessee: Some Facts

Memphis is a major metropolitan city which serves as the biggest air cargo distribution hub in the world. The Memphis International Airport boasts being #1 in yearly air cargo tonnage which is transported from it, outpacing even Hong Kong. Memphis is also the home to Federal Express, which has committed major investments to the city's infrastructure. The prognosis for Memphis long term growth is great, and there are many publications that have recently taken notice, as you can see below.

Memphis Real Estate Investing Facts

- Overall cost of living is 10% below the national average
- No state income tax
- 41% of the population rents (National average is 28%)
- Apartment occupancy at 92% city average
- 2006 Appreciation 6.27% - MSN Money
- 5 Year appreciation 18.76%
- No major run up in prices
- 9th most foreclosures with 1 in 49 homes foreclosing – Realty Trac

Memphis, a 2nd tier hotspot

- Top 10 of 50 best major metro areas for starting or growing a business – *Inc Magazine*
- #16 of “America's Top 50 Hottest Cities” – *Expansion Management Magazine*
- Top Ten Hottest US Markets for Mortgage Lenders – *Mortgage Bankers Association*
- Top Ten Cities to Invest in Real Estate – *Business 2.0*

- 2nd Most Undervalued Market in the Nation with 20% of houses selling for less than their fair market value and Houses in Memphis selling for 28% less than the national median - More and more businesses are doing business in Memphis. – *study conducted by chief economist of National City Corp, Richard Dekaser*

- One of Five Great Places to Retire – *AARP*

- #1 on Home affordable housing for retirees – *CNN Money Magazine*

Memphis as a Real Estate Investment Platform

First and foremost, Memphis investment property is VERY INEXPENSIVE compared to many regional markets in the United States. The purchasing power of the dollar goes very far here, and to give you some statistical examples of what is available in Memphis, here are some typical deals if you are considering making a Memphis based real estate investment:

- In great rental areas, you can find homes for 70 cents on the dollar or less, including all repairs and closing costs. These numbers are based on real appraisals, not fictitious two year old comparable sales.
- Most price points for investment homes in solid, well performing rental areas are between 40k and 75k.
- These properties tend to generate gross rents of \$650 - \$950/month, respectively, on the average.
- By using short term bridge financing, it is(at times) possible to structure a deal with zero cash out of pocket, including acquisition costs, renovations, and the costs incurred with transferring short term financing to permanent financing.
- The rental pool in Memphis is very large, which tends to get vacant houses rented in an average of 30 days or less.
- Lease optioning is very common in Memphis, allowing investors who are looking for intermediate range exit strategies to place a tenant, receive some upfront cash as well as positive cash flow and a back end strike price which will generate a larger back end sum of cash.
- Equity spreads here are large and very common, especially when an investor begins to look at purchasing homes which are priced at a wholesale level(or below).

It is very realistic that an investor can come into the Memphis market with very tangible goals of positive cash flow and net worth improvement, and realize those goals in 24 months or less. By breaking the numbers down to their simplest form, we can see just how practical investing in the Memphis market can be.

Let's look at a realistic investment goal for an investor considering Memphis as a real estate purchase location.

Sample Goal: \$5,000/Month Positive Cash Flow and \$300k Net Worth Increase Through Purchasing Only Single Family, 3 Bedroom 1 Bath Residential Homes:

Average Rental Home Price (Including Renovations and Permanent Financing Costs) in the Memphis, Tennessee Market: \$50k

Typical After Repair Value(ARV): \$80k

Typical Principal, Interest, Taxes, and Insurance(PITI) on a 50k Loan (30 Year Amortization): \$450/month

Typical Rent(Gross): \$750

Typical Management Fees From Property Management Companies(10%): \$75/month

Net Rent: \$675

Positive Cash Flow(unadjusted for vacancy and maintenance): \$225/month

In this example, we see that:

To achieve the net worth increase of 300k, the investor would need to purchase 10 homes with similar numbers. An investment in 10 homes would be a cash outlay of 500k, which would achieve the 300k net worth increase.

Compare this with many coastal markets where many single family rental homes cost 400k – 500k **PER UNIT**. The growth of the portfolio through a principle based, conservative Memphis real estate investment and commitment can easily achieve this goal, and this is doable in 10 months or less, using local connections and knowledgeable investors who live and work in the Memphis market.

Let's look at the *positive cash flow*:

$$10 \text{ Units} \times \$225/\text{month} = \$2250$$

In this case, we are not able to meet the cash flow goals in just 10 houses. We would need about 22 homes to meet the 5k monthly goal of positive cash flow.

Now, it is important to remember that these deals are TYPICAL AND AVERAGE. It is relatively simple for investors to geometrically multiply their cash flow by purchasing multifamily units or small commercial units.

Let's review the same goal using only duplexes, at similar price points as our Single Family Residence analysis.

Sample Goal: \$5,000 Month Positive Cash Flow and \$300k Net Worth Increase
Purchasing Only Duplexes, 2 Bedroom 1 Bath Side By Side Units:

Average Rental Duplex Price (Including Renovations and Permanent Financing Costs) in the Memphis, Tennessee Market: \$50k

Typical After Repair Value(ARV): \$80k

Typical Principal, Interest, Taxes, and Insurance(PITI) on a 50k Loan (30 Year Amortization): \$500/month

Typical: Rent(Gross Per Unit): \$550

Total Gross Per Duplex, Fully Rented: \$1100

Typical Management Fees From Property Management Companies(10 %): \$110/month

Net Rent: \$990

Positive Cash Flow(unadjusted for vacancy and maintenance): \$490/month

In this example, we see that the investor CAN in fact meet this goal by discriminating and purchasing ONLY duplexes. In the sample 10 month, 10 unit scenario, we see that the investor meets the 300k net worth increase as well as the positive cash flow goal which roughly nets out to be about \$4900/month, essentially meeting the goal in less than 10 months, if executed properly and assuming full occupancy.

The question is, how many markets can offer this kind of bountiful return for today's small, independent investor possessing limited resources?

VERY FEW.

A Concern For Investors: I Don't Know Anyone In Memphis!

This is a concern, to be certain. How can someone hope to make a commitment to long-term acquisitions and growth if they don't know anyone who lives in Memphis? How can they BEGIN to approach purchasing properties successfully if they don't even know a plumber who lives in Memphis???

DiscountPropertyWarehouse.net was designed specifically for investors with these questions in mind. At Discount Property Warehouse, not only are we headquartered in Memphis, TN, but our team will act 'on demand' for whatever your particular investment goals are. We offer:

- **Incredible deals at substantial discounts, far below retail prices**
- **Relationships with RELIABLE contractors, insuring that any repairs needed can get done on a timely fashion while warranting against cost overruns.**
- **Closing attorneys, which help facilitate real estate closings and any creative structuring that an investor wants to implement**
- **Short term bridge financing through private lenders, which allows for an investor to acquire properties for zero down in many cases.**
- **Long term financing partners, allowing a quick refinance from bridge financing so an investor can repeat the purchase process**
- **QUALITY AND RELIABLE property management choices so the investor can rest at night knowing that their homes are being well – taken care of.**
- **The BEST SELECTION of investment properties fitting any investors strategies for wealth building, from positive cash flow to rehab to retail opportunities, to lease option ventures, to larger commercial grade investments,**
- **The ability to consult on a wide variety of real estate transactions, including short sales, subject to transactions, lease purchases, and REO tape acquisition and sales.**
- **Certified Mold Inspections and Air Quality Screening**

All of these services are provided to you as part of the comprehensive package of vendors and relationships we provide to make your investment successful.

A recent testimonial written by a client who we have been working with illustrates how the DiscountPropertyWarehouse.net approach is **EFFECTIVE** and **WORKS**:

From DiscountPropertyWarehouse.net

“I had been wanting to invest in Real Estate for a few years but was not finding the opportunities in California where I live. It was a lucky break when, having been tipped that Memphis TN was promising, [DiscountPropertyWarehouse.net] responded when I inquired about a property I located online. I didn’t purchase that property but I told them what I wanted to do.....to acquire income producing properties to supplement my retirement in five years.....and the founder of DPW.com assured me that Memphis is the perfect place.

Now, I am a complete amateur when it comes to investing in real estate but I knew that I would have to rely on other specialists to make it happen. [The founder of DPW.com] was perfect for that... all the right people were in place; lender, title attorney, property manager, contractors, hard money lender.

Following the purchase of my first (of seven) properties I flew to Memphis for a visit and enjoyed meeting all of those [DPW.com] folks and spending some time with them.

It was very clear that to me that [the founder of DPW.com] is a person of excellent character. He puts the needs of the investor first and follows through with his

promises. I am lucky to have met him and have recommended him and DPW.com to others without reservation.”

J. Cartright, Los Angeles, California

DiscountPropertyWarehouse.net is a full service real estate investment consulting firm committed to our client's success. As the dollar declines and real estate markets tumble and roll, have you considered putting your hard earned dollars in one of the few real estate investment sanctuaries left in the continental United States?

Where are you investing your dollars?