

How To Know When To Sell Real Estate Investment Properties

Presented by:

Real Estate Investment Services



www.rjgullo.com

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Intro

Like our bodies, which require physical attention to make sure they perform to their fullest, our real estate investments require the same attention and care.

Over the course of a holding period, a real estate investment gets soft and forms a diminishing rate of return when the property is held too long in the owner's portfolio.

It is imperative to understand how to calculate the value of your real estate investment property and know the difference between the equity position at acquisition vs. the equity position at the present date, which may allow you to double, triple, or even quadruple the size of your real estate portfolio.

Example

EXAMPLE: Assume we acquired a 12-unit apartment building in 1983 with a purchase price of \$240,000, an equity position (down payment) of \$60,000 and a mortgage of \$180,000.

During the holding period of this asset we build additional equity through the principal pay-down of the mortgage and appreciation (the increase of value over the holding period).

Knowing When To Sell Real Estate Investment Properties can help you double, triple, or even quadruple your real estate portfolio using your current equity position.

How Value Is Determined

THE IRV EQUATION:	At Acquisition in 1983 – 12 Unit Apartment Building
I = INCOME (NOI)	\$24,000
R = RATE (Cap Rate)	10%
V = VALUE (Market Value)	\$240,000

- This is known as the “process of capitalization” or converting the income stream to value.
- There is a direct relationship between the income stream (NOI) and the value (Market Value).

A diagram of a triangle containing the IRV equation. The letter 'I' is positioned above a horizontal line, and the expression 'R x V' is positioned below the line, all centered within the triangle.

$$\frac{I}{R \times V}$$

Value Today

Today's equity in the 12 Unit Apartment Building:

	Today
I = INCOME (NOI)	\$37,000
R = RATE (Cap Rate)	7.5%
V = VALUE (Market Value)	\$493,000

Comparison Worksheet

	At Acquisition in 1983 – 12 Unit Apartment Building	Today
Net Operating Income (NOI)	\$24,000	\$37,000
Capitalization Rate (Cap Rate)	10%	7.5%
Market Value	\$240,000	\$493,000
Mortgage	\$180,000	\$0
Equity	\$60,000	\$493,000

- **With the \$493,000 of our new equity position in the example today, we have the opportunity to control up to \$1,972,000 worth of real estate by putting 25% (\$493,000) down and procuring a mortgage of 75% (\$1,479,000) for the difference.**
- The Cap Rate is taken directly from the local marketplace and based on comparable sales.

What You Can Do With The Increased Equity Position Of \$493,000 Today Through The Use Of Leverage

36 Unit Apartment Building:

	Today
Equity (25% Down payment)	\$493,000
Mortgage (75% LTV)	\$1,479,000
Market Value	\$1,972,000

Bottom Line

**Would you rather control \$493,000 of real estate in a 12-unit apartment building
or
\$1,972,000 of real estate in a 36-unit apartment building?**

This results in four times the market value and three times the number of units!

- By using the same equity position of \$493,000 and utilizing Section 1031 of the Internal Revenue Code (discussed next), you can own real estate with a value of \$1,972,000.

How Do You Keep 100% Of Your Equity When Disposing Of Property?

1031 EXCHANGE

- Using 100% of your equity to purchase another property is possible with a 1031 exchange.
- **By not taking advantage of a 1031 Exchange, you can lose as much as one-third of your selling price to taxation!!!**
- Section 1031 of the Internal Revenue Code allows owners disposing of income-producing or investment held property to PAY NO TAX when disposing of property, as long as another income-producing or investment held property is acquired within 180 days from the closing of the relinquished property.
- **This type of transaction must be structured by a professional “Qualified Intermediary”.**

Summary

- If you are looking to achieve financial independence with the use of investment real estate, you can achieve it much quicker by Knowing When To Sell Real Estate Investment Properties.
- In many cases, a current owner of a real estate investment can double, triple, or even quadruple the size of their real estate portfolio by using their current equity. It's imperative to understand the valuation of your portfolio to make the correct financial decision.

**Your NEW EQUITY POSITION In Your Current
Income-Producing Or Investment Held Property**



1031 Exchange (TO PAY NO TAX)



Leverage



**The opportunity to double, triple, or quadruple your
real estate portfolio**

**Contact us for a FREE consultation when buying
or selling real estate investment property or to
learn how to PAY NO TAX using a 1031
Exchange**

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Services



1031 Exchanges

We help defer taxes when disposing of real estate investment properties.



Real Estate Investment Brokerage

We bring together buyers and sellers of real estate investment properties, regardless of transaction size.



Real Estate Investments

We offer management-free, NNN lease investments with corporate guarantees or we can place accredited investors into professionally managed, co-ownership investments that we sponsor.



Real Estate Investment Advisory

We provide property value estimates and financial analysis to determine whether to hold or dispose, investment analysis for future acquisitions, and portfolio optimization analysis on how to strategically expand or consolidate holdings.

About Us



Russell J. Gullo, CCIM, CPM
Founder & CEO
Licensed Real Estate Broker

Russell J. Gullo, CCIM, CPM, is Founder & CEO at R. J. GULLO COMPANIES.

Mr. Gullo has worked in the real estate investment industry for over forty years and has structured thousands of transactions. He is acknowledged throughout the United States as an expert on 1031 Exchanges and is experienced in real estate investment analysis, valuation, acquisitions, dispositions, co-ownership investments, and asset management.

Mr. Gullo is a former adjunct professor at Canisius College, where he taught Real Estate Investment, Real Estate Taxation and 1031 Exchanges. Mr. Gullo has authored hundreds of articles on real estate investment topics and is the former host of the “Real Estate Wealth Building Strategies” radio program.

Mr. Gullo holds a B.S. in Finance from Canisius College, is a Certified Commercial Investment Member (CCIM), a Certified Property Manager (CPM), and a Licensed Real Estate Broker in New York. He is a member of the CCIM Institute, the Institute of Real Estate Management (IREM) and the National Association of Realtors (NAR).

Mr. Gullo was listed in “Who’s Who In Creative Real Estate”, received the "Most Informative People In Creative Real Estate" award, and was the first inductee into the Exchangors Hall Of Fame.

About Us



Anthony J. Gullo, CPA, CCIM
Director
Licensed Associate Real Estate Broker

Anthony J. Gullo, CPA, CCIM, is Director at R. J. GULLO COMPANIES.

Mr. Gullo has worked in the real estate investment industry for over ten years. He is experienced in real estate investment analysis, valuation, acquisitions, dispositions, co-ownership investments, and asset management.

Prior to joining R. J. GULLO COMPANIES, Mr. Gullo was a director at FTI Consulting in New York, NY. He was a member of the real estate solutions practice and provided real estate advisory services to large commercial real estate companies, private equity funds, pension funds, law firms, investment banks, owners, developers, managers, and high net worth individuals. During his time there, Mr. Gullo was involved with the reorganization and sale of a \$140M real estate portfolio that won “Real Estate Restructuring of the Year” at Global M&A Network’s Annual Turnaround Atlas Awards. Before FTI Consulting, he was a senior associate in real estate assurance services at Ernst & Young where his clients included real estate private equity funds with approximately \$13B of gross assets under management, and a publicly traded and self-managed REIT that is one of the largest self-storage companies in the United States.

Mr. Gullo holds a BS in Accounting and Accounting Information Systems from Canisius College, an MBA in Accounting from Canisius College, and a Professional Certificate in Real Estate Finance and Investment from Fordham University. He is a Certified Public Accountant (CPA) in New York, a Certified Commercial Investment Member (CCIM), and a Licensed Associate Real Estate Broker in New York. Mr. Gullo is a member of the CCIM Institute and the National Association of Realtors (NAR).

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