



35 Reasons You Should Invest in Commercial Real Estate

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Welcome Friend,

I am so glad you have decided to take a closer look at Commercial Real Estate Investing and check out the advantages it holds over all other Investment Classes. Years from now, I sincerely hope you look back and find this report to have been the first step to a richer and more fulfilling life. I know this information has radically changed my life for the better. Here's how....

I have personally built a \$250,000,000 portfolio of properties in just the last 7 years because I know Commercial Property is the fastest way to build your Net Worth bar none. I am intimately familiar with each of these 35 profit points. I guess am actually living proof of the power of Commercial Real Estate!

Much of the reason I have been able to build so quickly is because of the 35 profit factors you will read about in this report.... many of which are absolutely unique to Commercial Real Estate. I am very excited to be sharing this information with you.

Before we get started, I want you to know that this is just the start of the investing resources you can take advantage of for FREE at our website www.investortours.com .

I created Investortours University to share the little know secrets of Commercial Property with investors like you. I have built a team of specialized educators - like Dr. Dike Drummond our Chief Learning Officer (who created this report) - to make sure our products and services are the best you can find.

I invite you to visit our website often, sign up for our ITU Newsletter and get insider secrets and wisdom delivered to you weekly.

AND, Please feel free to share this report with anyone you feel might benefit from knowing more about the fastest way to grow their Cash Flow and Net Worth.

Let's get going ...

Any discussion of Commercial Real Estate investment has to start with a brief overview of investing in general.

When you are done with this paper you may well wonder why no one has told you about the advantages of Commercial Real Estate before. I wonder the same thing myself and here is the answer...

The topic of investments has been monopolized by the Financial Planning Industry and large investment firms so that most people believe Stocks and Bonds and Mutual Funds are the only safe forms of investing available. Not true by any means.

Some of this information may be new to you especially if your Investing Knowledge Base comes primarily from conversations with your Financial Planner, Stock Broker or colleagues who only invest in “traditional” investment vehicles and/or Residential Real Estate.

To start, let’s split the investment world into the two main styles available.

1) Indirect Investments

Indirect Investment is by far the most common form in our society. In fact when most people use the term “Investment” they are usually talking about Indirect Investments such as Stocks and Bonds.

They are classified as Indirect because the investor does not own the underlying Asset and has no say in the way it is managed. **You are indirectly involved with the actual asset underlying the investment.**

One of the interesting features of Indirect Investments is their liquidity. You can buy and sell Stocks, for instance, multiple times in a single hour if you wish. This ability to rapidly trade is also a major shortcoming because it supports speculation and volatility.

Indirect Investments are prone to rapid and unpredictable swings in value due to factors that may have nothing to do with the strength of the underlying asset.

Example: If the Chairman of the Federal Reserve says something unexpected today, your stock investment in Citicorp may fall by 10% the next day even though nothing has changed in the basic business of Citicorp.

Here are some common Indirect Investment Classes...

INDIRECT INVESTMENTS:

Stocks

Bonds / Notes

Mutual Funds / Hedge Funds / Private Equity Funds / Exchange Traded Funds / Funds of Funds and anything ending in the word “Fund”

Commodities / Futures

Options

Currency Trading

2) Direct Investments

Direct Investments have a number of interesting features of their own. We call them Direct because **you actually own and have some role in controlling the management of the underlying Asset.**

These investments are much less liquid. If you own a piece of Real Estate, you can sell it AND it may take several months to complete the transaction. Direct investments are not prone to value swings based on daily press.

The value of the investment is in the Cash Flow. Your Direct Business or Real Estate Investment will be unaffected by many outside influences that cause major volatility with Indirect Investments. Think about it for a second. Your tenants still have to pay rent at the first of every month no matter what happened at the Federal Reserve this week!

Many Direct Investments are also constructed to maximize Cash Flow to the investor, a factor that is of utmost importance if you are investing to produce Financial Freedom.

Here are some Common Direct Investment Classes.

DIRECT INVESTMENTS:

Residential Real Estate Investing – Single Family Homes to Four-Plexes

Business Investment / Ownership

Commercial Real Estate Investment

Even among Direct Investments, Commercial Real Estate stands out with a number of unique features that make it an ideal component of any investor’s portfolio. Here are 35 of them and this list is by no means exhaustive.

35 Reasons You Should Invest in Commercial Real Estate

LESS WORK:

1. Less Work for the Dollar Earned

It takes far less to buy and manage a single \$3M Commercial Property than 30- \$100K single family residences. Even less when you consider the fact that you absolutely can't do this all on your own. Commercial Real Estate is a Team Sport, so you only have to do a fraction of the work required to manage even a very large portfolio and your Team does the rest ... see #2 - #5 below.

2. Professional Property Management

Commercial Properties are large enough and throw off enough cash that you can use a Professional Property Manager. These are highly qualified full-time professionals with their own team of managers and maintenance staff at their command. You will never be fishing diapers out of a toilet at midnight on one of your properties... thank heavens.

[Note: One of our Golden Rules of Commercial Property Investment is this. If you are looking at a property where the numbers do not support a Professional Property Manager ... DON'T BUY IT. Enough said.]

3. Onsite Management

Commercial properties are often large enough to have On-site managers who can instantly respond to the tenant's needs. Your On-site staff will build relationships with your tenants that result in better collections, higher tenant quality and a higher value at the sale. Compare this to a smaller building where complaints and repairs have to be phoned in by tenants and a time scheduled to address them. AND notice it is not You On-site, it is a member of the team that your property can afford

4. You Will Build a Large, Multifunctional Team

Commercial Property Transactions are large enough you can build and pay an entire team of Professionals in addition to your Property Manager. This will include at least the following. Commercial Real Estate Attorney, Title/Escrow Company, Commercial Loan Brokers, Inspector,

Commercial Real Estate Brokers. Sure you will be paying them AND it is all part of the bigger game. You leverage the expertise of others and build a team of trusted advisors. You work less because the Team does much of the on-the-ground activities.

5. Higher Quality Professionals

Generally Commercial Real Estate Professionals are ... well, more professional. They are more highly qualified and sophisticated than your average Residential Professionals. Sellers, Investors, Brokers, Attorneys, Escrow, and Mortgage people are typically at a higher level of education, productivity and accountability which will smooth your path to both the buy and the sell.

6. You can Choose your Level of Involvement

Commercial Real Estate covers the whole spectrum from 100% Active to 100% Passive investors. One investor owns and manages their own property, covering all the day to day activities at ground level. Another investor may be involved in a Syndicated Investment where they are totally passive and the Asset Manager does all the hands on work. You may be Active in some projects and Passive in others. Any level of involvement is possible.

LOWER RISK:

7. You Own the Asset

This is REAL ESTATE. Your property is a real tangible piece of property and you are on the title, in control of your own destiny. It doesn't matter what the Fed does or Bernanke says in the press. Doesn't matter what the Dow or S&P did that day. You can drive down to your property and give it a slap to reassure you it is still there. Your tenants will still have to pay you rent next month, NO MATTER WHAT. This is as real as it gets and completely eliminates much of the risks and volatility associated with Stocks and Bonds and other indirect forms of investment.

8. You Make Your Money on the Buy

Because you get access to Profit and Loss Statements from the seller and can use Property Managers to get expense data and because Mortgage Payments will be constant (in most cases) for a minimum of 5 years, you

can build a pro-forma during your Due Diligence that will allow you to predict profitability – Cash Flow and Appreciation – with a reasonable amount of certainty. You will know if you are going to make money or you simply won't go through with the purchase.

9. You Get a Free Peek

During Due Diligence, the seller absolutely has to give you every single tiny bit of information on the condition and performance of the property. You even get to interview the current tenants and look into and under every single unit. When your contract is written properly, you get this level of disclosure for FREE. Nothing is at risk. Just think how many people would have actually bought Enron stock if there was this amount of disclosure before you bought a share.

10. You are buying a viable business with a positive cash flow

With cash flowing CRE you are buying a business that can cover its own debt and then some. Unless you are buying a Major Rehab Project on a Bridge Loan, the Bank will not lend you money if the income from the property is not at least 120% of the loan payment. You literally have to be making money or you won't get the loan. You are set up for success from the start and we will teach you dozens of ways to get more profitable from the purchase forward. (#22 - #24)

11. Long-term leases

You know the income you can count on for years to come with Retail, Office and Industrial Commercial Leases and they even contain Inflation adjustments in many cases. Since you know the income when you buy, you can calculate your profit ahead of time.

12. Comprehensive Commercial Real Estate Insurance

Excellent commercial insurance coverage options exist that can protect against all common risks including Fire, Tornado, Flood... even Acts of Terrorism AND even replace 100% of your rents if space is made un-rentable. With this comprehensive insurance, which is actually required by the lender, the financial risk of any type of physical damage is eliminated. If you do have a fire on your property – and we sincerely hope you don't – insurance pays for the repairs and gives you your rents until the units are back in move-in condition.

13. Diversified Income Streams

More tenants or rentable square feet = more income points and lower income risk. Unless you are invested in a single tenant building, your income is spread over a number of Tenants within your property. This minimizes the risk to you should a single tenant move out. The more tenants, the lower the risk. The simplest example is a 100 unit Apartment Complex where the loss of a single tenant is not a major hardship to your income stream.

14. Market Cycles are Understandable, Identifiable and Slow

Commercial Real Estate Market Cycles are well understood and pretty darn easy to learn. There is NONE of the volatility you see with Stocks and Bonds. No 300 point swings on bad press. You can get plenty of information to identify a buyer's market from publicly available sources. AND, best of all, the cycles are slow. When you know Market Cycle Theory, you will see both buy and sell indicators in plenty of time to maximize your profits.

15. Credit Worthy Tenants

You can check Office and Retail Tenant's business credit status. If their Profit and Loss statement is not strong, you can ask for higher deposits or a letter of credit from their bank. You can Check Dun and Bradstreet Numbers, Trade References, their Federal Employee Identification Numbers and a UCC search for past bankruptcies, lawsuits or court appearances. You can eliminate bad tenants legally with this screening. This dramatically lowers your risk of losing income from a bad tenant and allows you to charge more for those at higher risk.

16. Non-Recourse mortgages

The value of the Property is in the Income Stream. If your property is profitable and the loan has a Loan To Value (LTV) Ratio of 75-80%, the bank does not need a personal guarantee. If you default they will be taking over a cash flowing business, making a personal guarantee meaningless.

LESS COMPETITION:

17. Less Competition than other Real Estate Investments

Think about your local market. How many Single Family Residential Investors (or investor “wanna bees”) are out there looking for the quintessential \$150K house in foreclosure? How many are actively searching for a Strip Mall in the \$2M range?

18. Access to Unlisted Properties

Once you have done several deals you will end up in the desktop Rolodex of your Broker. He or she will call you as soon as they get a new property... even before the offering package is complete. You will quickly acquire access to these unlisted deals and get the “first peek”. The more you purchase the better your access gets.

ALWAYS A HOT MARKET:

19. The Asset Disconnect

When you understand Commercial Real Estate Market Theory (see Reason 14) you will understand that Commercial Real Estate does not cycle with Residential Real Estate. You can be in a down Residential Market and be in the middle of a boom in Commercial Real Estate in the same town at the same time. Different Commercial Asset Types also cycle differently. So... you can have a boom in Multifamily and a bust in Office, in the same town at the same time. Commercial Real Estate also does not follow the Stock Market, thank heavens. What this means is this...

At any given time, no matter how bad residential may look or how down in the dumps your local Office market may be or where the Stock Market finished that month, somewhere in this country there is a community with a Commercial Asset Type that is ON FIRE in a full blown buyer's market. Your job is to find that market and get your Lead Generation System going. We can help.

YOU CONTROL THE VALUE OF YOUR PROPERTY:

20. Price/Value is easier to Understand in Commercial Real Estate

Price is dependent upon the Net Operating Income the property can produce multiplied by a Capitalization Rate (CAP Rate). [*download our Commercial Property Valuation FREE Report at www.investortours.com/free.php*] The price is directly proportionate to the Income the property will produce. No Mystery Here. You control the throttle of Price by controlling the NOI. Raise rents or lower expenses and you are driving up the Value and Price of your property in a predictable formula.

21. Forced Appreciation

In Commercial Property you are in control of the value of your property; you FORCE appreciation by driving up the Net Operating Income (NOI). This is not like passive appreciation in Residential Real Estate where your investment value is at the whim of the general market. You are in total control of the value of your property. You can drive up the NOI with even the smallest increase in income or decrease in expenses and watch the Multiplier Effect (#23) turn it into appreciation.

22. Many Ways to Force Appreciation

Any method you employ to drive more money to the NOI will Force the Appreciation of your Property and there are bunches of options.

Raise income:

- Raise rents
- Decrease Vacancies
- Burn off concessions
- Institute fees for applications and pets
- Charge for extra parking or storage

Lower Expenses:

- Bill back utility costs to tenants
- Use a high quality, professional property manager and be on the lookout for excess expenses.

23. The Multiplier Effect

Since most CRE Properties have multiple tenants, small changes in fees and leases can cause big changes in NOI.

The best example is the simplest.

Raise rents by \$20 per month in a 20 unit apartment complex and you get an extra \$4800 in yearly Net Operating Income.

The NOI increase is then divided by the CAP Rate to show the increase in the Property Value/Price produced.

If the CAP Rate is 8.0%

NOI / CAP Rate = Price/Value Increase

\$4800 / 0.08 = \$60,000 in increased Price/Value

This multiplier effect example is for the smallest multifamily project we would ever recommend you consider.

Imagine this example with a 150 unit property. That same \$20 in increased rent per unit produces a \$450,000 increase in Value/Price at an 8% Cap Rate !!

24. So Many Other Income Sources

On the Income side, there are literally dozens of ways to drive up income that don't involve touching the rents/leases. Application fees, Pet fees, extra parking space fees, storage fees, laundry income, vending machine income, Rental Utility Bill Back Systems (RUBBS) and many, many more. These new fees can be instituted the week you buy the property and give an INSTANT boost to your bottom line. Use the Multiplier Effect (#23) to see the results.

25. Triple Net Leases

This type of a lease allows you to pass along utility and other expenses to the tenants rather than having to pay them as the landlord. If they want to leave the lights on or the heat up, so be it. They will be the ones paying, not you.

MORE FINANCING OPTIONS AND BETTER RATES:

26. More competitive interest rates

Commercial Debt interest rates are based on 5 or 10 year treasury rate and less subject to fluctuations than the Prime Rate or LIBOR used to calculate Residential Real Estate loans.

27. More creative financing structures

Commercial funding has a whole slew of creative alternatives to your standard “Cash Down and Bank for the Rest” deal structure.
Mezzanine debt can cover most of the cash needed to fund larger deals.
Owner financing is more common
Many Commercial Loans are assumable debt.
AND you can find Institutional Partners on larger projects to bring the cash needed to fund the deal.

28. Bad Credit is not a Deal Breaker

Underwriting for Commercial Property Financing is based more on the property and its cash flow than on the borrower and their credit score. Your credit score is not primary factor in the lenders decision making process. If you have a project that meets the lenders standards for profitability, you don't need good credit scores to get the loan.

29. Other People's Money (OPM) is easier to raise

The larger your Commercial Property Purchase, the easier you will find it to raise capital from investors. When you are buying a \$3M Strip Mall with a 12% return, you will find investors in your own network right now who will gladly give you \$50-\$100K to be a part of that project as long as your due diligence is tight and your deal is structured well and you have a quality property manager. Remember, when you put together a project using OPM, any return you make is an Infinite Return and it doesn't get better than that.

MAKE MORE MONEY WITH MASSIVE REAL ESTATE EXCLUSIVE TAX BENEFITS

30. Write off Depreciation

Depreciation is defined as “A noncash expense that reduces the value of an asset as a result of wear and tear, age, or obsolescence.
What depreciation allows you to do is write off a percentage of the value of your Commercial Property as an annual tax deduction. The calculation is actually quite simple and goes like this.
You can only depreciate the buildings on the land. Land is not depreciable. So determine the value of the land – one method is to look at the property tax assessment. Then standard (also known as “straight line”) depreciation

allows you to deduct the entire amount in 39 years. Each year you can write off one thirty-ninth of the building's value or 2.564%. That amount can be written off your taxable income each and every year you own the building.

Depreciation allows you to take tens of thousands of dollars off your Tax Bill every single year, at the same time your property is providing you with solid cash flow. With Stocks and Bonds, you can only write off losses. With Commercial Real Estate you get write offs every single year even when you are making money from cash flow every month.

EXAMPLE: You buy a Retail Strip for \$1.2M. The tax assessment says the buildings are worth \$1M. You can deduct \$25,640 from your taxable income for each full calendar year you own the building.

31. Accelerate that Depreciation for bigger write offs

As if standard depreciation write offs weren't good enough, you can accelerate depreciation and get an even larger tax break through the widely practiced techniques of Cost Segregation & Accelerated Depreciation of Personal Property. This technique allows you to go through the buildings and identify loads of contents that can be written off in less than 39 years. Appliances, flooring and a number of other items are written off on schedules as short as 5 years. With a 5 year depreciation period, this means the cost of that item is deducted at the rate of 20% a year. This "Accelerates" your depreciation deduction. This can give you an additional tax write off of additional tens of thousands of dollars and there are consultants can do all the work for you.

32. Tax Free Money with Refinancing

You can force the appreciation of a cash flowing property and then pull money out TAX FREE by refinancing. Your increased cash flow will comfortably support the bigger loan and the cash you pull out comes to you absolutely tax free. You can use it any way you want. Of course, my advice would be that you put it in more cash flowing Real Estate.

33. Pay No Taxes at the sale with 1031 exchanges

Real Estate sales proceeds can be rolled from one investment to another - without being taxed - via the 1031 Exchange. This is totally legal no matter how much profit you have made. Just try that with profits from stocks, bonds or the sale of a business.

34. Avoid taxes with Self Directed IRA Investment

You can use Self-Directed IRA funds to invest in Real Estate in any of a number of deal structures. With a Roth IRA, this will shield your gains from taxes completely and forever.

LAST BUT NOT LEAST:

35. Commercial Real Estate is the fastest way for You to generate significant Cash Flow and rapid increases in Net Worth

I am living proof of this final reason to invest in Commercial Property. Zero to over \$250,000,000 in property in just 7 years and I did it with none of my own money. This was a systematic building process, not some Dot-Com lucky stock play. I have \$250M in investments sending me monthly checks and you can set up the same cash flow machine for yourself.

Well, there are 35 reasons why YOU should be investing in Commercial Real Estate and you may have a question at this point that goes something like this...

Why am I sharing all this information with you ?

Two basic reasons...

I am dedicated to giving back.

I came from very humble beginnings and I know the difference this level of success can make in your life. I know the joy of Financial Freedom and the difference wealth can make in your ability to contribute to your family and community. I am dedicated to sharing this with you, if you are looking to create Wealth in your life.

To massively raise the education bar.

I have seen the information on Commercial Real Estate taught by a number of Guru's in the field and its quality is shocking. [*Click this link to learn about the "3 Dirty Little Secrets" of Real Estate Training www.investortours.com/redirty_secrets.php*] Their information simply does not work in the real world of investing and you won't know that until you go out and actually try to buy a property. I think a trainer/mentor should have one simple goal ... your success. That's why I created Investortours University. Because ...

Now it's Your Turn for this level of success...

Get "insider's access" to the most effective Commercial Real Estate strategies and techniques available by signing up for our **ITU Newsletter** at our website

www.investortours.com

The Newsletter and Teleclasses are packed with insider secrets and real world tested tools and techniques on what really works to build a portfolio of cash flowing Commercial Properties.

I hope to be answering your questions on a teleclass real soon.

To your investing success,



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P.S. Don't forget to visit our website www.investortours.com for more FREE Resources to massively shorten your Commercial Real Estate learning curve and sign up for our ITU Newsletter and Commercial Power Hour Teleclass Series.

P.P.S AND, Please feel free to **share this report with anyone you feel might benefit** from knowing more about the fastest way to grow their Cash Flow and Net Worth.