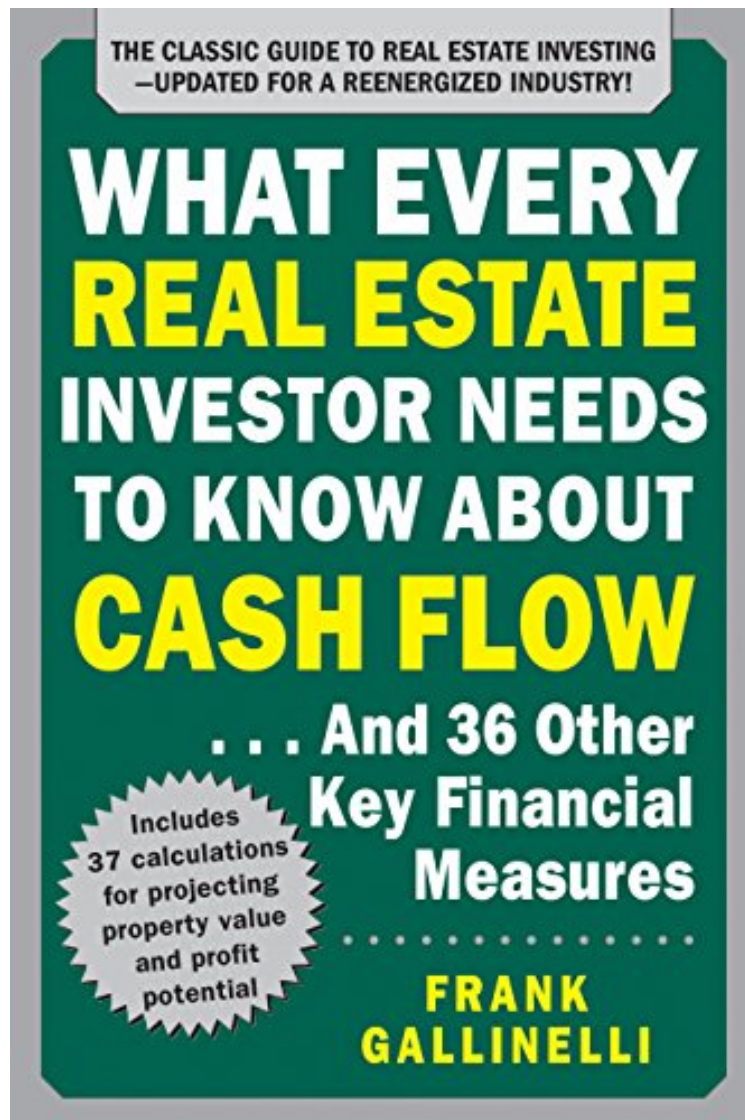


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What Every Real Estate Investor Needs to Know About Cash Flow... And 36 Other Key Financial Measures, Updated Edition

Frank Gallinelli

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Frank Gallinelli : What Every Real Estate Investor Needs to Know About Cash Flow... And 36 Other Key Financial Measures, Updated Edition before purchasing it in order to gauge whether or not it would be worth my time, and all praised What Every Real Estate Investor Needs to Know About Cash Flow... And 36 Other Key Financial Measures, Updated Edition:

214 of 218 people found the following review helpful. An Enlightening Book about Quantitative Real Estate

Analysis By The Ideator I'm a university business teacher and have an MBA, and I've taught a number of introductory courses in business finance, including processes for sizing up general corporate investments. I'm also familiar with methods for valuing stocks and bonds. I'm also a bit new to the United States so the implications of U.S. tax laws aren't entirely second-nature for me. Before reading this book, I had also purchased a couple small, single family investment properties that have worked out satisfactorily so far, but wanted to refine my approach using terms and methods that are native to the real estate investment industry. As an educator, I not only expect authors to provide information, but also, to help you practice your skills. Therefore, I tend to judge a book by how well it guides me in truly learning and understanding its concepts. Overall, this book stood up well against my goals and expectations. The author's methods seemed consistent with general business practices in the various courses I've taught, but have been modified to fit the nuances of the real estate investment industry. I picked up a few things as well, mostly surrounding the impact of accounting rules on taxable income and financial ratios that are specific to real estate investments. I also liked how the author wasn't short on examples of the math in action. Within each chapter there is usually one or two example calculations, and then, at the end of the book, he repeats each calculation or ratio giving it a bit more explanation. He also gives you a problem to solve, with a solution provided at the end of the chapter to check your knowledge. In this end-section of the book, he also provides a bit more detail for each ratio than you find in the body of his work. I also liked how he appears to have provided some realistic figures in his examples, inadvertently producing some benchmark values for certain key ratios. For example, expected rates of return of 10-12 percent for real estate, debt coverage ratios of 1.2 to 1.3 for most banks, and vacancy allowance rates of 3% to 6% came through consistently. He covers himself by encouraging you to do research to verify these numbers in your specific locality, but they gave me a ballpark figure to which I could compare my own research and make some preliminary judgments. And, to test my knowledge, I ran the numbers for a real estate investment I was considering using his methods. I did this in a spreadsheet I created from scratch. Then I ran those same numbers through Turbo Tax and compared it to the figures the author would have recommended to forecast the tax liability of the investments. I got the same numbers as the author would have, although I did have to research current rules on real estate investments from the IRS website because some of his tax rules were out of date (because the book was published years ago; I was using the 2003 version and its 2011 now). But the book got me started in figuring out where to look. However, I felt there were a few ways the book could have been improved. First, I felt he might have talked about the modified internal rate of return (MIRR) for the investment. This measure takes into account the rate at which proceeds from the property are reinvested, which his Internal Rate of Return measure doesn't account for. The MIRR is therefore more accurate, in my view, producing a lower rate of return that needs to be recognized if you want to hit your investment goals. Second, I thought he could have given a comprehensive example which uses all of the important ratios he describes in the book. He does a good job of describing each ratio in isolation; however, I think it would best to see the important ratios all in one place, their tradeoffs, and an overall interpretation of the investment in terms of net income, cash flow, return, value, debt coverage etcetera. I would have also liked to have seen him analyze two potential properties, and explain which one is the better investment based on the numbers given a fictitious investor's characteristics such as preference for cashflow versus capital appreciation, etcetera. I also thought he ducked out of some of the finer points of sizing up a real estate investment, telling you in a few spots to see your accountant about certain issues, such as rules on gains, disposal, depreciation, passive loss rules, etcetera. The reason I bought the book was to help me make these decisions without a high-priced accountant. So, I felt the need to buy a second book after reading this one - one on current real-estate taxation rules. But he did point me in the right direction, and perhaps this expectation was beyond the scope he intended for this book. Also to fully internalize the ratios, I would have liked to have seen a summary of all the ratios in table format, showing their formula, when you use the ratio, and its general meaning. And last of all, I feel his book is skewed a bit toward multi-unit investments rather than single-family residential properties I'm interested in. For example, he recommends a vacancy allowance of 3-6%. However, for a single-family dwelling, if you budget only one month's vacancy, you get 1/12 or 8.3%. So, if you blindly use his vacancy allowance, you'll overestimate your gross operating income (gross rental receipts). However, for the price you pay for a used book on , I got more than my money's worth, and I won't be selling this one any time soon. Although I've given a few criticisms here, I think this is quite an excellent book, and I recommend it quite highly. I therefore gave it five stars.0 of 0 people found the following review helpful. A solid REAL guide for commercial loan officer

By LadyB If you are new in commercial mortgage. This is the book you must have. Commercial mortgage is all about income and expenses. Add another book "Mortgage 101" then you are set. if you are a residential loan officer. Put all the residential underwriting guide behind you head.0 of 0 people found the following review helpful. Great Book

By Masked Avenger Frank Gallinelli is a boss... great insight and a well crafted book that gets you thinking about real estate finance in a real distinct way. Enjoy this read.

The Classic Guide to Real Estate Investing—Updated for a Re-energized Industry! Real estate is once again a great investment, and this bestselling guide provides everything you need to know to get in now and make your fortune. What Every Real Estate Investor Needs to Know About Cash Flow removes the guesswork from investing in

real estate by teaching you how to crunch numbers like a pro, so you can confidently judge a property's value and ensure it provides long-term returns. Real estate expert, Frank Gallinelli has added new, detailed investment case studies, while maintaining the essentials that have made his book a staple among serious investors. Learn how to measure critical aspects of real estate investments, including: Discounted Cash Flow, Net Present Value, Capitalization Rate, Cash-on-Cash Return, Net Operating Income, Internal Rate of Return, Profitability Index, Return on Equity. Whether you're just beginning in real estate investing or you're a seasoned professional, *What Every Real Estate Investor Needs to Know About Cash Flow* has what you need to make sure you take the smartest approach for your next investment using proven calculations.

About the Author Frank Gallinelli is the founder and President of RealData, Inc., one of the real estate industry's leading investment software firms. He teaches real estate investment analysis in Columbia University's Master of Science in Real Estate Development program.