



What's Your ROI?

By David Page, Marketing Director



Real estate investing is all about ROI: your return on investment.

Like a lot of people, myself included, your first thought may be about the *money* you invest and your return on that.

For example, you get a property under contract with a homeowner with the intention of flipping it. You borrow \$130k for the purchase and rehab. You pay the closing and holding costs (financing, property taxes, insurance, utilities) to the tune of \$20k. You sell the house for \$200k, and after transaction costs of about 10% (realtor fee, seller help, closing) you net \$30k.

Let's say it's 6 months from closing to buy and closing to sell. What's your ROI?

You invested \$20k and you made \$30k in 6 months. That's like making \$60k for a full year (and indeed you could do that if you took your \$20k and did another successful flip in 6 months). Sounds like your annual ROI is 300%. Not too shabby.

What's the math if you're wholesaling instead of flipping? If you put down \$100 and net \$10,000 in 30 days, is your annual ROI 120,000%? No, you also have to include your marketing costs, which may be considerable.

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What's your ROI with rentals?

This time you're going after rental income. You buy and rehab a row house with a hard money loan at 14%. You put a tenant in the house, then refinance the property at 7% to pay off the hard money loan and recoup any other costs you incurred. You still have debt, but the monthly payment is covered by the rent, and in fact, even after your landlording expenses, you still net hundreds of dollars every month.

It sounds like your ROI is *infinite*, right? Because you got all your money back, and therefore ended up with no money left in the deal.

But of course, there's one other aspect of investing we haven't discussed: the *time* you invest. Which is finite for all of us.

With the rental example above, since your net financial investment is zero, the only limit to how many properties you can buy is how long each deal takes you to find and execute—that is, how much *time* you have for investing.

If you're rehabbing, how much time do you put into each project? Finding the deal, supervising the rehab, selling the house—they all take time. How many deals can you juggle at once?

Same goes for wholesaling. You don't have that big chunk of time for supervising a rehab on any given property, but you still have to find your deals and find your buyers.

Plus, we haven't even talked about another vital aspect of investing: *risk*. From your liability as a landlord, to the many things that can go wrong with rehabbing, to the minimal risk of wholesaling. What's your tolerance for risk?

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What's your ROI with Baltimore REIA?

I didn't know about Baltimore REIA when I started investing, and I sure wish I had. It would have saved me time and money, improving my ROI for both, and it would have helped me reduce risk, by gaining knowledge from and networking with more experienced investors.

There's also a big financial ROI with membership. You save at *both* Home Depot and Lowe's—*only* with Baltimore REIA—plus many more vendors, and on every meeting and class you attend. For example:

How much will you save each year?

On materials for a \$50,000 rehab

\$25,000 at Home Depot with 2% rebate	\$500
\$25,000 at Lowe's with 5% rebate	\$1,250

At our meetings if you attend 2 per month

(we have 7 per month), \$19 each x 24 \$456

On our classes if you take 3 of them

(we have 7 classes twice a year), \$50 each x 3 \$150

Your annual savings

\$2,356

(Plus the savings from our many other vendors—see below)

Do more rehabs... attend more meetings...
take more classes... **and you'll save even more!**

The cost for all those benefits? Just \$197 a year. If my calculator is correct, your ROI is 1,196%. Not doing rehabs? The money you save on meetings and classes alone makes joining worthwhile.

If you're already a member, congrats on your savvy investment. Are you taking full advantage of your benefits? You'll find them in the members-only section at www.BaltimoreREIA.com.

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Not a member yet? [Click here to sign up.](#) It's time to maximize your ROI with Baltimore REIA.

Whatever your strategy, I wish you the best of luck with your investing.

About David Page

David has rehabbed dozens of properties in the Baltimore metro area, wholesaled several others, and owns rental properties in Pennsylvania.

He's the Marketing Director of Baltimore REIA, co-moderator of the monthly [Meal 'n' Deal Meeting](#), and an instructor of the ["Rehabbing for Big Rewards"](#) class along with veteran rehabber Chuck Edwards.

David welcomes your questions about real estate, as well as any suggestions you may have regarding Baltimore REIA. You can reach him at DP@BaltimoreREIA.com.