

Two Case Studies

Here are two of my investments that illustrate tenants and properties that fit the 'Wal-Mart Client' scenario. The first is a single family home, and the second is an up and down duplex. Both of these properties have been consistently profitable for me.

Case Study #1

West Washington St Single Family Home

		Purchase Price: \$5,000	
		Rehab: \$17,685	
Total Investment		\$22,685	
Potential Rent	Monthly	Annually	
	Unit 1	\$495.00	\$5,940.00
		Unit 2	\$0.00 \$0.00
Total	\$495.00	\$5,940.00	
	Vacancy Reserve 10%	-\$49.50	-\$594.00
	Repair Reserve 20%	-\$99.00	-\$1,188.00
	Insurance:	-\$45.00	-\$540.00
	Property Taxes:	-\$13.00	-\$156.00
	Interest Expense	\$0.00	\$0.00
	Water	\$0.00	\$0.00
	Trash/\$18 Per Unit	\$0.00	\$0.00
	Mowing/Average Over 12 Months	\$0.00	\$0.00
	Professional Management 10%	-\$49.50	-\$594.00
Total Expenses	-\$256.00	-\$3,072.00	
Net Profit	\$239.00	\$2,868.00	
	Estimated Appreciation:		0.00%
Annual Return on Investment:			12.64%

This house has done very well for me. I bought it right, managed the rehab effectively, and the property taxes are very reasonable. It rents well at \$495 a month, and most importantly to me, it generates comfortable repair and vacancy reserves. It does not quite hit my 15% return on investment (ROI) target, but it is a great property for me. I will discuss determining reasonable ROI targets later in this chapter.

Case Study #2

West High Street
Up and Down Duplex

Purchase Price: \$5,500

Rehab: \$9,666

Total Investment \$15,166

	Potential Rent Monthly	Annually
Unit 1	\$268.00	\$3,216.00
Unit 2	<u>\$375.00</u>	<u>\$4,500.00</u>
Total	\$643.00	\$7,716.00

Vacancy Reserve 10%	-\$64.30	-\$771.60
Repair Reserve 20%	-\$128.60	-\$1,543.20
Insurance:	-\$50.00	-\$600.00
Property Taxes:	-\$28.00	-\$336.00
Interest Expense	\$0.00	\$0.00
Water	-\$35.00	-\$420.00
Trash/\$18 Per Unit	-\$36.00	-\$432.00
Mowing/Average Over 12 Months	-\$35.00	-\$420.00
<u>Professional Management 10%</u>	<u>-\$64.30</u>	<u>-\$771.60</u>
Total Expenses	-\$441.20	-\$5,294.40

Net Profit	\$201.80	\$2,421.60
Estimated Appreciation:	0.00%	

Annual Return on Investment: 15.97%

As a rule I prefer single family and side by side doubles to up and down duplexes, but this house is a happy exception to my rule.