

There's No Free Lunch In Real Estate Excerpts

My Journey

Like I said earlier, I'm just like you. I went to school not knowing exactly what I wanted to do with my life, but knowing that I wanted to be successful. I attended Northwestern University in Chicago and graduated with a Bachelors of Science in Engineering. Engineering never really held my interest, so I never put my degree to use. A few years later I enrolled at The Anderson School at UCLA in Los Angeles where I earned an MBA. After graduation I moved around through a few jobs, but still hadn't found my true calling. What I did know was that I wanted to make a lot of money, have financial freedom, and work my own hours. Really, who doesn't?

It was after leaving my third job out of grad school that my journey into real estate began. I started to read more about real estate investments, and how consistently making the right investments over time could help me achieve financial freedom. That sounded great. The only problem was many of the books I read just weren't that useful; they talked more about theory and less about practical solutions. In fact, many of them focused on \$0 down scenarios, which, I would come to find out, are for the most part completely unrealistic. The one thing I have learned is that there is no free lunch in real estate. I can unequivocally promise you that I can NOT help you turn \$0 and into a multi-million dollar portfolio. It can't and won't happen. On the other hand, I can promise that if you invest a small amount of money, perhaps enough to buy your first 2-4 unit property with 10% down, and you are diligent and consistent about your investment plan, you can grow a portfolio that will eventually generate a sizable annual passive income stream.

Even though many of the books I read did not provide me with a clear road to riches, I knew that real estate was going to be my path to millions. So early in March 2001, I took the plunge and purchased my first fourplex (4-unit property) in Los Angeles County. My real estate agent at the time, who was a referral from a friend, mainly focused on residential housing and as I came to find out, didn't really understand much about income property. In fact, looking back I think it's safe to say I probably knew more than he did just from the books I had read, and it was by sheer luck and market forces that my first investment turned out to be a positive one.

Once I had purchased my first property, I was hooked. I realized the power of real estate the first month I received my tenants rent checks. I had enough money to pay the mortgage, taxes, bills, and was still left with a little money for myself. At the time, LA County was in a rising housing market (this was mid 2001) and within 12 months I was able to sell my fourplex for a tidy little profit. I took those funds and did my first 1031 Exchange into two more triplexes (more to follow later in the book on the nuances of a 1031 Exchange). And, it was just 12 months later that I did another 1031 Exchange, this time into 10 duplexes in Texas.

In my first three years of owning real estate, I bought and sold over 20 properties. Since then I've owned single-family homes, duplexes, triplexes, fourplexes, and multi-family apartment buildings. I've also invested in ground-up development deals and condo conversions. I've had the opportunity to invest in many deals all over LA County and the United States. Some of them turned out to be fantastic, and others were not so great. But I've learned that, while not every deal turns out as planned, every deal is an opportunity to learn. I'll share the tools and techniques I've developed so you too can successfully analyze a real estate investment and make the best investment decision for you.

Becoming An Agent & A Teacher

Once I purchased my first property and was hooked, I realized that I had found my calling: Real Estate. For the first time ever, I had found an industry that completely captured my attention. I studied and took the real estate licensing test and joined Re/Max Commercial in Los Angeles, where I still work as a real estate advisor and broker. Since taking the plunge, I've had the opportunity to work with hundreds of seasoned investors. I've been involved in many deals, and have personally brokered over \$250 million in purchases and sales. These projects range from apartment buildings to land, to single-tenant NNN properties (explained later in the book) and office buildings. I've worked on deals valued from \$300,000 to \$110 million and more, with clients including first-time buyers, those who manage multi-billion dollar REITs, and everyone in between. In my first five years at RE/Max I've been ranked as one of their Top 25 agents in the United States and the World. And in 2006, out of over 3,500 professionals, I finished the year as the #3 broker for Re/Max Commercial in the entire United States.

After becoming a successful commercial real estate agent I began teaching at UCLA Extension in Los Angeles and speaking to local Real Estate investment clubs. My class is titled Real Estate Investment Analysis and focuses on helping regular people, just like you, learn how to make successful real estate investments. After all, it's real estate, not rocket science. And it really doesn't need to be that difficult. I've written this book as an extension of that class, combining my real world experience with an academic framework that will help you to understand the real estate market and how to make successful investments.